Consolidated financial statements of

The Corporation of the City of Burlington

December 31, 2019

Draft

The Corporation of the City of Burlington

December 31, 2019

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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, 2019, 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, 2019, 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.

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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.

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Chartered Professional Accountants
Licensed Public Accountants
September __, 2020

The Corporation of the City of Burlington

Consolidated statement of operations
year ended December 31, 2019

(All amounts are in thousands of dollars)

	2019 Budget (Note 15)	**2019 Actual**	2018 Actual
	$	**$**	$
Revenues			
Taxation	**170,430**	**171,371**	164,720
User fees and charges	**28,533**	**42,661**	46,185
Grants			
Government of Canada	**5,909**	**10,608**	9,702
Province of Ontario	**3,050**	**3,908**	4,619
Contributions from developers	**1,377**	**13,619**	7,621
Investment income	**5,556**	**10,095**	9,084
Gain (loss) on sale of tangible capital assets	**273**	**(188)**	2,739
Penalties and interest on taxes	**2,100**	**2,284**	2,173
Donations	**443**	**670**	653
Fines and penalties	**13,033**	**12,445**	13,271
Rents and concessions	**8,213**	**6,261**	5,723
Licenses and permits	**6,317**	**7,362**	6,368
Other	**1,169**	**2,796**	1,839
Hydro dividends and interest	**4,900**	**4,936**	5,687
Contributed tangible capital assets	**-**	**1,079**	-
Burlington Enterprises Corporation, net increase in equity (Note 11)	**-**	**3,048**	2,517
Total revenues	**251,303**	**292,955**	282,901
Expenses (Note 12)			
General government	**53,201**	**33,409**	47,284
Protection to persons and property	**45,842**	**51,302**	52,851
Transportation services	**73,447**	**83,871**	79,582
Environmental services	**4,902**	**5,715**	7,576
Health services	**379**	**354**	327
Recreation and cultural services	**65,125**	**67,796**	66,894
Planning and development	**8,452**	**7,359**	7,300
Total expenses	**251,348**	**249,806**	261,814
Annual (deficit) surplus	**(45)**	**43,149**	21,087
Accumulated surplus, beginning of year	**1,021,086**	**1,021,086**	999,999
Accumulated surplus, end of year (Note 10)	**1,021,041**	**1,064,235**	1,021,086

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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, 2019

(All amounts are in thousands of dollars)

	2019 Budget (Note 15)	**2019 Actual**	2018 Actual
	$	$	$
Annual (deficit) surplus	(45)	**43,149**	21,087
Purchase of tangible capital assets	(78,866)	**(58,184)**	(69,504)
Contributed tangible capital assets	-	**(1,079)**	-
Amortization	34,158	**36,659**	34,631
Loss (gain) on disposal of tangible capital assets	-	**188**	(2,739)
Proceeds on sale of tangible capital assets	-	**208**	5,640
Change in supplies of inventory	-	**(276)**	(440)
Change in prepaid expenses	-	**(615)**	(295)
(Decrease) increase in net financial assets	(44,753)	**20,050**	(11,620)
Net financial assets, beginning of year	167,986	**167,986**	179,606
Net financial assets, end of year	123,233	**188,036**	167,986

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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, 2019

(All amounts are in thousands of dollars)

	2019	2018
	$	$
Financial assets		
Cash and cash equivalents	**58,384**	57,559
Taxes receivable (Note 2)	**10,830**	9,549
Accounts receivable	**27,009**	27,008
Investments (Note 4)	**183,168**	177,222
Investment in Burlington Enterprises Corporation (Note 11)	**136,291**	133,243
	415,682	404,581
Liabilities		
Accounts payable and accrued liabilities	**32,939**	31,151
Other liabilities	**311**	322
Deferred revenue - general	**6,050**	7,919
Deferred revenue - obligatory reserve funds (Note 5)	**70,729**	74,088
Employee future benefits (Note 6)	**28,817**	27,413
Long-term debt (Note 8)	**88,800**	95,702
	227,646	236,595
Net financial assets	**188,036**	167,986
Non-financial assets		
Tangible capital assets (Note 9)	**872,187**	849,979
Inventory	**2,527**	2,251
Prepaid expenses	**1,485**	870
	876,199	853,100
Commitments and contingencies (Note 14)		
Accumulated surplus (Note 10)	**1,064,235**	1,021,086

