

Consolidated financial statements of

**The Corporation of the
City of Burlington**

December 31, 2010

The Corporation of the City of Burlington

December 31, 2010

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Independent Auditor's Report

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the City of Burlington

We have audited the accompanying consolidated financial statements of The Corporation of the City of Burlington, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, changes in net financial assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Burlington as at December 31, 2010, 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.

Other Matter

The consolidated statement of financial position as at December 31, 2009 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended were audited by another auditor who issued an unmodified opinion on April 30, 2010.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
July 4, 2011

The Corporation of the City of Burlington

Consolidated statement of financial position

as at December 31, 2010

(With comparative figures as at December 31, 2009)

(All amounts are in thousands of dollars)

	2010	2009
	\$	\$
Financial assets		
Cash and temporary investments	15,860	76,513
Taxes receivable (Note 3)	11,937	12,153
Accounts receivable	17,489	10,927
Other current assets	12	125
Long term receivables	93	82
Investments (Note 5)	166,665	118,336
Investment in Burlington Hydro Electric Inc. (Note 12)	108,917	106,283
	320,973	324,419
Liabilities		
Accounts payable and accrued liabilities	29,168	27,006
Other current liabilities	824	927
Deferred revenue - general	6,682	3,639
Deferred revenue - obligatory reserve funds (Note 6)	27,013	36,956
Employee future benefits and other liabilities (Note 7)	19,691	17,933
Net long term liabilities (Note 9)	69,495	70,962
	152,873	157,423
Net financial assets	168,100	166,996
Non-financial assets		
Tangible capital assets (Note 10)	701,913	669,051
Inventory	1,960	1,958
Prepaid expenses	154	134
	704,027	671,143
Commitments and contingencies (Note 15)		
Accumulated surplus	872,127	838,139

The Corporation of the City of Burlington

Consolidated statement of operations year ended December 31, 2010

(With comparative figures for the year ended December 31, 2009)

(All amounts are in thousands of dollars)

	2010 Budget (Note 16) (Unaudited)	2010 Actual	2009 Actual
	\$	\$	\$
Revenues			
Taxation for municipal purposes	117,361	119,205	111,081
User fees and charges	20,651	26,901	22,191
Grants			
Government of Canada	5,079	9,822	7,061
Province of Ontario	3,866	7,846	4,313
Contributions from developers	14,198	17,916	10,882
Investment income	4,157	7,842	6,569
Sale of land and other capital assets	239	1,878	51
Penalties and interest on taxes	2,100	2,419	2,249
Donations	198	240	939
Fines and penalties	5,895	6,487	5,176
Rents and concessions	4,439	4,439	5,419
Licenses and permits	5,854	6,810	4,858
Other	264	1,248	1,644
Hydro dividends and interest	6,171	5,553	8,271
Capital assets contributed	-	11	32,618
Burlington Hydro Electric Inc., net increase in equity (Note 12)	-	2,634	-
Total revenues	190,472	221,251	223,322
Expenditures			
General government	23,709	29,146	23,777
Protection to persons and property	32,468	33,395	31,598
Transportation services	46,106	66,965	55,690
Environmental services	694	3,737	1,263
Health services	238	246	241
Recreation and cultural services	40,882	46,897	43,533
Planning and development	9,253	6,877	7,112
Burlington Hydro Electric Inc., net decrease in equity (Note 12)	-	-	2,651
Other	-	-	11
Total expenditures	153,350	187,263	165,876
Net revenues	37,122	33,988	57,446
Annual surplus	37,122	33,988	57,446
Accumulated surplus, beginning of year	807,398	838,139	780,693
Accumulated surplus, end of year	844,520	872,127	838,139

The Corporation of the City of Burlington

Consolidated statement of changes in net financial assets

year ended December 31, 2010

(With comparative figures for the year ended December 31, 2009)

(All amounts are in thousands of dollars)

