

Consolidated financial statements of

**The Corporation of the  
City of Burlington**

December 31, 2012

# The Corporation of the City of Burlington

December 31, 2012

## Table of contents

Independent Auditor's Report .....	1-2
Consolidated statement of operations.....	3
Consolidated statement of change in net financial assets .....	4
Consolidated statement of financial position.....	5
Consolidated statement of cash flows.....	6
Notes to the consolidated financial statements.....	7-24



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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, 2012, and the consolidated statements of operations, change in net financial assets and 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, 2012, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Deloitte LLP*

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
July 2, 2013

# The Corporation of the City of Burlington

## Consolidated statement of operations year ended December 31, 2012

(With comparative figures as at December 31, 2011)

(All amounts are in thousands of dollars)

	2012 Budget (Note 16) (Unaudited) \$	2012 Actual \$	2011 Actual \$
<b>Revenues</b>			
Taxation for municipal purposes	123,200	125,951	121,356
User fees and charges	20,338	31,649	26,315
Grants			
Government of Canada	5,191	7,047	10,649
Province of Ontario	538	5,143	7,895
Contributions from developers	287	3,455	1,612
Investment income	4,961	8,214	9,236
Sale of land and other capital assets	268	355	361
Penalties and interest on taxes	2,100	2,108	2,403
Donations	277	963	10,161
Fines and penalties	8,322	8,026	5,893
Rents and concessions	4,917	4,927	4,396
Licenses and permits	6,403	6,824	6,360
Other	206	628	742
Hydro dividends and interest	5,310	5,310	5,860
Capital assets contributed	-	3,793	7,125
Burlington Hydro Electric Inc., net increase in equity (Note 12)	-	4,994	2,692
<b>Total revenues</b>	<b>182,318</b>	<b>219,387</b>	<b>223,056</b>
<b>Expenditures</b>			
General government	24,630	30,282	26,950
Protection to persons and property	41,876	37,558	33,731
Transportation services	53,423	58,394	60,116
Environmental services	4,089	4,039	3,920
Health services	318	289	242
Recreation and cultural services	40,789	50,199	51,902
Planning and development	7,529	7,346	7,093
Other	-	16	14
<b>Total expenditures</b>	<b>172,654</b>	<b>188,123</b>	<b>183,968</b>
<b>Net revenues</b>	<b>9,664</b>	<b>31,264</b>	<b>39,088</b>
Annual surplus	9,664	31,264	39,088
Accumulated surplus, beginning of year	861,691	911,215	872,127
<b>Accumulated surplus, end of year</b>	<b>871,355</b>	<b>942,479</b>	<b>911,215</b>

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# The Corporation of the City of Burlington

## Consolidated statement of change in net financial assets

year ended December 31, 2012

(With comparative figures as at December 31, 2011)

(All amounts are in thousands of dollars)

	2012 Budget (Note 16) (Unaudited)	2012 Actual	2011 Actual
	\$	\$	\$
<b>Annual surplus</b>	9,664	<b>31,264</b>	39,088
Acquisition of tangible capital assets	(87,628)	<b>(51,294)</b>	(71,189)
Amortization of tangible capital assets	26,584	<b>28,540</b>	27,150
Loss on disposal of tangible capital assets	-	<b>156</b>	2,046
Proceeds on sale of tangible capital assets	-	<b>125</b>	671
Change in of supplies inventories	-	<b>(47)</b>	(104)
Change in prepaid expense	-	<b>(39)</b>	(15)
Increase (decrease) in net financial assets	(51,380)	<b>8,705</b>	(2,353)
Net financial assets, beginning of year	152,849	<b>165,747</b>	168,100
<b>Net financial assets, end of year</b>	<b>101,469</b>	<b>174,452</b>	165,747

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# The Corporation of the City of Burlington

## Consolidated statement of financial position

as at December 31, 2012

(With comparative figures as at December 31, 2011)

(All amounts are in thousands of dollars)

