

Consolidated financial statements of

**The Corporation of the
City of Burlington**

December 31, 2018

DRAFT

The Corporation of the City of Burlington

December 31, 2018

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Independent Auditor's Report

To the Members of Council of
the Corporation of the City of Burlington

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Burlington (the "City"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2018, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Council for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Council is responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants
Licensed Public Accountants
June __, 2019

The Corporation of the City of Burlington

Consolidated statement of operations year ended December 31, 2018

(All amounts are in thousands of dollars)

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Revenues			
Taxation	163,719	164,720	155,409
User fees and charges	25,789	46,185	36,406
Grants			
Government of Canada	5,763	9,702	6,747
Province of Ontario	2,743	4,619	4,312
Contributions from developers	1,267	7,621	7,492
Investment income	5,481	9,084	9,472
Gain on sale of tangible capital assets	279	2,739	754
Penalties and interest on taxes	2,100	2,173	2,148
Donations	225	653	1,134
Fines and penalties	11,937	13,271	12,051
Rents and concessions	4,913	5,723	5,648
Licenses and permits	6,770	6,368	7,879
Other	512	1,839	1,389
Hydro dividends and interest	4,900	5,687	4,954
Burlington Hydro Electric Inc., net increase in equity (Note 11)	-	2,517	2,235
Total revenues	236,398	282,901	258,030
Expenses (Note 12)			
General government	48,434	47,284	32,225
Protection to persons and property	42,408	52,851	45,590
Transportation services	71,396	79,582	69,040
Environmental services	1,151	7,576	7,403
Health services	387	327	313
Recreation and cultural services	57,482	66,894	66,387
Planning and development	7,281	7,300	7,659
Total expenses	228,539	261,814	228,617
Annual surplus	7,859	21,087	29,413
Accumulated surplus, beginning of year	999,999	999,999	970,586
Accumulated surplus, end of year (Note 10)	1,007,858	1,021,086	999,999

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, 2018

(All amounts are in thousands of dollars)

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Annual surplus	7,859	21,087	29,413
Acquisition of tangible capital assets	(66,311)	(69,504)	(49,963)
Amortization	34,041	34,631	32,646
Gain on disposal of tangible capital assets	-	(2,739)	(754)
Proceeds on sale of tangible capital assets	-	5,640	2,157
Change in supplies of inventory	-	(440)	114
Change in prepaid expenses	-	(295)	99
(Decrease) increase in net financial assets	(24,411)	(11,620)	13,712
Net financial assets, beginning of year	179,606	179,606	165,894
Net financial assets, end of year	155,195	167,986	179,606

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, 2018

(All amounts are in thousands of dollars)

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	57,559	40,707
Taxes receivable (Note 2)	9,549	10,497
Accounts receivable	27,008	18,523
Investments (Note 4)	177,222	202,107
Investment in Burlington Hydro Electric Inc. (Note 11)	133,243	130,726
	404,581	402,560
Liabilities		
Accounts payable and accrued liabilities	31,151	26,231
Other liabilities	322	379
Deferred revenue - general	7,919	7,691
Deferred revenue - obligatory reserve funds (Note 5)	74,088	72,734
Employee future benefits (Note 6)	27,413	26,994
Long-term debt (Note 8)	95,702	88,925
	236,595	222,954
Net financial assets	167,986	179,606
Non-financial assets		
Tangible capital assets (Note 9)	849,979	818,007
Inventory	2,251	1,811
Prepaid expenses	870	575
	853,100	820,393
Commitments and contingencies (Note 14)		
Accumulated surplus (Note 10)	1,021,086	999,999

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, 2018

(All amounts are in thousands of dollars)