	2010 Budget (Note 16) (Unaudited)	2010 Actual	2009 Actual
	\$	\$	\$
Annual surplus	37,122	33,988	57,446
Acquisition of tangible capital assets	(56,597)	(75,765)	(87,263)
Amortization of tangible capital assets	16,979	24,482	23,693
Loss on disposal of tangible capital assets	-	17,846	1,100
Proceeds on sale of tangible capital assets	-	575	194
Change in of supplies inventories	-	(2)	101
Change in prepaid expense	-	(20)	30
Increase (decrease) in net financial assets	(2,496)	1,104	(4,699)
Net financial assets, beginning of year	155,345	166,996	171,695
Net financial assets, end of year	152,849	168,100	166,996

The Corporation of the City of Burlington

Consolidated statement of cash flows

year ended December 31, 2010

(With comparative figures for the year ended December 31, 2009)

(All amounts are in thousands of dollars)

	2010	2009
	\$	\$
Operating activities		
Annual surplus	33,988	57,446
Non-cash charges to operations		
Amortization	24,482	23,693
Burlington Hydro Electric Inc., net (increase) decrease in equity (Note 12)	(2,634)	2,651
Decrease (increase) in taxes receivable	216	(2,404)
Increase in accounts receivable	(6,562)	(24)
Increase (decrease) in other current assets	113	(36)
(Increase) decrease in long term receivables	(11)	143
(Increase) decrease in inventory	(2)	101
(Increase) decrease in prepaid expenses	(20)	30
Increase in accounts payable and accrued liabilities	2,162	9,023
(Decrease) increase in other liabilities	(103)	54
Increase in deferred revenue - general	3,043	2
(Decrease) in deferred revenue - obligatory reserve funds	(9,943)	(5,482)
Increase in employee future benefits and other liabilities	1,758	1,171
Capital assets contributed	(578)	(32,618)
Cash provided by operating	45,909	53,750
Capital activities		
Purchase of tangible capital assets	(75,187)	(54,645)
Proceeds on sale of tangible capital assets	575	194
Loss on disposal of tangible capital assets	17,846	1,100
Net decrease in cash from capital	(56,766)	(53,351)
Investing activity		
Increase in investments	(48,329)	(42,861)
Financing activities		
New debt issued	6,352	28,952
Debt principal repayments	(7,819)	(6,376)
Net (decrease) increase in cash from financing	(1,467)	22,576
Change in cash and temporary investments	(60,653)	(19,886)
Cash and temporary investments, beginning of year	76,513	96,399
Cash and temporary investments, end of year	15,860	76,513

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

1. Accounting policies

The consolidated financial statements of the City of Burlington (the "City") are the representation of management prepared in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. 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, expenditures and accumulated surplus balances of the reporting entity. The reporting entity includes the activities of all committees of Council and the following boards and enterprises which are under the control of Council:

Burlington Public Library Board
Burlington Museums Board
Burlington Downtown
Aldershot Business Improvement Association
Burlington Economic Development Corporation
Burlington Theatre Board

(ii) Non-consolidated entities

These consolidated financial statements do not reflect the assets, liabilities, revenues and accumulated surplus and the activities of the following boards and enterprises, which are not under the control of Council:

Burlington Art Centre
Tourism Burlington
LaSalle Park Marina Association

(iii) Modified equity accounting

Burlington Hydro Electric Inc. ("BHEI") is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated.

(iv) Accounting for the Region and School Board Transactions

The taxation, other revenues, expenditures, 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 upon separately on the "Trust Funds statement of continuity and statement of financial position."

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

1. Accounting policies (continued)

(b) Basis of accounting

(i) Accrual accounting

The City follows the accrual method of accounting for revenues and expenditures. Revenues are normally recognized in the year in which they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services. The consolidated financial statements necessarily include some amounts that are based on management's best estimates and careful judgments.

Where revenue has been received in advance of expenditures, the amount has been recorded as deferred revenue 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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Work in progress identified in this and subsequent notes relates to assets under construction. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

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

A full year's amortization is taken in the year of asset acquisition and disposal. Works in progress are not amortized until the asset is available for productive use.

