

Consolidated financial statements of

**The Corporation of the
City of Burlington**

December 31, 2011

The Corporation of the City of Burlington

December 31, 2011

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Independent Auditor's Report

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the City of Burlington

We have audited the accompanying consolidated financial statements of The Corporation of the City of Burlington, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, changes in net financial assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Burlington as at December 31, 2011, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 15, 2012

The Corporation of the City of Burlington

Consolidated statement of operations year ended December 31, 2011

(With comparative figures as at December 31, 2010)

(All amounts are in thousands of dollars)

	2011 Budget (Note 16) (Unaudited)	2011 Actual	2010 Actual
	\$	\$	\$
Revenues			
Taxation for municipal purposes	120,888	121,356	119,205
User fees and charges	22,752	26,315	26,901
Grants			
Government of Canada	5,046	10,649	9,822
Province of Ontario	2,616	7,895	7,846
Contributions from developers	6,194	1,612	17,916
Investment income	4,857	9,236	7,842
Sale of land and other capital assets	255	361	1,878
Penalties and interest on taxes	2,100	2,403	2,419
Donations	233	10,161	240
Fines and penalties	7,857	5,893	6,487
Rents and concessions	4,538	4,396	4,439
Licenses and permits	6,101	6,360	6,810
Other	261	742	1,248
Hydro dividends and interest	5,310	5,860	5,553
Capital assets contributed	-	7,125	11
Burlington Hydro Electric Inc., net increase in equity (Note 12)	-	2,692	2,634
Total revenues	189,008	223,056	221,251
Expenditures			
General government	23,342	26,950	29,146
Protection to persons and property	36,338	33,731	33,395
Transportation services	54,418	60,116	66,965
Environmental services	800	3,920	3,737
Health services	289	242	246
Recreation and cultural services	49,101	51,902	46,897
Planning and development	7,155	7,093	6,877
Other	-	14	-
Total expenditures	171,443	183,968	187,263
Net revenues	17,565	39,088	33,988
Annual surplus	17,565	39,088	33,988
Accumulated surplus, beginning of year	844,126	872,127	838,139
Accumulated surplus, end of year	861,691	911,215	872,127

The Corporation of the City of Burlington

Consolidated statement of changes in net financial assets

year ended December 31, 2011

(With comparative figures as at December 31, 2010)

(All amounts are in thousands of dollars)

	2011 Budget (Note 16) (Unaudited)	2011 Actual	2010 Actual
	\$	\$	\$
Annual surplus	17,565	39,088	33,988
Acquisition of tangible capital assets	(87,628)	(71,189)	(75,765)
Amortization of tangible capital assets	26,584	27,150	24,482
Loss on disposal of tangible capital assets	-	2,046	17,846
Proceeds on sale of tangible capital assets	-	671	575
Change in of supplies inventories	-	(104)	(2)
Change in prepaid expense	-	(15)	(20)
Increase (decrease) in net financial assets	(43,479)	(2,353)	1,104
Net financial assets (net debt), beginning of year	152,849	168,100	166,996
Net financial assets (net debt), end of year	109,370	165,747	168,100

The Corporation of the City of Burlington

Consolidated statement of financial position

as at December 31, 2011

(With comparative figures as at December 31, 2010)

(All amounts are in thousands of dollars)

	2011	2010
	\$	\$
Financial assets		
Cash and temporary investments	27,208	15,860
Taxes receivable (Note 3)	13,396	11,937
Accounts receivable	20,933	17,489
Other current assets	-	12
Long term receivables	103	93
Investments (Note 5)	152,997	166,665
Investment in Burlington Hydro Electric Inc. (Note 12)	111,609	108,917
	326,246	320,973
Liabilities		
Accounts payable and accrued liabilities	29,550	29,168
Other current liabilities	593	824
Deferred revenue - general	6,811	6,682
Deferred revenue - obligatory reserve funds (Note 6)	36,155	27,013
Employee benefits and other liabilities (Note 7)	19,519	19,691
Net long term liabilities (Note 9)	67,871	69,495
	160,499	152,873
Net financial assets	165,747	168,100
Non-financial assets		
Tangible capital assets (Note 10)	743,235	701,913
Inventory	2,064	1,960
Prepaid expenses	169	154
	745,468	704,027
Commitments and contingencies (Note 15)		
Accumulated surplus	911,215	872,127

