

Consolidated financial statements of

**The Corporation of the
City of Burlington**

December 31, 2017

The Corporation of the City of Burlington

December 31, 2017

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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, 2017, 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, 2017 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.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
June 18, 2018

The Corporation of the City of Burlington

Consolidated statement of operations year ended December 31, 2017

(All amounts are in thousands of dollars)

	2017 Budget (Note 15)	2017 Actual	2016 Actual
	\$	\$	\$
Revenues			
Taxation	156,389	155,409	144,970
User fees and charges	23,577	36,406	35,093
Grants			
Government of Canada	5,507	6,747	7,251
Province of Ontario	3,274	4,312	2,421
Contributions from developers	1,032	7,492	6,265
Investment income	5,456	9,472	9,749
Gain (loss) on sale of tangible capital assets	265	754	(858)
Penalties and interest on taxes	2,100	2,148	2,045
Donations	198	1,134	746
Fines and penalties	10,523	12,051	11,175
Rents and concessions	4,670	5,648	4,678
Licenses and permits	6,365	7,879	6,484
Other	431	1,389	1,031
Hydro dividends and interest	4,900	4,954	5,887
Burlington Hydro Electric Inc., net increase in equity (Note 11)	-	2,235	1,349
Total revenues	224,687	258,030	238,286
Expenses			
General government	47,495	32,225	60,423
Protection to persons and property	40,162	45,590	40,975
Transportation services	63,716	69,040	69,910
Environmental services	4,467	7,403	5,233
Health services	305	313	294
Recreation and cultural services	55,942	66,387	60,372
Planning and development	7,430	7,659	6,794
Total expenses	219,517	228,617	244,001
Annual surplus (deficit)	5,170	29,413	(5,715)
Accumulated surplus, beginning of year	970,586	970,586	976,301
Accumulated surplus, end of year	975,756	999,999	970,586

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, 2017

(All amounts are in thousands of dollars)

	2017 Budget (Note 15)	2017 Actual	2016 Actual
	\$	\$	\$
Annual surplus (deficit)	5,170	29,413	(5,715)
Acquisition of tangible capital assets	(55,488)	(49,963)	(35,983)
Amortization	33,164	32,646	32,104
(Gain) loss on disposal of tangible capital assets	-	(754)	858
Proceeds on sale of tangible capital assets	-	2,157	156
Change in supplies of inventory	-	114	(64)
Change in prepaid expenses	-	99	(71)
Increase (decrease) in net financial assets	(17,154)	13,712	(8,715)
Net financial assets, beginning of year	165,894	165,894	174,609
Net financial assets, end of year	148,740	179,606	165,894

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, 2017

(All amounts are in thousands of dollars)

	2017	2016
	\$	\$
Financial assets		
Cash and cash equivalents	40,707	36,978
Taxes receivable (Note 2)	10,497	10,770
Accounts receivable	18,523	15,686
Investments (Note 4)	202,107	187,295
Investment in Burlington Hydro Electric Inc. (Note 11)	130,726	128,491
	402,560	379,220
Liabilities		
Accounts payable and accrued liabilities	26,231	24,329
Other liabilities	379	327
Deferred revenue - general	7,691	7,566
Deferred revenue - obligatory reserve funds (Note 5)	72,734	61,306
Employee future benefits (Note 6)	26,994	25,719
Long-term debt (Note 8)	88,925	94,079
	222,954	213,326
Net financial assets	179,606	165,894
Non-financial assets		
Tangible capital assets (Note 9)	818,007	802,093
Inventory	1,811	1,925
Prepaid expenses	575	674
	820,393	804,692
Commitments and contingencies (Note 14)		
Accumulated surplus (Note 10)	999,999	970,586

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, 2017

(All amounts are in thousands of dollars)