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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, 2019
(All amounts are in thousands of dollars)

	2019	2018
	$	$
Operating activities		
Annual surplus	**43,149**	21,087
Non-cash charges to operations		
Amortization	**36,659**	34,631
Loss (gain) on disposal of tangible capital assets	**188**	(2,739)
Contributed tangible capital assets	**(1,079)**	-
Burlington Enterprises Corporation, net income	**(5,648)**	(5,867)
(Increase) decrease in taxes receivable	**(1,281)**	948
Increase in accounts receivable	**(1)**	(8,485)
Increase in inventory	**(276)**	(440)
Increase in prepaid expenses	**(615)**	(295)
Increase in accounts payable and accrued liabilities	**1,788**	4,920
Decrease in other liabilities	**(11)**	(57)
(Decrease) increase in deferred revenue - general	**(1,869)**	228
(Decrease) increase in deferred revenue - obligatory reserve funds	**(3,359)**	1,354
Increase in employee future benefits	**1,404**	419
Cash provided by operating activities	**69,049**	45,704
Capital activities		
Purchase of tangible capital assets	**(58,184)**	(69,504)
Proceeds on sale of tangible capital assets	**208**	5,640
Net decrease in cash from capital activities	**(57,976)**	(63,864)
Investing activity		
(Increase) decrease in investments	**(5,946)**	24,885
Net (decrease) increase in cash from investing activity	**(5,946)**	24,885
Financing activities		
New debt issued	**7,727**	20,153
Debt principal repayments	**(14,629)**	(13,376)
Dividends received	**2,600**	3,350
Net (decrease) increase in cash from financing activities	**(4,302)**	10,127
Change in cash and cash equivalents	**825**	16,852
Cash and cash equivalents, beginning of year	**57,559**	40,707
Cash and cash equivalents, end of year	**58,384**	57,559
Cash and cash equivalents consist of:		
Bank indebtedness	**(116)**	(2,441)
Cash equivalents	**58,500**	60,000
	58,384	57,559

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

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1. Accounting Policies

The consolidated financial statements of the City of Burlington (the "City") are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") established by the 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 Enterprises Corporation ("BEC") (formerly Burlington Hydro Electric Inc.) 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.

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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

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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.

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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) 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.

(x) *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.

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2. Taxes receivable

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

	2019	2018
	$	$
City of Burlington	**3,466**	3,058
Region of Halton	**2,983**	2,659
Halton school boards	**4,381**	3,832
	10,830	9,549

3. Trust funds

Trust funds administered by the City amounting to $18,507 (2018 - $18,423) 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 $183,168 (2018 - $177,222) reported on the Consolidated Statement of Financial Position at cost, had a market value of $188,355 (2018 - $175,616) 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	2019 Total	2018 Total
	$	$	$	$	$
Balance, beginning of year	**47,288**	**18,838**	**7,962**	**74,088**	72,734
Restricted funds received	**3,269**	**1,656**	**13,649**	**18,574**	17,605
Interest earned	**734**	**322**	**172**	**1,228**	1,154
Transfers between reserve funds	**(562)**	**(200)**	**562**	**(200)**	(200)
Revenue recognized	**(9,440)**	**(3,979)**	**(9,542)**	**(22,961)**	(17,205)
Balance, end of year	**41,289**	**16,637**	**12,803**	**70,729**	74,088

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6. Employee future benefits

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

	2019	2018
	$	$
Banked overtime	**317**	338
WSIB	**7,984**	7,480
Vacation pay liability	**5,941**	5,746
Retiree benefits	**13,951**	13,224
Life, medical and dental benefits	**624**	625
Total	**28,817**	27,413

(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, with a projection to December 31, 2019, provided the basis for the liability of $7,984 (2018 - $7,480). 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 $3,093 (2018 - $608). The loss is due to actual experience compared with the previous actuarial update arising from projected claims for survivor benefits. Amortization of $360 (2018 - $102) is included. A reserve fund in the amount of $6,728 (2018 - $5,923) has been provided for this liability and is reported in Note 10.