The Corporation of the City of Burlington

Consolidated statement of cash flows

year ended December 31, 2011

(With comparative figures as at December 31, 2010)

(All amounts are in thousands of dollars)

	2011	2010
	\$	\$
Operating activities		
Net surplus	39,088	33,988
Non-cash charges to operations		
Amortization	27,150	24,482
Burlington Hydro Electric Inc., net decrease (increase) in equity (Note 12)	(2,692)	(2,634)
Decrease (increase) in taxes receivable	(1,459)	216
Decrease (increase) in accounts receivable	(3,444)	(6,562)
Decrease in other current assets	12	113
Decrease (increase) in long term receivables	(10)	(11)
Decrease (increase) in inventory	(104)	(2)
Decrease (increase) in prepaid expenses	(15)	(20)
Increase in accounts payable and accrued liabilities	382	2,162
Increase (decrease) in other liabilities	(231)	(103)
Increase in deferred revenue - general	129	3,043
Increase(decrease) in deferred revenue - obligatory reserve funds	9,142	(9,943)
Increase in employee benefits and other current liabilities	(172)	1,758
Capital assets contributed	(7,125)	(578)
Cash provided by operating transactions	60,651	45,909
Capital activities		
Purchase of tangible capital assets	(64,064)	(75,187)
Proceeds on sale of tangible capital assets	671	575
Loss on disposal of tangible capital assets	2,046	17,846
Net increase (decrease) in cash from capital	(61,347)	(56,766)
Investing activity		
Decrease (increase) in investments	13,668	(48,329)
Financing activities		
New debt issued	6,726	6,352
Debt principal repayments	(8,350)	(7,819)
Net increase in cash from financing	(1,624)	(1,467)
Change in cash and temporary investments	11,348	(60,653)
Cash and temporary investments, beginning of year	15,860	76,513
Cash and temporary investments, end of year	27,208	15,860

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

1. Accounting policies

The consolidated financial statements of the City of Burlington (the "City") are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") established by the Canadian Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the City are as follows:

(a) *Basis of consolidation*

(i) Consolidated entities

These consolidated statements reflect the assets, liabilities, revenues, expenditures and accumulated surplus balances of the reporting entity. The reporting entity includes the activities of all committees of Council and the following boards and enterprises which are under the control of Council:

Burlington Public Library Board
Burlington Museums Board
Burlington Downtown
Aldershot Business Improvement Association
Burlington Economic Development Corporation
Burlington Theatre Board

(ii) Non-consolidated entities

These consolidated statements do not reflect the assets, liabilities, revenues and accumulated surplus and the activities of the following boards and enterprises, which are not under the control of Council:

Burlington Art Centre
Tourism Burlington
LaSalle Park Marina Association

(iii) Modified equity accounting

Burlington Hydro Electric Inc. ("BHEI") is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated.

(iv) Accounting for the Region and School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the Region of Halton and the school boards are not reflected in these financial statements.

(v) Trust funds

Trust Funds and their related operations administered by the City are not consolidated, but are reported upon separately on the "Trust Funds Statement of Continuity and Statement of Financial Position."

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

1. Accounting policies (continued)

(b) Basis of accounting

(i) Accrual accounting

The City follows the accrual method of accounting for revenues and expenditures. Revenues are normally recognized in the year in which they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services. The statements necessarily include some amounts that are based on management's best estimates and careful judgments.

Where revenue has been received in advance of expenditures, the amount has been recorded as deferred revenue and will be recognized as revenue in a future period when the related expenses are incurred.

(ii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

a) Tangible capital assets

Tangible capital assets (TCAs) are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Work in progress identified in this and subsequent notes relates to assets under construction. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements – 12 to 100 years
Buildings – 10 to 100 years; Leasehold Improvements – Term of the Lease
Machinery and equipment – 3 to 25 years
Vehicles – 5 to 32 years
Linear – 4 to 80 years

A full year's amortization is taken in the year of asset acquisition and disposal. Works in progress are not amortized until the asset is available for productive use, at which time they are capitalized.

