



SUBJECT: Consolidated financial statements December 31, 2021

TO: Audit Committee

FROM: Finance Department

Report Number: F-23-22

Wards Affected: All

File Numbers: 440-01

Date to Committee: June 8, 2021

Date to Council: June 21, 2021

Recommendation:

Approve the 2021 consolidated financial statements for the City of Burlington and the local boards, as audited by Deloitte LLP attached to finance department report F-23-22 as Appendices A, B, C, D, E and F; and

Approve the 2021 financial statements for the trust funds of the City of Burlington as audited by Deloitte LLP attached to finance department report F-23-22 as Appendix G; and

Authorize the Chief Financial Officer to publish the statements on the City's website.

Purpose:

An Engaging City

- Good Governance

Background and Discussion:

We are pleased to submit the audited 2021 Consolidated Financial Statements for the City of Burlington for approval. Copies of the individual financial statements for the consolidated local boards; Burlington Public Library, Burlington Economic Development Corporation (BEDC), Burlington Museums Board, Burlington Theatre Board, Burlington Downtown BIA are attached for reference. Also, attached are the financial statements

for the City of Burlington Trust Funds. The final Consolidated Financial Statements will be distributed once approved.

Unaudited statements for the Aldershot Village BIA (ABIA) are also included in the City's consolidated financial statements. The ABIA is currently undergoing its 2021 external audit and as a result their financial statements will be brought to committee for information purposes in September.

The City's financial statements are prepared in accordance with Canadian public sector accounting standards for local government as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The PSAB guidelines serve to assist the public in understanding and having confidence in public sector accounting.

The statements have been audited by our auditors, Deloitte LLP, Chartered Accountants. Representatives from Deloitte LLP are in attendance to express their opinion on whether these statements present fairly the financial position of the City.

It is a requirement that the Audit Committee and Council approve the consolidated financial statements for the City before they are published. This report presents an overview of the financial statements.

The Statements presented include:

Consolidated statement of operations

Consolidated statement of changes in net financial assets

Consolidated statement of financial position

Consolidated statement of cash flow

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position presents the financial position of the City as at December 31, 2021. The focus of this statement is to present the assets, liabilities, and accumulated surplus of the City.

Highlights of this statement include;

Tangible Capital Assets

Tangible capital assets represent the City's largest asset. The 2021 net book value (NBV) of the City's tangible capital assets is \$885.3 million (2020 – \$884.2 million). This value represents the historical cost of the assets and is presented net of accumulated depreciation.

The following chart details the asset categories and their respective NBVs for 2021 and 2020:

Category	2021 NBV (in millions)	2020 NBV (in millions)	\$ Change (in millions)
Land	171.4	171.4	0.0
Buildings	146.2	148.4	(2.2)
Vehicles	32.4	28.9	3.5
Machinery & Equipment	14.3	16.0	(1.7)
Land Improvements	66.0	64.0	2.0
Linear	431.4	423.5	7.9
Work in Progress	23.6	32.0	(8.4)
Total	885.3	884.2	1.1

The TCAs net book value represents the resources that the City can use in the future to deliver services or that will be consumed during operations.

