

The Corporation of City of Burlington 2018 Consolidated Financial Statements

Finance Department

June 5, 2019



What are the Financial Statements?

- ▶ 4 reports plus notes

1. Consolidated Statement of Operations
2. Consolidated Statement of Changes in Net Financial Assets
3. Consolidated Statement of Financial Position
4. Consolidated Statement of Cash Flows

- ▶ Notes to the financial statements.

Purpose of Municipal Financial Statements

- Required by legislation - Municipal Act, 2001
 - Section 294.1
 - A municipality shall, for each fiscal year, prepare annual financial statements for the municipality in accordance with generally accepted accounting principles for local governments as recommended, from time to time, by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Purpose of Municipal Financial Statements

- To help in decision making
- Aid in effective long-term planning
- Provide information for accountability and transparency purposes
- Provide information to understand and assess the finances of the municipality

PSAB Financial Statements and Municipal Budgeting

PSAB Financial Statements

- Annual Financial Statements are required under the Municipal Act, Section 294.1.
- Subject to audit in accordance with PSAB standards.
- Statements are prepared on an accrual basis and take into account all financial and nonfinancial assets and liabilities.
- Statements must consolidated all the City's local boards as well as the City's ownership in Burlington Hydro (on an equity basis).

Municipal Budgeting

- Annual Budget is required under the Municipal Act, Section 290.
- The purpose of the budget is to calculate the amount to be raised through property taxation. Assists Council in reviewing and making informed decisions on programs and services.
- The operating budget is compiled on a cash basis and is presented by program.
- The capital budget is presented by asset category.

2018 Financial Results

Statement of Operations

- Annual results (for the year ended December 31, 2018)
- Reports on revenues, expenses and accumulated surplus for the fiscal year.

The Corporation of the City of Burlington

Consolidated statement of operations

year ended December 31, 2018

(All amounts are in thousands of dollars)

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Revenues			
Taxation	163,719	164,720	155,409
User fees and charges	25,789	46,185	36,406
Grants			
Government of Canada	5,763	9,702	6,747
Province of Ontario	2,743	4,619	4,312
Contributions from developers	1,267	7,621	7,492
Investment income	5,481	9,084	9,472
Gain on sale of tangible capital assets	279	2,739	754
Penalties and interest on taxes	2,100	2,173	2,148
Donations	225	653	1,134
Fines and penalties	11,937	13,271	12,051
Rents and concessions	4,913	5,723	5,648
Licenses and permits	6,770	6,368	7,879
Other	512	1,839	1,389
Hydro dividends and interest	4,900	5,687	4,954
Burlington Hydro Electric Inc., net increase in equity (Note 11)	-	2,517	2,235
Total revenues	236,398	282,901	258,030
Expenses (Note 12)			
General government	48,434	47,284	32,225
Protection to persons and property	42,408	52,851	45,590
Transportation services	71,396	79,582	69,040
Environmental services	1,151	7,576	7,403
Health services	387	327	313
Recreation and cultural services	57,482	66,894	66,387
Planning and development	7,281	7,300	7,659
Total expenses	228,539	261,814	228,617
Annual surplus	7,859	21,087	29,413
Accumulated surplus, beginning of year	999,999	999,999	970,586
Accumulated surplus, end of year (Note 10)	1,007,858	1,021,086	999,999

The Corporation of the City of Burlington

Consolidated statement of operations

year ended December 31, 2018

(All amounts are in thousands of dollars)