	2018	2017
	\$	\$
Operating activities		
Annual surplus	21,087	29,413
Non-cash charges to operations		
Amortization	34,631	32,646
Gain on disposal of tangible capital assets	(2,739)	(754)
Burlington Hydro Electric Inc., net income	(5,867)	(4,835)
Decrease in taxes receivable	948	273
Increase in accounts receivable	(8,485)	(2,837)
(Increase) decrease in inventory	(440)	114
(Increase) decrease in prepaid expenses	(295)	99
Increase in accounts payable and accrued liabilities	4,920	1,902
(Decrease) increase in other liabilities	(57)	52
Increase in deferred revenue - general	228	125
Increase in deferred revenue - obligatory reserve funds	1,354	11,428
Increase in employee future benefits	419	1,275
Cash provided by operating transactions	45,704	68,901
Capital activities		
Purchase of tangible capital assets	(69,504)	(49,963)
Proceeds on sale of tangible capital assets	5,640	2,157
Net decrease in cash from capital activities	(63,864)	(47,806)
Investing activity		
Decrease (increase) in investments	24,885	(14,812)
Net increase (decrease) in cash from investing activities	24,885	(14,812)
Financing activities		
New debt issued	20,153	8,078
Debt principal repayments	(13,376)	(13,232)
Dividends received	3,350	2,600
Net increase (decrease) in cash from financing activities	10,127	(2,554)
Change in cash and cash equivalents	16,852	3,729
Cash and cash equivalents, beginning of year	40,707	36,978
Cash and cash equivalents, end of year	57,559	40,707
Cash and cash equivalents consist of:		
Bank indebtedness	(2,441)	(6,293)
Cash equivalents	60,000	47,000
	57,559	40,707

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, 2018

(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, 2018

(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 assets	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
Buildings/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, 2018

(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, 2018

(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 obligatory 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 doubtful 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, 2018

(All amounts are in thousands of dollars)

2. Taxes receivable

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

	2018	2017
	\$	\$
City of Burlington	3,058	4,186
Region of Halton	2,659	3,381
Halton school boards	3,832	2,930
	9,549	10,497

3. Trust funds

Trust funds administered by the City amounting to \$18,423 (2017 - \$17,861) 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 \$177,222 (2017 - \$202,107) reported on the Consolidated Statement of Financial Position at cost, had a market value of \$175,616 (2017 - \$205,586) 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	2018 Total	2017 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	43,344	19,743	9,647	72,734	61,306
Restricted funds received	7,247	2,403	7,955	17,605	27,156
Interest earned	647	363	144	1,154	972
Transfers between reserve funds	-	(200)	-	(200)	(200)
Revenue recognized	(3,950)	(3,471)	(9,784)	(17,205)	(16,500)
Balance, end of year	47,288	18,838	7,962	74,088	72,734

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2018

(All amounts are in thousands of dollars)

6. Employee future benefits

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

	2018	2017
	\$	\$
Banked overtime	338	250
WSIB	7,480	6,353
Vacation pay liability	5,746	7,190
Retiree benefits	13,224	12,573
Life, medical and dental benefits	625	628
Total	27,413	26,994

(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, 2018 provided the basis for the liability of \$7,480 (2017 - \$6,353). 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 \$608 (2017 - \$709). The loss is due to actual experience compared with the previous actuarial update arising from projected claims for survivor benefits. Amortization of \$102 (2017 - \$344) is included. A reserve fund in the amount of \$5,923 (2017 - \$5,405) has been provided for this liability and is reported in Note 10.

(c) *Retiree benefits*

A liability of \$13,224 (2017 - \$12,573) 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, 2018 using a discount rate of 4.00% and assuming an inflation rate of 1.75%. The liability is net of an unamortized actuarial loss of \$4,431 (2017 - \$2,093) due to the actual experience as compared with the previous actuarial update but includes amortization of \$315 (2017 - \$315). A reserve fund in the amount of \$2,553 (2017 - \$1,813) 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 \$625 (2017 - \$628).