	2017	2016
	\$	\$
Operating activities		
Annual surplus (deficit)	29,413	(5,715)
Non-cash charges to operations		
Amortization	32,646	32,104
(Gain) loss on disposal of tangible capital assets	(754)	858
Burlington Hydro Electric Inc., net income	(4,835)	(4,899)
Decrease (increase) in taxes receivable	273	(210)
Increase in accounts receivable	(2,837)	(1,861)
Decrease (increase) in inventory	114	(64)
Decrease (increase) in prepaid expenses	99	(72)
Increase in accounts payable and accrued liabilities	1,902	1,688
Increase (decrease) in other liabilities	52	(5)
Increase (decrease) in deferred revenue - general	125	(235)
Increase in deferred revenue - obligatory reserve funds	11,428	2,937
Increase in employee future benefits	1,275	900
Cash provided by operating transactions	68,901	25,426
Capital activities		
Purchase of tangible capital assets	(49,963)	(35,983)
Proceeds on sale of tangible capital assets	2,157	156
Net decrease in cash from capital activities	(47,806)	(35,827)
Investing activity		
Increase in investments	(14,812)	(1,170)
Net decrease in cash from investing activities	(14,812)	(1,170)
Financing activities		
New debt issued	8,078	32,106
Debt principal repayments	(13,232)	(11,443)
Dividends received	2,600	3,550
Net (decrease) increase in cash from financing activities	(2,554)	24,213
Change in cash and cash equivalents	3,729	12,642
Cash and cash equivalents, beginning of year	36,978	24,336
Cash and cash equivalents, end of year	40,707	36,978

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, 2017

(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 Village 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 Gallery
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, 2017

(All amounts are in thousands of dollars)

1. Accounting Policies

(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, 2017

(All amounts are in thousands of dollars)

1. Accounting Policies

(b) Basis of accounting

(ii) Non-financial assets

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, 2017

(All amounts are in thousands of dollars)

1. Accounting Policies

(b) *Basis of accounting*

(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 cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash. Cash equivalents have a short-term maturity of three months or less from the year end date.

(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.

(x) Liability for Contaminated Sites

A liability for the remediation of a contaminated site is recognized as the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the City is either directly responsible or accepts responsibility, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. If the likelihood of the City's obligation to incur these costs is either not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

(All amounts are in thousands of dollars)

2. Taxes receivable

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

	2017	2016
	\$	\$
City of Burlington	4,186	4,239
Region of Halton	3,381	3,497
Halton school boards	2,930	3,034
	10,497	10,770

3. Trust funds

Trust funds administered by the City amounting to \$17,861 (2016 - \$15,085) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

4. Investments

Investments of \$202,107 (2016 - \$187,295) reported on the Consolidated Statement of Financial Position at cost, had a market value of \$205,586 (2016 - \$190,914) at the end of the year.

5. 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	2017 Total	2016 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	33,701	16,475	11,130	61,306	58,369
Restricted funds received`	13,394	6,195	7,567	27,156	16,153
Interest earned	470	344	158	972	952
Transfers between reserve funds	-	(200)	-	(200)	(200)
Revenue recognized	(4,221)	(3,071)	(9,208)	(16,500)	(13,968)
Balance, end of year	43,344	19,743	9,647	72,734	61,306

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

(All amounts are in thousands of dollars)

6. Employee future benefits

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

	2017	2016
	\$	\$
Banked overtime	250	259
WSIB	6,353	6,067
Vacation pay liability	7,190	6,827
Retiree benefits	12,573	11,939
Life, medical and dental benefits	628	627
Total	26,994	25,719

(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 \$6,353 (2016 - \$6,067). 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 \$709 (2016 - \$1,053). The loss is due to actual experience compared with the previous actuarial update arising from projected claims for survivor benefits. Amortization of \$344 (2016 - \$344) is included. A reserve fund in the amount of \$5,405 (2016 - \$4,856) has been provided for this liability and is reported in Note 10.

(c) Retiree benefits

A liability of \$12,573 (2016 - \$11,939) 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 4.50% and assuming an inflation rate of 2.0%. The liability is net of an actuarial loss of \$2,093 realized due to the actual experience as compared with the previous actuarial update but includes amortization of \$315. A reserve fund in the amount of \$2,063 (2016 - \$1,738) has been provided for this liability and is reported in Note 10.

The City maintains life, medical and dental insurance for disabled employees. The liability is estimated at \$628 (2016 - \$627).

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

(All amounts are in thousands of dollars)

6. Employee future benefits

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

	2017	2016
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	(14,347)	(14,144)
Current benefit expense	(626)	(588)
Interest	(638)	(627)
Benefits paid	945	1,012
Accrued benefit obligation, end of the year	(14,666)	(14,347)
Unamortized actuarial loss	2,093	2,408
Liability for benefits	(12,573)	(11,939)
Amortization of actuarial loss	(315)	(315)

7. 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 2017 was \$7,682 (2016- \$7,349) for current service and is included as an expense on the Consolidated Statement of Operations.