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Revenues			
Taxation	163,719	164,720	155,409
User fees and charges	25,789	46,185	36,406
Grants			
Government of Canada	5,763	9,702	6,747
Province of Ontario	2,743	4,619	4,312
Contributions from developers	1,267	7,621	7,492
Investment income	5,481	9,084	9,472
Gain on sale of tangible capital assets	279	2,739	754
Penalties and interest on taxes	2,100	2,173	2,148
Donations	225	653	1,134
Fines and penalties	11,937	13,271	12,051
Rents and concessions	4,913	5,723	5,648
Licenses and permits	6,770	6,368	7,879
Other	512	1,839	1,389
Hydro dividends and interest	4,900	5,687	4,954
Burlington Hydro Electric Inc., net increase in equity (Note 11)	-	2,517	2,235
Total revenues	236,398	282,901	258,030
Expenses (Note 12)			
General government	48,434	47,284	32,225
Protection to persons and property	42,408	52,851	45,590
Transportation services	71,396	79,582	69,040
Environmental services	1,151	7,576	7,403
Health services	387	327	313
Recreation and cultural services	57,482	66,894	66,387
Planning and development	7,281	7,300	7,659
Total expenses	228,539	261,814	228,617
Annual surplus	7,859	21,087	29,413
Accumulated surplus, beginning of year	999,999	999,999	970,586
Accumulated surplus, end of year (Note 10)	1,007,858	1,021,086	999,999

The Corporation of the City of Burlington

Consolidated statement of operations

year ended December 31, 2018

(All amounts are in thousands of dollars)

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Revenues			
Taxation	163,719	164,720	155,409
User fees and charges	25,789	46,185	36,406
Grants			
Government of Canada	5,763	9,702	6,747
Province of Ontario	2,743	4,619	4,312
Contributions from developers	1,267	7,621	7,492
Investment income	5,481	9,084	9,472
Gain on sale of tangible capital assets	279	2,739	754
Penalties and interest on taxes	2,100	2,173	2,148
Donations	225	653	1,134
Fines and penalties	11,937	13,271	12,051
Rents and concessions	4,913	5,723	5,648
Licenses and permits	6,770	6,368	7,879
Other	512	1,839	1,389
Hydro dividends and interest	4,900	5,687	4,954
Burlington Hydro Electric Inc., net increase in equity (Note 11)	-	2,517	2,235
Total revenues	236,398	282,901	258,030
Expenses (Note 12)			
General government	48,434	47,284	32,225
Protection to persons and property	42,408	52,851	45,590
Transportation services	71,396	79,582	69,040
Environmental services	1,151	7,576	7,403
Health services	387	327	313
Recreation and cultural services	57,482	66,894	66,387
Planning and development	7,281	7,300	7,659
Total expenses	228,539	261,814	228,617
Annual surplus	7,859	21,087	29,413
Accumulated surplus, beginning of year	999,999	999,999	970,586
Accumulated surplus, end of year (Note 10)	1,007,858	1,021,086	999,999

The Corporation of the City of Burlington

Consolidated statement of operations

year ended December 31, 2018

(All amounts are in thousands of dollars)

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Revenues			
Taxation	163,719	164,720	155,409
User fees and charges	25,789	46,185	36,406
Grants			
Government of Canada	5,763	9,702	6,747
Province of Ontario	2,743	4,619	4,312
Contributions from developers	1,267	7,621	7,492
Investment income	5,481	9,084	9,472
Gain on sale of tangible capital assets	279	2,739	754
Penalties and interest on taxes	2,100	2,173	2,148
Donations	225	653	1,134
Fines and penalties	11,937	13,271	12,051
Rents and concessions	4,913	5,723	5,648
Licenses and permits	6,770	6,368	7,879
Other	512	1,839	1,389
Hydro dividends and interest	4,900	5,687	4,954
Burlington Hydro Electric Inc., net increase in equity (Note 11)	-	2,517	2,235
Total revenues	236,398	282,901	258,030
Expenses (Note 12)			
General government	48,434	47,284	32,225
Protection to persons and property	42,408	52,651	45,590
Transportation services	71,396	79,582	69,040
Environmental services	1,151	7,576	7,403
Health services	387	327	313
Recreation and cultural services	57,482	66,894	66,387
Planning and development	7,281	7,300	7,659
Total expenses	228,539	261,814	228,617
Annual surplus	7,859	21,087	29,413
Accumulated surplus, beginning of year	999,999	999,999	970,586
Accumulated surplus, end of year (Note 10)	1,007,858	1,021,086	999,999

Statement of Change in Net Financial Assets

- Shows how surplus was used to support the acquisition of tangible capital assets and other non financial assets.

