

Consolidated financial statements of

**The Corporation of the  
City of Burlington**

December 31, 2015

# The Corporation of the City of Burlington

December 31, 2015

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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, 2015, 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, 2015, and the results of its operations, change 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  
Licensed Public Accountants  
July 4, 2016

# The Corporation of the City of Burlington

## Consolidated statement of operations year ended December 31, 2015

(All amounts are in thousands of dollars)

	2015 Budget (Note 16)	2015 Actual	2014 Actual (Note 2)
	\$	\$	\$
<b>Revenues</b>			
Taxation	140,392	142,169	137,692
User fees and charges	24,925	32,715	31,932
Grants			
Government of Canada	5,250	4,899	6,953
Province of Ontario	2,808	5,829	2,522
Contributions from developers	802	9,780	9,864
Investment income	5,254	9,438	8,218
Sale of land and other tangible capital assets	243	(338)	(156)
Penalties and interest on taxes	2,000	2,201	2,075
Donations	455	868	1,084
Fines and penalties	9,258	10,347	9,137
Rents and concessions	4,909	4,763	5,438
Licenses and permits	6,462	6,044	7,317
Other	657	760	575
Hydro dividends and interest	4,336	4,337	4,617
Contributed tangible capital assets	-	-	14
Burlington Hydro Electric Inc., net increase in equity (Note 12)	-	4,295	3,720
<b>Total revenues</b>	<b>207,751</b>	<b>238,107</b>	<b>231,002</b>
<b>Expenses</b>			
General government	40,078	46,302	36,814
Protection to persons and property	37,794	37,852	42,689
Transportation services	57,782	72,164	63,049
Environmental services	4,021	6,357	5,855
Health services	290	279	532
Recreation and cultural services	54,339	60,800	55,809
Planning and development	6,764	6,820	7,775
<b>Total expenses</b>	<b>201,068</b>	<b>230,574</b>	<b>212,523</b>
Annual Surplus	6,683	7,533	18,479
Accumulated surplus, beginning of year, as previously stated	969,268	969,268	950,454
Adjustment (Note 2)	-	(500)	(165)
<b>Accumulated surplus, beginning of year, restated</b>	<b>969,268</b>	<b>968,768</b>	<b>950,289</b>
<b>Accumulated surplus, end of year</b>	<b>975,951</b>	<b>976,301</b>	<b>968,768</b>

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

# The Corporation of the City of Burlington

## Consolidated statement of change in net financial assets year ended December 31, 2015

(All amounts are in thousands of dollars)

	2015 Budget (Note 16)	2015 Actual	2014 Actual (Note 2)
	\$	\$	\$
<b>Annual surplus</b>	6,683	<b>7,533</b>	18,479
Acquisition of tangible capital assets	(45,291)	<b>(31,059)</b>	(47,448)
Amortization	31,400	<b>32,141</b>	31,020
Loss on disposal of tangible capital assets	-	<b>508</b>	427
Proceeds on sale of tangible capital assets	-	<b>660</b>	173
Change in supplies of inventory	-	<b>213</b>	(103)
Change in prepaid expenses	-	<b>319</b>	(688)
Increase (decrease) in net financial assets	(7,208)	<b>10,315</b>	1,860
<b>Net financial assets, beginning of year</b>	164,794	<b>164,294</b>	162,434
<b>Net financial assets, end of year</b>	157,586	<b>174,609</b>	164,294

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, 2015

(All amounts are in thousands of dollars)

	2015	2014 (Note 2)
	\$	\$
<b>Financial assets</b>		
Cash and temporary investments	24,336	24,264
Taxes receivable (Note 3)	10,560	11,985
Accounts receivable	13,825	11,950
Investments (Note 5)	186,125	177,146
Investment in Burlington Hydro Electric Inc. (Note 12)	127,142	122,847
	<b>361,988</b>	<b>348,192</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	22,642	23,645
Other liabilities	332	2,624
Deferred revenue - general	7,801	7,023
Deferred revenue - obligatory reserve funds (Note 6)	58,369	57,680
Employee future benefits (Note 7)	24,819	22,703
Long-term debt (Note 9)	73,416	70,223
	<b>187,379</b>	<b>183,898</b>
<b>Net financial assets</b>	<b>174,609</b>	<b>164,294</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 10)	799,228	801,478
Inventory	1,861	2,074
Prepaid expenses	603	922
	<b>801,692</b>	<b>804,474</b>
Commitments and contingencies (Note 15)		
<b>Accumulated surplus (Note 11)</b>	<b>976,301</b>	<b>968,768</b>