The OMERS pension plan has a deficit of \$5,400,000 at December 31, 2017 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, 2017

(All amounts are in thousands of dollars)

8. 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:

	\$
2018	13,377
2019	13,218
2020	11,526
2021	11,030
2022	10,581
2023 and thereafter	29,193
	<hr/> 88,925

- (b) Total debt charges are as follows:

	2017	2016
	\$	\$
Principal payments	13,232	11,443
Interest	2,670	2,708
	<hr/> 15,902	<hr/> 14,151

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

	2017	2016
	\$	\$
General municipal revenues	15,882	14,122
Benefiting landowners	20	29
	<hr/> 15,902	<hr/> 14,151

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

(All amounts are in thousands of dollars)

8. Long-term debt

By-law	Purpose	Interest rates %	Maturity dates	2017 \$
124-04	Library expansion	4.050-5.400	2019	1,577
91-07	Various	4.800-5.000	2022	1,239
72-08	Road reconstruction	3.200-4.650	2018	1,072
12-09	Performing arts centre	4.620	2024	5,254
17-09	Performing arts centre	4.620	2024	277
18-09	Performing arts centre	4.620	2024	1,328
41-09	Appleby ice expansion	4.620	2024	3,956
62-08	Indoor soccer field	4.620	2019	215
67-08	Road reconstruction	4.620	2019	147
75-08	Road reconstruction	4.620	2019	112
86-08	Storm water management	4.620	2019	60
80-08	Road reconstruction	4.620	2019	90
88-08	Road reconstruction	4.620	2019	241
87-08	Road reconstruction	4.620	2019	95
71-08	Road reconstruction	4.620	2019	44
70-08	Road reconstruction	4.620	2019	298
92-08	Road reconstruction	4.620	2019	57
110-08	Road reconstruction	4.620	2019	41
26-09	Storm water management	4.620	2019	19
34-09	Road reconstruction	4.620	2019	137
38-09	Road reconstruction	4.620	2019	101
81-08	Storm water management	4.620	2019	27
64-10	Road reconstruction	1.600-4.450	2020	2,143
48-10	Road reconstruction	1.100-3.300	2021	41
87-10	Parking lot renewal	1.100-3.300	2021	75
68-10	Road reconstruction	1.100-3.300	2021	506
50-11	Road reconstruction	1.100-3.300	2021	20
15-11	Road reconstruction	1.100-3.300	2021	79
37-11	Elgin Street maint (BPAC)	1.100-3.300	2021	244
58-11	Road reconstruction	1.100-3.300	2021	524
62-11	Road reconstruction	1.100-3.300	2021	275
67-11	Culvert replacement	1.100-3.300	2021	125
72-11	Valley Inn trail	1.100-3.300	2021	62
75-11	Road reconstruction	1.100-3.300	2021	554

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

(All amounts are in thousands of dollars)

8. Long-term debt

By-law	Purpose	Interest rates	Maturity dates	2017
		%		\$
76-11	Road reconstruction	1.100-3.300	2021	107
77-11	Road reconstruction	1.100-3.300	2021	190
60-12	Road reconstruction	1.550-3.350	2022	2,788
138-12	Alton community centre	1.400-3.100	2022	2,380
47-13	Various	1.250-2.950	2023	5,475
38-14	Various	1.200-3.450	2024	8,681
38-15	Various	0.850-2.300	2025	11,078
26-16	Various	1.200-2.650	2026	29,113
15-17	Various	1.150-2.850	2027	8,078
				88,925

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

9. Tangible capital assets

	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	2017 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	157,372	246,068	51,365	38,921	90,705	622,880	16,010	1,223,321
Additions	3,866	8,232	5,194	3,234	4,085	14,116	14,542	53,269
Disposals	1,249	1,638	361	3,052	1,047	7,822	3,306	18,475
Balance, end of year	159,989	252,662	56,198	39,103	93,743	629,174	27,246	1,258,115
Accumulated amortization								
Balance, beginning of year	-	108,581	29,460	22,638	34,638	225,911	-	421,228
Disposals	-	1,638	322	3,030	1,047	7,729	-	13,766
Amortization expense	-	7,789	4,222	4,015	2,828	13,792	-	32,646
Balance, end of year	-	114,732	33,360	23,623	36,419	231,974	-	440,108
Net book value, end of year	159,989	137,930	22,838	15,480	57,324	397,200	27,246	818,007

