



**SUBJECT:** Financial highlights for the period ended June 30, 2022

**TO:** **Audit Committee**

**FROM:** **Finance Department**

Report Number: F-28-22

Wards Affected: not applicable

File Numbers: 440-01

Date to Committee: September 12, 2022

Date to Council: September 20, 2022

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### **Recommendation:**

Receive and file finance department report F-28-22 providing financial highlights as at June 30, 2022.

### **PURPOSE:**

#### **Vision to Focus Alignment:**

- Deliver customer centric services with a focus on efficiency and technology transformation

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### **Background and Discussion:**

The Audit Committee's terms of reference indicate that it will review and recommend for approval the annual audited consolidated financial statements of the City and will review quarterly financial performance throughout the year. To assist the Audit Committee with this responsibility report F-28-22 will present key financial highlights for the quarter ended June 30, 2022. The significant impact of the Covid-19 pandemic in the last 2 years has reinforced the importance of consistent monitoring of financial performance.

On an annual basis the Consolidated Financial Statements of the City of Burlington are presented to the Audit Committee for their recommendation to Council to approve. The City's financial statements are prepared in accordance with Canadian public sector accounting standards. These standards in some instances differ with the way the City reports on its daily operations which can make review of the financial statements

challenging. This report will present financial results from an operational perspective for the period ended June 30, 2022.

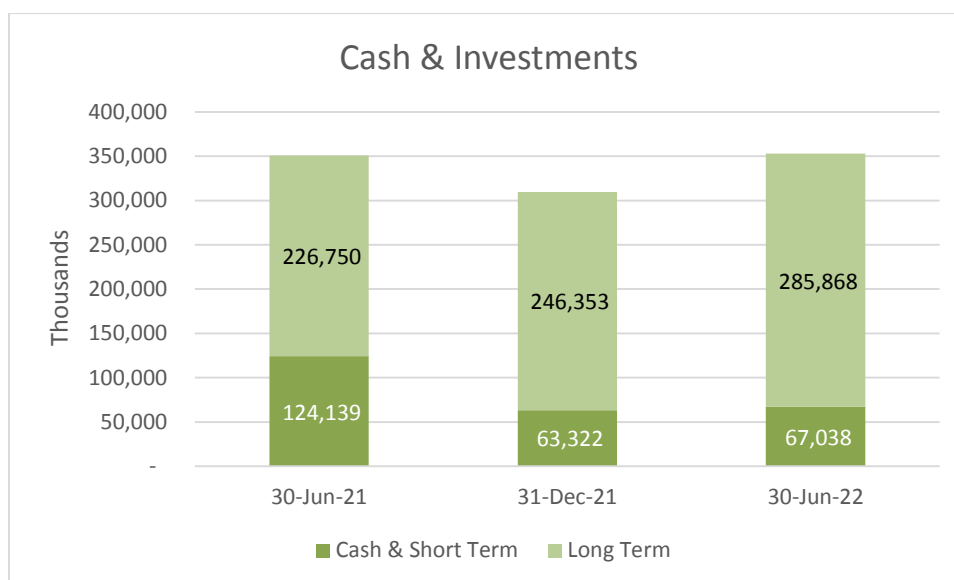
## Statement of Financial Position

The statement of financial position is the City's balance sheet. It presents information on the assets, liabilities, and the accumulated surplus of the City.

### Assets

Key assets for the City include cash and investments, accounts receivable and taxes receivable.

Cash and investment holdings reflect the City's cash flow position and investment strategy given current market conditions. Funds are allocated to maximize investment income, retain an appropriate level of liquidity, and respond to economic forces that influence the investment environment while maintaining a balanced portfolio in line with the City's investment policy. The following chart breaks down the balances of these categories as at December 31, 2021 (unconsolidated), June 30, 2021, and June 30, 2022:



Accounts receivable as at June 30, 2022 was approximately \$15.1 million. The equivalent accounts receivable balance as at June 30, 2021 was approximately \$10.3 million. The increased balance in 2022 is due to a large receivable balance from the Region of Halton related to capital road projects.

Taxes represent the key revenue source the City uses to fund its service delivery. Taxes receivable are recorded when billed. The City issues bills twice a year, in

January and May. These bills represent four installments which are due in February, April, June, and September. Taxes receivable balance at June 30, 2022, was approximately \$146.1 million as compared to \$144.2 million reported at June 30, 2021.