The City has a capitalization threshold for each individual asset class, so that individual TCAs of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Capitalization threshold by individual asset class are as follows:

Land	\$0
Land improvement	\$20
Building/leasehold improvements	\$30
Machinery and equipment	\$5
Vehicles	\$5
Linear assets	\$20
Work-in-progress	Same as above by individual asset

The City currently does not have a policy to capitalize the interest.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

1. Accounting policies (continued)

(b) Basis of accounting (continued)

(ii) Non-financial assets (continued)

b) Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the assets as of the date of transfer.

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all risks and benefits incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

d) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value.

(iii) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(iv) Deferred revenue – Obligatory reserve funds

The City receives development charges and subdivider contributions under the authority of provincial legislation and City by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

(v) Investment income

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges reserve funds is added to the fund balance and forms part of the deferred revenue – obligatory reserve funds balance.

(vi) Cash and temporary investments

Cash and temporary investments are comprised of cash on hand, cash held in banks, and temporary investments with maturities of 365 days or less.

(vii) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from these estimates.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

2. Operations of school boards and the Region of Halton

Further to Note 1 (a) (iv), the taxation, other revenues and expenditures of the school boards and the Region of Halton are comprised of the following:

	2011	2011	2010	2010
	School boards	Region of Halton	School boards	Region of Halton
	\$	\$	\$	\$
Taxation	103,447	113,049	102,808	110,384
Payments in lieu of taxes	231	1,098	233	1,056
Amounts received or receivable	103,678	114,147	103,041	111,440
Requisitions	103,678	114,147	103,041	111,440

3. Taxes receivable

The taxes receivable, totaling \$13,396 (2010 - \$11,937), represent uncollected taxes billed for the following purposes based on total assessments:

	2011	2010
	\$	\$
City of Burlington	4,794	4,191
Region of Halton	4,508	3,990
Halton school boards	4,094	3,756
	13,396	11,937

4. Trust funds

Trust funds administered by the municipality amounting to \$9,217 (2010 - \$17,213) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations."

5. Investments

The total investments of \$152,997 (2010 - \$166,665) reported on the "Consolidated Statement of Financial Position" at cost, have a market value of \$162,208 (2010 - \$164,320) at the end of the year.

6. Deferred revenue – obligatory reserve funds

A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded. The balances in the obligatory reserve funds of the City are summarized below:

	2011	2010
	\$	\$
Development charges	28,223	22,977
Parkland	7,932	4,036
Total	36,155	27,013

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

7. Employee benefits and other liabilities

Summary of employee benefits and other liabilities future payments required for:

	2011	2010
	\$	\$
Banked overtime	314	326
WSIB	4,179	3,872
Vacation pay liability	5,288	6,633
Retiree benefits	9,149	8,860
Life, medical and dental benefits	589	-
Total	19,519	19,691

(a) *Liability for banked overtime*

Under the Employee Benefit Plan, unused banked overtime can accumulate and certain employees may become entitled to a cash payment upon termination of services.

(b) *Liability for Workplace Safety & Insurance ("WSIB")*

The City is a Schedule II employer under the Workplace Safety and Insurance Act. As a Schedule II employer, the City assumes the liability for any award made under the Act.

An actuarial valuation as at December 31, 2010 provided the basis for the estimated liability of \$4,179 (2010-\$3,872). This increase in liability is the result of settlements of firefighter survivor benefit claims awarded and pending. The liability is net of an actuarial loss of \$1,740. The loss is due to actual experience compared with the previous actuarial update arising from projected claims for survivor benefits. Amortization of \$243 is included. A reserve fund in the amount of \$2,653 (2010 - \$1,905) has been provided for this liability and is reported in note 11.

(c) *Retiree benefits*

The City provides dental and health care benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS), or retires at a normal retirement age, up to the age of 65.

