



Hamilton

FINANCIAL REPORT 2019





Hamilton

FINANCIAL REPORT

2019

**City of Hamilton
71 Main Street West
Hamilton, Ontario
L8P 4Y5**

City of Hamilton
Financial Report
2019

**City of Hamilton
Five Year Financial and Statistical Review
2019**

City of Hamilton

Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Operating Revenue | | | | | |
| Taxation | \$ 917,126 | \$ 888,229 | \$ 876,880 | \$ 854,709 | \$ 831,645 |
| Government grants and contributions | 447,833 | 454,774 | 394,785 | 385,447 | 384,363 |
| User charges | 372,145 | 347,637 | 334,974 | 332,601 | 315,340 |
| Development charges and subdivider contributions | 60,646 | 119,703 | 50,313 | 82,025 | 25,611 |
| Donated tangible capital assets | 21,715 | 46,862 | 18,217 | 16,646 | 43,571 |
| Investment and dividend income | 37,598 | 31,101 | 28,070 | 27,067 | 30,284 |
| Net income from Government Business Enterprises | 11,262 | 24,285 | 134,914 | 22,857 | 18,758 |
| Other | 128,764 | 137,476 | 131,383 | 116,549 | 114,019 |
| | <u>1,997,089</u> | <u>2,050,067</u> | <u>1,969,536</u> | <u>1,837,901</u> | <u>1,763,591</u> |
| Operating Expenses by Function | | | | | |
| General government | \$ 66,626 | \$ 80,025 | \$ 70,733 | \$ 72,550 | \$ 57,664 |
| Protection services | 330,258 | 324,227 | 312,564 | 306,629 | 300,362 |
| Transportation services | 337,719 | 320,005 | 326,274 | 310,190 | 318,605 |
| Environmental services | 252,778 | 284,271 | 239,488 | 238,553 | 219,339 |
| Health services | 106,057 | 102,868 | 99,125 | 98,443 | 105,377 |
| Social and family services | 309,361 | 316,819 | 315,218 | 302,830 | 294,343 |
| Social housing | 97,131 | 105,893 | 105,141 | 111,113 | 120,898 |
| Recreation and cultural services | 176,949 | 172,965 | 169,029 | 165,214 | 155,720 |
| Planning and development | 52,263 | 56,785 | 53,455 | 51,514 | 54,882 |
| | <u>1,729,142</u> | <u>1,763,858</u> | <u>1,691,027</u> | <u>1,657,036</u> | <u>1,627,190</u> |
| Net Operating Revenue or Annual Surplus from Operations | <u>267,947</u> | <u>286,209</u> | <u>278,509</u> | <u>180,865</u> | <u>136,401</u> |

Note: Amounts reported may have been restated from previous amounts presented to conform to 2019 Public Sector Accounting Board (PSAB) standards.

City of Hamilton

Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Taxation | | | | | |
| Taxation from real property | \$ 1,102,694 | \$ 1,071,092 | \$ 1,056,723 | \$ 1,032,999 | \$ 1,010,050 |
| Taxation from other governments/payments in lieu of taxes | \$ 16,551 | \$ 16,256 | \$ 17,042 | 16,469 | 15,367 |
| Taxation collected on behalf of school boards | (202,119) | (199,119) | (196,885) | (194,759) | (193,772) |
| Net taxes available for municipal purposes | <u>917,126</u> | <u>888,229</u> | <u>876,880</u> | <u>854,709</u> | <u>831,645</u> |
| Tax Levies | | | | | |
| City portion | \$ 886,787 | \$ 857,981 | \$ 845,392 | \$ 827,668 | \$ 797,619 |
| School Board portion | 198,980 | 196,082 | 193,714 | 191,734 | 188,861 |
| | <u>1,085,767</u> | <u>1,054,063</u> | <u>1,039,106</u> | <u>1,019,402</u> | <u>986,480</u> |
| Tax arrears | | | | | |
| Taxes receivable | \$ 86,309 | \$ 80,972 | \$ 77,918 | \$ 83,730 | \$ 85,429 |
| Taxes receivable per capita | 149 | 145 | 140 | 155 | 155 |
| Taxes receivable as a percentage of current years' levies | 7.9% | 7.7% | 7.5% | 8.2% | 8.7% |
| Unweighted Taxable Assessment | | | | | |
| Residential | \$ 66,000,132 | \$ 61,518,082 | \$ 57,306,633 | \$ 53,366,322 | \$ 50,882,588 |
| Non-Residential | 9,069,880 | 8,442,007 | 7,908,588 | 7,571,212 | 7,262,270 |
| | <u>75,070,012</u> | <u>69,960,089</u> | <u>65,215,221</u> | <u>60,937,534</u> | <u>58,144,858</u> |
| Weighted Taxable Assessment | | | | | |
| Residential | \$ 69,119,831 | \$ 61,745,624 | \$ 61,208,842 | \$ 57,357,959 | \$ 54,721,738 |
| Non-Residential | 19,641,077 | 18,379,207 | 17,376,301 | 16,428,325 | 15,809,651 |
| | <u>88,760,908</u> | <u>80,124,831</u> | <u>78,585,143</u> | <u>73,786,284</u> | <u>70,531,389</u> |
| Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment | | | | | |
| Residential | 78% | 78% | 78% | 78% | 78% |
| Non-Residential | 22% | 22% | 22% | 22% | 22% |
| Taxable Assessment Growth (weighted) | | | | | |
| | 1.2% | 1.4% | 1.4% | 0.7% | 1.6% |

