

Consolidated financial statements of

**The Corporation of the
City of Burlington**

December 31, 2014

The Corporation of the City of Burlington

December 31, 2014

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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, 2014, 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, 2014, and the results of its operations, changes in its 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
June 22, 2015

The Corporation of the City of Burlington

Consolidated statement of operations year ended December 31, 2014

(All amounts are in thousands of dollars)

	2014 Budget (Note 17)	2014 Actual	2013 Actual (Note 2)
	\$	\$	\$
Revenues			
Taxation	134,297	137,692	131,657
User fees and charges	34,524	31,932	35,156
Grants			
Government of Canada	5,194	6,953	1,151
Province of Ontario	2,546	2,522	1,819
Contributions from developers	818	9,864	2,187
Investment income	5,152	8,218	9,224
Sale of land and other capital assets	219	(156)	276
Penalties and interest on taxes	2,100	2,075	2,179
Donations	259	1,084	890
Fines and penalties	7,943	9,137	8,751
Rents and concessions	4,476	5,438	4,837
Licenses and permits	6,759	7,317	6,263
Other	359	575	589
Hydro dividends and interest	5,310	4,617	5,574
Contributed tangible capital assets	-	14	9,383
Burlington Hydro Electric Inc., net increase in equity	-	4,055	2,689
Total revenues	209,956	231,337	222,625
Expenses			
General government	40,987	36,814	30,452
Protection to persons and property	36,627	42,689	38,978
Transportation services	59,026	63,049	69,803
Environmental services	3,717	5,855	4,131
Health services	269	532	516
Recreation and cultural services	48,967	55,809	53,993
Planning and development	8,568	7,775	6,870
Total expenses	198,161	212,523	204,743
Annual surplus	11,795	18,814	17,882
Accumulated surplus, beginning of year, as previously stated	946,874	946,874	934,253
Adjustment (Note 2)	-	3,580	(1,681)
Accumulated surplus, beginning of year, restated	946,874	950,454	932,572
Accumulated surplus, end of year	958,669	969,268	950,454

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, 2014

(All amounts are in thousands of dollars)

	2014 Budget (Note 17)	2014 Actual	2013 Actual (Note 2)
	\$	\$	\$
Annual surplus	11,795	18,814	17,882
Acquisition of tangible capital assets	(56,072)	(47,448)	(52,512)
Amortization	30,633	31,020	29,975
Loss on disposal of tangible capital assets	-	427	207
Proceeds on sale of tangible capital assets	-	173	149
Change in supplies of inventory	-	(103)	140
Change in prepaid expenses	-	(688)	(26)
Increase (decrease) in net financial assets	(13,644)	2,195	(4,185)
Net financial assets, beginning of year	162,599	162,599	166,784
Net financial assets, end of year	148,955	164,794	162,599

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, 2014

(All amounts are in thousands of dollars)

	2014	2013 (Note 2)
	\$	\$
Financial assets		
Cash and temporary investments	24,264	14,059
Taxes receivable (Note 4)	11,985	10,888
Accounts receivable	11,950	18,574
Investments (Note 6)	177,146	185,427
Investment in Burlington Hydro Electric Inc. (Note 13)	123,347	119,292
	348,692	348,240
Liabilities		
Accounts payable and accrued liabilities	23,645	26,973
Other liabilities	2,624	435
Deferred revenue - general	7,023	6,313
Deferred revenue - obligatory reserve funds (Note 7)	57,680	61,633
Employee future benefits (Note 8)	22,703	21,942
Long-term debt (Note 10)	70,223	68,345
	183,898	185,641
Net financial assets	164,794	162,599
Non-financial assets		
Tangible capital assets (Note 11)	801,478	785,650
Inventory	2,074	1,971
Prepaid expenses	922	234
	804,474	787,855
Commitments and contingencies (Note 16)		
Accumulated surplus (Note 12)	969,268	950,454

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, 2014

(All amounts are in thousands of dollars)