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2018

(All amounts are in thousands of dollars)

6. Employee future benefits

Information about the City's retiree benefits plan is as follows:

	2018	2017
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	(14,666)	(14,347)
Current benefit expense	(667)	(626)
Interest	(653)	(638)
Benefits paid	985	945
Actuarial loss from valuation	(2,654)	-
Accrued benefit obligation, end of the year	(17,655)	(14,666)
Unamortized actuarial loss	4,431	2,093
Liability for benefits	(13,224)	(12,573)
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 2018 was \$9,497 (2017- \$7,682) for current service and is included as an expense on the Consolidated Statement of Operations.

The OMERS pension plan has a funding deficit of \$4,200,000 at December 31, 2018 based on the actuarial funding valuation as at that date. 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, 2018

(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 repayments required over the next 5 years and thereafter are detailed as follows:

	\$
2019	14,629
2020	12,945
2021	12,479
2022	12,063
2023	10,977
2024 and thereafter	32,609
	95,702

- (b) Total debt charges for the year were as follows:

	2018	2017
	\$	\$
Principal payments	13,376	13,232
Interest	2,670	2,670
	16,046	15,902

These charges were financed from the following sources:

	2018	2017
	\$	\$
General municipal revenues	16,030	15,882
Benefiting landowners	16	20
	16,046	15,902

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2018

(All amounts are in thousands of dollars)

8. Long-term debt

By-law	Purpose	Interest rates %	Maturity dates	2018 \$
124-04	Library expansion	4.050-5.400	2019	808
91-07	Various	4.800-5.000	2022	1,014
72-08	Road reconstruction	3.200-4.650	2018	287
12-09	Performing arts centre	4.620	2024	4,604
17-09	Performing arts centre	4.620	2024	243
18-09	Performing arts centre	4.620	2024	1,164
41-09	Appleby ice expansion	4.620	2024	3,466
62-08	Indoor soccer field	4.620	2019	110
67-08	Road reconstruction	4.620	2019	76
75-08	Road reconstruction	4.620	2019	58
86-08	Storm water management	4.620	2019	31
80-08	Road reconstruction	4.620	2019	46
88-08	Road reconstruction	4.620	2019	123
87-08	Road reconstruction	4.620	2019	48
71-08	Road reconstruction	4.620	2019	22
70-08	Road reconstruction	4.620	2019	152
92-08	Road reconstruction	4.620	2019	29
110-08	Road reconstruction	4.620	2019	21
26-09	Storm water management	4.620	2019	10
34-09	Road reconstruction	4.620	2019	70
38-09	Road reconstruction	4.620	2019	52
81-08	Storm water management	4.620	2019	14
64-10	Road reconstruction	1.600-4.450	2020	1,458
48-10	Road reconstruction	1.100-3.300	2021	31
87-10	Parking lot renewal	1.100-3.300	2021	57
68-10	Road reconstruction	1.100-3.300	2021	383
50-11	Road reconstruction	1.100-3.300	2021	15
15-11	Road reconstruction	1.100-3.300	2021	60
37-11	Elgin Street maint (BPAC)	1.100-3.300	2021	184
58-11	Road reconstruction	1.100-3.300	2021	396
62-11	Road reconstruction	1.100-3.300	2021	208
67-11	Culvert replacement	1.100-3.300	2021	95
72-11	Valley Inn trail	1.100-3.300	2021	47
75-11	Road reconstruction	1.100-3.300	2021	419

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2018

(All amounts are in thousands of dollars)

8. Long-term debt

By-law	Purpose	Interest rates	Maturity dates	2018
		%		\$
76-11	Road reconstruction	1.100-3.300	2021	81
77-11	Road reconstruction	1.100-3.300	2021	144
60-12	Road reconstruction	1.550-3.350	2022	2,259
138-12	Alton community centre	1.400-3.100	2022	1,928
47-13	Various	1.250-2.950	2023	4,613
38-14	Various	1.200-3.450	2024	7,531
38-15	Various	0.850-2.300	2025	9,774
26-16	Various	1.200-2.650	2026	26,087
15-17	Various	1.150-2.850	2027	7,331
12-18	Various	1.850-3.200	2033	20,153
				95,702

