

Consolidated financial statements of

**The Corporation of the
City of Burlington**

December 31, 2016

D

R

A

E

T

The Corporation of the City of Burlington

December 31, 2016

Table of contents

Independent Auditor's Report	1
Consolidated statement of operations	3
Consolidated statement of change in net financial assets	4
Consolidated statement of financial position	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7 - 26

D

R

A

E

T

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, 2016, 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, 2016, 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.

Chartered Professional Accountants
Licensed Public Accountants
_____, 2017

D
R
A
F
T

The Corporation of the City of Burlington

Consolidated statement of operations

year ended December 31, 2016

(All amounts are in thousands of dollars)

	2016 Budget (Note 15)	2016 Actual	2015 Actual
	\$	\$	\$
Revenues			
Taxation	149,635	144,970	142,169
User fees and charges	24,974	35,093	32,715
Grants			
Government of Canada	5,736	7,251	4,899
Province of Ontario	3,340	2,421	5,829
Contributions from developers	902	6,265	9,780
Investment income	5,457	9,749	9,438
Sale of tangible capital assets	262	(858)	(508)
Penalties and interest on taxes	2,000	2,045	2,201
Donations	383	746	868
Fines and penalties	9,869	11,175	10,347
Rents and concessions	5,407	4,678	4,763
Licenses and permits	6,264	6,484	6,044
Other	490	1,031	930
Hydro dividends and interest	4,886	5,887	4,337
Burlington Hydro Electric Inc., net increase in equity (Note 11)	-	1,349	4,295
Total revenues	219,605	238,286	238,107
Expenses			
General government	43,556	60,423	46,302
Protection to persons and property	39,280	40,975	37,852
Transportation services	64,379	69,910	72,164
Environmental services	4,509	5,233	6,357
Health services	300	294	279
Recreation and cultural services	56,460	60,372	60,800
Planning and development	6,910	6,794	6,820
Total expenses	215,394	244,001	230,574
Annual (deficit) surplus	4,211	(5,715)	7,533
Accumulated surplus, beginning of year	976,301	976,301	968,768
Accumulated surplus, end of year	980,512	970,586	976,301

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, 2016

(All amounts are in thousands of dollars)

	2016 Budget (Note 15)	2016 Actual	2015 Actual
	\$	\$	\$
Annual (deficit) surplus	4,211	(5,715)	7,533
Acquisition of tangible capital assets	(52,578)	(35,983)	(31,059)
Amortization	32,500	32,104	32,141
Loss on disposal of tangible capital assets	-	858	508
Proceeds on sale of tangible capital assets	-	156	660
Change in supplies of inventory	-	(64)	213
Change in prepaid expenses	-	(71)	319
(Decrease) increase in net financial assets	(15,867)	(8,715)	10,315
Net financial assets, beginning of year	174,609	174,609	164,294
Net financial assets, end of year	158,742	165,894	174,609

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, 2016

(All amounts are in thousands of dollars)

	2016	2015
	\$	\$
Financial assets		
Cash and temporary investments	36,518	24,336
Taxes receivable (Note 2)	10,770	10,560
Accounts receivable	15,686	13,825
Investments (Note 4)	187,295	186,125
Investment in Burlington Hydro Electric Inc. (Note 11)	128,491	127,142
	378,760	361,988
Liabilities		
Accounts payable and accrued liabilities	23,869	22,642
Other liabilities	327	332
Deferred revenue - general	7,566	7,801
Deferred revenue - obligatory reserve funds (Note 5)	61,306	58,369
Employee future benefits (Note 6)	25,719	24,819
Long-term debt (Note 8)	94,079	73,416
	212,866	187,379
Net financial assets	165,894	174,609
Non-financial assets		
Tangible capital assets (Note 9)	802,093	799,228
Inventory	1,925	1,861
Prepaid expenses	674	603
	804,692	801,692
Commitments and contingencies (Note 14)		
Accumulated surplus (Note 10)	970,586	976,301

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, 2016

(All amounts are in thousands of dollars)