	2014	2013 (Note 2)
	\$	\$
Operating activities		
Annual surplus	18,814	17,882
Non-cash charges to operations		
Amortization	31,020	29,975
Loss on disposal of tangible capital assets	427	207
Burlington Hydro Electric Inc., net increase in equity	(4,055)	(2,688)
(Increase) decrease in taxes receivable	(1,097)	1,530
Decrease (increase) in accounts receivable	6,624	(9,374)
(Increase) decrease in inventory	(103)	140
Increase in prepaid expenses	(688)	(26)
(Decrease) increase in accounts payable and accrued liabilities	(3,328)	213
Increase (decrease) in other liabilities	2,189	(170)
Increase (decrease) in deferred revenue - general	710	(206)
(Decrease) increase in deferred revenue - obligatory reserve funds	(3,953)	13,109
Increase in employee future benefits	761	871
Contributed tangible capital assets	(14)	(9,383)
Cash provided by operating transactions	47,307	42,080
Capital activities		
Purchase of tangible capital assets	(47,434)	(43,129)
Proceeds on sale of tangible capital assets	173	149
Net decrease in cash from capital activities	(47,261)	(42,980)
Investing activity		
Decrease (increase) in investments	8,281	(1,808)
Net increase (decrease) in cash from investing activities	8,281	(1,808)
Financing activities		
New debt issued	12,033	8,737
Debt principal repayments	(10,155)	(8,997)
Net increase (decrease) in cash from financing activities	1,878	(260)
Change in cash and temporary investments	10,205	(2,968)
Cash and temporary investments, beginning of year	14,059	17,027
Cash and temporary investments, end of year	24,264	14,059

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

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

1. Accounting Policies

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

For the Year Ended December 31, 2014

(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:

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 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 Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

1. Accounting Policies continued

(b) *Basis of accounting continued*

(ii) Non-financial assets continued

The City's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of TCAs.

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.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

1. Accounting Policies continued

(b) *Basis of accounting continued*

(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.

(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 useful lives of tangible capital assets. Actual results could differ from these estimates.

2. Prior period adjustment

- (a) During the year, management reviewed and attempted to automate a number of the City's tangible capital asset (TCA) procedures. During this process, management identified certain adjustments that needed to be recorded. These adjustments relate to the inclusion and valuation of certain contributed subdivision assets and the duplication of land properties. Accordingly, the City has restated 2013 amortization expense, annual surplus, tangible capital assets and accumulated surplus as at December 31, 2013.
- (b) In prior years, the City recorded the balance of local board reserve funds as part of their accumulated surplus. These reserve fund balances were again captured upon consolidation with the local boards financial statements. As a result, the City has restated its 2013 revenues, accounts receivable, other current liabilities and accumulated surplus as at December 31, 2013 and January 1, 2013.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

2. Prior period adjustment continued

The effect of these adjustments is as follows:

	Reference	2013, as previously reported \$	Adjustment \$	2013, as restated \$
December 31, 2013				
Statement of financial position				
Accounts receivable	(b)	20,490	(1,916)	18,574
Other current liabilities	(b)	459	(24)	435
Tangible capital assets	(a)	780,178	5,472	785,650
Accumulated surplus	(a) (b)	946,874	3,580	950,454
Year ended December 31, 2013				
Statement of operations				
User fees and charges	(b)	35,615	(459)	35,156
Investment income	(b)	9,244	(20)	9,224
Donations	(b)	1,190	(300)	890
Contributed tangible capital assets	(a)	2,844	6,539	9,383
Transportation services	(a)	69,770	33	69,803
Environmental services	(a)	4,063	68	4,131
Recreation and cultural services	(a) (b)	53,595	398	53,993
Annual surplus	(a) (b)	12,621	5,261	17,882
Statement of change in net financial assets				
Annual surplus	(a) (b)	12,621	5,261	17,882
Acquisition of tangible capital assets	(a)	(46,021)	(6,491)	(52,512)
Amortization of tangible capital assets	(a)	29,867	108	29,975
Statement of cash flows				
Annual surplus	(a) (b)	12,621	5,261	17,882
Amortization	(a)	29,867	108	29,975
Decrease in accounts receivable	(b)	(10,520)	1,146	(9,374)
Decrease in other liabilities	(b)	(144)	(26)	(170)
Contributed tangible capital assets	(a)	(2,844)	(6,539)	(9,383)
January 1, 2013				
Accumulated surplus		934,253	(1,681)	932,572
Net financial assets, beginning of year		167,554	(4,955)	162,599