The Corporation of the City of Burlington

Notes to the consolidated financial statements
For the Year Ended December 31, 2018

9. Tangible capital assets

	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear Assets	Work-in-progress	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	159,989	252,662	56,198	39,103	93,743	629,174	27,246	1,258,115
Additions	6,068	16,668	7,308	5,281	3,039	28,466	40,988	107,818
Disposals	2,509	-	1,576	3,534	1,105	5,642	38,314	52,680
Balance, end of year	163,548	269,330	61,930	40,850	95,677	651,998	29,920	1,313,253
Accumulated amortization								
Balance, beginning of year	-	114,732	33,360	23,623	36,419	231,974	-	440,108
Disposals	-	-	1,426	3,531	1,105	5,403	-	11,465
Amortization expense	-	8,400	4,658	4,497	2,929	14,147	-	34,631
Balance, end of year	-	123,132	36,592	24,589	38,243	240,718	-	463,274
Net book value, end of year	163,548	146,198	25,338	16,261	57,434	411,280	29,920	849,979

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2018

9. Tangible capital assets

	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear assets	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, 2018

(All amounts are in thousands of dollars)

10. Accumulated surplus

	2018	2017
	\$	\$
Accumulated surplus		
Tangible capital assets	849,979	818,007
Operating fund	171,380	166,987
Reserve fund	122,842	130,924
Unfunded	(123,115)	(115,919)
	1,021,086	999,999
Reserve and reserve funds set aside by Council		
Capital purposes	51,872	62,447
Vehicle and equipment replacement	4,715	4,061
Transit revenue funds	119	189
Stabilization reserve funds	18,307	18,224
Contingency reserve	8,553	11,599
Employee accident reserve fund	5,923	5,405
Employee benefits reserve fund	2,553	1,813
Corporate reserve	4,265	3,376
Program specific reserve funds	11,195	10,655
Local boards reserve funds	15,222	13,047
Program specific reserve	118	108
	122,842	130,924

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, 2018

(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 January 01, 2018	130,726
Net income for year	5,867
Dividends received during the year	(3,350)
Net increase in equity during the year	2,517
Ending balance, December 31, 2018	133,243

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, 2018 and 2017:

	2018	2017
	\$	\$
Financial position		
Current assets	59,203	58,557
Capital assets	130,522	123,842
Other assets	10,919	10,110
Regulatory balances	21,504	27,673
Total assets and regulatory balances	222,148	220,182
Current liabilities	21,326	22,402
Promissory note payable to City of Burlington	47,879	47,879
Customer's deposits	3,835	3,623
Ontario Infrastructure Loan	19,470	13,346
Finance lease liabilities	270	409
Other liabilities	3,756	4,136
Deferred Revenue	17,568	14,792
Deferred tax liability	2,060	546
Liability for future benefits	4,870	5,157
Regulatory Balances	15,750	25,045
Total liabilities	136,784	137,335
Net assets	85,364	82,847
Results of operations		
Net revenues	36,346	33,243
Operating expenses	(30,479)	(28,408)
	5,867	4,835

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2018

(All amounts are in thousands of dollars)

11. Investment in Burlington Hydro Electric Inc.

	2018	2017
	\$	\$
The investment in BHEI is represented by the following:		
Total net assets	85,364	82,847
Promissory note receivable	47,879	47,879
	133,243	130,726

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 \$3,856 (2017 - \$4,463). Of this amount, \$451 (2017 - \$471) was net distribution revenue.

Payments in Lieu of Taxes paid to the City of Burlington by Burlington Hydro Electric Inc. were \$146 (2017 - \$140).

The City entered into a two-year contract in 2017 with Burlington Hydro Electric to replace the City's street lighting. During the year the City paid \$1,761 (2017 - \$3,138) to Burlington Hydro Electric in respect of this contract.

The City entered into a one year contract in 2017 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 \$nil (2017 - \$502) to Burlington Hydro Electric in respect of this contract.