The City has a capitalization threshold for each individual asset class, so that individual tangible capital assets 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	\$0
Land improvement	\$20
Building/leasehold improvements	\$30
Machinery and equipment	\$5
Vehicles	\$5
Linear assets	\$20
Work-in-progress	Same as above by individual asset

The City currently does not have a policy to capitalize the interest.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

1. Accounting policies (continued)

(b) Basis of accounting (continued)

(ii) Non-financial assets (continued)

b) 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.

c) 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.

d) Inventories

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

(iii) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(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) Investment income

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

(vi) Cash and temporary investments

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

(vii) 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 expenditures during the reporting periods. Actual results could differ from these estimates.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

2. Operations of school boards and the Region of Halton

Further to Note 1 (a) (iv), the taxation, other revenues and expenditures of the school boards and the Region of Halton are comprised of the following:

	2010		2009	
	School boards	Region of Halton	School boards	Region of Halton
	\$	\$	\$	\$
Taxation	102,808	110,384	100,756	108,328
Payments in lieu of taxes	233	1,056	239	989
Amounts received or receivable	103,041	111,440	100,995	109,317
Requisitions	103,041	111,440	100,995	109,317

3. Taxes receivable

The taxes receivable, totaling \$11,937 (2009 - \$12,153), represent uncollected taxes billed for the following purposes based on total assessments:

	2010	2009
	\$	\$
City of Burlington	4,191	4,116
Region of Halton	3,990	4,164
Halton school boards	3,756	3,873
	11,937	12,153

4. Trust funds

Trust funds administered by the municipality amounting to \$17,213 (2009 - \$13,572) have not been included in the "Consolidated statement of financial position" nor have their operations been included in the "Consolidated statement of operations."

5. Investments

The total investments of \$166,665 (2009 - \$118,336) reported on the "Consolidated statement of financial position" at cost, have a market value of \$164,320 (2009 - \$117,861) at the end of the year.

6. Deferred revenue – obligatory reserve funds

A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded. The balances in the obligatory reserve funds of the City are summarized below:

	2010	2009
	\$	\$
Development charges	22,977	30,934
Parkland	4,036	6,022
Total	27,013	36,956

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

7. Employee future benefits and other liabilities

Summary of employee benefits and other liabilities future payments required for:

	2010	2009
	\$	\$
Banked overtime	326	294
WSIB	3,872	3,595
Vacation pay liability	6,633	6,390
Retiree benefits	8,860	7,654
Total	19,691	17,933

(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, 2010, estimated the liability at \$3,872 (2009 - \$3,595). This increase in liability is the result of settlements of firefighter survivor benefit claims awarded and pending. The liability is net of an actuarial loss of \$1,983. The loss is due to actual experience compared with the previous actuarial update arising from projected claims for survivor benefits. Amortization of \$195 is included. A reserve fund in the amount of \$1,905 (2009 - \$1,677) has been provided for this liability and is reported in note 11.

(c) Retiree benefits

The City provides dental and health care benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS), or retires at a normal retirement age, up to the age of 65.

A liability of \$7,016 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 health, dental and life benefits coverage. The amounts reported are based on an actuarial valuation conducted as at December 31, 2010 using a discount rate of 4.62% and assuming an inflation rate of 3.0%. The liability is net of an actuarial loss of \$1,790 realized due to the actual experience as compared with the previous actuarial update but includes amortization of \$312. A reserve fund in the amount of \$1,372 (2009 - \$1,233) has been provided for this liability and is reported in note 11.

In addition, employees earn one day of vacation per year of service that can be paid out at retirement. The liability is estimated at \$1,305.

The City maintains life, medical and dental insurance for disabled employees. The City has not previously recognized any liability for this benefit. The entire liability \$539 determined as of December 31, 2010 was recognized in full in 2010. Subsequent accounting will follow the requirement of PS3255.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

7. Employee future benefits and other liabilities (continued)

(c) Retiree benefits (continued)

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

	2010	2009
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	(8,752)	(8,480)
Current benefit cost	(375)	(556)
Actuarial loss	162	(254)
Interest	(441)	(291)
Benefits paid	600	829
Balance, end of year	(8,806)	(8,752)
Unamortized actuarial loss	1,790	2,102
Liability for benefits	(7,016)	(6,650)
Amortization of actuarial loss	(312)	(254)

8. Pension agreements

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

Contributions to OMERS are made at rates ranging from 6% to 9.8%. Contribution rates are dependent on proposed retirement age and the level of earnings.