(c) Retiree benefits

A liability of $13,951 (2018 - $13,224) 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, with a projection to December 31, 2019, 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 $3,895 (2018 - $4,431) due to the actual experience as compared with the previous actuarial update but includes amortization of $536 (2018 - $315). A reserve fund in the amount of $2,804 (2018 - $2,553) 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 $624 (2018 - $625).

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6. Employee future benefits

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

	2019	2018
	$	$
Accrued benefit obligation		
Balance, beginning of year	**(17,655)**	(14,666)
Current benefit expense	**(731)**	(667)
Interest	**(696)**	(653)
Benefits paid	**1,236**	985
Actuarial loss from valuation	**-**	(2,654)
Accrued benefit obligation, end of the year	**(17,846)**	(17,655)
Unamortized actuarial loss	**3,895**	4,431
Liability for benefits	**(13,951)**	(13,224)
Amortization of actuarial loss	**(536)**	(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 9% to 15.8%. Contribution rates are dependent on proposed retirement age and the level of earnings.The amount contributed to OMERS for 2019 was $9,047 (2018- $9,497) for current service and is included as an expense on the Consolidated Statement of Operations.

The OMERS pension plan has a funding deficit of $3,400,000 at December 31, 2019 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.

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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:

	$
2020	**13,650**
2021	**13,196**
2022	**12,794**
2023	**11,722**
2024	**11,049**
2025 and thereafter	**26,389**
	88,800

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

	2019	2018
	$	$
Principal payments	**14,629**	13,376
Interest	**2,651**	2,670
	17,280	16,046

These charges were financed from the following sources:

	2019	2018
	$	$
General municipal revenues	**17,271**	16,030
Benefiting landowners	**9**	16
	17,280	16,046

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8. Long-term debt

By-law	Purpose	Interest rates	Maturity dates	2019
		%		$
91-07	Various	4.800-5.000	2022	**778**
12-09	Performing arts centre	4.620	2024	**3,923**
17-09	Performing arts centre	4.620	2024	**207**
18-09	Performing arts centre	4.620	2024	**992**
41-09	Appleby ice expansion	4.620	2024	**2,953**
64-10	Road reconstruction	1.600-4.450	2020	**745**
48-10	Road reconstruction	1.100-3.300	2021	**21**
87-10	Parking lot renewal	1.100-3.300	2021	**38**
68-10	Road reconstruction	1.100-3.300	2021	**257**
50-11	Road reconstruction	1.100-3.300	2021	**10**
15-11	Road reconstruction	1.100-3.300	2021	**40**
37-11	Elgin Street maint (BPAC)	1.100-3.300	2021	**123**
58-11	Road reconstruction	1.100-3.300	2021	**265**
62-11	Road reconstruction	1.100-3.300	2021	**139**
67-11	Culvert replacement	1.100-3.300	2021	**64**
72-11	Valley Inn trail	1.100-3.300	2021	**32**
75-11	Road reconstruction	1.100-3.300	2021	**280**
76-11	Road reconstruction	1.100-3.300	2021	**54**
77-11	Road reconstruction	1.100-3.300	2021	**96**
60-12	Road reconstruction	1.550-3.350	2022	**1,716**
138-12	Alton community centre	1.400-3.100	2022	**1,465**
47-13	Various	1.250-2.950	2023	**3,731**
38-14	Various	1.200-3.450	2024	**6,358**
38-15	Various	0.850-2.300	2025	**8,446**
26-16	Various	1.200-2.650	2026	**23,022**
15-17	Various	1.150-2.850	2027	**6,576**
12-18	Various	1.850-3.200	2033	**18,742**
59-19	Various	1.900-2.500	2029	**7,727**
				88,800