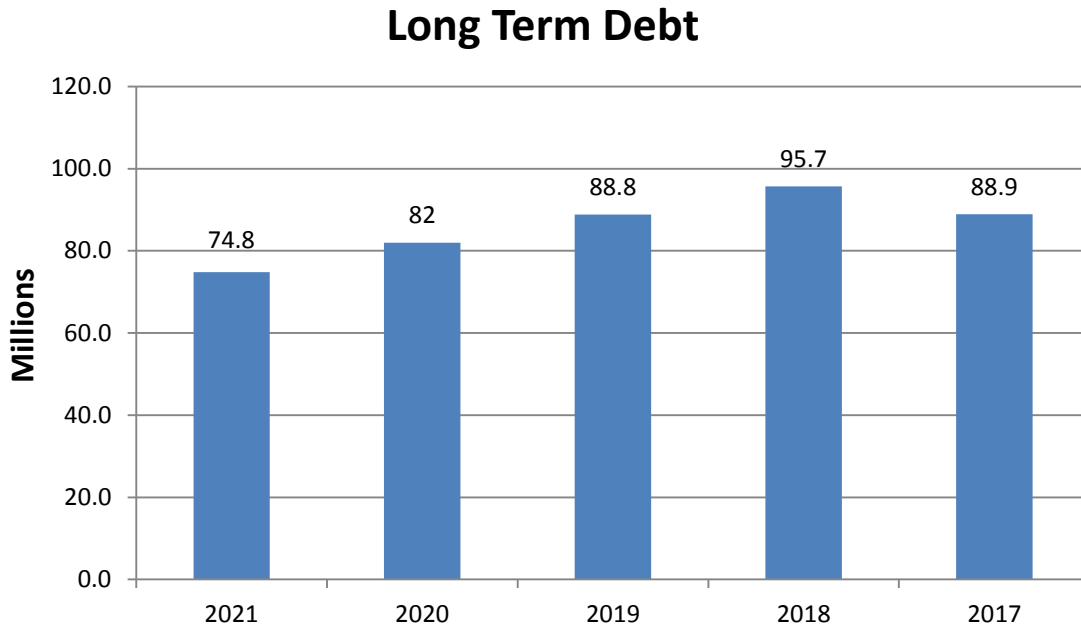
Obligatory reserve funds

Obligatory reserve fund balances are recorded as deferred revenue (a liability) on the City's statement of financial position. This differs from the City's policy where allocation of the obligatory reserve funds to their capital projects is completed upon approval of the capital budget. PSAB requires unspent funds be reported under this method as provincial legislation restricts how the funds may be used. As the funds are spent for their intended purposes they are recognized into revenue.

Long-term debt

Long term debt for 2021 decreased to \$74.8 million from \$82.0 million in the prior year. Principal debt repayments totaled \$13.8 million for 2021.

The following chart presents net long-term debt over the past five years:



Accumulated Surplus

The consolidated statement of financial position results in the accumulated surplus for the City. The City's accumulated surplus for 2021 was \$1.129 billion an increase of \$23.9 million from 2020 (\$1.105 billion). The accumulated surplus represents the excess of assets the City has that can be used to provide future services (please refer to Note 10 in the financial statements for a breakdown of this balance).

Consolidated Statement of Operations

The Consolidated Statement of Operations provides a summary of revenues and expenses incurred through the period that are a combination of the current and capital fund revenues and expenses that are not related to the acquisition or disposition of tangible capital assets and the revenues of the discretionary reserve funds.

Annual surplus/(deficit) reported on this statement is the difference between revenues and expenses for the year. Non-cash items such as amortization and contributed assets are also included in this statement.

The breakdown of the City's revenue sources for 2021 and 2020 are detailed in the following table:

Revenue Source	% of 2021 Revenue	% of 2020 Revenue
Taxation	67.2	63.5
User fees	8.8	11.6
Fine, penalties & interest	4.1	3.1
Grants (Federal & Provincial)	4.0	9.1
Investments	3.2	3.9
Developers	5.2	2.5
Other	2.9	2.4
Licenses & permits	2.6	1.8
Hydro dividends	1.5	1.8
Contributed tangible capital assets	0.5	0.3

Total revenue in 2021 of \$276.8 million decreased by \$4.4 million (1.6%) compared to 2020 and \$16.1 million (5.5%) compared to 2019. The decreased revenues are largely due to:

- a reduction in non-taxation revenues of \$12.0 million (11.7%) compared to 2020 and \$30.9 million (25.4%) compared to 2019; partially offset by
- an increase in taxation revenue of \$7.6 million (4.3%) compared to 2020 and \$14.8 million (8.6%) compared to 2019.

Non-Taxation Revenue: Due to the Covid-19 pandemic and resulting restrictions imposed throughout 2021 and 2020 the City was required to close facilities and cancel many recreation activities. This had negative impact on several revenue streams and resulted in a different revenue distribution from prior years. Most notably was the decrease in user fees as a percentage of total revenue. In 2021 user fees comprised 8.8% of total revenue as historically (pre-pandemic) this percentage was approximately 14-16% of total revenue. This decrease is directly related to the cancellation of many of the City's recreational programs because of restrictions to help stop the spread of Covid-19. Offsetting the decrease in revenues from user fees was the receipt of Safe Restart Funding totaling \$20.4 million since the start of the pandemic.