	2012	2011
	\$	\$
<b>Financial assets</b>		
Cash and temporary investments	17,027	27,208
Taxes receivable (Note 3)	12,419	13,396
Accounts receivable	9,410	20,933
Long term receivables	560	103
Investments (Note 5)	183,619	152,997
Investment in Burlington Hydro Electric Inc. (Note 12)	116,603	111,609
	<b>339,638</b>	<b>326,246</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	26,760	29,550
Other current liabilities	603	593
Deferred revenue - general	6,519	6,811
Deferred revenue - obligatory reserve funds (Note 6)	41,628	36,155
Employee benefits and other liabilities (Note 7)	21,071	19,519
Net long term liabilities (Note 9)	68,605	67,871
	<b>165,186</b>	<b>160,499</b>
<b>Net financial assets</b>	<b>174,452</b>	<b>165,747</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 10)	765,708	743,235
Inventory	2,111	2,064
Prepaid expenses	208	169
	<b>768,027</b>	<b>745,468</b>
Commitments and contingencies (Note 15)		
<b>Accumulated surplus (Note 11)</b>	<b>942,479</b>	<b>911,215</b>

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# The Corporation of the City of Burlington

## Consolidated statement of cash flows

year ended December 31, 2012

(With comparative figures as at December 31, 2011)

(All amounts are in thousands of dollars)

	2012	2011
	\$	\$
<b>Operating activities</b>		
Net surplus	31,264	39,088
Non-cash charges to operations		
Amortization	28,540	27,150
Burlington Hydro Electric Inc., net increase in equity (Note 12)	(4,994)	(2,692)
Decrease (increase) in taxes receivable	977	(1,459)
Increase in accounts receivable	11,523	(3,444)
Decrease in other current assets	-	12
Decrease (increase) in long term receivables	(457)	(10)
Increase in inventory	(47)	(104)
Increase in prepaid expenses	(39)	(15)
(Decrease) increase in accounts payable and accrued liabilities	(2,790)	382
Increase (decrease) in other liabilities	10	(231)
(Decrease) increase in deferred revenue - general	(292)	129
Increase in deferred revenue - obligatory reserve funds	5,473	9,142
Increase (decrease) in employee benefits and other current liabilities	1,552	(172)
Capital assets contributed	(3,793)	(7,125)
Cash provided by operating transactions	66,927	60,651
<b>Capital activities</b>		
Purchase of tangible capital assets	(47,501)	(64,064)
Proceeds on sale of tangible capital assets	125	671
Loss on disposal of tangible capital assets	156	2,046
Net decrease in cash from capital	(47,220)	(61,347)
<b>Investing activity</b>		
(Increase) decrease in investments	(30,622)	13,668
Net (increase) decrease in cash from investing	(30,622)	13,668
<b>Financing activities</b>		
New debt issued	9,760	6,726
Debt principal repayments	(9,026)	(8,350)
Net increase in cash from financing	734	(1,624)
Change in cash and temporary investments	(10,181)	11,348
Cash and temporary investments, beginning of year	27,208	15,860
<b>Cash and temporary investments, end of year</b>	<b>17,027</b>	<b>27,208</b>

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.



# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

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### 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, 2012

(All amounts are in thousands of dollars)

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### 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, 2012

(All amounts are in thousands of dollars)

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### 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. Significant items subject to estimates and assumptions include valuation allowances for receivables, certain accrued liabilities, obligations related to employee future benefits and the carrying value of tangible capital assets. Actual results could differ from these estimates.

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

### 1. Accounting policies (continued)

#### *Future accounting changes*

Effective for fiscal periods beginning on or after April 1, 2012, all governments will be required to adopt Public Sector Accounting Board Handbook ("PSAB") Section 3410 Government Transfers. This standard provides guidance to governments for the accounting and reporting of government transfers from both the transferring government and the recipient government in the financial statements.

Effective for fiscal periods beginning on or after April 1, 2012, all governments will be required to adopt Public Sector Accounting Board Handbook ("PSAB") Section 3510. This standard provides guidance to governments on the accounting and reporting of tax revenue in the financial statements.