The amount contributed to OMERS for 2010 was \$4,926 (2009 - \$4,216) for current service and is included as an expenditure on the "Consolidated statement of operations."

9. Net-long term liabilities

(a) The balance of the net long-term liabilities reported on the "Consolidated statement of financial position" is made up of the following:

	2010	2009
	\$	\$
Total long-term liabilities incurred by the municipality including those incurred on behalf of municipal enterprises and outstanding at the end of the year amount to	69,495	70,962
Net long-term liabilities at the end of the year	69,495	70,962

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

9. Net long-term liabilities (continued)

- (b) Of the net-long term liabilities reported in (a) of this note the principal payments are detailed as follows:

	\$
2011	8,350
2012	8,389
2013	7,475
2014	7,816
2015 and thereafter	37,465
	<hr/> 69,495

- (c) The long-term liabilities in (a) issued in the name of the City after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

- (d) Total charges for net long-term liabilities are as follows:

	2010	2009
	\$	\$
Principal payments	7,819	6,376
Interest	3,235	2,235
	<hr/> 11,054	<hr/> 8,611

These charges, included on the "Consolidated statement of operations" were financed from the following sources:

	2010	2009
	\$	\$
General municipal revenues	10,973	8,524
Benefiting landowners	81	87
	<hr/> 11,054	<hr/> 8,611

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

9. Net long-term liabilities (continued)

Net long-term debt

By-law	Purpose	Interest rates %	Maturity dates	2010 \$
133-01	Road reconstruction	5.750-6.000	2011	320
56-02	Road reconstruction	5.625-6.000	2012	563
131-02	Facilities and roads	4.550-5.200	2012	1,848
96-99	Road reconstruction	5.875-6.000	2014	2,267
34-04	Road reconstruction	3.550-4.850	2014	1,161
163-04	Road reconstruction	2.430	2014	210
111-05	Road reconstruction	3.300-4.100	2015	2,721
196-06	Road reconstruction	2.410-2.430	2016	144
131-06	Facilities and roads	4.250-4.600	2016	8,161
72-08	Road reconstruction	3.200-4.650	2018	5,696
62-08	Indoor soccer field	4.620	2019	828
67-08	Road reconstruction	4.620	2019	562
70-08	Road reconstruction	4.620	2019	1,149
71-08	Road reconstruction	4.620	2019	171
75-08	Road reconstruction	4.620	2019	428
80-08	Road reconstruction	4.620	2019	345
81-08	Storm water management	4.620	2019	101
86-08	Storm water management	4.620	2019	230
87-08	Road reconstruction	4.620	2019	367
88-08	Road reconstruction	4.620	2019	933
92-08	Road reconstruction	4.620	2019	217
110-08	Road reconstruction	4.620	2019	156
26-09	Storm water management	4.620	2019	74
34-09	Road reconstruction	4.620	2019	526
38-09	Road reconstruction	4.620	2019	384
124-04	Library expansion	4.050-5.400	2019	6,700
64-10	Road reconstruction	1.600-4.450	2020	6,352
91-07	Various	4.800-5.000	2022	8,250
12-09	Performing arts centre	4.620	2024	9,051
17-09	Performing arts centre	4.620	2024	476
18-09	Performing arts centre	4.620	2024	2,287
41-09	Appleby ice expansion	4.620	2024	6,817
				69,495

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

10. Tangible capital assets

								2010
	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	131,809	132,356	40,565	28,019	48,753	534,607	47,787	963,896
Additions	3,251	20,709	5,261	2,175	2,303	17,723	42,892	94,314
Disposals	449	-	1,968	3,135	695	14,560	28,622	49,429
Balance, end of year	134,611	153,065	43,858	27,059	50,361	537,770	62,057	1,008,781
Accumulated amortization								
Balance, beginning of year	-	68,963	17,811	14,635	19,872	173,565	-	294,846
Disposals	-	-	1,845	3,133	290	7,192	-	12,460
Amortization expense	-	4,745	3,219	2,904	1,762	11,852	-	24,482
Balance, end of year	-	73,708	19,185	14,406	21,344	178,225	-	306,868
Net book value, end of year	134,611	79,357	24,673	12,653	29,017	359,545	62,057	701,913

