

Consolidated financial statements of

**The Corporation of the
City of Burlington**

December 31, 2013

The Corporation of the City of Burlington

December 31, 2013

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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, 2013, 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, 2013, and the results of its operations 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
June 30, 2014

The Corporation of the City of Burlington

Consolidated statement of operations year ended December 31, 2013

(All amounts are in thousands of dollars)

	2013 Budget (Note 17)	2013 Actual	2012 Actual (Note 2)
	\$	\$	\$
Revenues			
Taxation	126,679	131,657	125,951
User fees and charges	20,924	35,615	29,245
Grants			
Government of Canada	5,246	1,151	4,571
Province of Ontario	464	1,819	4,658
Contributions from developers	185	2,187	3,455
Investment income	5,052	9,244	8,181
Sale of land and other capital assets	225	276	355
Penalties and interest on taxes	2,100	2,179	2,108
Donations	492	1,190	963
Fines and penalties	7,784	8,751	8,026
Rents and concessions	4,724	4,837	4,927
Licenses and permits	6,807	6,263	6,824
Other	318	589	622
Hydro dividends and interest	5,310	5,574	5,310
Contributed tangible capital assets	-	2,844	3,793
Burlington Hydro Electric Inc., net increase in equity (Note 13)	-	2,689	4,994
Total revenues	186,310	216,865	213,983
Expenses			
General government	26,912	30,452	29,542
Protection to persons and property	36,362	38,977	37,137
Transportation services	54,993	69,770	58,394
Environmental services	3,886	4,063	4,039
Health services	259	199	289
Recreation and cultural services	52,173	53,595	51,603
Planning and development	8,415	6,871	6,736
Other	-	317	22
Total expenses	183,000	204,244	187,762
Annual surplus	3,310	12,621	26,221
Accumulated surplus, beginning of year, as previously stated	-	942,479	911,215
Adjustment (Note 2)	-	(8,226)	(3,183)
Accumulated surplus, beginning of year, restated	934,253	934,253	908,032
Accumulated surplus, end of year	937,563	946,874	934,253

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

The Corporation of the City of Burlington

Consolidated statement of change in net financial assets

year ended December 31, 2013

(All amounts are in thousands of dollars)

	2013	2013	2012
	Budget	Actual	Actual
	(Note 17)		(Note 2)
	\$	\$	\$
Annual surplus	3,310	12,621	26,221
Acquisition of tangible capital assets	(52,568)	(46,021)	(49,966)
Amortization of tangible capital assets	29,800	29,867	28,540
Loss on disposal of tangible capital assets	-	207	156
Proceeds on sale of tangible capital assets	-	149	125
Change in supplies of inventory	-	140	(47)
Change in prepaid expenses	-	(26)	(39)
(Decrease) increase in net financial assets	(19,458)	(3,063)	4,990
Net financial assets, beginning of year	167,554	167,554	162,564
Net financial assets, end of year	148,096	164,491	167,554

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

The Corporation of the City of Burlington

Consolidated statement of financial position

as at December 31, 2013

(All amounts are in thousands of dollars)

	2013	2012
		(Note 2)
	\$	\$
Financial assets		
Cash and temporary investments	14,059	17,027
Taxes receivable (Note 4)	10,888	12,419
Accounts receivable	20,490	9,970
Investments (Note 6)	185,427	183,619
Investment in Burlington Hydro Electric Inc. (Note 13)	119,292	116,603
	350,156	339,638
Liabilities		
Accounts payable and accrued liabilities	26,973	26,760
Other liabilities	459	603
Deferred revenue - general	6,313	6,519
Deferred revenue - obligatory reserve funds (Note 7)	61,633	48,526
Employee future benefits (Note 8)	21,942	21,071
Long-term debt (Note 10)	68,345	68,605
	185,665	172,084
Net financial assets	164,491	167,554
Non-financial assets		
Tangible capital assets (Note 11)	780,178	764,380
Inventory	1,971	2,111
Prepaid expenses	234	208
	782,383	766,699
Commitments and contingencies (Note 16)		
Accumulated surplus (Note 12)	946,874	934,253