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

# The Corporation of the City of Burlington

## Consolidated statement of cash flows

year ended December 31, 2015

(All amounts are in thousands of dollars)

	2015	2014 (Note 2)
	\$	\$
<b>Operating activities</b>		
Annual surplus	7,533	18,479
<b>Non-cash charges to operations</b>		
Amortization	32,141	31,020
Loss on disposal of tangible capital assets	508	427
Burlington Hydro Electric Inc., net increase in equity	(4,295)	(3,720)
Decrease (increase) in taxes receivable	1,425	(1,097)
(Increase) decrease in accounts receivable	(1,875)	6,624
Decrease (increase) in inventory	213	(103)
Decrease (increase) in prepaid expenses	319	(688)
Decrease in accounts payable and accrued liabilities	(1,003)	(3,328)
(Decrease) increase in other liabilities	(2,292)	2,189
Increase in deferred revenue - general	778	710
Increase (decrease) in deferred revenue - obligatory reserve funds	689	(3,953)
Increase in employee future benefits	2,116	761
Contributed tangible capital assets	-	(14)
<b>Cash provided by operating transactions</b>	<b>36,257</b>	<b>47,307</b>
<b>Capital activities</b>		
Purchase of tangible capital assets	(31,059)	(47,434)
Proceeds on sale of tangible capital assets	660	173
<b>Net decrease in cash from capital activities</b>	<b>(30,399)</b>	<b>(47,261)</b>
<b>Investing activity</b>		
(Increase) decrease in investments	(8,979)	8,281
<b>Net (decrease) increase in cash from investing activities</b>	<b>(8,979)</b>	<b>8,281</b>
<b>Financing activities</b>		
New debt issued	13,623	12,033
Debt principal repayments	(10,430)	(10,155)
<b>Net increase in cash from financing activities</b>	<b>3,193</b>	<b>1,878</b>
<b>Change in cash and temporary investments</b>	<b>72</b>	<b>10,205</b>
Cash and temporary investments, beginning of year	24,264	14,059
<b>Cash and temporary investments, end of year</b>	<b>24,336</b>	<b>24,264</b>

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



# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

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### 1. Accounting Policies

The consolidated financial statements of the City of Burlington (the "City") are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") established by the Canadian Public Sector Accounting Board of the 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, 2015

(All amounts are in thousands of dollars)

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#### 1. Accounting Policies continued

(b) *Basis of accounting*

(i) Accrual accounting

The City follows the accrual method of accounting for revenues and 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 are not amortized until the asset is available for productive use, at which time they are capitalized.

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

Land	\$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, 2015

(All amounts are in thousands of dollars)

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## 1. Accounting Policies continued

### (b) *Basis of accounting continued*

#### (ii) Non-financial assets continued

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, 2015

(All amounts are in thousands of dollars)

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### 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, contaminated sites and useful lives of tangible capital assets. Actual results could differ from these estimates.

### 2. Changes in accounting policies

(a) *Liability for contaminated sites*

The City has implemented Public Sector Accounting Board ("PSAB") section 3260 Liability for contaminated sites. Section 3260 requires governments and government organizations to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organism or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. The adoption of this standard has been applied retroactively without the restatement of prior periods.

The adoption of this standard did not have an impact on the City's financial statements.

# The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

## 2. Changes in accounting policies continued

(b) *Burlington Hydro Electric Corporation first time adoption of International Financial Reporting Standards (IFRS)*

Burlington Hydro Electric Corporation which is owned 100% by the City of Burlington adopted IFRS on January 1, 2015. The adoption of IFRS requires retrospective application of the new accounting framework to January 1, 2014, the date of transition. As a result, the amounts reported by Burlington Hydro Electric Corporation for its December 31, 2014 year end and the opening balance sheet as at the date of transition have been restated.

In preparing its opening IFRS consolidated balance sheet Burlington Hydro Electric Corporation has adjusted amounts reported previously in its consolidated financial statements prepared in accordance with Canadian GAAP. IFRS 1 requires an entity to explain how the transition from its previous GAAP to IFRS affected its reported financial position, financial performance and cash flows by providing reconciliations of shareholder's equity, comprehensive income and cash flows for prior periods.