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9. Tangible capital assets

	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear Assets	Work-in-progress	2019 Total
	$	$	$	$	$	$	$	$
Cost								
Balance, beginning of year	163,548	269,330	61,930	40,850	95,677	651,998	29,920	1,313,253
Additions	7,274	13,902	9,282	4,228	7,836	27,699	13,732	83,953
Disposals	-	976	1,872	1,608	1,097	2,664	24,690	32,907
Balance, end of year	170,822	282,256	69,340	43,470	102,416	677,033	18,962	1,364,299
Accumulated amortization								
Balance, beginning of year	-	123,132	36,592	24,589	38,243	240,718	-	463,274
Disposals	-	828	1,691	1,604	1,097	2,601	-	7,821
Amortization expense	-	8,839	5,195	4,693	3,199	14,733	-	36,659
Balance, end of year	-	131,143	40,096	27,678	40,345	252,850	-	492,112
Net book value, end of year	170,822	151,113	29,244	15,792	62,071	424,183	18,962	872,187

Draft

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

Draft

10. Accumulated surplus

	2019	2018
	$	$
Accumulated surplus		
Tangible capital assets	**872,187**	849,979
Operating fund	**181,640**	171,380
Reserve fund	**124,782**	122,842
Unfunded	**(114,374)**	(123,115)
	1,064,235	1,021,086
Reserve and reserve funds set aside by Council		
Capital purposes	**49,761**	51,872
Vehicle and equipment replacement	**4,825**	4,715
Transit revenue funds	**213**	119
Stabilization reserve funds	**18,386**	18,307
Contingency reserve	**10,099**	8,553
Employee accident reserve fund	**6,728**	5,923
Employee benefits reserve fund	**2,804**	2,553
Corporate reserve	**5,407**	4,265
Program specific reserve funds	**10,447**	11,195
Local boards reserve funds	**15,733**	15,222
Program specific reserve	**379**	118
	124,782	122,842

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

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11. Investment in Burlington Enterprises Corporation (formerly "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. Effectiver October 15, 2019, BHEI was renamed Burlington Enterprises Corporation ("BEC").

11. Investment in Burlington Enterprises Corporation (formerly "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 BEC, which is comprised of the following:

	$
Continuity of investment	
Balance at January 01, 2019	**133,243**
Net income for year	**5,648**
Dividends received during the year	**(2,600)**
Net increase in equity during the year	**3,048**
Ending balance, December 31, 2019	**136,291**

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

The following table provides condensed, consolidated supplementary financial information for BEC for the years ended December 31, 2019 and 2018:

	2019	2018
	$	$
Financial position		
Current assets	**52,762**	59,203
Capital assets	**141,940**	130,522
Other assets	**13,738**	10,919
Regulatory balances	**24,651**	21,504
Total assets and regulatory balances	**233,091**	222,148
Current liabilities	**24,240**	21,326
Promissory note payable to City of Burlington	**47,879**	47,879
Customer's deposits	**3,898**	3,835
Ontario Infrastructure Loan	**18,197**	19,470
Finance lease liabilities	**215**	270
Other liabilities	**2,363**	3,756
Deferred Revenue	**23,305**	17,568
Deferred tax liability	**3,177**	2,060
Liability for future benefits	**4,490**	4,870
Regulatory Balances	**16,915**	15,750
Total liabilities	**144,679**	136,784
Net assets	**88,412**	85,364
Results of operations		
Net revenues	**35,101**	36,346
Operating expenses	**(29,453)**	(30,479)
	5,648	5,867

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11. Investment in Burlington Enterprises Corporation (formerly "Burlington Hydro Electric Inc.")

	2019	2018
	$	$
The investment in BEC is represented by the following:		
Total net assets	**88,412**	85,364
Promissory note receivable	**47,879**	47,879
	136,291	133,243

The following summarizes the City's related party transactions with BEC 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 BEC from the City of Burlington $3,464 (2018 - $3,856). Of this amount, $389 (2018 - $451) was net distribution revenue.