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

10. Tangible capital assets (continued)

	2009							
	Land	Buildings	Vehicles	Machinery and equipment	Land improvements	Linear	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	129,740	129,460	37,079	30,229	48,664	497,265	18,989	891,426
Additions	2,069	3,187	6,488	2,521	1,267	42,933	28,798	87,263
Disposals	-	291	3,002	4,731	1,178	5,590	-	14,792
Balance, end of year	131,809	132,356	40,565	28,019	48,753	534,608	47,787	963,897
Accumulated amortization								
Balance, beginning of year	-	65,046	17,701	16,297	19,284	166,324	-	284,652
Disposals	-	291	2,829	4,731	1,178	4,470	-	13,499
Amortization expense	-	4,208	2,939	3,069	1,766	11,711	-	23,693
Balance, end of year	-	68,963	17,811	14,635	19,872	173,565	-	294,846
Net book value, end of year	131,809	63,393	22,754	13,384	28,881	361,043	47,787	669,051

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

10. Tangible capital assets (continued)

Tangible capital assets by business segment

							2010	2009
	General government	Protective services	RPM	Transit and traffic	Recreation and culture	Development and infrastructutre	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	60,048	20,340	392,950	34,158	247,812	160,803	916,111	872,437
Additions	3,354	183	17,112	12,114	15,481	2,594	50,838	25,848
Disposals	1,716	361	15,061	1,274	2,391	-	20,803	14,792
Other - donations	11	-	567	-	-	-	578	32,618
Assets in service - year-end	61,697	20,162	395,568	44,998	260,902	163,397	946,724	916,111
Assets under construction	339	1,583	21,003	(1,022)	39,241	913	62,057	47,786
All assets, end of year	62,036	21,745	416,571	43,976	300,143	164,310	1,008,781	963,897
Accumulated amortization								
Balance, beginning of year	13,832	10,714	140,423	12,863	72,640	44,374	294,846	284,652
Disposals	1,267	354	7,665	1,206	1,968	-	12,460	13,499
Amortization expense	1,659	870	10,092	2,362	6,761	2,738	24,482	23,693
Balance, end of year	14,224	11,230	142,850	14,019	77,433	47,112	306,868	294,846
Net book value, end of year	47,812	10,515	273,721	29,957	222,710	117,198	701,913	669,051

(a) Works in progress

Works in progress having a value of \$62,057 (2009 - \$47,786) have not been amortized. Amortization of these assets will commence when the asset is put into service.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

10. Tangible capital assets (continued)

(b) Contributed tangible capital asset

The City records all tangible capital assets contributed by an external party at fair market value at the date of contribution. The value of contributed assets received during the year is \$ 578 (2009 - \$32,618).

(c) Tangible capital assets disclosed at nominal value

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures

The City has been given a number of paintings and other pieces of artwork that are displayed throughout City Hall. In 2010, the City received new designs for bikes racks. Altogether, there are 348 pieces of art work (317 prints and 31 sculptures).

(e) The City of Burlington has entered into a non-monetary transaction with a third party where a parking lot was exchanged for a parcel of land. This transaction was measured using fair value because the transaction had commercial substance. The net book value of the parking lot exchanged is \$0 and the fair market value of the land received is \$1,391. In addition to the land, the City of Burlington received \$382 in cash. As a result, a gain of \$1,773 was recorded in the financial statements.

(f) The City of Burlington has entered into a transaction with a third party where a parcel of land was exchanged for another parcel of land. This transaction was measured using the carrying value of the land given to the third party of \$449. No gain or loss was recorded in the 2010 financial statements.