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

The Corporation of the City of Burlington

Consolidated statement of cash flows

year ended December 31, 2013

(All amounts are in thousands of dollars)

	2013	2012
		(Note 2)
	\$	\$
Operating activities		
Annual surplus	12,621	26,221
Non-cash charges to operations		
Amortization	29,867	28,540
Burlington Hydro Electric Inc., net increase in equity (Note 13)	(2,689)	(4,994)
Decrease in taxes receivable	1,531	977
(Decrease) increase in accounts receivable	(10,520)	11,790
Increase in inventory	140	(47)
Increase in prepaid expenses	(26)	(39)
Increase (decrease) in accounts payable and accrued liabilities	213	(2,790)
(Decrease) increase in other liabilities	(144)	10
Decrease in deferred revenue - general	(206)	(292)
Increase in deferred revenue - obligatory reserve funds	13,107	12,371
Increase in employee future benefits	871	1,552
Contributed tangible capital assets	(2,844)	(3,793)
Cash provided by operating transactions	41,921	69,506
Capital activities		
Purchase of tangible capital assets	(43,177)	(46,173)
Proceeds on sale of tangible capital assets	149	125
Loss on disposal of tangible capital assets	207	156
Net decrease in cash from capital activities	(42,821)	(45,892)
Investing transactions		
Increase in investments	(1,808)	(30,622)
Net decrease in cash from investing activities	(1,808)	(30,622)
Financing activities		
New debt issued	8,737	9,760
Debt principal repayments	(8,997)	(9,026)
Net (decrease) increase in cash from financing activities	(260)	734
Change in cash and temporary investments	(2,968)	(6,274)
Cash and temporary investments, beginning of year	17,027	23,301
Cash and temporary investments, end of year	14,059	17,027

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

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

1. Accounting policies

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

(a) Basis of consolidation

(i) Consolidated entities

These consolidated financial statements reflect the assets, liabilities, revenues, expenses 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

All material inter-entity transactions and balances are eliminated on consolidation.

(ii) Non-consolidated entities

These consolidated financial statements do not reflect the assets, liabilities, revenues, expenses 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, expenses, 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 separately.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(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 expenses, with the exception of Provincial Offences Act fine revenues which are accounted for on a cash basis. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services.

Where revenue has been received in advance of expenses being incurred, the amount has been recorded as deferred revenue in the consolidated statement of financial position, 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.

1. 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. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	Useful life (years)
Land and land improvements	12-100
Building	10-100
Leasehold Improvements	Term of the Lease
Machinery and equipment	3-25
Vehicles	5-32
Linear	4-80

A full year's amortization is taken in the year of asset acquisition and disposal. Work in progress is 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	\$Nil
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's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of TCAs.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

1. Accounting policies (continued)

(b) Basis of accounting

(ii) Non-financial assets (continued)

2. 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.

3. 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.

4. Inventories

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

(iii) Government transfers

Government transfers are recognized as revenues by the City in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions or programs to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

(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) Employee future benefits

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care and dental costs. Actuarial gains or losses are amortized on a straight line basis over the expected average remaining service life of all employees covered.

(vi) Tax revenue

Tax revenue is recognized on all taxable properties within the City that are included in the tax roll provided by the Municipal Property Assessment Corporation, using property values included in the tax roll or property values that can be reasonably estimated by the City as it relates to supplementary or omitted assessments, at tax rates authorized by Council for the City's own purposes in the period for which the tax is levied.

(vii) 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.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

2. Accounting policies (continued)

(b) *Basis of accounting*

(viii) 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.

(ix) 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 expenses during the reporting periods. Significant estimates relate to the allowance for taxes receivable, the allowance for accounts receivable, accrued liabilities, employee future benefits and tangible capital assets. Actual results could differ from these estimates.