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(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:

	2014	2014	2013	2013
	School	Region of	School	Region of
	Boards	Halton	Boards	Halton
	\$	\$	\$	\$
Taxation	105,050	116,991	104,648	115,737
Payments in lieu of taxes	174	1,095	230	1,126
Amounts received or receivable	105,224	118,086	104,878	116,863
Requisitions	105,224	118,086	104,878	116,863

4. Taxes receivable

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

	2014	2013
	\$	\$
City of Burlington	4,568	4,059
Region of Halton	3,922	3,599
Halton school boards	3,495	3,230
	11,985	10,888

5. Trust funds

Trust funds administered by the City amounting to \$13,813 (2013 - \$12,110) 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 \$177,146 (2013 - \$185,427) reported on the Consolidated Statement of Financial Position at cost, have a market value of \$188,741 (2013 - \$182,789) at the end of the year.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

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

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

	Development charges	Parkland	Gas Tax	2014 Total	2013 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	38,060	12,140	11,433	61,633	48,526
Restricted funds received	3,952	1,187	7,926	13,065	17,209
Interest earned	359	349	169	877	1,005
Transfers between reserve funds	265	(465)	(362)	(562)	(200)
Revenue recognized	(9,479)	(185)	(7,669)	(17,333)	(4,907)
Balance, end of year	33,157	13,026	11,497	57,680	61,633

8. Employee future benefits

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

	2014	2013
	\$	\$
Banked overtime	339	377
WSIB	5,411	5,093
Vacation pay liability	5,484	5,532
Retiree benefits	10,844	10,315
Life, medical and dental benefits	625	625
Total	22,703	21,942

(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.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

8. Employee future benefits continued

(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 \$5,411 (2013 - \$5,093). 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 \$1,490. The loss is due to actual experience compared with the previous actuarial update arising from projected claims for survivor benefits. Amortization of \$324 (2013 - \$324) is included. A reserve fund in the amount of \$3,749 (2013 - \$3,348) has been provided for this liability and is reported in Note 12.

(c) Retiree benefits

A liability of \$10,844 (2013 - \$10,315) 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 dental, health and life benefits coverage up to the age of 65. 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 \$1,575 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 \$1,273 (2013 - \$1,654) 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 (2013 - \$625).

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

	2014	2013
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	(12,093)	(11,787)
Current benefit expense	(615)	(578)
Interest	(510)	(497)
Benefits paid	799	769
Balance, end of year	(12,419)	(12,093)
Actual balance end of the year	(12,419)	(12,093)
Unamortized actuarial loss	1,575	1,778
Liability for benefits	(10,844)	(10,315)
Amortization of actuarial loss	(203)	(203)

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

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 2014 was \$7,219 (2013- \$7,154) for current service and is included as an expense on the Consolidated Statement of Operations.

The OMERS pension plan has a deficit of \$7,100,000 at December 31, 2014 based on actuarial plan assets. If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, additional increases in the contributions may be required.