Accordingly, Burlington Hydro Electric Corporation prepared their first annual consolidated financial statements in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1) has been applied. The adjustments required in the City's financial statements due to Burlington Hydro Electric Corporation's transition to IFRS are provided below:

<b>As at and for the year ended December 31, 2014, unless otherwise stated</b>	<b>Balance, previously reported</b>	<b>IFRS adjustments to opening surplus as at Jan. 1, 2014</b>	<b>IFRS adjustments to 2014</b>	<b>Total impact on 2015 opening accumulated surplus</b>	<b>Balance, restated (Note 12)</b>
	\$	\$	\$	\$	\$
Investment in Burlington Hydro Electric Corporation	123,347	(165)	(335)	(500)	<b>122,847</b>
Equity pick up from Burlington Hydro Electric Corporation	4,055	-	(335)	-	<b>3,720</b>
Accumulated surplus, January 1, 2014	950,454	(165)	-	-	<b>950,289</b>
Accumulated surplus, January 1, 2015	969,268	-	-	(500)	<b>968,768</b>

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

### 3. Taxes receivable

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

	<b>2015</b>	2014
	\$	\$
City of Burlington	<b>4,094</b>	4,568
Region of Halton	<b>3,454</b>	3,922
Halton school boards	<b>3,012</b>	3,495
	<b>10,560</b>	11,985

### 4. Trust funds

Trust funds administered by the City amounting to \$15,197 (2014 - \$13,813) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

### 5. Investments

Investments of \$186,125 (2014 - \$177,146) reported on the Consolidated Statement of Financial Position at cost, have a market value of \$196,729 (2014 - \$188,741) at the end of the year.

### 6. Deferred revenue - obligatory reserve funds

A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

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

	<b>Development charges</b>	<b>Parkland</b>	<b>Gas Tax</b>	<b>2015 Total</b>	2014 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	<b>33,157</b>	<b>13,026</b>	<b>11,497</b>	<b>57,680</b>	61,633
Restricted funds received	<b>6,646</b>	<b>2,434</b>	<b>7,198</b>	<b>16,278</b>	13,065
Interest earned	<b>351</b>	<b>341</b>	<b>58</b>	<b>750</b>	877
Transfers between reserve funds	-	<b>(200)</b>	-	<b>(200)</b>	(562)
Revenue recognized	<b>(7,728)</b>	<b>(946)</b>	<b>(7,465)</b>	<b>(16,139)</b>	(17,333)
Balance, end of year	<b>32,426</b>	<b>14,655</b>	<b>11,288</b>	<b>58,369</b>	57,680

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

### 7. Employee future benefits

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

	2015	2014
	\$	\$
Banked overtime	251	339
WSIB	5,793	5,411
Vacation pay liability	6,728	5,484
Retiree benefits	11,421	10,844
Life, medical and dental benefits	626	625
Total	24,819	22,703

(a) *Liability for banked overtime*

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

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

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

An actuarial valuation as at December 31, 2015 provided the basis for the liability of \$5,793 (2014 - \$5,411). 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 \$1,397 (2014 - \$1,490). The loss is due to actual experience compared with the previous actuarial update arising from projected claims for survivor benefits. Amortization of \$325 (2014 - \$324) is included. A reserve fund in the amount of \$4,297 (2014 - \$3,749) has been provided for this liability and is reported in Note 11.

(c) *Retiree benefits*

A liability of \$11,421 (2014 - \$10,844) 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, 2015 using a discount rate of 4.25% and assuming an inflation rate of 2.0%. The liability is net of an actuarial loss of \$2,723 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 \$1,713 (2014 - \$1,273) has been provided for this liability and is reported in Note 11.

The City maintains life, medical and dental insurance for disabled employees. The liability is estimated at \$626 (2014 - \$625).

# The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

## 7. Employee future benefits continued

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

	<b>2015</b>	2014
	\$	\$
<b>Accrued benefit obligation</b>		
Balance, beginning of year	<b>(12,419)</b>	(12,093)
Current benefit expense	<b>(654)</b>	(615)
Interest	<b>(525)</b>	(510)
Benefits paid	<b>804</b>	799
Balance, end of year	<b>(12,794)</b>	(12,419)
Actuarial loss from valuation	<b>(1,350)</b>	-
Actual balance end of the year	<b>(14,144)</b>	(12,419)
Unamortized actuarial loss	<b>2,723</b>	1,575
Liability for benefits	<b>(11,421)</b>	(10,844)
Amortization of actuarial loss	<b>(203)</b>	(203)

## 8. Pension agreements

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

Contributions to OMERS are made at rates ranging from 6% to 9.8%. Contribution rates are dependent on proposed retirement age and the level of earnings. The amount contributed to OMERS for 2015 was \$7,719 (2014- \$7,219) for current service and is included as an expense on the Consolidated Statement of Operations.