(x) Adoption of new accounting standards

As at January 1, 2013, the City adopted Public Sector Accounting Handbook Sections PS 3410, "Government *Transfers*" and Section 3510 "*Tax Revenue*". There was no impact on the financial statements as a result of the adoption of these new standards.

2. Prior period adjustments

- (a) On August 17, 2011 the City, the Burlington Public Library Board (the "BPLB") and the Halton District School Board (the "HDSB") signed a joint facility development agreement to construct and operate a school, joint integrated library and a community centre. During the year ended December 31, 2012, a capital contribution of \$1,328 was paid by the BPLB to the HDSB to fund the construction of the facility. The signed development agreement indicates that the HDSB and the City are the co-owners of the facility, and accordingly the BPLB does not own any portion of the new building.

During the year ended December 31, 2012, the BPLB incorrectly recorded the capital contribution of \$1,328 as a tangible capital asset acquisition, and a contribution from the City, rather than an expense. Accordingly, the BPLB and the City have restated 2012 expenses, annual surplus, tangible capital assets and accumulated surplus as at December 31, 2012 to correct this error.

- (b) In prior years, the City reported reserve balances for the Federal and Provincial Gas Tax as a component of accumulated surplus. Since the use of these resources is restricted by an agreement with an external party and can only be used for a specific purpose, the City has retroactively restated these amounts to be reported in the balances for deferred revenue for 2012.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

2. Prior period adjustment (continued)

The impact of these adjustments is as follows:

	As previously reported	Adjustment	Reference	As restated
	\$	\$		\$
December 31, 2012				
Statement of financial position				
Tangible capital assets	765,708	(1,328)	(a)	764,380
Deferred revenue - obligatory reserve funds	41,628	6,898	(b)	48,526
Accumulated surplus	942,479	(8,226)	(a) (b)	934,253
Year ended December 31, 2012				
Statement of operations				
Grants - Government of Canada	7,047	(2,476)	(b)	4,571
Grants - Province of Ontario	5,143	(485)	(b)	4,658
Investment income	8,214	(33)	(b)	8,181
Other revenues	628	(6)	(a) (b)	622
Recreation and cultural services	50,199	1,404	(a)	51,603
Other expenses	16	6	(a) (b)	22
Annual surplus	31,264	(5,043)	(a) (b)	26,221
Statement of change in net financial assets				
Annual surplus	31,264	(5,043)	(a) (b)	26,221
Acquisition of tangible capital assets	(51,294)	1,328	(a)	(49,966)
Statement of cash flows				
Annual surplus	31,264	(5,043)	(a) (b)	26,221
Increase in deferred revenue - obligatory reserve funds	5,473	6,898	(b)	12,371
Decrease in accounts receivable	11,523	267		11,790
January 1, 2012				
Accumulated surplus	911,215	(3,183)		908,032
Net financial assets, beginning of year	165,747	(3,183)		162,564

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

3. Operations of school boards and the Region of Halton

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

	2013		2012	
	School boards	Region of Halton	School boards	Region of Halton
	\$	\$	\$	\$
Taxation	104,648	115,737	104,358	115,255
Payments in lieu of taxes	230	1,126	231	1,279
Amounts received or receivable	104,878	116,863	104,589	116,534
Requisitions	104,878	116,863	104,589	116,534

4. Taxes receivable

Taxes receivable represent uncollected taxes billed for the following purposes based on total assessments:

	2013	2012
	\$	\$
City of Burlington	4,059	4,492
Region of Halton	3,599	4,178
Halton school boards	3,230	3,749
	10,888	12,419

5. Trust funds

Trust funds administered by the City amounting to \$12,109 (2012 - \$11,114) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

6. Investments

Investments of \$185,427 (2012 - \$183,619) reported on the Consolidated Statement of Financial Position at cost, have a market value of \$182,789 (2012 - \$194,555) at the end of the year.