Payments in Lieu of Taxes paid to the City of Burlington by BEC were $149 (2018 - $146).

The City entered into a two-year contract in 2017 with BEC to replace the City's street lighting. During the year the City paid $13 (2018 - $1,761) to BEC 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 emergency planning.

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12. Segmented information

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.

Draft

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	2019
	$	$	$	$	$	$	$	
Revenues								
Taxation	28,239	26,482	18,759	10,461	30,002	972	56,456	171,371
User fees and charges	861	2,193	18,051	5,409	14,827	1,239	81	42,661
Government transfers	144	172	10,320	-	3,615	265	-	14,516
Investment income	-	32	598	-	267	180	9,018	10,095
Contributions from developers	-	-	-	-	-	-	13,619	13,619
Fines and penalties	2,284	10,536	-	1,819	90	-	-	14,729
Rents and concessions	153	48	206	454	5,356	44	-	6,261
Licenses and permits	125	5,409	163	1,095	281	289	-	7,362
Other Revenues	796	1,467	271	-	703	41	4,936	8,214
Burlington Enterprises Corporation, net increase in equity	-	-	-	-	-	-	3,048	3,048
Contributed tangible capital assets	-	-	-	-	-	-	1,079	1,079
Total revenues	32,602	46,339	48,368	19,238	55,141	3,030	88,237	292,955
Expenses								
Salaries and wages	24,674	38,737	19,095	15,558	32,491	5,601	-	136,156
Interest on long term debt	968	66	820	9	689	-	-	2,552
Materials	209	835	(1,305)	958	4,097	434	-	5,228
Contracted services	4,229	4,425	27,911	5,845	17,857	780	-	61,047
Rents and financial expenses	1,130	1,611	275	207	1,583	381	-	5,187
External transfers	201	4,008	(245)	-	(1,098)	96	-	2,962
Amortization	1,998	1,620	17,267	3,545	12,177	67	-	36,674
Total expenses	33,409	51,302	63,818	26,122	67,796	7,359	-	249,806
Net (deficit) / surplus	(807)	(4,963)	(15,450)	(6,884)	(12,655)	(4,329)	88,237	43,149

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12. Segmented information

	General government	Protection to persons & property	Roads and parks	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 Enterprises Corporation, 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	31,391	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	66,794	7,300	-	261,814
Net (deficit) / surplus	(52)	(11,943)	(21,097)	(590)	(12,663)	645	66,887	21,087

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13. Lease agreements

The City has entered into lease agreements for office equipment, facility space, vehicles and other services, at a present value of $30,707 (2018 - $30,743), 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:

	$
2020	1,919
2021	1,901
2022	1,541
2023	1,417
2024	1,431
2025 - 2048	39,997
	48,206

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 2019 dedicated tax levy was $3,100 (2018 - $4,800). A contribution agreement between the City of Burlington and the Joseph Brant Hospital has been signed. As of December 31, 2019 the City had contributed $56,906 (2018 - $56,906) to the project.

Contingencies

As at December 31, 2019, 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.

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15. Budget figures

Budget figures presented in these consolidated financial statements are based upon the 2019 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	**244,693**
Capital	**2,047**
Local Boards	**4,563**
Less	
Transfers from/(to) other funds	**7,727**
Proceeds on debt issue	**(7,727)**
Total revenue	**251,303**
Expenses	
Operating	**211,485**
Amortization	**34,158**
Local Boards	**5,705**
Less	
Transfers to/(from) other funds	**(992)**
Debt principal payments	**(14,629)**
Contributions to boards	**15,621**
Total expenses	**251,348**
Annual deficit	**(45)**

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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:

	$
2020	686
2021	699
2022	540
2023	488
2024	284
thereafter	621
	3,318

17. Subsequent events

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial position, results of operations and cash flows of the City in future periods

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