A liability of \$7,596 has been reported on the Consolidated Statement of Financial Position for the liability accruing to existing employees for dental, health care and life benefits and for retired employees for health, dental and life benefits coverage. The amounts reported are based on an actuarial valuation that was conducted as at December 31, 2010 using a discount rate of 4.62% and assuming an inflation rate of 3.0%. The liability is net of an actuarial loss of \$1,541 realized due to the actual experience as compared with the previous actuarial update but includes amortization of \$249. A reserve fund in the amount of \$1,336 (2010 - \$1,372) has been provided for this liability and is reported in note 11.

In addition, employees earn one day of vacation per year of service that can be paid out at retirement. The liability is estimated at \$1,553.

The City maintains life, medical and dental insurance for disabled employees. The liability is estimated at \$589.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

7. Employee benefits and other liabilities (continued)

(c) Retiree benefits (continued)

Information about the City's defined benefit plan is as follows:

	2011	2010
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	(8,806)	(8,752)
Current benefit cost	(568)	(375)
Actuarial loss	249	162
Interest	(535)	(441)
Benefits paid	523	600
Balance, end of year	(9,137)	(8,806)
Unamortized actuarial loss	1,541	1,790
Liability for benefits	(7,596)	(7,016)
Amortization of actual loss	(249)	(312)

8. Pension agreements

The City makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its entire permanent staff. The Plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay.

Contributions to OMERS are made at rates ranging from 6% to 9.8%. Contribution rates are dependent on proposed retirement age and the level of earnings.

The amount contributed to OMERS for 2011 was \$5,629 (2010- \$4,926) for current service and is included as an expenditure on the "Consolidated Statement of Operations."

9. Net long term liabilities

(a) The balance of the net long-term liabilities reported on the "Consolidated Statement of Financial Position" is made up of the following:

	2011	2010
	\$	\$
Total long term liabilities incurred by the municipality including those incurred on behalf of municipal enterprises and outstanding at the end of the year amount to	67,871	69,495
Net long term liabilities at the end of the year	67,871	69,495

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

9. Net long term liabilities (continued)

- (b) Of the net long term liabilities reported in (a) of this note the principal payments are detailed as follows:

	\$
2012	9,026
2013	8,116
2014	8,468
2015	7,604
2016 and thereafter	34,657
	<u>67,871</u>

- (c) The long-term liabilities in (a) issued in the name of the City after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

- (d) Total charges for net long-term liabilities are as follows:

	2011	2010
	\$	\$
Principal payments	8,350	7,819
Interest	3,031	3,235
	<u>11,381</u>	<u>11,054</u>

These charges, included on the "Consolidated Statement of Operations" were financed from the following sources:

	2011	2010
	\$	\$
General municipal revenues	11,300	10,973
Benefiting landowners	81	81
	<u>11,381</u>	<u>11,054</u>

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

9. Net long term liabilities (continued)

The net long term debt

By-law	Purpose	Interest rates %	Maturity dates	2011 \$
56-02	Road reconstruction	5.625-6.000	2012	289
131-02	Facilities and roads	4.550-5.200	2012	945
96-99	Road reconstruction	5.875-6.000	2014	1,749
34-04	Road reconstruction	3.550-4.850	2014	890
163-04	Road reconstruction	2.430	2014	159
111-05	Road reconstruction	3.300-4.100	2015	2,217
190-06	Road reconstruction	2.410-2.430	2016	119
131-06	Facilities and roads	4.250-4.600	2016	6,949
72-08	Road reconstruction	3.200-4.650	2018	5,116
62-08	Indoor soccer field	4.620	2019	752
67-08	Road reconstruction	4.620	2019	511
70-08	Road reconstruction	4.620	2019	1,044
71-08	Road reconstruction	4.620	2019	155
75-08	Road reconstruction	4.620	2019	389
80-08	Road reconstruction	4.620	2019	313
81-08	Storm water management	4.620	2019	92
86-08	Storm water management	4.620	2019	209
87-08	Road reconstruction	4.620	2019	333
88-08	Road reconstruction	4.620	2019	847
92-08	Road reconstruction	4.620	2019	197
110-08	Road reconstruction	4.620	2019	142
26-09	Storm water management	4.620	2019	67
34-09	Road reconstruction	4.620	2019	478
38-09	Road reconstruction	4.620	2019	349
124-04	Library expansion	4.050-5.400	2019	5,994
64-10	Road reconstruction	1.600-4.450	2020	5,793
48-10	Road reconstruction	1.100-3.300	2021	100
87-10	Parking Lot Renewal	1.100-3.300	2021	180
68-10	Road reconstruction	1.100-3.300	2021	1,212
50-11	Road reconstruction	1.100-3.300	2021	50
15-11	Road reconstruction	1.100-3.300	2021	189
37-11	Elgin Street Maint (BPAC)	1.100-3.300	2021	585
58-11	Road reconstruction	1.100-3.300	2021	1,258
62-11	Road reconstruction	1.100-3.300	2021	659
67-11	Culver Replacement	1.100-3.300	2021	300
72-11	Valley Inn Trail	1.100-3.300	2021	147
75-11	Road reconstruction	1.100-3.300	2021	1,330
76-11	Road reconstruction	1.100-3.300	2021	259
77-11	Road improvements	1.100-3.300	2021	457
91-07	Various	4.800-5.000	2022	7,384
12-09	Performing arts centre	4.620	2024	8,581
17-09	Performing arts centre	4.620	2024	451
18-09	Performing arts centre	4.620	2024	2,168
41-09	Appleby ice expansion	4.620	2024	6,463
				67,871