7. 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 legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

7. Deferred revenue - obligatory reserve funds (continued)

The net change during the year in the legislatively restricted deferred revenue balances is as follows:

	Development charges	Parkland	Gas tax	2013 Total	2012 Total (Note 2)
	\$	\$	\$	\$	\$
Balance, beginning of year	30,532	11,096	6,898	48,526	40,077
Restricted funds received	7,558	2,420	7,231	17,209	16,996
Interest earned	620	311	74	1,005	744
Transfers between reserve funds	-	(200)	-	(200)	-
Revenue recognized	(650)	(1,487)	(2,770)	(4,907)	(9,291)
Balance, end of year	38,060	12,140	11,433	61,633	48,526

8. Employee future benefits

The City provides certain employee benefits which will require funding in future periods.

	2013	2012
	\$	\$
Banked overtime	377	390
WSIB	5,093	4,797
Vacation pay liability	5,532	5,453
Retiree benefits	10,315	9,806
Life, medical and dental benefits	625	625
	21,942	21,071

(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 completed in the prior year provided the basis for the liability of \$5,093 (2012 - \$4,797). 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 \$1,815. The loss is due to actual experience compared with the previous actuarial update arising from projected claims for survivor benefits. Amortization of \$324 (2012 - \$273) is included. A reserve fund in the amount of \$ 3,348 (2012 - \$2,965) has been provided for this liability and is reported in Note 12.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

8. Employee future benefits (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 \$10,315 (2012 - \$9,806) is included in the employee future benefits 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 in the prior year using a discount rate of 4.25% and assuming an inflation rate of 2.0%. The liability is net of an actuarial loss of \$1,778 realized due to the actual experience as compared with the previous actuarial update but includes amortization of \$203. A reserve fund in the amount of \$ 1,654 (2012 - \$1,678) has been provided for this liability and is reported in Note 12.

The City maintains life, medical and dental insurance for disabled employees. The liability is estimated at \$625 (2012 - \$625).

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

	2013	2012
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	(11,787)	(11,919)
Current benefit expense	(578)	(622)
Interest	(497)	(547)
Benefits paid	769	760
Balance, end of year	(12,093)	(12,328)
Actuarial gain from valuation	-	541
Actual balance end of the year	(12,093)	(11,787)
Unamortized actuarial loss	1,778	1,981
Liability for benefits	(10,315)	(9,806)
Amortization of actual loss	(203)	(248)

9. 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 2013 was \$7,154 (2012- \$6,380) for current service and is included as an expenses on the Consolidated Statement of Operations.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

10. Long-term debt

- (a) Long-term debt includes amount incurred by the City including those incurred on behalf of municipal enterprises. The principal payments are detailed as follows:

	\$
2014	10,155
2015	9,327
2016	9,064
2017	7,823
2018	7,148
2019 and thereafter	24,828
	<hr/> 68,345

- (b) Total debt charges are as follows:

	2013	2012
	\$	\$
Principal payments	8,997	9,026
Interest	2,827	2,914
	<hr/> 11,824	<hr/> 11,940

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

	2013	2012
	\$	\$
General municipal revenues	11,749	11,864
Benefiting landowners	75	76
	<hr/> 11,824	<hr/> 11,940