The Corporation of the City of Burlington

Consolidated statement of change in net financial assets year ended December 31, 2018

(All amounts are in thousands of dollars)

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Annual surplus	7,859	21,087	29,413
Acquisition of tangible capital assets	(66,311)	(69,504)	(49,963)
Amortization	34,041	34,631	32,646
Gain on disposal of tangible capital assets	-	(2,739)	(754)
Proceeds on sale of tangible capital assets	-	5,640	2,157
Change in supplies of inventory	-	(440)	114
Change in prepaid expenses	-	(295)	99
(Decrease) increase in net financial assets	(24,411)	(11,620)	13,712
Net financial assets, beginning of year	179,606	179,606	165,894
Net financial assets, end of year	155,195	167,986	179,606

The Corporation of the City of Burlington

Consolidated statement of change in net financial assets year ended December 31, 2018

(All amounts are in thousands of dollars)

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Annual surplus	7,859	21,087	29,413
Acquisition of tangible capital assets	(66,311)	(69,504)	(49,963)
Amortization	34,041	34,631	32,646
Gain on disposal of tangible capital assets	-	(2,739)	(754)
Proceeds on sale of tangible capital assets	-	5,640	2,157
Change in supplies of inventory	-	(440)	114
Change in prepaid expenses	-	(295)	99
(Decrease) increase in net financial assets	(24,411)	(11,620)	13,712
Net financial assets, beginning of year	179,606	179,606	165,894
Net financial assets, end of year	155,195	167,986	179,606

A decrease in the **net financial assets** is most likely the result of the municipality funding capital acquisitions with debt or with financial assets accumulated in a previous year.

Statement of Financial Position

- Snapshot in time (as at December 31, 2018)
- Reports on a municipality's assets, liabilities and accumulated surplus
- Context of a long-term view of the municipality's financial health

The Corporation of the City of Burlington

Consolidated statement of financial position

as at December 31, 2018

(All amounts are in thousands of dollars)

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	57,559	40,707
Taxes receivable (Note 2)	9,549	10,497
Accounts receivable	27,008	18,523
Investments (Note 4)	177,222	202,107
Investment in Burlington Hydro Electric Inc. (Note 11)	133,243	130,726
	404,581	402,560
Liabilities		
Accounts payable and accrued liabilities	31,151	26,231
Other liabilities	322	379
Deferred revenue - general	7,919	7,691
Deferred revenue - obligatory reserve funds (Note 5)	74,088	72,734
Employee future benefits (Note 6)	27,413	26,994
Long-term debt (Note 8)	95,702	88,925
	236,595	222,954
Net financial assets	167,986	179,606
Non-financial assets		
Tangible capital assets (Note 9)	849,979	818,007
Inventory	2,251	1,811
Prepaid expenses	870	575
	853,100	820,393
Commitments and contingencies (Note 14)		
Accumulated surplus (Note 10)	1,021,086	999,999

Net Financial assets – Indicates the ability for future services to be financed from existing resources.

The Corporation of the City of Burlington

Consolidated statement of financial position

as at December 31, 2018

(All amounts are in thousands of dollars)

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	57,559	40,707
Taxes receivable (Note 2)	9,549	10,497
Accounts receivable	27,008	18,523
Investments (Note 4)	177,222	202,107
Investment in Burlington Hydro Electric Inc. (Note 11)	133,243	130,726
	404,581	402,560
Liabilities		
Accounts payable and accrued liabilities	31,151	26,231
Other liabilities	322	379
Deferred revenue - general	7,919	7,691
Deferred revenue - obligatory reserve funds (Note 5)	74,088	72,734
Employee future benefits (Note 6)	27,413	26,994
Long-term debt (Note 8)	95,702	88,925
	236,595	222,954
Net financial assets	167,986	179,606
Non-financial assets		
Tangible capital assets (Note 9)	849,979	818,007
Inventory	2,251	1,811
Prepaid expenses	870	575
	853,100	820,393
Commitments and contingencies (Note 14)		
Accumulated surplus (Note 10)	1,021,086	999,999

Deferred revenue – obligatory reserve fund –
 Represent developer contributions that are held in specific reserve funds and must be used for specific future uses.