The OMERS pension plan has a deficit of \$7,000,000 at December 31, 2015 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.



# The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

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## 9. 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:

	\$
2016	11,443
2017	10,238
2018	9,604
2019	9,397
2020	7,653
2021 and thereafter	25,081
	<hr/> 73,416

- (b) Total debt charges are as follows:

	2015	2014
	\$	\$
Principal payments	10,430	10,155
Interest	2,515	2,725
	<hr/> 12,945	<hr/> 12,880

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

	2015	2014
	\$	\$
General municipal revenues	12,916	12,839
Benefiting landowners	29	41
	<hr/> 12,945	<hr/> 12,880

# The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

## 9. Long-term debt continued

By-law	Purpose	Interest rates	Maturity dates	2015
		%		\$
190-06	Road reconstruction	2.410-2.430	2016	15
131-06	Facilities and roads	4.250-4.600	2016	1,515
124-04	Library expansion	4.050-5.400	2019	3,002
91-07	Various	4.800-5.000	2022	3,480
72-08	Road reconstruction	3.200-4.650	2018	2,539
12-09	Performing arts centre	4.620	2024	6,468
17-09	Performing arts centre	4.620	2024	341
18-09	Performing arts centre	4.620	2024	1,635
41-09	Appleby ice expansion	4.620	2024	4,870
62-08	Indoor soccer field	4.620	2019	412
67-08	Road reconstruction	4.620	2019	280
75-08	Road reconstruction	4.620	2019	213
86-08	Storm water management	4.620	2019	115
80-08	Road reconstruction	4.620	2019	171
88-08	Road reconstruction	4.620	2019	462
87-08	Road reconstruction	4.620	2019	181
71-08	Road reconstruction	4.620	2019	85
70-08	Road reconstruction	4.620	2019	570
92-08	Road reconstruction	4.620	2019	108
110-08	Road reconstruction	4.620	2019	78
26-09	Storm water management	4.620	2019	37
34-09	Road reconstruction	4.620	2019	262
38-09	Road reconstruction	4.620	2019	191
81-08	Storm water management	4.620	2019	50
64-10	Road reconstruction	1.600-4.450	2020	3,436
48-10	Road reconstruction	1.100-3.300	2021	61
87-10	Parking lot renewal	1.100-3.300	2021	111
68-10	Road reconstruction	1.100-3.300	2021	746
50-11	Road reconstruction	1.100-3.300	2021	30
15-11	Road reconstruction	1.100-3.300	2021	117
37-11	Elgin Street maint (BPAC)	1.100-3.300	2021	361
58-11	Road reconstruction	1.100-3.300	2021	774
62-11	Road reconstruction	1.100-3.300	2021	406
67-11	Culvert replacement	1.100-3.300	2021	185

# The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

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## 9. Long-term debt continued

<b>By-law</b>	<b>Purpose</b>	<b>Interest rates</b>	<b>Maturity dates</b>	<b>2015</b>
		%		\$
72-11	Valley Inn trail	1.100-3.300	2021	<b>91</b>
75-11	Road reconstruction	1.100-3.300	2021	<b>818</b>
76-11	Road reconstruction	1.100-3.300	2021	<b>159</b>
77-11	Road reconstruction	1.100-3.300	2021	<b>281</b>
60-12	Road reconstruction	1.550-3.350	2022	<b>3,807</b>
138-12	Alton community centre	1.400-3.100	2022	<b>3,257</b>
47-13	Various	1.250-2.950	2023	<b>7,143</b>
38-14	Various	1.200-3.450	2024	<b>10,930</b>
38-15	Various	0.85-2.30	2025	<b>13,623</b>
				<b>73,416</b>

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# The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

## 10. Tangible capital assets

	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	2015 Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
Balance, beginning of year	152,323	227,752	49,871	36,589	88,237	597,010	35,051	1,186,833
Additions	3,943	13,098	6,203	4,162	1,344	14,820	23,075	66,645
Disposals	206	2,981	4,963	2,373	878	4,679	35,601	51,681
Balance, end of year	156,060	237,869	51,111	38,378	88,703	607,151	22,525	1,201,797
<b>Accumulated amortization</b>								
Balance, beginning of year	-	98,389	27,552	20,504	30,062	208,848	-	385,355
Disposals	-	2,698	4,605	2,370	878	4,376	-	14,927
Amortization expense	-	7,422	4,047	4,088	3,367	13,217	-	32,141
Balance, end of year	-	103,113	26,994	22,222	32,551	217,689	-	402,569
Net book value, end of year	156,060	134,756	24,117	16,156	56,152	389,462	22,525	799,228