10. Long-term debt

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

	\$
2015	10,430
2016	10,181
2017	8,955
2018	8,299
2019	8,070
2020 and thereafter	24,288
	<hr/> 70,223

- (b) Total debt charges are as follows:

	2014	2013
	\$	\$
Principal payments	10,155	8,997
Interest	2,725	2,827
	<hr/> 12,880	<hr/> 11,824

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

	2014	2013
	\$	\$
General municipal revenues	12,839	11,749
Benefiting landowners	41	75
	<hr/> 12,880	<hr/> 11,824

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

10. Long-term debt continued

By-law	Purpose	Interest rates	Maturity dates	2014
		%		\$
111-05	Road reconstruction	3.300-4.100	2015	589
190-06	Road reconstruction	2.410-2.430	2016	42
131-06	Facilities and roads	4.250-4.600	2016	2,966
124-04	Library expansion	4.050-5.400	2019	3,661
91-07	Various	4.800-5.000	2022	4,524
72-08	Road reconstruction	3.200-4.650	2018	3,225
12-09	Performing arts centre	4.620	2024	7,034
17-09	Performing arts centre	4.620	2024	371
18-09	Performing arts centre	4.620	2024	1,778
41-09	Appleby ice expansion	4.620	2024	5,296
62-08	Indoor soccer field	4.620	2019	503
67-08	Road reconstruction	4.620	2019	342
75-08	Road reconstruction	4.620	2019	260
86-08	Storm water management	4.620	2019	140
80-08	Road reconstruction	4.620	2019	209
88-08	Road reconstruction	4.620	2019	565
87-08	Road reconstruction	4.620	2019	222
71-08	Road reconstruction	4.620	2019	104
70-08	Road reconstruction	4.620	2019	697
92-08	Road reconstruction	4.620	2019	132
110-08	Road reconstruction	4.620	2019	95
26-09	Storm water management	4.620	2019	45
34-09	Road reconstruction	4.620	2019	320
38-09	Road reconstruction	4.620	2019	233
81-08	Storm water management	4.620	2019	61
64-10	Road reconstruction	1.600-4.450	2020	4,050
48-10	Road reconstruction	1.100-3.300	2021	71
87-10	Parking lot renewal	1.100-3.300	2021	129
68-10	Road reconstruction	1.100-3.300	2021	864
50-11	Road reconstruction	1.100-3.300	2021	35
15-11	Road reconstruction	1.100-3.300	2021	135
37-11	Elgin Street maint (BPAC)	1.100-3.300	2021	418
58-11	Road reconstruction	1.100-3.300	2021	897
62-11	Road reconstruction	1.100-3.300	2021	470

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

10. Long-term debt continued

By-law	Purpose	Interest rates	Maturity dates	2014
		%		\$
67-11	Culvert replacement	1.100-3.300	2021	214
72-11	Valley Inn trail	1.100-3.300	2021	105
75-11	Road reconstruction	1.100-3.300	2021	948
76-11	Road reconstruction	1.100-3.300	2021	184
77-11	Road reconstruction	1.100-3.300	2021	326
60-12	Road reconstruction	1.550-3.350	2022	4,297
138-12	Alton community centre	1.400-3.100	2022	3,684
47-13	Various	1.250-2.950	2023	7,949
38-14	Various	1.200-3.450	2024	12,033
				70,223

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

11. Tangible capital assets

	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	2014 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	141,886	219,634	48,720	34,649	84,117	588,190	30,892	1,148,088
Additions	10,437	8,476	2,681	3,597	4,381	13,717	12,274	55,563
Disposals	-	358	1,530	1,657	261	4,897	8,115	16,818
Balance, end of year	152,323	227,752	49,871	36,589	88,237	597,010	35,051	1,186,833
Accumulated amortization								
Balance, beginning of year	-	91,838	25,001	18,233	26,976	200,390	-	362,438
Disposals	-	347	1,359	1,651	261	4,485	-	8,103
Amortization expense	-	6,898	3,910	3,922	3,347	12,943	-	31,020
Balance, end of year	-	98,389	27,552	20,504	30,062	208,848	-	385,355
Net book value, end of year	152,323	129,363	22,319	16,085	58,175	388,162	35,051	801,478