Effective for fiscal periods beginning on or after April 1, 2014, all governments will be required to adopt PSAB Section 3260, Liability for Contaminated Sites. This standard provides guidance on how to account for and report a liability associated with the remediation of contaminated sites, defines which activities would be included in the liability for remediation, establishes when to recognize and how to measure a liability for remediation and provides guidance on financial statement presentation and disclosure.

Effective for fiscal periods beginning on or after April 1, 2015, all governments will be required to adopt PSAB Section 2601, Foreign Currency Translation, PSAB Section 3450 Financial Instruments and PSAB Section 1201 Financial Statement Presentation. This standard provides guidance on how to account for and report on financial instruments and related revenue and expenditures and also provides guidance on financial statement presentation and disclosure.

The City is currently in the process of evaluating the potential impact of adopting these standards.

### 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:

	2012	2012	2011	2011
	School boards	Region of Halton	School boards	Region of Halton
	\$	\$	\$	\$
Taxation	104,358	115,255	103,447	113,049
Payments in lieu of taxes	231	1,279	231	1,098
Amounts received or receivable	104,589	116,534	103,678	114,147
Requisitions	104,589	116,534	103,678	114,147

### 3. Taxes receivable

The taxes receivable, totaling \$12,419 (2011 - \$13,396), represent uncollected taxes billed for the following purposes based on total assessments:

	2012	2011
	\$	\$
City of Burlington	4,492	4,794
Region of Halton	4,178	4,508
Halton school boards	3,749	4,094
	12,419	13,396

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

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#### 4. Trust funds

Trust funds administered by the municipality amounting to \$11,115 (2011 - \$9,217) 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 \$183,619 (2011 - \$152,997) reported on the "Consolidated statement of financial position" at cost, have a market value of \$194,555 (2011 - \$162,208) 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:

	2012	2011
	\$	\$
Development charges	30,532	28,223
Parkland	11,096	7,932
<b>Total</b>	<b>41,628</b>	<b>36,155</b>

#### 7. Employee benefits and other liabilities

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

	2012	2011
	\$	\$
Banked overtime	390	314
WSIB	4,797	4,179
Vacation pay liability	5,453	5,288
Retiree benefits	9,806	9,149
Life, medical and dental benefits	625	589
<b>Total</b>	<b>21,071</b>	<b>19,519</b>

(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, 2012 provided the basis for the liability of \$4,797 (2011 - \$4,179). 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 \$1,497. The loss is due to actual experience compared with the previous actuarial update arising from projected claims for survivor benefits. Amortization of \$273 (2011 - \$243) is included. A reserve fund in the amount of \$2,965 (2011 - \$2,653) has been provided for this liability and is reported in note 11.

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

### 7. Employee benefits and other liabilities (continued)

#### (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 \$9,806 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, 2012 using a discount rate of 4.25% and assuming an inflation rate of 2.0%. The liability is net of an actuarial loss of \$1,981 realized due to the actual experience as compared with the previous actuarial update but includes amortization of \$248. A reserve fund in the amount of \$1,678 (2011 - \$1,336) has been provided for this liability and is reported in note 11.

The City maintains life, medical and dental insurance for disabled employees. The liability is estimated at \$625 (2011-\$589).

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

	2012	2011
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	(11,919)	(11,339)
Current benefit expense	(622)	(568)
Interest	(547)	(535)
Benefits paid	760	523
Balance, end of year	(12,328)	(11,919)
Actuarial gain from valuation	541	-
Actual balance end of the year	(11,787)	(11,919)
Unamortized actuarial loss	1,981	2,770
Liability for benefits	(9,806)	(9,149)
Amortization of actual loss	(248)	(248)

### 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 2012 was \$6,380 (2011 - \$5,629) for current service and is included as an expenditure on the "Consolidated statement of operations."