The Corporation of the City of Burlington

Consolidated statement of financial position

as at December 31, 2018

(All amounts are in thousands of dollars)

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	57,559	40,707
Taxes receivable (Note 2)	9,549	10,497
Accounts receivable	27,008	18,523
Investments (Note 4)	177,222	202,107
Investment in Burlington Hydro Electric Inc. (Note 11)	133,243	130,726
	404,581	402,560
Liabilities		
Accounts payable and accrued liabilities	31,151	26,231
Other liabilities	322	379
Deferred revenue - general	7,919	7,691
Deferred revenue - obligatory reserve funds (Note 5)	74,088	72,734
Employee future benefits (Note 6)	27,413	26,994
Long-term debt (Note 8)	95,702	88,925
	236,595	222,954
Net financial assets	167,986	179,606
Non financial assets		
Tangible capital assets (Note 9)	849,979	818,007
Inventory	2,251	1,811
Prepaid expenses	870	575
	853,100	820,393
Commitments and contingencies (Note 14)		
Accumulated surplus (Note 10)	1,021,086	999,999

The amount recorded for **tangible capital assets** is the net book value, which is the actual cost less the accumulated amortization. It represents the portion of the municipality's financial position that is *unexpired "future" service potential*

The Corporation of the City of Burlington

Consolidated statement of financial position

as at December 31, 2018

(All amounts are in thousands of dollars)

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	57,559	40,707
Taxes receivable (Note 2)	9,549	10,497
Accounts receivable	27,008	18,523
Investments (Note 4)	177,222	202,107
Investment in Burlington Hydro Electric Inc. (Note 11)	133,243	130,726
	404,581	402,560
Liabilities		
Accounts payable and accrued liabilities	31,151	26,231
Other liabilities	322	379
Deferred revenue - general	7,919	7,691
Deferred revenue - obligatory reserve funds (Note 5)	74,088	72,734
Employee future benefits (Note 6)	27,413	26,994
Long-term debt (Note 8)	95,702	88,925
	236,595	222,954
Net financial assets	167,986	179,606
Non-financial assets		
Tangible capital assets (Note 9)	849,979	818,007
Inventory	2,251	1,811
Prepaid expenses	870	575
	853,100	820,393
Commitments and contingencies (Note 14)		
Accumulated surplus (Note 10)	1,021,086	999,999

The **accumulated surplus** - the primary indicator of the financial resources the municipality has available to provide future services. It consists of both cash and non-cash components. The notes to the financial statements identify what portions of the accumulated surplus are:

- unrestricted (including cash, accounts receivable and other non-cash financial assets);
- restricted (cash that can only be used for a pre-determined purpose); and
- equity in tangible capital assets

Statement of Cash Flow

- Annual cash results (for the year ended December 31, 2018)
- Reports where cash came from and shows how it was used.
- Provides;
 - details on changes to cash and cash equivalents since the last reporting period
 - detailed information on significant cash transactions that are not included in the Statement of Operations.

The Corporation of the City of Burlington

Consolidated statement of cash flows

year ended December 31, 2018

(All amounts are in thousands of dollars)

	2018	2017
	\$	\$
Operating activities		
Annual surplus	21,087	29,413
Non-cash charges to operations		
Amortization	34,631	32,646
Gain on disposal of tangible capital assets	(2,739)	(754)
Burlington Hydro Electric Inc., net income	(5,867)	(4,835)
Decrease in taxes receivable	948	273
Increase in accounts receivable	(8,485)	(2,837)
(Increase) decrease in inventory	(440)	114
(Increase) decrease in prepaid expenses	(295)	99
Increase in accounts payable and accrued liabilities	4,920	1,902
(Decrease) increase in other liabilities	(57)	52
Increase in deferred revenue - general	228	125
Increase in deferred revenue - obligatory reserve funds	1,354	11,428
Increase in employee future benefits	419	1,275
Cash provided by operating transactions	45,704	68,901
Capital activities		
Purchase of tangible capital assets	(69,504)	(49,963)
Proceeds on sale of tangible capital assets	5,640	2,157
Net decrease in cash from capital activities	(63,864)	(47,806)
Investing activity		
Decrease (increase) in investments	24,885	(14,812)
Net increase (decrease) in cash from investing activities	24,885	(14,812)
Financing activities		
New debt issued	20,153	8,078
Debt principal repayments	(13,376)	(13,232)
Dividends received	3,350	2,600
Net increase (decrease) in cash from financing activities	10,127	(2,554)
Change in cash and cash equivalents	16,852	3,729
Cash and cash equivalents, beginning of year	40,707	36,978
Cash and cash equivalents, end of year	57,559	40,707

The Statement of Cash Flow begins with the net results of municipal operations.