	2016	2015
	\$	\$
Operating activities		
Annual (deficit) surplus	(5,715)	7,533
Non-cash charges to operations		
Amortization	32,104	32,141
Loss on disposal of tangible capital assets	858	508
Burlington Hydro Electric Inc., net increase in equity	(4,899)	(6,295)
(Increase) decrease in taxes receivable	(210)	1,425
Increase in accounts receivable	(1,861)	(1,875)
(Increase) decrease in inventory	(64)	213
(Increase) decrease in prepaid expenses	(71)	319
Increase (decrease) in accounts payable and accrued liabilities	1,227	(1,003)
(Decrease) in other liabilities	(5)	(2,292)
(Decrease) increase in deferred revenue - general	(235)	778
Increase in deferred revenue - obligatory reserve funds	2,937	689
Increase in employee future benefits	900	2,116
Cash provided by operating transactions	24,966	34,257
Capital activities		
Purchase of tangible capital assets	(35,983)	(31,059)
Proceeds on sale of tangible capital assets	156	660
Net decrease in cash from capital activities	(35,827)	(30,399)
Investing activity		
Increase in investments	(1,170)	(8,979)
Net decrease in cash from investing activities	(1,170)	(8,979)
Financing activities		
New debt issued	32,106	13,623
Debt principal repayments	(11,443)	(10,430)
Dividends received	3,550	2,000
Net increase in cash from financing activities	24,213	5,193
Change in cash and temporary investments	12,182	72
Cash and temporary investments, beginning of year	24,336	24,264
Cash and temporary investments, end of year	36,518	24,336

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, 2016

(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, 2016

(All amounts are in thousands of dollars)

1. Accounting Policies continued

(b) Basis of accounting

(i) Accrual accounting

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

Where revenue has been received in advance of expenses being incurred, the amount has been recorded as deferred revenue in the consolidated statement of financial position, and will be recognized as revenue in a future period when the related expenses are incurred.

(ii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

1. Tangible capital assets

Tangible capital assets (TCAs) are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	12 to 100 years
Buildings	10 to 100 years
Leasehold improvements	Term of the Lease
Machinery and equipment	3 to 25 years
Vehicles	5 to 32 years
Linear	4 to 80 years

A full year's amortization is taken in the year of asset acquisition and disposal. Works in progress 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, 2016

(All amounts are in thousands of dollars)

1. Accounting Policies continued

(b) Basis of accounting continued

(ii) Non-financial assets continued

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

2. Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the assets as of the date of transfer.

3. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all risks and benefits incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

4. Inventories

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

(iii) Government transfers

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

(iv) Deferred revenue - Obligatory reserve funds

The City receives development charges and subdivider contributions under the authority of provincial legislation and City by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

(v) Employee future benefits

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

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

(All amounts are in thousands of dollars)

1. Accounting Policies continued

(b) *Basis of accounting continued*

(vi) Tax revenue

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

(vii) Investment income

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges reserve funds is added to the fund balance and forms part of the deferred revenue – obligatory reserve funds balance.

(viii) Cash and temporary investments

Cash and temporary investments are comprised of cash on hand, cash held in banks, and temporary investments with maturities of 365 days or less.

(ix) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates relate to the allowance for taxes receivable, the allowance for accounts receivable, accrued liabilities, employee future benefits, 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, 2016

(All amounts are in thousands of dollars)

2. Taxes receivable

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

	2016	2015
	\$	\$
City of Burlington	4,239	4,094
Region of Halton	3,497	3,454
Halton school boards	3,034	3,012
	10,770	10,560

3. Trust funds

Trust funds administered by the City amounting to \$15,085 (2015 - \$15,197) 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 \$187,295 (2015 - \$186,125) reported on the Consolidated Statement of Financial Position at cost, have a market value of \$190,914 (2015 - \$196,729) 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	2016 Total	2015 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	32,426	14,655	11,288	58,369	57,680
Restricted funds received	5,747	2,879	7,527	16,153	16,278
Interest earned	405	329	218	952	750
Transfers between reserve funds	-	(200)	-	(200)	(200)
Revenue recognized	(4,877)	(1,188)	(7,903)	(13,968)	(16,139)
Balance, end of year	33,701	16,475	11,130	61,306	58,369

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

(All amounts are in thousands of dollars)

6. Employee future benefits

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

	2016	2015
	\$	\$
Banked overtime	259	251
WSIB	6,067	5,793
Vacation pay liability	6,827	6,728
Retiree benefits	11,939	11,421
Life, medical and dental benefits	627	626
Total	25,719	24,819

(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 \$6,067 (2015 - \$5,793). 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 \$1,053 (2014 - \$1,397). The loss is due to actual experience compared with the previous actuarial update arising from projected claims for survivor benefits. Amortization of \$344 (2015 - \$325) is included. A reserve fund in the amount of \$4,856 (2015 - \$4,297) has been provided for this liability and is reported in Note 10.