(g) The City of Burlington was involved in a road rationalization initiative with the Region of Halton. The roads transferred include segments of Appleby Line, Harvester Road, Fairview Street and Brant Street. Any of the associated traffic signals, bridges, noise wall, culverts and storm pools were also transferred. The impact on the financial statements is as follows:

Linear (cost)	\$ (12,258)
WIP (cost)	\$ (11,060)
Accumulated amortization	\$ 4,931
Net transfer	\$ (18,387)

11. Accumulated surplus

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2010	2009
	\$	\$
Accumulated surplus		
Invested in tangible capital assets	701,913	669,051
Deferred revenue related to tangible capital asset	(567)	-
Operating fund	108,917	106,284
Capital fund	64,172	69,070
Reserve and reserve funds	85,680	80,902
Unfunded	(89,186)	(88,895)
Local boards reserve funds	1,198	1,727
	872,127	838,139

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

11. Accumulated surplus (continued)

	2010	2009
	\$	\$
Reserve and reserve funds set aside by Council		
Capital purposes	51,834	50,940
Vehicle and equipment replacement	1,967	2,764
Transit reserve funds	2,113	2,947
Stabilization reserve funds	13,586	9,806
Contingency reserve	4,183	3,110
Employee accident reserve fund	1,905	1,677
Employee benefits reserve fund	1,372	1,233
Corporate reserve	1,925	2,225
Program specific reserve funds	2,624	2,485
Local boards reserve funds	3,913	3,433
Program specific reserves	258	282
	85,680	80,902

12. Investment in Burlington Hydro Electric Inc.

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

BHEI was incorporated on December 1, 1999 as a wholly-owned subsidiary of the City and commenced active operations on January 1, 2000. At incorporation, 1,000 shares were issued for \$100 cash to the City. Effective January 1, 2000, substantially all of the assets and liabilities of the former Commission were transferred to BHEI. The City's financial statements reported an increase in municipal position as a result of this transaction and the subsequent operations of BHEI, which is comprised of the following:

	\$
Continuity of investment	
Balance at December 31, 2009	106,283
Net income for year	5,159
Dividends received during the year	(2,525)
Net increase in equity during the year	2,634
Ending balance, December 31, 2010	108,917

Effective January 1, 2009, an amendment to CICA handbook section 3465 took place that requires recognition of a new asset or liability depending on whether the future income taxes on the Balance sheet are an asset or liability. The adjustment to comply with section 3465 for years prior to 2009 was reflected as a prior period adjustment. As a business enterprise of the City, BHEI is accounted for on a modified equity basis in these financial statements.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

12. Investment in Burlington Hydro Electric Inc. (continued)

The following table provides condensed, consolidated supplementary financial information for Burlington Hydro Electric Inc. for the year ended December 31, 2010 and 2009:

	2010	2009
	\$	\$
Financial position		
Current assets	52,137	46,355
Capital assets	83,993	83,416
Other assets	7,338	3,601
Future payment in lieu of taxes	5,225	4,880
Total assets	148,693	138,252
Current liabilities	33,727	25,652
Promissory note payable to City of Burlington	47,879	47,879
Customer's deposits	3,061	3,500
Liability for future benefits	2,988	2,817
Total liabilities	87,655	79,848
Net assets	61,038	58,404
Results of operations		
Net revenues	31,881	29,881
Operating expenses	26,722	25,411
	5,159	4,470

The investment in BHEI is represented by the following:

Total net assets	61,038	58,404
Promissory note receivable	47,879	47,879
	108,917	106,283

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 \$2,842 (2009 - \$2,387). Of this amount, \$312 (2009 - \$252) was net distribution revenue.

Payments in Lieu of Taxes paid to the City of Burlington by Burlington Hydro Electric Inc. were \$112 (2009 - \$117).

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

13. Segmented information

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

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

General government

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

Protection services

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

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

Roads and parks maintenance department

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

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.