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

10. Tangible capital assets

	2011							
	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	134,611	153,065	43,858	27,059	50,361	537,770	62,057	1,008,781
Additions	7,291	45,149	1,695	5,743	11,876	25,718	22,571	120,043
Disposals	505	-	1,344	2,443	1,223	4,556	49,262	59,333
Balance, end of year	141,397	198,214	44,209	30,359	61,014	558,932	35,366	1,069,491
Accumulated amortization								
Balance, beginning of year		73,708	19,185	14,406	21,344	178,225		306,868
Disposals		-	1,067	2,430	1,192	3,073		7,762
Amortization expense		5,759	3,219	3,259	2,651	12,262		27,150
Balance, end of year	-	79,467	21,337	15,235	22,803	187,414	-	326,256
Net book value, end of year	141,397	118,747	22,872	15,124	38,211	371,518	35,366	743,235
2010								
	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	131,809	132,356	40,565	28,019	48,753	534,607	47,787	963,896
Additions	3,251	20,709	5,261	2,175	2,303	17,723	42,892	94,314
Disposals	449	-	1,968	3,135	695	14,560	28,622	49,429
Balance, end of year	134,611	153,065	43,858	27,059	50,361	537,770	62,057	1,008,781
Accumulated amortization								
Balance, beginning of year	-	68,963	17,811	14,635	19,872	173,565	-	294,846
Disposals	-	-	1,845	3,133	290	7,192	-	12,460
Amortization expense	-	4,745	3,219	2,904	1,762	11,852	-	24,482
Balance, end of year	-	73,708	19,185	14,406	21,344	178,225	-	306,868
Net book value, end of year	134,611	79,357	24,673	12,653	29,017	359,545	62,057	701,913

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

10. Tangible capital assets (continued)

Tangible capital assets by business segment

	2011						2010	
	General Government	Protective services	RPM	Transit and traffic	Recreation and culture	Development and infrastructure	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	61,697	20,162	395,568	44,998	260,902	163,397	946,724	916,111
Additions	3,189	4,993	19,576	2,178	59,097	1,315	90,348	50,838
Disposals	1,165	398	5,250	699	2,559	-	10,071	20,803
Other - Donations	2,310	-	4,679	-	136	-	7,125	578
Assets in service - Year end	66,031	24,757	414,573	46,477	317,576	164,712	1,034,126	946,724
Assets under construction	19	90	19,116	-	16,140	-	35,365	62,057
All assets, end of year	66,050	24,847	433,689	46,477	333,716	164,712	1,069,491	1,008,781
Accumulated amortization								
Balance, beginning of year	14,224	11,230	142,850	14,019	77,433	47,112	306,868	294,846
Disposals	1,164	399	3,669	522	2,008	-	7,762	12,460
Amortization expense	1,155	1,023	13,395	2,205	9,320	52	27,150	24,482
Balance, end of year	14,215	11,854	152,576	15,702	84,745	47,164	326,256	306,868
Net book value, end of year	51,835	12,993	281,113	30,775	248,971	117,548	743,235	701,913

(a) Work in progress

Work in progress having a value of \$35,366 (2010 - \$62,057) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital asset

The City records all tangible capital assets contributed by an external party at fair market value at the date of contribution. The value of contributed assets received during the year is \$ 7,125 (2010 - \$578).