Expenditures are presented by functional area in the statement. The functional areas are compared to departments/services as follows:

Functional Area	Department
General Government	Non-Divisional Departments, Corporate Services
Protection to Persons and property	Fire, By-law enforcement, Animal Control
Transportation Services	RPF (excluding storm water management), Transportation and Transit
Environmental Services	Storm water management
Health Services	Cemetery Operations
Recreation and Cultural Services	Recreation, Community and Culture, Library, Museums, Burlington Theatre Board
Planning and Development	Community Planning, Building, Downtown BIA, Aldershot BIA, BED

Also added to expenses by functional category are amortization expense and post-employment benefit expense. Details by segments are presented in Note 12 of the financial statements.

The breakdown of the City's expenditures by function for 2021 and 2020 are detailed in the following table:

Function	% of 2021 Expenses	% of 2020 Expenses
Transportation services	33.3	32.1
Recreation and cultural services	24.2	23.6
Protection to persons and property	19.7	20.8
General government	17.3	17.1
Planning and development	3.1	3.2
Environmental services	2.2	3.1
Health services	0.2	0.1

As noted with revenue percentages above expenditure distribution will vary for 2021 and 2020 compared to historical results given the impacts of Covid-19. Increases in the general government proportion of expenditures were the result of the additional costs related to Covid-19.

2021 Annual Surplus

Overall, the 2021 consolidated statement of operations resulted in a surplus of \$23.9 million.

2021 Budget

Budget figures presented in the consolidated statements are based on the 2021 operating and capital budgets approved by Council. Amounts also include estimated amortization that is reported to Council prior to budget approval. Note 15 in the financial statements reconciles the approved budget figures reported in these consolidated financial statements.

Consolidated Statement of Changes in Net Financial Assets

The statement of change in net financial assets tracks the value the municipality has acquired for total tangible capital assets, \$38.2 million in 2021 and reports on the loss on disposal of tangible capital assets, \$0.0 million in 2021. Overall, there is a net increase in financial assets of \$22.4 million recognized in 2021.

Consolidated Statement of Cash Flow

The consolidated statement of cash flow explains how the City financed its activities and met its cash requirements, resulting in a change in cash and cash equivalents over the reporting period. The cash and cash equivalents of the City decreased by \$13.5 million in 2021 to bring the total balance down to \$54.6 million, details of the decrease are outlined below:

Increase to cash:

Cash received by operations	\$81.4
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Decrease to cash:

Cash from investing	(52.2)
Cash from financing	(4.7)
Acquisition and disposal of tangible capital assets	(38.0)
	<hr/> (13.5) <hr/>

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information to explain or supplement the financial statements including disclosure of accounting policies and basis of consolidation. The following summarizes some of the key information contained in the Notes.

i) **Employee Future Benefits (Note 6)**

Disclosed on the Consolidated Statement of Financial Position is the liability for employee future benefits. Note 6 provides detailed explanations for liabilities associated with the following; banked overtime, WSIB, vacation pay, retiree benefits and life, medical and dental benefits.

Municipalities are not currently required to fund these liabilities. However, the City does hold a reserve fund in the amount of \$4.4 million (2020- \$4.2 million) for post-employment benefits, and in the amount of \$7.7 million (2020 - \$7.6 million) for WSIB liability.

ii) **Burlington Enterprises Corporation (Note 11)**

A significant component of the City's accumulated surplus is the investment in Burlington Enterprises Corporation (formerly Burlington Hydro Electric Inc.). Note 11 provides supplementary information on the consolidated statements of Burlington Enterprises Corporation for the year ended December 31, 2021.

Financial Matters:

Not applicable.

Conclusion:

This report presents an overview of the 2021 Consolidated Financial Statements.

Respectfully submitted,

Greg Henderson

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Appendices:

- a. Consolidated Financial Statements of the City of Burlington (Draft)
- b. Financial Statements of the Burlington Public Library Board (Draft)
- c. Financial Statements of the Museums Board (Draft)
- d. Financial Statements of the Burlington Theatre Board (Draft)
- e. Financial Statements of the Burlington Economic Development Corporation (Draft)
- f. Financial Statements of Burlington Downtown (Draft)
- g. The Trust Funds of the Corporation of the City of Burlington (Draft)

Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.