This operational result includes **amortization**, which is a non-cash expense. To determine the change in the municipality's cash position, the amortization amount is added back into the operations result.

The Corporation of the City of Burlington

Consolidated statement of cash flows

year ended December 31, 2018

(All amounts are in thousands of dollars)

	2018	2017
	\$	\$
Operating activities		
Annual surplus	21,087	29,413
Non-cash charges to operations		
Amortization	34,631	32,646
Gain on disposal of tangible capital assets	(2,739)	(754)
Burlington Hydro Electric Inc., net income	(5,867)	(4,835)
Decrease in taxes receivable	948	273
Increase in accounts receivable	(8,485)	(2,837)
(Increase) decrease in inventory	(440)	114
(Increase) decrease in prepaid expenses	(295)	99
Increase in accounts payable and accrued liabilities	4,920	1,902
(Decrease) increase in other liabilities	(57)	52
Increase in deferred revenue - general	228	125
Increase in deferred revenue - obligatory reserve funds	1,354	11,428
Increase in employee future benefits	419	1,275
Cash provided by operating transactions	45,704	68,901
Capital activities		
Purchase of tangible capital assets	(69,504)	(49,963)
Proceeds on sale of tangible capital assets	5,640	2,157
Net decrease in cash from capital activities	(63,864)	(47,806)
Investing activity		
Decrease (increase) in investments	24,885	(14,812)
Net increase (decrease) in cash from investing activities	24,885	(14,812)
Financing activities		
New debt issued	20,153	8,078
Debt principal repayments	(13,376)	(13,232)
Dividends received	3,350	2,600
Net increase (decrease) in cash from financing activities	10,127	(2,554)
Change in cash and cash equivalents	16,852	3,729
Cash and cash equivalents, beginning of year	40,707	36,978
Cash and cash equivalents, end of year	57,559	40,707

The Statement of Cash Flow begins with the net results of municipal operations.

This operational result includes **amortization**, which is a non-cash expense. To determine the change in the municipality's cash position, the amortization amount is added back into the operations result.

The **Capital and Financing** categories provide a summary of the capital transactions that took place and an indicator of what portion of the capital transactions were financed with long-term debt.

- The **Capital** section provides information on the amount the municipality expended on tangible capital assets as well as the amount the municipality received from selling tangible capital assets during the reporting period.
- The **Financing** section identifies funds received from long-term debt financing, as well as the amount of long-term debt principal repaid during the reporting period.

The Corporation of the City of Burlington

Consolidated statement of cash flows

year ended December 31, 2018

(All amounts are in thousands of dollars)

	2018	2017
	\$	\$
Operating activities		
Annual surplus	21,087	29,413
Non-cash charges to operations		
Amortization	34,631	32,646
Gain on disposal of tangible capital assets	(2,739)	(754)
Burlington Hydro Electric Inc., net income	(5,867)	(4,835)
Decrease in taxes receivable	948	273
Increase in accounts receivable	(8,485)	(2,837)
(Increase) decrease in inventory	(440)	114
(Increase) decrease in prepaid expenses	(295)	99
Increase in accounts payable and accrued liabilities	4,920	1,902
(Decrease) increase in other liabilities	(57)	52
Increase in deferred revenue - general	228	125
Increase in deferred revenue - obligatory reserve funds	1,354	11,428
Increase in employee future benefits	419	1,275
Cash provided by operating transactions	45,704	68,901
Capital activities		
Purchase of tangible capital assets	(69,504)	(49,963)
Proceeds on sale of tangible capital assets	5,640	2,157
Net decrease in cash from capital activities	(63,864)	(47,806)
Investing activity		
Decrease (increase) in investments	24,885	(14,812)
Net increase (decrease) in cash from investing activities	24,885	(14,812)
Financing activities		
New debt issued	20,153	8,078
Debt principal repayments	(13,376)	(13,232)
Dividends received	3,350	2,600
Net increase (decrease) in cash from financing activities	10,127	(2,554)
Change in cash and cash equivalents	16,852	3,729
Cash and cash equivalents, beginning of year	40,707	36,978
Cash and cash equivalents, end of year	57,559	40,707