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

9. Tangible capital assets

	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	2016 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	156,060	237,869	51,111	38,378	88,703	607,151	22,525	1,201,797
Additions	1,544	10,370	2,013	4,393	2,669	21,509	24,161	66,659
Disposals	232	2,171	1,759	3,850	667	5,780	30,676	45,135
Balance, end of year	157,372	246,068	51,365	38,921	90,705	622,880	16,010	1,223,321
Accumulated amortization								
Balance, beginning of year	-	103,113	26,994	22,222	32,551	217,689	-	402,569
Disposals	-	2,084	1,621	3,701	636	5,403	-	13,445
Amortization expense	-	7,552	4,087	4,117	2,723	13,625	-	32,104
Balance, end of year	-	108,581	29,460	22,638	34,638	225,911	-	421,228
Net book value, end of year	157,372	137,487	21,905	16,283	56,067	396,969	16,010	802,093

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

(All amounts are in thousands of dollars)

10. Accumulated surplus

	2017	2016
	\$	\$
Accumulated surplus		
Tangible capital assets	818,007	802,093
Operating fund	166,987	164,109
Reserve fund	130,924	124,182
Unfunded	(115,919)	(119,798)
	999,999	970,586
Reserve and reserve funds set aside by Council		
Capital purposes	62,447	60,437
Vehicle and equipment replacement	4,061	6,554
Transit revenue funds	189	751
Stabilization reserve funds	18,224	15,123
Contingency reserve	11,599	8,841
Employee accident reserve fund	5,405	4,856
Employee benefits reserve fund	1,813	1,738
Corporate reserve	3,376	3,573
Program specific reserve funds	10,655	10,046
Local boards reserve funds	13,047	12,172
Program specific reserve	108	91
	130,924	124,182

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

11. 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, 2017

(All amounts are in thousands of dollars)

11. Investment in Burlington Hydro Electric Inc.

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, 2016	128,491
Net income for year	4,835
Dividends received during the year	(2,600)
Net increase in equity during the year	2,235
Ending balance, December 31, 2017	130,726

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, 2017 and 2016:

	2017	2016
	\$	\$
Financial position		
Current assets	58,557	61,302
Capital assets	123,842	115,900
Other assets	10,110	10,392
Deferred tax assets	-	1,103
Regulatory balances	27,673	19,564
Total assets and regulatory balances	220,182	208,261
Current liabilities	22,402	22,567
Promissory note payable to City of Burlington	47,879	47,879
Customer's deposits	3,623	3,382
Ontario Infrastructure Loan	13,346	14,185
Finance lease liabilities	409	542
Other liabilities	4,136	2,146
Deferred Revenue	14,792	10,400
Deferred tax liability	546	-
Liability for future benefits	5,157	4,777
Regulatory Balances	25,045	21,771
Total liabilities	137,335	127,649
Net assets	82,847	80,612
Results of operations		
Net revenues	33,243	36,863
Operating expenses	(28,408)	(31,964)
	4,835	4,899

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

(All amounts are in thousands of dollars)

11. Investment in Burlington Hydro Electric Inc.

	2017	2016
	\$	\$
The investment in BHEI is represented by the following:		
Total net assets	82,847	80,612
Promissory note receivable	47,879	47,879
	130,726	128,491

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 \$4,463 (2016 - \$4,578). Of this amount, \$471 (2016 - \$470) was net distribution revenue.

Payments in Lieu of Taxes paid to the City of Burlington by Burlington Hydro Electric Inc. were \$140 (2016 - \$132).

The City entered into a two-year contract with Burlington Hydro Electric to replace the City's street lighting. During the year the City paid \$3,138 (2016 - \$-) to Burlington Hydro Electric.

The City entered into a one year contract with Burlington Hydro Electric to design, purchase and install an emergency standby electrical generator at the Haber Community Centre. During the year, the City paid \$502 (2016 - \$26) to Burlington Hydro Electric.

12. 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.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

(All amounts are in thousands of dollars)

12. Segmented information

Roads and parks maintenance department

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

Traffic and transit department

The Transit and Traffic Department is comprised of 3 sections:

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

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

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

Recreation and culture

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

Development and infrastructure

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

Other

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

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

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

12. Segmented information

	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves and other	2017
	\$	\$	\$	\$	\$	\$	\$	
Revenues								
Taxation	26,892	21,546	13,031	9,406	26,790	4,032	53,712	155,409
User fees and charges	648	1,441	10,018	5,564	15,409	3,291	35	36,406
Government transfers	488	156	-	-	1,154	52	9,209	11,059
Investment income	-	39	436	-	247	165	8,585	9,472
Contributions from developers	-	-	-	-	-	-	7,492	7,492
Fines and penalties	2,148	9,866	-	2,083	102	-	-	14,199
Rents and concessions	143	52	-	433	5,014	6	-	5,648
Licenses and permits	126	5,269	844	1,108	178	354	-	7,879
Other Revenues	1,466	34	151	(3)	1,588	41	4,954	8,231
Burlington Hydro Electric Inc., net increase in equity	-	-	-	-	-	-	2,235	2,235
Total revenues	31,911	38,403	24,480	18,591	50,482	7,941	86,222	258,030
Expenses								
Salaries and wages	19,244	34,890	17,391	12,355	29,398	5,525	-	118,803
Interest on long term debt	737	86	828	13	993	-	-	2,657
Materials	487	308	(2,381)	2,633	4,440	233	-	5,720
Contracted services	9,529	3,152	23,779	3,628	16,613	1,568	-	58,269
Rents and financial expenses	946	581	153	1	1,534	202	-	3,417
External transfers	21	4,756	93	-	2,150	85	-	7,105
Amortization	1,261	1,817	15,064	3,199	11,259	46	-	32,646
Total expenses	32,225	45,590	54,927	21,829	66,387	7,659	-	228,617
Net (deficit) / surplus	(314)	(7,187)	(30,447)	(3,238)	(15,905)	282	86,222	29,413

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

12. Segmented information

	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves and other	2016
	\$	\$	\$	\$	\$	\$	\$	
Revenues								
Taxation	26,421	29,526	10,767	8,904	27,214	6,037	36,101	144,970
User fees and charges	868	1,441	12,524	5,304	13,327	1,589	40	35,093
Government transfers	813	157	4	-	697	98	7,903	9,672
Investment income	-	57	460	-	256	154	8,822	9,749
Contributions from developers	-	-	-	-	-	-	6,265	6,265
Fines and penalties	2,045	9,185	-	1,881	109	-	-	13,220
Rents and concessions	141	46	-	428	4,063	-	-	4,678
Licenses and permits	124	4,880	141	1,113	-	226	-	6,484
Other	216	8	(56)	(168)	900	19	5,887	6,806
Burlington Hydro Electric Inc., net increase in equity	-	-	-	-	-	-	1,349	1,349
Total revenues	30,628	45,300	23,840	17,462	46,566	8,123	66,367	238,286
Expenses								
Salaries and wages	18,452	33,971	16,975	11,866	28,755	5,446	-	115,465
Interest on long term debt	909	75	874	15	835	-	-	2,708
Materials	490	1,095	(301)	3,028	4,667	517	-	9,496
Contracted services	8,802	2,436	22,028	3,407	13,606	660	-	49,939
Rents and financial expenses	1,012	585	116	19	1,526	56	-	3,314
External transfers	29,501	1,082	137	184	4	67	-	30,975
Amortization	1,257	1,731	15,113	2,973	10,979	48	-	32,104
Total expenses	60,423	40,975	54,942	21,492	60,372	6,794	-	244,001
Net (deficit) / surplus	(29,795)	4,325	(31,102)	(4,030)	(13,806)	1,329	66,367	(5,715)

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2017

(All amounts are in thousands of dollars)

13. Lease agreements

The City has entered into lease agreements for office equipment, facility space, vehicles and other services, at a present value of \$5,071 (2016 - \$4,181), 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:

	\$
2018	1,436
2019	1,229
2020	1,197
2021	933
2022	276
	<hr/> 5,071

14. 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 \$60,000. 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 2017 dedicated tax levy was \$4,800. A contribution agreement between the City of Burlington and the Joseph Brant Hospital has been signed. As of December 31, 2017 the City had contributed \$44,440 to the project.

Contingencies

As at December 31, 2017, certain legal actions and other contingent liabilities are pending against the City. The outcome of these matters is indeterminate at this time and has therefore not been reflected in these consolidated financial statements.

Randle Reef

Council approved a commitment to the Randle Reef Contaminated Sediment Remediation project of \$2,300. 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 \$230 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, 2017

(All amounts are in thousands of dollars)

15. Budget figures

Budget figures presented in these consolidated financial statements are based upon the 2017 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	222,460
Capital	853
Local Boards	1,374
Less	
Transfers from/(to) other funds	8,078
Proceeds on debt issue	(8,078)
Total revenue	224,687
Expenses	
Operating	185,018
Amortization	33,164
Local Boards	1,335
Less	
Transfers to/(from) other funds	13,232
Debt principal payments	(13,232)
Total expenses	219,517
Annual surplus	5,170

16. Comparative figures

Certain comparative figures have been reclassified to conform to 2017 presentation.