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

### 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:

	2012	2011
	\$	\$
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	<b>68,605</b>	67,871
<b>Net long term liabilities at the end of the year</b>	<b>68,605</b>	<b>67,871</b>

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

	\$
2013	8,997
2014	9,366
2015	8,521
2016	8,239
2017	6,980
2018 and thereafter	26,502
	<b>68,605</b>

- (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:

	2012	2011
	\$	\$
Principal payments	<b>9,026</b>	8,350
Interest	<b>2,914</b>	3,031
	<b>11,940</b>	<b>11,381</b>

These charges, included on the "Consolidated statement of operations" were financed from the following sources:

	2012	2011
	\$	\$
General municipal revenues	<b>11,864</b>	11,300
Benefiting landowners	<b>76</b>	81
	<b>11,940</b>	<b>11,381</b>

# The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

## 9. Net long term liabilities (continued)

By-law	Purpose	Interest rates %	Maturity dates	2012 \$
96-99	Road reconstruction	5.875-6.000	2014	1,200
34-04	Road reconstruction	3.550-4.850	2014	607
163-04	Road reconstruction	2.430	2014	107
111-05	Road reconstruction	3.300-4.100	2015	1,694
190-06	Road reconstruction	2.410-2.430	2016	94
131-06	Facilities and roads	4.250-4.600	2016	5,680
72-08	Road reconstruction	3.200-4.650	2018	4,512
62-08	Indoor soccer field	4.620	2019	673
67-08	Road reconstruction	4.620	2019	457
70-08	Road reconstruction	4.620	2019	934
71-08	Road reconstruction	4.620	2019	139
75-08	Road reconstruction	4.620	2019	348
80-08	Road reconstruction	4.620	2019	280
81-08	Storm water management	4.620	2019	82
86-08	Storm water management	4.620	2019	187
87-08	Road reconstruction	4.620	2019	298
88-08	Road reconstruction	4.620	2019	757
92-08	Road reconstruction	4.620	2019	176
110-08	Road reconstruction	4.620	2019	127
26-09	Storm water management	4.620	2019	60
34-09	Road reconstruction	4.620	2019	428
38-09	Road reconstruction	4.620	2019	312
124-04	Library expansion	4.050-5.400	2019	5,253
64-10	Road reconstruction	1.600-4.450	2020	5,224
48-10	Road reconstruction	1.100-3.300	2021	91
87-10	Parking Lot Renewal	1.100-3.300	2021	163
68-10	Road reconstruction	1.100-3.300	2021	1,097
50-11	Road reconstruction	1.100-3.300	2021	45
15-11	Road reconstruction	1.100-3.300	2021	171
37-11	Elgin Street Maint (BPAC)	1.100-3.300	2021	530
58-11	Road reconstruction	1.100-3.300	2021	1,139
62-11	Road reconstruction	1.100-3.300	2021	597
67-11	Culver Replacement	1.100-3.300	2021	272
72-11	Valley Inn Trail	1.100-3.300	2021	133
75-11	Road reconstruction	1.100-3.300	2021	1,204
76-11	Road reconstruction	1.100-3.300	2021	234
77-11	Road improvements	1.100-3.300	2021	414
91-07	Various	4.800-5.000	2022	6,476
12-09	Performing arts centre	4.620	2024	8,089
17-09	Performing arts centre	4.620	2024	426
18-09	Performing arts centre	4.620	2024	2,044
41-09	Appleby ice expansion	4.620	2024	6,091
60-12	Road reconstruction	1.550-3.350	2022	5,240
65-11	Road reconstruction	1.400-3.100	2022	1,375
138-12	Alton Community Centre	1.400-3.100	2022	3,145
				<b>68,605</b>