# The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

## 10. Tangible capital assets continued

	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	2014 Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
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
<b>Accumulated amortization</b>								
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, 2015

(All amounts are in thousands of dollars)

## 11. Accumulated surplus

	2015	2014
	\$	\$
<b>Accumulated surplus</b>		
Tangible capital assets	799,228	801,478
Operating fund	158,888	153,303
Reserve fund	116,420	106,913
Unfunded	(98,235)	(92,926)
	<b>976,301</b>	<b>968,768</b>
<b>Reserve and reserve funds set aside by Council</b>		
Capital purposes	60,029	55,295
Vehicle and equipment replacement	6,290	5,134
Transit revenue funds	1,330	2,039
Stabilization reserve funds	15,041	13,627
Contingency reserve	6,554	8,613
Employee accident reserve fund	4,297	3,749
Employee benefits reserve fund	1,713	1,273
Corporate reserve	2,715	2,620
Program specific reserve funds	7,504	4,509
Local boards reserve funds	10,856	9,706
Program specific reserve	91	348
	<b>116,420</b>	<b>106,913</b>

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

## 12. Investment in Burlington Hydro Electric Inc.

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

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

# The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

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

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

\$

### Continuity of investment

Balance at December 31, 2014	122,847
Net income for year	6,295
Dividends received during the year	(2,000)
Net increase in equity during the year	4,295
Ending balance, December 31, 2015	127,142

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, 2015 and 2014:

	2015	2014
	\$	\$
<b>Financial position</b>		
Current assets	58,986	58,441
Capital assets	109,542	104,917
Other assets	9,918	9,765
Future payment in lieu of taxes	3,258	5,570
Regulatory balances	25,959	23,835
<b>Total assets and regulatory balances</b>	<b>207,663</b>	<b>202,528</b>
Current liabilities	21,694	23,549
Promissory note payable to City of Burlington	47,879	47,879
Customer's deposits	3,082	3,019
Ontario Infrastructure Loan	14,988	15,756
Finance lease liabilities	387	445
Other liabilities	2,258	2,262
Deferred Revenue	6,178	4,343
Liability for future benefits	4,448	4,337
Deferred tax liabilities	1,792	1,266
Regulatory Balances	25,694	24,704
<b>Total liabilities</b>	<b>128,400</b>	<b>127,560</b>
<b>Net assets</b>	<b>79,263</b>	<b>74,968</b>
<b>Results of operations</b>		
Net revenues	33,997	27,541
Operating expenses	(27,702)	(21,821)
	6,295	5,720

# The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

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

	2015	2014
	\$	\$
<b>The investment in BHEI is represented by the following:</b>		
Total net assets	79,263	74,968
Promissory note receivable	47,879	47,879
	<b>127,142</b>	<b>122,847</b>

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

Gross revenue earned by Burlington Hydro Electric Inc. from the City of Burlington \$3,943 (2014 - \$3,655). Of this amount, \$459 (2014 - \$459) was net distribution revenue.

Payments in Lieu of Taxes paid to the City of Burlington by Burlington Hydro Electric Inc. were \$125 (2014 - \$119).

## 13. Segmented information

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

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

### *General Government*

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

### *Protection services*

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

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

### *Roads and parks maintenance department*

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



# The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

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## 13. Segmented information continued