Development and infrastructure

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

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

13. Segmented information

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

December 31, 2010

(All amounts are in thousands of dollars)

13. Segmented information (continued)

								2010
	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves and other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Taxation	24,634	21,281	18,895	3,781	21,052	4,673	24,889	119,205
User fees and charges	1,382	911	5,598	5,795	11,214	1,989	12	26,901
Government transfers	825	456	999	5,073	5,261	10	5,044	17,668
Investment income	-	2	62	-	-	-	7,778	7,842
Fines and penalties	-	5,087	-	1,228	172	-	2,419	8,906
Rents and concessions	149	70	-	634	3,586	-	-	4,439
Licenses and permits	95	5,078	140	833	134	530	-	6,810
Other	1,458	34	575	48	335	17,916	6,469	26,835
BHEI Equity Increase	-	-	-	-	-	-	2,634	2,634
Capital assets contributed	11	-	-	-	-	-	-	11
Total revenues	28,554	32,919	26,269	17,392	41,754	25,118	49,245	221,251
Expenses								
Salaries wages and benefits	17,837	27,957	14,376	9,561	16,176	5,434	-	91,341
Long term debt	980	16	1,209	(8)	1,044	(6)	-	3,235
Materials	552	920	3,728	2,700	5,466	246	-	13,612
Contracted services	7,041	1,858	3,389	2,295	6,425	1,336	-	22,344
Rents and financial expenses	901	487	109	54	1,505	193	-	3,249
External transfers	54	1,287	(377)	1	9,519	670	-	11,154
Amortization	1,659	870	10,092	2,362	6,761	2,738	-	24,482
Loss on disposal of TCA	122	-	-	17,723	1	-	-	17,846
Total expenses	29,146	33,395	32,526	34,688	46,897	10,611	-	187,263
Net surplus/deficit	(592)	(476)	(6,257)	(17,296)	(5,143)	14,507	49,245	33,988

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

13. Segmented information (continued)

								2009
	General government	Protection services	Roads and parks	Transit and traffic	Recreation and culture	Development and infrastructure	Reserves and other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Taxation	20,759	22,088	19,118	5,502	21,528	4,238	17,848	111,081
User fees and charges	676	885	4,868	4,518	9,365	1,801	78	22,191
Government transfers	174	25	-	2,510	2,201	-	6,465	11,375
Investment income	-	1	62	-	24	-	6,482	6,569
Fines and penalties	-	3,885	-	1,110	180	-	2,249	7,424
Rents and concessions	95	76	-	1,314	3,934	-	-	5,419
Licenses and permits	94	3,537	144	-	121	962	-	4,858
Other	253	24	285	88	836	10,868	9,433	21,787
Capital assets contributed	768	-	31,850	-	-	-	-	32,618
Total revenues	22,819	30,521	56,327	15,042	38,189	17,869	42,555	223,322
Expenses								
Salaries wages and benefits	15,494	26,875	12,372	9,196	15,456	5,008	-	84,401
Long term debt	152	11	954	28	1,404	6	-	2,555
Materials	697	1,126	3,671	2,741	12,951	385	-	21,571
Contracted services	4,795	1,907	5,939	4,175	6,417	1,453	-	24,686
Rents and financial expenses	842	580	378	61	1,001	60	-	2,922
External transfers	63	117	(256)	(101)	(12)	659	-	470
BHEI equity decrease	-	-	-	-	-	-	2,651	2,651
Other	-	-	-	-	-	94	-	94
Interfunctional adjustments	-	6	1,371	17	235	105	-	1,734
Amortization	1,734	916	12,386	1,971	6,081	605	-	23,693
Loss on disposal of TCA	-	60	1,039	-	-	-	-	1,099
Total expenses	23,777	31,598	37,854	18,088	43,533	8,375	2,651	165,876
Net surplus/deficit	(958)	(1,077)	18,473	(3,046)	(5,344)	9,494	39,904	57,446

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

14. Lease agreements

The City has entered into lease agreements for office equipment, facility space, vehicles and other services, at a present value of \$4,676 (2009 - \$5,813), which have received Ontario Municipal Board approval where necessary. The aggregate minimum payments under these leases over the next five years are as follows:

	\$
2011	1,186
2012	957
2013	840
2014	847
2015	846
	<hr/> 4,676

15. Commitments and contingencies

Commitment

BHEI has a \$10,000 revolving line of credit facility available for use. A letter of credit in the amount of \$14,000 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.