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

10. Tangible capital assets (continued)

Tangible capital assets by business segment (continued)

(c) Tangible capital assets disclosed at nominal value

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures

The City has been given a number of paintings and other pieces of artwork that are displayed throughout City Hall. Altogether, there are 348 pieces of art work (317 prints and 31 sculptures).

11. Accumulated surplus

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2011	2010
	\$	\$
Accumulated surplus		
Invested in tangible capital assets	743,235	701,913
Deferred Revenue related to tangible capital asset	(567)	(567)
Operating fund	108,934	108,917
Capital fund	54,940	64,172
Reserve fund	91,389	85,680
Unfunded	(87,390)	(89,186)
Local boards reserve funds	674	1,198
	911,215	872,127
Reserve and reserve funds set aside by Council		
Capital purposes	51,959	51,834
Vehicle and equipment replacement	1,643	1,967
Transit reserve funds	2,838	2,113
Stabilization reserve funds	15,050	13,586
Contingency reserve	4,987	4,183
Employee accident reserve fund	2,653	1,905
Employee benefits reserve fund	1,336	1,372
Corporate reserve	2,857	1,925
Program specific reserve funds	2,915	2,624
Local boards reserve funds	4,868	3,913
Program specific reserves	283	258
	91,389	85,680

12. Investment in Burlington Hydro Electric Inc.

In compliance with provincial legislation enacted to restructure the electrical industry in Ontario, Council approved the incorporation of the electricity distribution business of the former Burlington Hydro-Electric Commission (the "Commission"). Pursuant to this legislation, the City incorporated three companies, Burlington Hydro Electric Inc. ("BHEI") and its wholly-owned subsidiaries, Burlington Hydro Inc. ("BHI") and Burlington Electricity Services Inc. ("BESI").

BHEI was incorporated on December 1, 1999 as a wholly-owned subsidiary of the City and commenced active operations on January 1, 2000. At incorporation, 1,000 shares were issued for \$100 cash to the City. Effective January 1, 2000, substantially all of the assets and liabilities of the former Commission were transferred to BHEI.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

12. Investment in Burlington Hydro Electric Inc. (continued)

The City's financial statements reported an increase in municipal position as a result of this transaction and the subsequent operations of BHEI, which is comprised of the following:

	\$
Continuity of investment	
Balance at December 31, 2010	108,917
Net income for year	5,742
Dividends received during the year	(3,050)
Net increase in equity during the year	<u>2,692</u>
Ending balance, December 31, 2011	<u>111,609</u>

As a business enterprise of the City, BHEI is accounted for on a modified equity basis in these financial statements.

The following table provides condensed, consolidated supplementary financial information for Burlington Hydro Electric Inc. for the year ended December 31, 2011 and 2010:

	2011	2010
	\$	\$
Financial position		
Current assets	55,600	53,004
Capital assets	83,287	81,573
Other assets	10,197	8,891
Future payment in lieu of taxes	5,030	5,225
Total assets	<u>154,114</u>	<u>148,693</u>
Current liabilities	26,989	33,727
Promissory note payable to City of Burlington	47,879	47,879
Customer's deposits	3,194	3,061
Ontario Infrastructure Loan	9,150	
Liability for future benefits	3,172	2,988
Total liabilities	<u>90,384</u>	<u>87,655</u>
Net assets	<u>63,730</u>	<u>61,038</u>
Results of operations		
Net revenues	32,926	31,881
Operating expenses	27,184	26,722
	<u>5,742</u>	<u>5,159</u>

The investment in BHEI is represented by the following:

Total net assets	63,730	61,038
Promissory note receivable	47,879	47,879
	<u>111,609</u>	<u>108,917</u>

The following summarizes the City's related party transactions with Burlington Hydro Electric Inc for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

Gross revenue earned by Burlington Hydro Electric Inc from the City of Burlington \$3,044 (2010 - \$2,842). Of this amount, \$412 (2010 - \$312) was net distribution revenue.