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

11. Tangible capital assets continued

	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	2013 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	140,876	201,988	47,959	33,003	67,571	573,154	42,019	1,106,570
Additions	1,010	17,725	1,997	3,638	17,702	21,569	16,405	80,046
Disposals	-	79	1,236	1,992	1,156	6,533	27,532	38,528
Balance, end of year	141,886	219,634	48,720	34,649	84,117	588,190	30,892	1,148,088
Accumulated amortization								
Balance, beginning of year	-	85,328	22,357	16,477	24,963	193,978	-	343,103
Disposals	-	79	1,123	1,962	1,156	6,320	-	10,640
Amortization expense	-	6,589	3,767	3,718	3,169	12,732	-	29,975
Balance, end of year	-	91,838	25,001	18,233	26,976	200,390	-	362,438
Net book value, end of year	141,886	127,796	23,719	16,416	57,141	387,800	30,892	785,650

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

12. Accumulated surplus

	2014	2013
	\$	\$
Accumulated surplus		
Tangible capital assets	801,478	785,650
Operating fund	153,803	151,449
Reserve fund	106,913	103,642
Unfunded	(92,926)	(90,287)
	969,268	950,454
Reserve and reserve funds set aside by Council		
Capital purposes	55,295	55,881
Vehicle and equipment replacement	5,134	4,725
Transit revenue funds	2,039	381
Stabilization reserve funds	13,627	15,320
Contingency reserve	8,613	6,564
Employee accident reserve fund	3,749	3,348
Employee benefits reserve fund	1,273	1,654
Corporate reserve	2,620	3,925
Program specific reserve funds	4,509	3,960
Local boards reserve funds	9,706	7,878
Program specific reserve	348	6
	106,913	103,642

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 Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

13. Investment in Burlington Hydro Electric Inc. continued

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

\$

Continuity of investment

Balance at December 31, 2013	119,292
Net income for year	6,055
Dividends received during the year	(2,000)
Net increase in equity during the year	4,055
Ending balance, December 31, 2014	123,347

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

The following table provides condensed, consolidated supplementary financial information for Burlington Hydro Electric Inc. for the years ended December 31, 2014 and 2013:

	2014	2013
	\$	\$
Financial position		
Current assets	58,441	62,543
Capital assets	100,235	97,228
Other assets	9,765	9,335
Future payment in lieu of taxes	4,980	4,624
Total assets	173,421	173,730
Current liabilities	26,577	27,966
Promissory note payable to City of Burlington	47,879	47,879
Customer's deposits	3,019	3,058
Ontario Infrastructure Loan	14,988	15,756
Other liabilities	1,806	4,126
Liability for future benefits	3,684	3,532
Total liabilities	97,953	102,317
Net assets	75,468	71,413
Results of operations		
Net revenues	32,512	32,654
Operating expenses	(26,457)	(27,215)
	6,055	5,439
The investment in BHEI is represented by the following:		
Total net assets	75,468	71,413
Promissory note receivable	47,879	47,879
	123,347	119,292

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

13. Investment in Burlington Hydro Electric Inc. continued

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 \$3,655 (2013 - \$3,379). Of this amount, \$459 (2013 - \$466) was net distribution revenue.

Payments in Lieu of Taxes paid to the City of Burlington by Burlington Hydro Electric Inc. were \$119 (2013 - \$113).

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:

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 Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