Contingencies

As at December 31, 2010, certain legal actions and other contingent liabilities are pending against the City. The outcome of these matters is indeterminate at this time and has therefore not been reflected in these financial statements. Included in the reserve balance is a provision for contingencies of \$4,183 (2009 - \$3,110).

Late payment charges class action

Pursuant to its order dated July 22, 2010 (the "Order"), the Ontario Superior Court of Justice approved the settlement of a class action lawsuit, which was served on the former Toronto Hydro-Electric Commission, continuing as Toronto Hydro Corporation, on November 18, 1998. The original class action was for the amount of \$500 million and was initiated against the former Toronto Hydro Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities ('MEU') in Ontario, of which the Corporation is a successor MEU, which have charged Late Payment charges on overdue utility bills at any time after April 1, 1981.

The order formalized a settlement pursuant to which the defendant MEUs will pay the amount of \$17 million plus costs and taxes in settlement of all claims. The amount allocated for payment by each MEU is its proportionate share of the settlement amount based on its percentage of distribution service revenue over the period for which it has exposure for repayment of late payment penalties exceeding the interest rate limit in the Criminal Code. Burlington Hydro's share of the settlement amount is \$230 payable on June 30, 2011. Under the settlement, all the MEUs involved in the settlement, including Burlington Hydro will request an order from the OEB allowing for the future recovery from customers of all costs related to the settlement. Burlington Hydro has accrued a liability in the amount of \$230 and the request for recovery has been filed with the OEB.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

15. Commitments and contingencies (continued)

Late payment charges class action (continued)

On October 29, 2010, the OEB issued a notice of proceeding involving all of the defendant MEUs including Burlington Hydro, to determine whether the costs and damages incurred by MEUs are recoverable from electricity ratepayers, and if so, the form and timing of such recovery. On February 22, 2011, the OEB issued its decision on this matter and indicated their intent to allow the recovery of all costs and damages arising from the settlement of the class action over a one year period commencing May 1, 2011, through a fixed rate rider. On February 24, 2011, the Minister of Energy requested the LDCs not apply for this recovery. The Corporation is evaluating the Minister's request.

Arbitration claim

On June 30, 2008, pursuant to an Asset Purchase Agreement ("APA") between a subsidiary and COGECO Cable Canada Inc., BESl sold all of the assets of its telecommunications business. In May 2010, COGECO notified BESl that they were initiating arbitration of certain matters in dispute under Section 14.2 of the APA.

At this time it is not possible to quantify the effect, if any, on the financial statements of Burlington Hydro Electric Inc.

Developer rebate

Contributions are received from developers by Burlington Hydro Inc. to finance necessary capital additions. The OEB requires the utility to calculate a rebate to the developers based upon recoverability of capital investment through future hydro usage. At December 31, 2010 a liability in the amount of \$3,300 (2009 - \$3,800) was accrued by Burlington Hydro Inc. This growth is expected to continue in the future. Working capital will be drawn down to support these payments.

Significant event

Understanding that the Joseph Brant Memorial Hospital is a priority to the community, Council approved a commitment to the hospital expansion project of \$60 million. This was approved as part of the 2010 current budget approval which took place at the Council meeting of March 22, 2010.

Funding of the commitment will be through a dedicated tax levy which began in 2010 of \$1.2 million. A memorandum of understanding and contribution agreement between the City of Burlington and the Joseph Brant Memorial Hospital will be developed.

The Corporation of the City of Burlington

Notes to the consolidated financial statements

December 31, 2010

(All amounts are in thousands of dollars)

16. Budget figures

Budget figures presented in these consolidated statements are based upon the 2010 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	172,772
Capital	55,665
Consolidation	1,305
Less	
Transfers from other funds	(30,815)
Proceeds on debt issue	(8,455)
<u>Total revenue</u>	<u>190,472</u>
Expenses	
Operating	172,772
Amortization	16,979
Consolidation	18,237
Less	
Transfers to other funds	(35,857)
Debt principal payments	(7,819)
Contributions to boards	(10,962)
<u>Total expenses</u>	<u>153,350</u>
<u>Annual surplus</u>	<u>37,122</u>