Payments in Lieu of Taxes paid to the City of Burlington by Burlington Hydro Electric Inc. were \$108 (2010 - \$112).

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

13. Segmented information

The City of Burlington is a diversified lower tier municipality that provides a wide range of services to its citizens, including fire, public transit and recreation programs.

City services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide are as follows:

General government

The General Government section is a key part of the City of Burlington enabling the city to meet its strategic plan goals and in assisting the Community Services and Development & Infrastructure divisions in achieving their service delivery and operational needs. It includes the Mayor and Council,

Finance Department, Human Resources Department, Legal Department, Information Technology Services Department and Clerks Department.

Protection services

This section includes net revenue the City realizes from the operations of the Provincial Offences Act ("POA") as well as the costs associated with operating the Burlington Fire Department. The Burlington Fire Department is a composite force consisting of highly trained and caring professionals who provide vital emergency services serving the diverse needs of the community.

Activities of the Department include fire suppression, fire prevention, public education, training and emergency planning.

Roads and parks maintenance department

The Roads and Parks Maintenance Department provides services related to maintaining roads and parks. This includes awareness and planning for maintenance activities related to growth. The services include winter control activities.

Traffic and transit department

The Transit and Traffic Department is comprised of 3 sections:

The Transit Section is responsible for the provision of public transit services in Burlington including the administration, planning, operations and vehicle maintenance for conventional and specialized transit services.

The Traffic Signal Systems and Parking Section are responsible for the operation and maintenance of the computerized Traffic Signal Control System, Parking By-law enforcement and the management of municipal parking facilities within the downtown.

The Traffic Services Section is responsible for traffic control, traffic calming projects, collision data analysis and School Crossing Guards.

Recreation and culture

It is under the umbrella of recreation and culture that the City presents recreational and cultural opportunities to its citizens. This not only includes recreational programs that foster healthy, active living but also includes the operations of the Libraries and Museums of the City.

Development and infrastructure

This division's responsibilities include planning development, planning policy, economic development, environmental initiatives, building approvals and inspections within the jurisdiction of the department.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

13. Segmented information (continued)

Other

This section consists of other corporate Revenues and Expenses that are not department specific.

Certain allocation methodologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

13. Segmented information (continued)

								2011
	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves & Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Taxation	23,460	21,852	21,113	5,426	21,512	5,329	22,663	121,355
User fees and charges	1,179	1,199	4,434	5,211	12,085	2,082		26,190
Government transfers	267	870	402	4,241	7,702	18	5,043	18,543
Investment income		1	57		7		9,170	9,236
Contribution from Developers			610			3	1,000	1,613
Fines and penalties		4,719		1,012	161		2,403	8,295
Rents and concessions	114	72		536	3,674			4,396
Licenses and permits	106	4,891	172	813	133	245		6,360
Other	214	22	147	15	10,467	21	6,365	17,251
BHEI Equity Increase							2,692	2,692
Capital assets contributed			6,988		137			7,125
Total revenues	25,340	33,626	33,923	17,254	55,878	7,699	49,336	223,056
Expenses								
Salaries wages and benefits	17,397	28,941	14,420	8,891	21,009		5,261	95,919
Long term debt	754	20	1,159	(9)	1,119			3,043
Materials	584	771	4,065	3,243	3,524	576		12,763
Contracted services	5,791	2,082	12,551	2,054	14,300	860		37,638
Rents and financial expenses	911	521	213	21	1,418	178		3,262
External transfers	60	387	(307)		1,063	944		2,147
Other								-
Interfunctional adjustments								-
Amortization	1,156	1,023	10,243	2,216	9,320	3,192		27,150
Loss (gain) on disposal of TCA	227		1,475	148	196			2,046
Total expenses	26,880	33,745	43,819	16,564	51,949	11,011	-	183,968
Net surplus/deficit	(1,540)	(119)	(9,896)	690	3,929	(3,312)	49,336	39,088