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

10. Long-term debt (continued)

By-law	Purpose	Interest rates %	Dates	2013 \$
96-99	Road reconstruction	5.875-6.000	2014	618
34-04	Road reconstruction	3.550-4.850	2014	311
163-04	Road reconstruction	2.430	2014	53
111-05	Road reconstruction	3.300-4.100	2015	1,153
190-06	Road reconstruction	2.410-2.430	2016	68
131-06	Facilities and roads	4.250-4.600	2016	4,354
72-08	Road reconstruction	3.200-4.650	2018	3,883
62-08	Indoor soccer field	4.620	2019	590
67-08	Road reconstruction	4.620	2019	401
70-08	Road reconstruction	4.620	2019	818
71-08	Road reconstruction	4.620	2019	122
75-08	Road reconstruction	4.620	2019	305
80-08	Road reconstruction	4.620	2019	245
81-08	Storm water management	4.620	2019	72
86-08	Storm water management	4.620	2019	164
87-08	Road reconstruction	4.620	2019	261
88-08	Road reconstruction	4.620	2019	663
92-08	Road reconstruction	4.620	2019	155
110-08	Road reconstruction	4.620	2019	111
26-09	Storm water management	4.620	2019	53
34-09	Road reconstruction	4.620	2019	375
38-09	Road reconstruction	4.620	2019	273
124-04	Library expansion	4.050-5.400	2019	4,476
64-10	Road reconstruction	1.600-4.450	2020	4,644
48-10	Road reconstruction	1.100-3.300	2021	81
87-10	Parking Lot Renewal	1.100-3.300	2021	146
68-10	Road reconstruction	1.100-3.300	2021	981
50-11	Road reconstruction	1.100-3.300	2021	40
15-11	Road reconstruction	1.100-3.300	2021	153
37-11	Elgin Street Maint (BPAC)	1.100-3.300	2021	474
58-11	Road reconstruction	1.100-3.300	2021	1,019
62-11	Road reconstruction	1.100-3.300	2021	534
67-11	Culver Replacement	1.100-3.300	2021	243
72-11	Valley Inn Trail	1.100-3.300	2021	119
75-11	Road reconstruction	1.100-3.300	2021	1,077
76-11	Road reconstruction	1.100-3.300	2021	209
77-11	Road improvements	1.100-3.300	2021	370
91-07	Various	4.800-5.000	2022	5,524
12-09	Performing arts centre	4.620	2024	7,574
17-09	Performing arts centre	4.620	2024	399
18-09	Performing arts centre	4.620	2024	1,914
41-09	Appleby ice expansion	4.620	2024	5,703
60-12	Road reconstruction	1.550-3.350	2022	4,775
65-11	Road reconstruction	1.400-3.100	2022	1,249
138-12	Alton Community Centre	1.400-3.100	2022	2,856
47-13	Various	1.250-2.950	2023	8,737
				68,345

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

11. Tangible capital assets

								2013
	Land	Building	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	142,589	201,987	47,958	33,356	67,570	572,348	42,022	1,107,830
Additions	1,010	17,725	1,997	3,687	17,702	15,027	16,405	73,553
Disposals	-	79	1,236	1,992	1,156	6,533	27,532	38,528
Balance, end of year	143,599	219,633	48,719	35,051	84,116	580,842	30,895	1,142,855
Accumulated amortization								
Balance, beginning of year	-	85,318	22,263	16,830	24,949	194,090	-	343,450
Disposals	-	79	1,123	1,962	1,156	6,320	-	10,640
Amortization expense	-	6,589	3,767	3,738	3,142	12,631	-	29,867
Balance, end of year	-	91,828	24,907	18,606	26,935	200,401	-	362,677
Net book value, end of year	143,599	127,805	23,812	16,445	57,181	380,441	30,895	780,178

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

11. Tangible capital assets (continued)

								2012
	Land	Building	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	Total (Note 2)
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
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	17,807	61,159
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	42,022	1,107,830
Accumulated amortization								
Balance, beginning of year	-	79,467	21,337	15,235	22,803	187,414	-	326,256
Disposals	-	41	2,799	1,981	685	5,840	-	11,346
Amortization expense	-	5,892	3,725	3,576	2,831	12,516	-	28,540
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	42,022	764,380