# The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

## 10. Tangible capital assets

	2012							
	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
Balance, beginning of year	141,397	198,214	44,209	30,359	61,014	558,932	35,366	1,069,491
Additions	1,192	3,814	6,795	5,006	7,241	19,304	19,135	62,487
Disposals	-	41	3,046	2,009	685	5,888	11,151	22,820
Balance, end of year	142,589	201,987	47,958	33,356	67,570	572,348	43,350	1,109,158
<b>Accumulated amortization</b>								
Balance, beginning of year	-	79,467	21,337	15,235	22,803	187,414	-	326,256
Disposals	-	41	2,799	1,981	685	5,839	-	11,345
Amortization expense	-	5,892	3,725	3,576	2,831	12,515	-	28,539
Balance, end of year	-	85,318	22,263	16,830	24,949	194,090	-	343,450
Net book value, end of year	142,589	116,669	25,695	16,526	42,621	378,258	43,350	765,708
	2011							
	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
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
<b>Accumulated amortization</b>								
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

# The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

## 10. Tangible capital assets (continued)

*Tangible capital assets by business segment*

							2012	2011
	General Government	Protective services	RPM	Transit and traffic	Recreation and culture	Development and infrastructure	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
Balance, beginning of year	66,031	24,757	414,573	46,477	317,576	164,712	1,034,126	946,724
Additions	1,713	3,721	19,665	1,222	13,229	10	39,560	90,348
Disposals	645	542	8,621	8	1,792	62	11,670	10,071
Other - Donations	-	-	3,793	-	-	-	3,793	7,125
<b>Assets in service - Year end</b>	<b>67,099</b>	<b>27,936</b>	<b>429,410</b>	<b>47,691</b>	<b>329,013</b>	<b>164,660</b>	<b>1,065,809</b>	<b>1,034,126</b>
Assets under construction	135	-	18,182	264	24,768	-	43,349	35,365
<b>All assets, end of year</b>	<b>67,234</b>	<b>27,936</b>	<b>447,592</b>	<b>47,955</b>	<b>353,781</b>	<b>164,660</b>	<b>1,109,158</b>	<b>1,069,491</b>
<b>Accumulated amortization</b>								
Balance, beginning of year	14,215	11,854	152,576	15,702	84,745	47,164	326,256	306,868
Disposals	645	463	8,422	-	1,779	37	11,346	7,762
Amortization expense	1,243	1,370	13,664	2,489	9,727	47	28,540	27,150
<b>Balance, end of year</b>	<b>14,813</b>	<b>12,761</b>	<b>157,818</b>	<b>18,191</b>	<b>92,693</b>	<b>47,174</b>	<b>343,450</b>	<b>326,256</b>
<b>Net book value, end of year</b>	<b>52,421</b>	<b>15,175</b>	<b>289,774</b>	<b>29,764</b>	<b>261,088</b>	<b>117,486</b>	<b>765,708</b>	<b>743,235</b>

(a) *Work in progress*

Work in progress having a value of \$43,349 (2011 - \$35,366) 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 \$3,793 (2011 - \$7,125).

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

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### 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

	2012	2011
	\$	\$
Accumulated surplus		
Invested in tangible capital assets	765,708	743,235
Deferred Revenue related to tangible capital asset	(567)	(567)
Operating fund	112,591	108,934
Capital fund	52,828	54,940
Reserve fund	100,268	91,389
Unfunded	(89,418)	(87,390)
Local boards reserve funds	1,069	674
	<b>942,479</b>	<b>911,215</b>
Reserve and reserve funds set aside by Council		
Capital purposes	56,655	51,959
Vehicle and equipment replacement	2,471	1,643
Transit reserve funds	1,920	2,838
Stabilization reserve funds	16,772	15,050
Contingency reserve	5,463	4,987
Employee accident reserve fund	2,965	2,653
Employee benefits reserve fund	1,678	1,336
Corporate reserve	2,057	2,857
Program specific reserve funds	3,114	2,915
Local boards reserve funds	6,260	4,868
Program specific reserves	913	283
	<b>100,268</b>	<b>91,389</b>

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as above.