(c) *Retiree benefits*

A liability of \$11,939 (2015 - \$11,421) 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 \$2,408 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 \$1,738 (2015 - \$1,713) 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 \$627 (2015 - \$626).

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

(All amounts are in thousands of dollars)

6. Employee future benefits continued

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

	2016	2015
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	(14,144)	(12,419)
Current benefit expense	(588)	(654)
Interest	(627)	(525)
Benefits paid	1,012	804
Actuarial loss from valuation	-	(1,350)
Accrued benefit obligation, end of the year	(14,347)	(14,144)
Unamortized actuarial loss	2,408	2,723
Liability for benefits	(11,939)	(11,421)
Amortization of actuarial loss	(315)	(203)

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 2016 was \$7,349 (2015- \$7,719) for current service and is included as an expense on the Consolidated Statement of Operations.

The OMERS pension plan has a deficit of \$5,700,000 at December 31, 2016 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, 2016

(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:

	\$
2017	13,232
2018	12,630
2019	12,463
2020	10,761
2021	10,253
2022 and thereafter	34,740
	94,079

- (b) Total debt charges are as follows:

	2016	2015
	\$	\$
Principal payments	11,443	10,430
Interest	2,708	2,592
	14,151	13,022

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

	2016	2015
	\$	\$
General municipal revenues	14,122	12,993
Benefiting landowners	29	29
	14,151	13,022

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

(All amounts are in thousands of dollars)

8. Long-term debt continued

By-law	Purpose	Interest rates %	Maturity dates	2016 \$
124-04	Library expansion	4.050-5.400	2019	2,308
91-07	Various	4.800-5.000	2022	2,386
72-08	Road reconstruction	3.200-4.650	2018	1,822
12-09	Performing arts centre	4.620	2024	5,875
17-09	Performing arts centre	4.620	2024	310
18-09	Performing arts centre	4.620	2024	1,485
41-09	Appleby ice expansion	4.620	2024	4,424
62-08	Indoor soccer field	4.620	2019	315
67-08	Road reconstruction	4.620	2019	215
75-08	Road reconstruction	4.620	2019	164
86-08	Storm water management	4.620	2019	88
80-08	Road reconstruction	4.620	2019	131
88-08	Road reconstruction	4.620	2019	354
87-08	Road reconstruction	4.620	2019	139
71-08	Road reconstruction	4.620	2019	65
70-08	Road reconstruction	4.620	2019	437
92-08	Road reconstruction	4.620	2019	83
110-08	Road reconstruction	4.620	2019	60
26-09	Storm water management	4.620	2019	28
34-09	Road reconstruction	4.620	2019	201
38-09	Road reconstruction	4.620	2019	147
81-08	Storm water management	4.620	2019	39
64-10	Road reconstruction	1.600-4.450	2020	2,802
48-10	Road reconstruction	1.100-3.300	2021	51
87-10	Parking lot renewal	1.100-3.300	2021	93
68-10	Road reconstruction	1.100-3.300	2021	627
50-11	Road reconstruction	1.100-3.300	2021	25
15-11	Road reconstruction	1.100-3.300	2021	98
37-11	Elgin Street maint (BPAC)	1.100-3.300	2021	303
58-11	Road reconstruction	1.100-3.300	2021	650
62-11	Road reconstruction	1.100-3.300	2021	341
67-11	Culvert replacement	1.100-3.300	2021	155
72-11	Valley Inn trail	1.100-3.300	2021	77
75-11	Road reconstruction	1.100-3.300	2021	687

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

(All amounts are in thousands of dollars)

8. Long-term debt continued

By-law	Purpose	Interest rates	Maturity dates	2016
		%		\$
76-11	Road reconstruction	1.100-3.300	2021	133
77-11	Road reconstruction	1.100-3.300	2021	236
60-12	Road reconstruction	1.550-3.350	2022	3,304
138-12	Alton community centre	1.400-3.100	2022	2,823
47-13	Various	1.250-2.950	2023	6,318
38-14	Various	1.200-3.450	2024	9,813
38-15	Various	0.850-2.300	2025	12,361
26-16	Various	1.200-2.650	2026	32,106
				94,079

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

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, 2016

9. Tangible capital assets continued

	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	2015 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
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
Accumulated amortization								
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, 2016

(All amounts are in thousands of dollars)