### *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

For the Year Ended December 31, 2015

## 13. Segmented information continued

	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves and other	2015
	\$	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>								
Taxation	32,352	23,195	12,998	7,774	23,478	5,614	36,758	142,169
User fees and charges	651	1,325	8,098	5,386	15,535	2,211	(491)	32,715
Government transfers	210	164	2,070	-	384	95	7,805	10,728
Investment income	-	70	458	-	244	142	8,524	9,438
Contributions from developers	907	-	-	-	-	-	8,873	9,780
Fines and penalties	2,201	8,724	-	1,496	127	-	-	12,548
Rents and concessions	158	81	-	388	4,136	-	-	4,763
Licenses and permits	118	4,505	177	897	139	208	-	6,044
Other Revenues	405	(102)	1	(103)	1,087	2	4,337	5,627
Burlington Hydro Electric Inc., net increase in equity	-	-	-	-	-	-	4,295	4,295
<b>Total revenues</b>	<b>37,002</b>	<b>37,962</b>	<b>23,802</b>	<b>15,838</b>	<b>45,130</b>	<b>8,272</b>	<b>70,101</b>	<b>238,107</b>
<b>Expenses</b>								
Salaries and wages	23,348	30,875	16,458	11,474	20,001	5,279	-	107,435
Interest on long term debt	577	38	1,044	17	916	-	-	2,592
Materials	477	858	2,613	471	4,217	228	-	8,864
Contracted services	9,336	3,136	24,307	4,278	9,825	1,060	-	51,942
Rents and financial expenses	942	602	109	248	1,368	72	-	3,341
External transfers	10,344	816	176	184	12,628	110	-	24,258
Amortization	1,278	1,527	14,622	2,799	11,845	71	-	32,142
<b>Total expenses</b>	<b>46,302</b>	<b>37,852</b>	<b>59,329</b>	<b>19,471</b>	<b>60,800</b>	<b>6,820</b>	<b>-</b>	<b>230,574</b>
<b>Net (deficit) / surplus</b>	<b>(9,300)</b>	<b>110</b>	<b>(35,527)</b>	<b>(3,633)</b>	<b>(15,670)</b>	<b>1,452</b>	<b>70,101</b>	<b>7,533</b>

# The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

## 13. Segmented information continued

	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves and other	2014
	\$	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>								
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	-	-	-	-	-	-	3,720	3,720
Contributed tangible capital assets	14	-	-	-	-	-	-	14
<b>Total revenues</b>	<b>33,960</b>	<b>37,805</b>	<b>26,227</b>	<b>14,797</b>	<b>41,180</b>	<b>8,542</b>	<b>68,491</b>	<b>231,002</b>
<b>Expenses</b>								
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 on disposal of TCA	-	-	413	-	14	-	-	427
<b>Total expenses</b>	<b>36,814</b>	<b>42,689</b>	<b>48,993</b>	<b>20,443</b>	<b>55,809</b>	<b>7,775</b>	<b>-</b>	<b>212,523</b>
<b>Net (deficit) / surplus</b>	<b>(2,854)</b>	<b>(4,884)</b>	<b>(22,766)</b>	<b>(5,646)</b>	<b>(14,629)</b>	<b>767</b>	<b>68,491</b>	<b>18,479</b>

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

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### 14. Lease agreements

The City has entered into lease agreements for office equipment, facility space, vehicles and other services, at a present value of \$6,096 (2014 - \$2,627), 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:

	\$
2016	1,063
2017	1,038
2018	1,038
2019	920
2020	878
2021 - 2023	1,159
	<hr/> 6,096

### 15. Commitments and contingencies

#### *Commitment*

BHEI has a \$10,000 revolving line of credit facility available for use. A letter of credit in the amount of \$8,000 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 2015 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, 2015, 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.

#### *Randle Reef*

Council approved a commitment to the Randle Reef Contaminated Sediment Remediation project of \$2.3 million. This was approved at the Council meeting of September 24, 2012. Funding of the commitment will take place within the 2013-2022 capital budget submission as an annual contribution of \$0.23 million per year for each of the 10 years. A contribution agreement between the City of Burlington and Environment Canada has been signed.

# The Corporation of the City of Burlington

## Notes to the consolidated financial statements

For the Year Ended December 31, 2015

(All amounts are in thousands of dollars)

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### 15. Commitments and contingencies continued

#### *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, 2015 a liability in the amount of \$307 (2014 - \$940) was accrued by Burlington Hydro Inc. Working capital will be drawn down to support these payments.

### 16. Budget figures

Budget figures presented in these consolidated financial statements are based upon the 2015 operating and capital budgets approved by Council. The chart below reconciles the approved budget figures reported in these consolidated financial statements.

	<b>Budget Amount</b>
	\$
<b>Revenue</b>	
Operating	205,923
Capital	300
Local Boards	1,528
<b>Less</b>	
Transfers from/(to) other funds	13,623
Proceeds on debt issue	(13,623)
<b>Total revenue</b>	<b>207,751</b>
<b>Expenses</b>	
Operating	168,073
Amortization	31,400
Local Boards	1,595
<b>Less</b>	
Transfers to/(from) other funds	24,755
Debt principal payments	(10,430)
Contributions to boards	(14,325)
<b>Total expenses</b>	<b>201,068</b>
<b>Annual surplus</b>	<b>6,683</b>