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

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### 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 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:

	2012	2011
	\$	\$
Continuity of investment		
Opening balance	111,609	108,917
Net income for year	6,994	5,742
Dividends received during the year	(2,000)	(3,050)
Net increase in equity during the year	4,994	2,692
Ending balance	116,603	111,609

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

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

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

The following table provides condensed, consolidated supplementary financial information for Burlington Hydro Electric Inc. for the year ended December 31, 2012 and 2011:

	2012	2011
	\$	\$
Financial position		
Current assets	54,007	55,600
Capital assets	92,987	83,287
Other assets	11,859	10,197
Future payment in lieu of taxes	5,068	5,030
<b>Total assets</b>	<b>163,921</b>	<b>154,114</b>
Current liabilities	27,688	26,989
Promissory note payable to City of Burlington	47,879	47,879
Customer's deposits	2,989	3,194
Ontario Infrastructure Loan	8,634	9,150
Other Liabilities	4,655	-
Liability for future benefits	3,352	3,172
<b>Total liabilities</b>	<b>95,197</b>	<b>90,384</b>
<b>Net assets</b>	<b>68,724</b>	<b>63,730</b>
Results of operations		
Net revenues	36,120	32,926
Operating expenses	29,126	27,184
	<b>6,994</b>	<b>5,742</b>

The investment in BHEI is represented by the following:

Total net assets	68,724	63,730
Promissory note receivable	47,879	47,879
	<b>116,603</b>	<b>111,609</b>

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 \$3,262 (2011 - \$3,044). Of this amount, \$467 (2011 - \$412) was net distribution revenue.

Payments in Lieu of Taxes paid to the City of Burlington by Burlington Hydro Electric Inc. were \$104 (2011 - \$108).

### 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.

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

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### 13. Segmented information (continued)

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.

#### *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, 2012

(All amounts are in thousands of dollars)

## 13. Segmented information (continued)

								2012
	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves & other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Taxation	26,559	22,249	19,492	5,605	21,569	4,466	26,012	125,952
User fees and charges	1,591	1,692	7,772	5,551	12,719	2,326	-	31,651
Government transfers	286	150	886	2,602	3,221	10	5,043	12,198
Investment income	-	1	58	-	-	14	8,142	8,215
Contribution from developers	-	-	-	-	-	-	3,455	3,455
Fines and penalties	5	6,941	-	916	164	-	2,108	10,134
Rents and concessions	133	88	-	619	4,084	-	-	4,924
Licenses and permits	109	5,070	189	936	150	372	-	6,826
Other	178	28	136	41	1,365	16	5,481	7,245
BHEI equity increase	-	-	-	-	-	-	4,994	4,994
Capital assets contributed	-	-	3,793	-	-	-	-	3,793
<b>Total revenues</b>	<b>28,861</b>	<b>36,219</b>	<b>32,326</b>	<b>16,270</b>	<b>43,272</b>	<b>7,204</b>	<b>55,235</b>	<b>219,387</b>
Expenses								
Salaries wages and benefits	19,177	30,004	16,863	10,512	25,881	5,443	-	107,880
Long term debt	670	21	1,201	(8)	975	-	-	2,859
Materials	578	851	3,783	3,328	5,666	629	-	14,835
Contracted services	7,348	2,189	8,612	2,519	5,416	373	-	26,457
Rents and financial expenses	1,069	516	162	14	1,579	133	-	3,473
External transfers	197	2,562	(467)	-	929	704	-	3,925
Amortization	1,243	1,370	13,664	2,489	9,727	48	-	28,541
Loss (gain) on disposal of tangible capital assets	-	45	76	(10)	25	17	-	153
<b>Total expenses</b>	<b>30,282</b>	<b>37,558</b>	<b>43,894</b>	<b>18,844</b>	<b>50,198</b>	<b>7,347</b>	<b>-</b>	<b>188,123</b>
<b>Net surplus/deficit</b>	<b>(1,421)</b>	<b>(1,339)</b>	<b>(11,568)</b>	<b>(2,574)</b>	<b>(6,926)</b>	<b>(143)</b>	<b>55,235</b>	<b>31,264</b>