Note: Amounts reported may have been restated from previous amounts presented to conform to 2019 Public Sector Accounting Board (PSAB) standards.

City of Hamilton

Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Operating Expenses by Object | | | | | |
| Salaries, wages and employee benefits | \$ 797,631 | \$ 780,052 | \$ 755,403 | \$ 741,847 | \$ 723,337 |
| Interest on long term liabilities | 13,767 | 12,677 | 13,442 | 12,934 | 14,297 |
| Materials | 203,308 | 207,682 | 218,037 | 221,520 | 223,349 |
| Contracted services | 309,634 | 341,931 | 275,361 | 276,159 | 248,843 |
| Rents and financial expenses | 31,084 | 34,550 | 42,421 | 34,297 | 36,435 |
| External transfers | 168,471 | 190,538 | 194,241 | 184,546 | 202,881 |
| Amortization of tangible capital assets | 205,247 | 196,428 | 192,122 | 185,733 | 178,048 |
| | <u>1,729,142</u> | <u>1,763,858</u> | <u>1,691,027</u> | <u>1,657,036</u> | <u>1,627,190</u> |
| Operating Expenses as Percentage of Total | | | | | |
| Salaries, wages and employee benefits | 46.1% | 44.2% | 44.7% | 44.8% | 44.6% |
| Interest on long term liabilities | 0.8% | 0.7% | 0.8% | 0.8% | 0.9% |
| Materials | 11.8% | 11.8% | 12.9% | 13.4% | 13.7% |
| Contracted services | 18.0% | 19.5% | 16.3% | 16.7% | 15.3% |
| Rents and financial expenses | 1.8% | 2.0% | 2.5% | 2.1% | 2.2% |
| External transfers | 9.7% | 10.8% | 11.5% | 11.1% | 12.5% |
| Amortization of tangible capital assets | 11.8% | 11.0% | 11.3% | 11.1% | 10.8% |
| | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |
| Long Term Liabilities | | | | | |
| Long Term Liabilities incurred by the City | \$ 432,709 | \$ 494,891 | \$ 418,145 | \$ 472,805 | \$ 394,295 |
| Long Term Debt incurred by the City for which other entities have assumed responsibility | - | - | - | - | (3,239) |
| | <u>432,709</u> | <u>494,891</u> | <u>418,145</u> | <u>472,805</u> | <u>391,056</u> |
| Long Term Liabilities | | | | | |
| Housing operations | \$ 46,967 | \$ 52,803 | \$ 58,508 | \$ 64,070 | \$ 69,466 |
| City operations | 385,742 | 432,088 | 359,637 | 408,735 | 321,590 |
| | <u>432,709</u> | <u>484,891</u> | <u>418,145</u> | <u>472,805</u> | <u>391,056</u> |
| Long term liabilities as a % of Reserves and Capital Surplus | 51.60% | 57.30% | 58.60% | 62.20% | 62.30% |

Note: Amounts reported may have been restated from previous amounts presented to conform to 2019 Public Sector Accounting Board (PSAB) standards.