The Corporation of the City of Burlington

Consolidated statement of cash flows

year ended December 31, 2018

(All amounts are in thousands of dollars)

	2018	2017
	\$	\$
Operating activities		
Annual surplus	21,087	29,413
Non-cash charges to operations		
Amortization	34,631	32,646
Gain on disposal of tangible capital assets	(2,739)	(754)
Burlington Hydro Electric Inc., net income	(5,867)	(4,835)
Decrease in taxes receivable	948	273
Increase in accounts receivable	(8,485)	(2,837)
(Increase) decrease in inventory	(440)	114
(Increase) decrease in prepaid expenses	(295)	99
Increase in accounts payable and accrued liabilities	4,920	1,902
(Decrease) increase in other liabilities	(57)	52
Increase in deferred revenue - general	228	125
Increase in deferred revenue - obligatory reserve funds	1,354	11,428
Increase in employee future benefits	419	1,275
Cash provided by operating transactions	45,704	68,901
Capital activities		
Purchase of tangible capital assets	(69,504)	(49,963)
Proceeds on sale of tangible capital assets	5,640	2,157
Net decrease in cash from capital activities	(63,864)	(47,806)
Investing activity		
Decrease (increase) in investments	24,885	(14,812)
Net increase (decrease) in cash from investing activities	24,885	(14,812)
Financing activities		
New debt issued	20,153	8,078
Debt principal repayments	(13,376)	(13,232)
Dividends received	3,350	2,600
Net increase (decrease) in cash from financing activities	10,127	(2,554)
Change in cash and cash equivalents	16,852	3,729
Cash and cash equivalents, beginning of year	40,707	36,978
Cash and cash equivalents, end of year	57,559	40,707

2018 Financial Results

(in thousands)

Debt to Total Reserve Balance

- ▶ This provides a measure for financial judgment by comparing total debt to the total reserve

	2018	2017	2016	2015	2014
Debt	95,702	88,925	94,079	73,416	70,223
Reserve Balance	122,842	130,924	124,182	116,420	106,913
Debt to Total Reserves Ratio	0.78	0.68	0.76	0.63	0.66

2018 Financial Results

(in thousands)

Debt Interest as a Ratio of Revenue

- ▶ This ratio indicates the extent of which the City's own source revenues are committed to debt charges.

	2018	2017	2016	2015	2014
Debt Interest	2,670	2,670	2,708	2,592	2,725
Own Revenues	263,476	237,244	221,000	213,304	207,929
Debt Interest as a ratio to Own Revenues	1.01%	1.12%	1.23%	1.22%	1.31%

2018 Financial Results

(in thousands)

Stabilization reserves as % of own source of revenue

- ▶ This indicator analyzes the health of the operating reserves by focusing specifically on the stabilization and contingency reserves compared to own revenues. A benchmark is 5%-15%.

	2018	2017	2016	2015	2014
Stabilization Reserves	24,086	26,198	20,773	18,609	19,093
Own Revenues	263,476	237,244	221,000	213,304	207,929
Stabilization Reserves as a ratio to Own Revenues	9.14%	11.04%	9.40%	8.72%	9.18%

2018 Financial Results

Accomplishments

- ▶ Implementation of a new Parks & Recreation Registration software
- ▶ Acquisition of a new City building at 390 Brant Street
- ▶ Purchase of 9 new transit buses
- ▶ Completion of various road and park projects
- ▶ Continued work on various City initiatives such as the CRM and BI projects
- ▶ Various events; Rogers Hometown Hockey, Canada Day, Children's Festival, Touch-a-truck



Questions?