10. Accumulated surplus

	2016	2015
	\$	\$
Accumulated surplus		
Tangible capital assets	802,093	799,228
Operating fund	164,109	158,888
Reserve fund	124,182	116,420
Unfunded	(119,798)	(98,235)
	970,586	976,301
Reserve and reserve funds set aside by Council		
Capital purposes	60,437	60,029
Vehicle and equipment replacement	6,554	6,290
Transit revenue funds	751	1,330
Stabilization reserve funds	15,123	15,041
Contingency reserve	8,841	6,554
Employee accident reserve fund	4,856	4,297
Employee benefits reserve fund	1,738	1,713
Corporate reserve	3,573	2,715
Program specific reserve funds	10,046	7,504
Local boards reserve funds	12,172	10,856
Program specific reserve	91	91
	124,182	116,420

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, 2016

(All amounts are in thousands of dollars)

11. 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, 2015	127,142
Net income for year	4,899
Dividends received during the year	(3,550)
Net increase in equity during the year	1,349
Ending balance, December 31, 2016	128,491

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, 2016 and 2015:

	2016	2015
	\$	\$
Financial position		
Current assets	61,302	58,986
Capital assets	115,900	109,542
Other assets	10,392	9,918
Deferred tax assets	1,103	1,466
Regulatory balances	19,564	25,959
Total assets and regulatory balances	208,261	205,871
Current liabilities	22,567	21,694
Promissory note payable to City of Burlington	47,879	47,879
Customer's deposits	3,382	3,082
Ontario Infrastructure Loan	14,185	14,988
Finance lease liabilities	542	387
Other liabilities	2,146	2,258
Deferred Revenue	10,400	6,178
Liability for future benefits	4,777	4,448
Regulatory Balances	21,771	25,694
Total liabilities	127,649	126,608
Net assets	80,612	79,263
Results of operations		
Net revenues	36,863	33,997
Operating expenses	(31,964)	(27,702)
	4,899	6,295

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

(All amounts are in thousands of dollars)

11. Investment in Burlington Hydro Electric Inc. continued

	2016	2015
	\$	\$
The investment in BHEI is represented by the following:		
Total net assets	80,612	79,263
Promissory note receivable	47,879	47,879
	128,491	127,142

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 \$4,578 (2015 - \$3,943). Of this amount, \$470 (2015 - \$459) was net distribution revenue.

Payments in Lieu of Taxes paid to the City of Burlington by Burlington Hydro Electric Inc. were \$132 (2015 - \$125).

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.

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, 2016

(All amounts are in thousands of dollars)

12. 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, 2016

12. Segmented information continued

	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 Revenues	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	2,407	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	2,976	10,979	48	-	32,104
Total expenses	60,423	40,975	54,942	20,495	60,372	6,794	-	244,001
Net (deficit) / surplus	(29,795)	4,325	(31,102)	(3,033)	(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, 2016

12. Segmented information continued

	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves and other	2015
	\$	\$	\$	\$	\$	\$	\$	
Revenues								
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	405	(102)	1	(103)	1,087	2	4,337	5,627
Burlington Hydro Electric Inc., net increase in equity	-	-	-	-	-	-	4,295	4,295
Total revenues	37,002	37,962	23,802	15,838	45,130	8,272	70,101	238,107
Expenses								
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	14,662	2,799	11,845	71	-	32,142
Total expenses	46,302	37,852	59,369	19,471	60,800	6,820	-	230,574
Net (deficit) / surplus	(9,300)	110	(35,567)	(3,633)	(15,670)	1,452	70,101	7,533

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

(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 \$4,181 (2015 - \$6,096), 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:

	\$
2017	778
2018	1,005
2019	888
2020	846
2021	594
2022 - 2023	70
	<u>4,181</u>

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 2016 dedicated tax levy was \$4,800. A contribution agreement between the City of Burlington and the Joseph Brant Hospital has been signed.

Contingencies

As at December 31, 2016, 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, 2016

(All amounts are in thousands of dollars)

14. 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, 2016 a liability in the amount of Nil (2015 - \$307) was accrued by Burlington Hydro Inc.

15. Budget figures

Budget figures presented in these consolidated financial statements are based upon the 2016 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	217,376
Capital	880
Local Boards	1,349
Less	
Transfers from/(to) other funds	32,106
Proceeds on debt issue	(32,106)
Total revenue	219,605
Expenses	
Operating	181,464
Amortization	32,500
Local Boards	1,431
Less	
Transfers to/(from) other funds	26,107
Debt principal payments	(11,443)
Contributions to boards	(14,663)
Total expenses	215,394
Annual surplus	4,211

16. Comparative figures

Certain comparative figures have been reclassified to conform to 2016 presentation.