# The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2012

(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
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>								
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	1	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
<b>Total revenues</b>	<b>25,340</b>	<b>33,626</b>	<b>33,923</b>	<b>17,254</b>	<b>55,878</b>	<b>7,699</b>	<b>49,336</b>	<b>223,056</b>
<b>Expenses</b>								
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
Amortization	1,156	1,023	10,243	2,216	9,320	3,192	-	27,150
Loss (gain) on disposal of tangible capital assets	227	-	1,475	148	196	-	-	2,046
<b>Total expenses</b>	<b>26,880</b>	<b>33,745</b>	<b>43,819</b>	<b>16,564</b>	<b>51,949</b>	<b>11,011</b>	<b>-</b>	<b>183,968</b>
<b>Net surplus/deficit</b>	<b>(1,540)</b>	<b>(119)</b>	<b>(9,896)</b>	<b>690</b>	<b>3,929</b>	<b>(3,312)</b>	<b>49,336</b>	<b>39,088</b>



# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

December 31, 2012

(All amounts are in thousands of dollars)

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### 14. Lease agreements

The City has entered into lease agreements for office equipment, facility space, vehicles and other services, at a present value of \$3,755 (\$4,572), 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:

	\$
2013	1,107
2014	1,074
2015	1,059
2016	414
2017	101
	<hr/> 3,755

### 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.

#### *Joseph Brant Hospital*

Council has approved a commitment to the Joseph Brant Hospital expansion project of \$60 million. This was approved as part of the 2010 current budget approval which took place at the Council meeting of March 22, 2010. Funding of the commitment will be through a dedicated tax levy which began in 2010. The 2012 dedicated tax levy was \$2.4 million. A contribution agreement between the City of Burlington and the Joseph Brant Hospital has been signed.

#### *Contingencies*

As at December 31, 2012, 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 consolidated financial statements. Included in the reserve balance is a provision for contingencies of \$5,463 (2011 - \$4,987).

#### *Arbitration Claim*

On June 30, 2008, pursuant to an Asset Purchase Agreement ('APA") between a subsidiary and COGECO Cable Canada Inc., BESI sold all of the assets of its telecommunications business. In May 2010, COGECO notified BESI that they were initiating arbitration of certain matters in dispute under Section 14.2 of the APA. In April 2012, a Memorandum of Settlement with the intention of settling the Arbitration Claim of January 14, 2011 by not proceeding to arbitration was executed. Substantial work agreed upon in the Memorandum of Settlement was addressed.

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, 2012 a liability in the amount of \$2,699 (2011 - \$2,612) 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, 2012

(All amounts are in thousands of dollars)

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### 15. Commitments and contingencies (continued)

#### *Electricity Retrofit Incentive Program*

In 2013 Burlington Hydro Inc. received \$814 from the Ontario Power Authority ("OPA") for Performance Bonuses and net Incremental Funding related to the delivery of the Electricity Retrofit Incentive Program between 2007 and 2010. This will be recorded in the year of receipt.

There are incentive programs available to Burlington Hydro Inc. for 2010 to 2012 for programs carried out. The amount of these incentives cannot be determined because they are calculated by the OPA based on the savings achieved.

### 16. Budget figures

Budget figures presented in these consolidated statements are based upon the 2012 operating and capital budgets approved by Council. The chart below reconciles the approved budget figures reported in these consolidated financial statements.

	Budget amount
	\$
Revenue	
Operating	174,133
Capital	117
Consolidation	8,069
Less	
Transfers from/(to) other funds	9,759
Proceeds on debt issue	(9,760)
<b>Total revenue</b>	<b>182,318</b>
Expenses	
Operating	136,612
Amortization	27,503
Consolidation	8,358
Less	
Transfers to/(from) other funds	20,257
Debt principal payments	(9,026)
Contributions to boards	(11,050)
<b>Total expenses</b>	<b>172,654</b>
<b>Annual surplus</b>	<b>9,664</b>