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

11. Tangible capital assets (continued)

Tangible capital assets by business segment

							2013	2012
	General Government	Protective services	RPM	Transit and traffic	Recreation and culture	Development and infrastructure	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	67,100	27,936	429,408	47,692	329,012	164,660	1,065,808	1,034,125
Additions	1,716	540	13,109	882	36,582	1,475	54,304	39,560
Disposals	740	106	6,716	326	3,108	-	10,996	11,670
Other - donations	600	-	2,244	-	-	-	2,844	3,793
Assets in service - year end	68,676	28,370	438,045	48,248	362,486	166,135	1,111,960	1,065,808
Assets under construction	376	536	21,969	196	6,064	1,754	30,895	42,022
All assets, end of year	69,052	28,906	460,014	48,444	368,550	167,889	1,142,855	1,107,830
Accumulated amortization								
Balance, beginning of year	14,813	12,761	157,818	18,191	92,693	47,174	343,450	326,256
Disposals	724	93	6,532	322	2,969	-	10,640	11,346
Amortization expense	1,954	1,434	14,425	2,448	9,587	19	29,867	28,540
Balance, end of year	16,043	14,102	165,711	20,317	99,311	47,193	362,677	343,450
Net book value, end of year	53,009	14,804	294,303	28,127	269,239	120,696	780,178	764,380

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

12. Accumulated surplus

	2013	2012
	\$	\$
Accumulated surplus		
Invested in tangible capital asset	780,178	764,380
Deferred revenue related to tangible capital asset	(567)	(567)
Operating fund	146,036	158,521
Reserve fund	109,360	100,268
Unfunded	(90,287)	(89,418)
Local boards reserve funds	2,154	1,069
	946,874	934,253
Reserve and reserve funds set aside by Council		
Capital purposes	59,217	56,655
Vehicle and equipment replacement	4,725	2,471
Transit revenue funds	2,763	1,920
Stabilization reserve funds	15,320	16,772
Contingency reserve	6,564	5,463
Employee accident reserve fund	3,348	2,965
Employee benefits reserve fund	1,654	1,678
Corporate reserve	3,925	2,057
Program specific reserve funds	3,960	3,114
Local boards reserve funds	7,878	6,260
Program specific reserve	6	913
	109,360	100,268

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

13. 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:

	\$
Continuity of investment	
Balance at December 31, 2012	116,603
Net income for year	5,439
Dividends received during the year	(2,750)
Net increase in equity during the year	2,689
Ending balance, December 31, 2013	119,292

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, 2013

(All amounts are in thousands of dollars)

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

The following table provides condensed, consolidated supplementary financial information for Burlington Hydro Electric Inc. for the years ended December 31, 2013 and 2012:

	2013	2012
	\$	\$
Financial position		
Current assets	62,543	54,007
Capital assets	97,228	92,987
Other assets	9,335	11,859
Future payment in lieu of taxes	4,624	5,068
Total assets	173,730	163,921
Current liabilities	27,965	27,688
Promissory note payable to City of Burlington	47,879	47,879
Customer's deposits	3,058	2,989
Ontario Infrastructure Loan	15,756	8,634
Other Liabilities	4,125	4,655
Liability for future benefits	3,532	3,352
Total liabilities	102,315	95,197
Net assets	71,415	68,724
Results of operations		
Net revenues	32,654	36,120
Operating expenses	27,215	29,126
	5,439	6,994
The investment in BHEI is represented by the following		
Total net assets	71,415	68,724
Promissory note receivable	47,879	47,879
	119,294	116,603

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 \$3,379 (2012 - \$3,262). Of this amount, \$466 (2012 - \$467) was net distribution revenue.

Payments in Lieu of Taxes paid to the City of Burlington by Burlington Hydro Electric Inc. were \$113 (2012 - \$104).

14. 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:

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

14. Segmented information (continued)

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, 2013

(All amounts are in thousands of dollars)