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

13. Segmented information (continued)

								2010
	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves & Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Taxation	24,634	21,281	18,895	3,781	21,052	4,673	24,889	119,205
User fees and charges	1,382	911	5,598	5,784	11,214	1,989	12	26,890
Government transfers	825	456	999	5,073	5,261	10	5,044	17,668
Investment income		2	62				7,778	7,842
Fines and penalties		5,087		1,226	172		2,419	8,904
Rents and concessions	149	70		634	3,586			4,439
Licenses and permits	95	5,078	140	844	134	530		6,821
Other	1,458	34	575	50	335	17,916	6,469	26,837
BHEI Equity Increase							2,634	2,634
Capital assets contributed	11							11
Total revenues	28,554	32,919	26,269	17,392	41,754	25,118	49,245	221,251
Expenses								
Salaries wages and benefits	17,837	27,957	14,376	9,561	16,176	5,434		91,341
Long term debt	980	16	1,209	(8)	1,044	(6)		3,235
Materials	552	920	3,728	2,700	5,466	246		13,612
Contracted services	7,041	1,858	3,389	2,295	6,425	1,336		22,344
Rents and financial expenses	901	487	109	54	1,505	193		3,249
External transfers	54	1,287	(377)	1	9,519	670		11,154
Other								-
Interfunctional adjustments								-
Amortization	1,659	870	10,092	2,362	6,761	2,738		24,482
Loss (gain) on disposal of TCA	122			17,723	1			17,846
Total expenses	29,146	33,395	32,526	34,688	46,897	10,611	-	187,263
Net surplus/deficit	(592)	(476)	(6,257)	(17,296)	(5,143)	14,507	49,245	33,988

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

14. Lease agreements

The City has entered into lease agreements for office equipment, facility space, vehicles and other services, at a present value of \$4,572 (\$4,676), which have received Ontario Municipal Board approval where necessary. The aggregate minimum payments under these leases over the next four years and thereafter are as follows:

	\$
2012	1,155
2013	1,009
2014	1,004
2015	996
2016	408
	<hr/> 4,572

15. Commitments and contingencies

Commitment

BHEI has a \$10,000 revolving line of credit facility available for use. A letter of credit in the amount of \$18,000 has been issued in favour of the Independent Electricity Service Operator ("IESO") as security for BHEI's purchase of electricity through the IESO. No other amounts were drawn down on the line of credit or non-revolving credit facility at year-end. The credit facility is secured by a general security agreement over Burlington Hydro Inc.'s assets.

Contingencies

As at December 31, 2011, certain legal actions and other contingent liabilities are pending against the City. The outcome of these matters is indeterminate at this time and has therefore not been reflected in these financial statements. Included in the reserve balance is a provision for contingencies of \$ 4,987 (2010 - \$4,183).

Arbitration Claim

On June 30, 2008, pursuant to an Asset Purchase Agreement ("APA") between a subsidiary and COGECO Cable Canada Inc., BESl sold all of the assets of its telecommunications business. In May 2010, COGECO notified BESl that they were initiating arbitration of certain matters in dispute under Section 14.2 of the APA.

At this time it is not possible to quantify the effect, if any, on the financial statements of Burlington Hydro Electric Inc.

Developer rebate

Contributions are received from developers by Burlington Hydro Inc. to finance necessary capital additions. The OEB requires the utility to calculate a rebate to the developers based upon recoverability of capital investment through future hydro usage. At December 31, 2011 a liability in the amount of \$2,612 (2010 - \$3,300) was accrued by Burlington Hydro Inc. Working capital will be drawn down to support these payments.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2011

(All amounts are in thousands of dollars)

16. Budget figures

Budget figures presented in these consolidated statements are based upon the 2011 operating and capital budgets approved by Council. The chart below reconciles the approved budget figures reported in these consolidated financial statements.

	\$
Revenue	
Operating	175,796
Capital	6,416
Consolidation	7,534
Less	
Transfers from other funds	(737)
Proceeds on debt issue	(6,726)
Total revenue	182,283
Expenses	
Operating	175,796
Amortization	27,150
Consolidation	8,096
Less	
Transfers to other funds	(28,359)
Debt principal payments	(8,350)
Contributions to boards	(9,615)
Total expenses	164,718
Annual surplus	17,565