### **Liabilities**

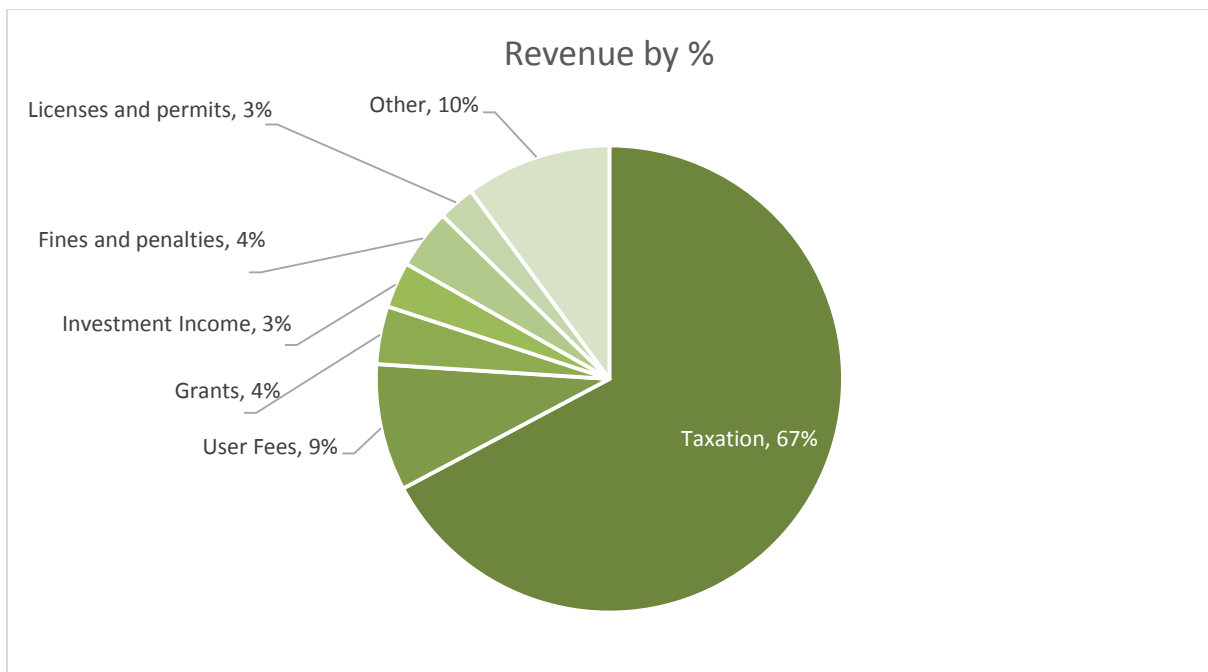
The balance of accounts payable and accrued liabilities at June 30, 2022, is approximately \$12.8 million compared to the balance at June 30, 2021, of \$10.9 million. The consolidated balance at December 31, 2021, of \$32.2 million reflects accruals including certain payroll accruals only recorded at year end.

One of the City's largest liabilities is derived from the issuance of long-term debt. The balance as at December 31, 2021, was \$74.8 million. Debt is used to fund capital expenditures. New debt issued in 2022 totaled \$13.1 million. This debt will be utilized for capital projects associated with roads, recreational facilities and to support a land purchase.

## **Statement of Operations**

### **Revenues**

The Statement of Operations provides information on the City's revenues and expenses combining the information from both the operating and capital perspectives. Although taxation revenue is the largest component of the City's revenues, user fees and charges, investment income and funds from senior levels of government all contribute to enabling the City to deliver services to the community. The following chart is provided as a reference point and provides information of the various components of the City's revenues based on revenues reported in the consolidated financial statements as at December 31, 2021:



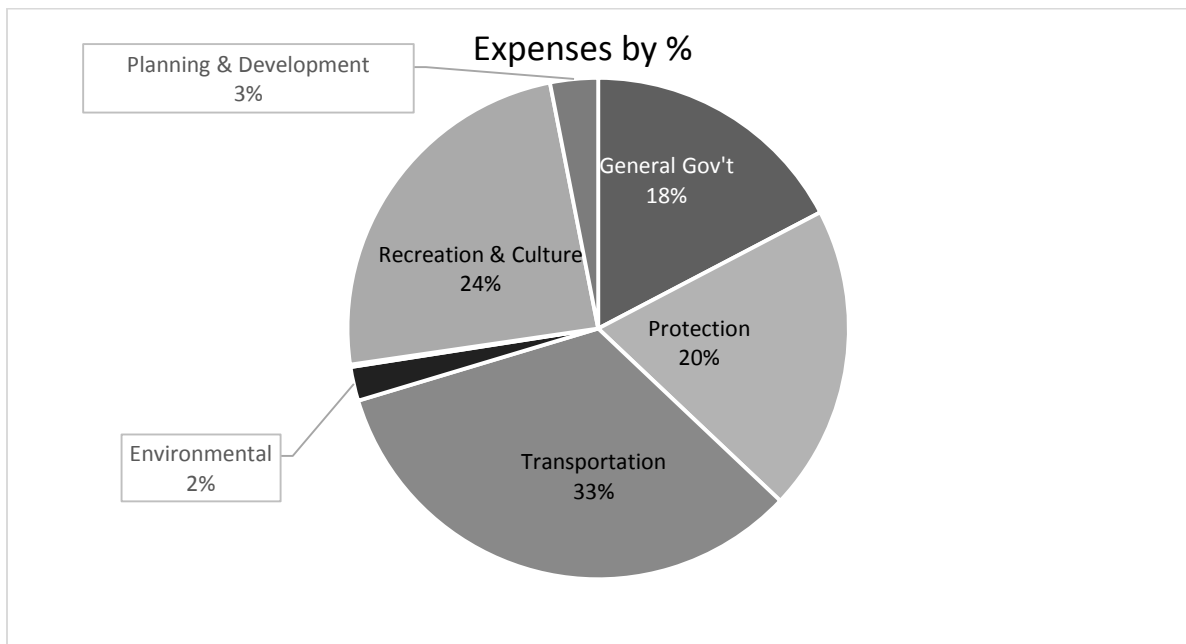
Although a meaningful comparison cannot be made between current operations and the financial statements due to the adjustments that are made for financial statement purposes, some revenue items as of June 30<sup>th</sup> compared between current year and prior year are presented for information:

	<b>2022</b>	<b>2021</b>
General Tax Levy	\$279,939	\$277,456
User fees and charges	9,732	8,155
Grants	2,892	11,547
Investment income	2,615	3,654
Penalties and interest on taxes	1,187	1,335
Hydro dividends and interest	1,277	1,496

It should be noted that tax revenue includes taxes billed but not yet due. Additionally, the decrease in Grant revenue from June 2021 to June 2022 is a result of a timing difference in the receipt of Gas Tax Funding as well as additional Safe Restart Funding that was received in 2021.

## Expenses

The City's expenses are reported during the year on a cash basis categorized by service while the financial statements report expenses on an accrual basis by category. Certain components that are not part of operational reporting such as post-employment benefits and amortization are added to the expenses reported in the financial statements. The following chart shows the breakdown of expense attributed to the categories as reported in the 2021 financial statements:



The adjustments needed to report expenses in the financial statements are extensive including allocating post-employment benefit expense, interest expense on debt, depreciation expense and non-capital information captured in capital projects. Information extracted from the City's financial system as of June 30<sup>th</sup> provides a comparison between 2022 and 2021 with the noted adjustments excluded:

	2022	2021
General government	\$ 24,523	\$ 19,819
Protection to persons and property	24,126	20,372
Transportation services	25,948	24,703
Environmental services	169	286
Health services	197	171
Recreation and cultural services	25,828	20,856
Planning and development	3,367	2,865
<b>Total Expenses</b>	<b>\$104,158</b>	<b>\$89,072</b>

## Other Financial Information

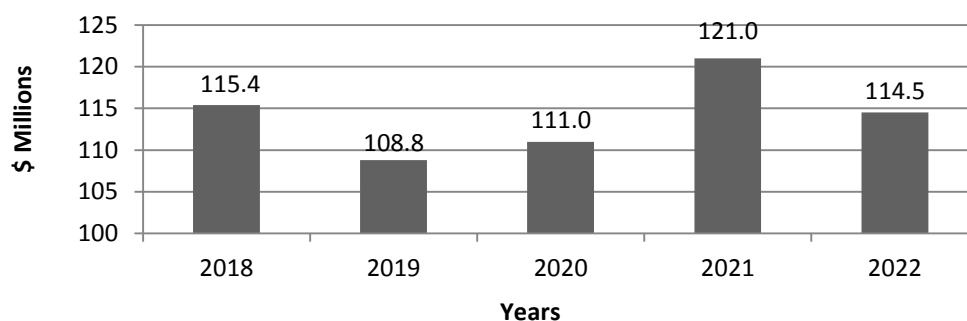
### Reserve Funds

Reserve funds are a critical component of a municipality's long-term financing plan. They provide:

- stability to the tax rate in the face of variable circumstances,
- funding for one-time expenditures,
- the ability to make provisions for the replacement and/or acquisition of infrastructure, and
- flexibility to manage debt levels to protect the municipality's financial position.

The uncommitted balance of the City's reserve and reserve funds as at June 30<sup>th</sup> are presented for the last five years:

### Uncommitted Reserve and Reserve Fund Balances as at June 30



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#### Financial Matters:

Not applicable.

#### Total Financial Impact

Not applicable.

#### Source of Funding

Not applicable.

#### Other Resource Impacts

Not applicable.

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#### Climate Implications

Not applicable.

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#### Conclusion:

A report of the quarterly financial highlights is presented for Audit Committee's information.

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Respectfully submitted,

Michelle Moore

Controller and Manager of Financial Services

(905) 335-7600 ext. 7535

**Report Approval:**

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.