14. Segmented information (continued)

								2013
	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves and other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Taxation	26,133	29,986	15,670	6,982	19,542	5,808	27,536	131,657
User fees and charges	1,279	831	13,389	5,554	13,066	1,496	-	35,615
Government transfers	442	-	-	1,816	689	4	19	2,970
Investment income	-	-	61	-	19	1	9,163	9,244
Contribution from Developers	-	-	-	-	-	-	2,187	2,187
Fines and penalties	-	7,743	860	-	148	-	2,179	10,930
Rents and concessions	98	81	579	3	4,076	-	-	4,837
Licenses and permits	116	4,493	1,252	-	136	266	-	6,263
Other	196	31	188	11	1,541	4	5,658	7,629
BHEI Equity Increase	-	-	-	-	-	-	2,689	2,689
Capital assets contributed	600	-	2,244	-	-	-	-	2,844
Total revenues	28,864	43,165	34,243	14,366	39,217	7,579	49,431	216,865
Expenses								
Salaries wages and benefits	18,307	31,285	17,607	9,969	25,758	5,582	-	108,508
Long term debt	458	22	1,218	-	1,074	-	-	2,772
Materials	(84)	120	(6,724)	2,577	9,216	583	-	5,688
Contracted services	8,755	2,798	30,300	2,501	6,422	302	-	51,078
Rents and financial expenses	1,034	533	125	42	1,458	56	-	3,248
External transfers	16	2,791	(299)	-	39	329	-	2,876
Amortization	1,954	1,434	14,425	2,448	9,587	19	-	29,867
Loss (gain) on disposal of TCA	12	(6)	160	-	41	-	-	207
Total expenses	30,452	38,977	56,812	17,537	53,595	6,871	-	204,244
Net surplus/deficit	(1,588)	4,188	(22,569)	(3,171)	(14,378)	708	49,431	12,621

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

14. Segmented information (continued)

								2012
	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves and other	Total (Note 2)
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Taxation	26,559	22,249	19,492	5,605	21,569	4,466	26,011	125,951
User fees and charges	1,077	1,043	7,772	5,551	12,086	1,716	-	29,245
Government transfers	286	150	886	2,602	3,221	10	2,074	9,229
Investment income	-	1	58	-	-	14	8,108	8,181
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	1,371	16	5,481	7,251
BHEI Equity Increase	-	-	-	-	-	-	4,994	4,994
Capital assets contributed	-	-	3,793	-	-	-	-	3,793
Total revenues	28,347	35,570	32,326	16,270	42,645	6,594	52,231	213,983
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	6,628	2,189	8,622	2,519	7,454	373	-	27,785
Rents and financial expenses	1,069	516	162	14	1,579	133	-	3,473
External transfers	177	2,141	(467)	-	296	93	-	2,240
Other	-	-	-	-	-	-	-	-
Amortization	1,243	1,370	13,663	2,489	9,727	48	-	28,540
Loss (gain) on disposal of TCA	-	45	73	(10)	25	17	-	150
Total expenses	29,542	37,137	43,900	18,844	51,603	6,736	-	187,762
Net surplus/deficit	(1,195)	(1,567)	(11,574)	(2,574)	(8,958)	(142)	52,231	26,221

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

15. Lease agreements

The City has entered into lease agreements for office equipment, facility space, vehicles and other services, at a present value of \$2,792 (\$3,755), 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:

	\$
2014	1,056
2015	1,017
2016	403
2017	101
2018 - 2022	215
	<hr/> 2,792

16. 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 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 2013 dedicated tax levy was \$3.6 million. A contribution agreement between the City of Burlington and the Joseph Brant Hospital has been signed.

Contingencies

As at December 31, 2013, 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.

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, 2013 a liability in the amount of \$2,321 (2012 - \$2,699) was accrued by Burlington Hydro Inc. Working capital will be drawn down to support these payments.

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 was recorded in 2013.

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.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2013

(All amounts are in thousands of dollars)

17. Budget figures

Budget figures presented in these consolidated financial statements are based upon the 2013 operating and capital budgets approved by Council. The chart below reconciles the approved budget figures reported in these consolidated financial statements.

	\$
Revenue	
Operating	184,992
Capital	109
Local Boards	1,208
Less	
Transfers from/(to) other funds	8,738
Proceeds on debt issue	(8,737)
Total revenue	186,310
Expenses	
Operating	151,706
Amortization	29,867
Local Boards	1,428
Less	
Transfers to/(from) other funds	21,891
Debt principal payments	(8,997)
Contributions to boards	(12,895)
Total expenses	183,000
Annual surplus	3,310

18. Comparative figures

Certain of prior year's figures have been reclassified to conform with current year's presentation.