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 of Persons & Property

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

The Corporation of the City of Burlington

Notes to the consolidated financial statements

For the Year Ended December 31, 2018

(All amounts are in thousands of dollars)

12. Segmented information

Protection of Persons & Property

emergency planning.

Roads, Parks and Forestry department

The Roads, Parks and Forestry 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.

Transit and traffic 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.

Planning and Development

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, 2018

12. Segmented information

	General government	Protection to persons & property	Roads, parks and forestry	Transit and traffic	Recreation and culture	Planning and development	Reserves and other	2018
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Taxation	39,289	23,444	14,569	11,131	27,906	5,467	42,914	164,720
User fees and charges	810	1,928	19,468	5,018	17,034	1,890	37	46,185
Government transfers	229	178	6,710	4,180	3,016	8	-	14,321
Investment income	-	42	474	-	259	198	8,111	9,084
Contributions from developers	-	-	-	-	-	-	7,621	7,621
Fines and penalties	2,173	10,986	-	2,193	92	-	-	15,444
Rents and concessions	123	50	-	526	4,987	37	-	5,723
Licenses and permits	123	4,146	337	1,197	283	282	-	6,368
Other Revenues	4,485	134	(5)	-	554	63	5,687	10,918
Burlington Hydro Electric Inc., net increase in equity	-	-	-	-	-	-	2,517	2,517
Total revenues	47,232	40,908	41,553	24,245	54,131	7,945	66,887	282,901
Expenses								
Salaries and wages	22,161	41,591	18,101	13,579	31,491	5,397	-	132,320
Interest on long term debt	1,028	75	36	803	773	-	-	2,715
Materials	455	1,048	2,684	1,783	7,546	400	-	13,916
Contracted services	8,024	2,983	25,627	5,168	14,543	998	-	57,343
Rents and financial expenses	1,079	831	203	182	1,496	337	-	4,128
External transfers	12,586	4,615	(58)	-	(483)	101	-	16,761
Amortization	1,951	1,708	16,057	3,320	11,528	67	-	34,631
Total expenses	47,284	52,851	62,650	24,835	66,894	7,300	-	261,814
Net (deficit) / surplus	(52)	(11,943)	(21,097)	(590)	(12,763)	645	66,887	21,087

The Corporation of the City of Burlington

Notes to the consolidated financial statements
For the Year Ended December 31, 2018

12. Segmented information

	General government	Protection to persons & property	Roads and parks	Transit and traffic	Recreation and culture	Planning and development	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, 2018

(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 \$2,792 (2017 - \$3,755), 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:

	\$
2019	2,010
2020	1,994
2021	1,963
2022	1,539
2023	1,415
2024 - 2048	40,085
	<hr/> 49,006 <hr/>

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 2018 dedicated tax levy was \$4,800 (2017 - \$4,800). A contribution agreement between the City of Burlington and the Joseph Brant Hospital has been signed. As of December 31, 2018 the City had contributed \$56,906 (2017 - \$44,400) to the project.

Contingencies

As at December 31, 2018, 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, 2018

(All amounts are in thousands of dollars)

15. Budget figures

Budget figures presented in these consolidated financial statements are based upon the 2018 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	232,056
Capital	2,931
Local Boards	1,411
Less	
Transfers from/(to) other funds	20,153
Proceeds on debt issue	(20,153)
Total revenue	236,398
Expenses	
Operating	192,828
Amortization	34,041
Local Boards	1,673
Less	
Transfers to/(from) other funds	(1,766)
Debt principal payments	(13,376)
Contributions to boards	15,139
Total expenses	228,539
Annual surplus	7,859

16. Contractual rights

The City holds leases with the tenants of Sims Square, a City-owned property located at 390 Brant Street, for the rental of office and retail spaces. The City is contractually entitled to lease payments for the next 5 years and thereafter, as follows:

	\$
2019	701
2020	490
2021	481
2022	398
2023	344
thereafter	608
	3,022