14. Segmented information continued

Traffic and transit department continued

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

For the Year Ended December 31, 2014

14. Segmented information continued

	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves and other	2014
	\$	\$	\$	\$	\$	\$	\$	
Revenues								
Taxation	31,068	23,196	17,010	7,479	20,441	5,872	32,626	137,692
User fees and charges	2,307	1,223	7,811	5,387	12,985	2,091	128	31,932
Government transfers	54	-	-	-	1,342	48	8,031	9,475
Investment income	-	51	397	1	206	132	7,431	8,218
Contributions from developers	-	-	-	-	-	-	9,864	9,864
Fines and penalties	-	7,882	1,124	-	132	-	2,074	11,212
Rents and concessions	117	83	-	723	4,515	-	-	5,438
Licenses and permits	118	5,369	156	1,106	179	389	-	7,317
Other	282	1	(271)	101	1,380	10	4,617	6,120
Burlington Hydro Electric Inc., net increase in equity	-	-	-	-	-	-	4,055	4,055
Contributed tangible capital assets	14	-	-	-	-	-	-	14
Total revenues	33,960	37,805	26,227	14,797	41,180	8,542	68,826	231,337
Expenses								
Salaries and wages	18,544	34,151	16,741	11,141	26,478	6,433	-	113,488
Interest on long term debt	713	20	1,173	-	758	-	-	2,664
Materials	528	1,249	4,899	3,595	11,542	486	-	22,299
Contracted services	9,632	1,600	11,592	2,808	4,303	635	-	30,570
Rents and financial expenses	1,214	545	109	39	1,465	78	-	3,450
External transfers	4,857	3,691	(140)	184	(70)	83	-	8,605
Amortization	1,326	1,433	14,206	2,676	11,319	60	-	31,020
Loss (gain) on disposal of TCA	-	-	413	-	14	-	-	427
Total expenses	36,814	42,689	48,993	20,443	55,809	7,775	-	212,523
Net surplus / deficit	(2,854)	(4,884)	(22,766)	(5,646)	(14,629)	767	68,826	18,814

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

14. Segmented information continued

	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves and other	2013
	\$	\$	\$	\$	\$	\$	\$	
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	12,617	1,486	-	35,156
Government transfers	442	-	-	1,816	689	4	19	2,970
Investment income	-	-	61	-	-	-	9,163	9,224
Contributions 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	1,241	4	5,658	7,329
Burlington Hydro Electric Inc., net increase in equity	-	-	-	-	-	-	2,689	2,689
Contributed tangible capital assets	600	-	8,793	-	-	-	-	9,383
Total revenues	28,864	43,165	40,792	14,366	38,449	7,568	49,431	222,625
Expenses								
Salaries and wages	18,307	31,285	17,607	9,969	25,758	5,582	-	108,508
Interest on 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	2,799	30,300	2,501	6,814	300	-	51,469
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	14,459	2,515	9,593	20	-	29,975
Loss (gain) on disposal of TCA	12	(6)	160	-	41	-	-	207
Total expenses	30,452	38,978	56,846	17,604	53,993	6,870	-	204,743
Net surplus / deficit	(1,588)	4,187	(16,054)	(3,238)	(15,544)	698	49,431	17,882

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

(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 \$2,627 (2013 - \$2,792), which have received Ontario Municipal Board approval where necessary. The aggregate minimum payments under these leases over the next five years and thereafter are as follows:

	\$
2015	1,052
2016	798
2017	512
2018	128
2019	80
2020 - 2022	57
	<hr/> 2,627

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 2014 dedicated tax levy was \$4.8 million. A contribution agreement between the City of Burlington and the Joseph Brant Hospital has been signed.

Contingencies

As at December 31, 2014, 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, 2014 a liability in the amount of \$940 (2013 - \$2,321) 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

For the Year Ended December 31, 2014

(All amounts are in thousands of dollars)

16. Commitments and contingencies continued

Electricity Retrofit Incentive Program

There are incentive programs available to Burlington Hydro Inc. from the Ontario Power Authority (OPA) relating to the delivery of the electricity retrofit incentive program between 2011 and 2014. The amount of these incentives cannot be determined because they are calculated by the OPA based on the savings achieved.

17. Budget figures

Budget figures presented in these consolidated financial statements are based upon the 2014 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	198,467
Capital	10,017
Local Boards	1,472
Less	
Transfers from/(to) other funds	12,033
Proceeds on debt issue	(12,033)
Total revenue	209,956
Expenses	
Operating	166,055
Amortization	30,633
Local Boards	1,473
Less	
Transfers to/(from) other funds	24,142
Debt principal payments	(10,155)
Contributions to boards	(13,987)
Total expenses	198,161
Annual surplus	11,795