City of Hamilton

Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Tangible Capital Assets | | | | | |
| General | | | | | |
| Land | \$ 387,321 | \$ 357,211 | \$ 333,818 | \$ 315,467 | \$ 304,977 |
| Land improvements | 167,237 | 157,312 | 152,325 | 150,337 | 135,252 |
| Buildings | 815,472 | 817,598 | 756,160 | 761,396 | 735,926 |
| Vehicles | 148,259 | 137,501 | 128,600 | 133,786 | 107,241 |
| Computer hardware and software | 19,499 | 13,572 | 11,821 | 11,058 | 7,876 |
| Other | 93,335 | 95,871 | 99,540 | 103,490 | 92,098 |
| Infrastructure | | | | | |
| Roads | 1,310,342 | 1,293,193 | 1,261,223 | 1,253,561 | 1,248,288 |
| Bridges and structures | 181,896 | 184,387 | 183,422 | 184,213 | 184,794 |
| Water and wastewater facilities | 395,495 | 398,743 | 403,647 | 396,884 | 385,404 |
| Underground and other networks | 1,986,865 | 1,861,011 | 1,789,334 | 1,761,542 | 1,713,019 |
| Net Book Value | <u>5,505,721</u> | <u>5,316,399</u> | <u>5,119,890</u> | <u>5,071,734</u> | <u>4,914,875</u> |
| Assets under construction | 425,067 | 360,182 | 309,974 | 199,680 | 235,413 |
| | <u>5,930,788</u> | <u>5,676,581</u> | <u>5,429,864</u> | <u>5,271,414</u> | <u>5,150,288</u> |
| Accumulated Surplus or Municipal Financial Position | | | | | |
| Reserves and reserve funds | | | | | |
| Reserves | \$ 612,513 | \$ 660,380 | \$ 697,931 | \$ 647,278 | \$ 660,757 |
| Hamilton Future Fund | 52,963 | 48,635 | 44,322 | 43,079 | 37,711 |
| | <u>665,476</u> | <u>709,015</u> | <u>742,253</u> | <u>690,357</u> | <u>698,468</u> |
| Capital surplus | \$ 173,857 | \$ 136,894 | \$ (28,137) | \$ 70,021 | \$ (70,758) |
| Operating surplus | 74,118 | 88,433 | 1,498 | 2,020 | 2,305 |
| Investment in Government Business Enterprises | 323,851 | 329,237 | 356,098 | 247,386 | 232,811 |
| Investment in tangible capital assets | 5,393,649 | 5,102,640 | 4,995,441 | 4,780,723 | 4,740,652 |
| Unfunded liabilities - Employee future benefits | (348,328) | (348,832) | (343,679) | (333,787) | (326,627) |
| Unfunded liabilities - Solid waste landfill sites | (71,420) | (71,559) | (24,174) | (24,466) | (25,769) |
| | <u>6,211,203</u> | <u>5,945,828</u> | <u>5,699,300</u> | <u>5,432,254</u> | <u>5,251,082</u> |

Note: Amounts reported may have been restated from previous amounts presented to conform to 2019 Public Sector Accounting Board (PSAB) standards.

City of Hamilton

Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Statistical Information | | | | | |
| Population | 579,000 | 572,575 | 563,480 | 558,397 | 550,700 |
| Households | 237,200 | 234,655 | 227,641 | 222,918 | 223,000 |
| Area in hectares | 112,775 | 112,775 | 112,775 | 112,775 | 112,775 |
| Building Permit Values | \$1,408,521,764 | \$1,264,757,129 | \$1,364,145,419 | \$1,056,237,746 | \$1,108,192,846 |
| Housing Starts | 1,438 | 1,135 | 1,340 | 1,436 | 1,415 |
| Residential Units - Building Permits | 5,012 | 5,808 | 6,053 | 5,835 | 4,142 |
| Average Monthly Social Assistance Case Load | 11,248 | 11,884 | 12,807 | 12,753 | 12,946 |
| Continuous Full Time Employees | 6,841 | 6,724 | 6,664 | 6,670 | 6,597 |

Note: Amounts reported may have been restated from previous amounts presented to conform to 2019 Public Sector Accounting Board (PSAB) standards.

Section 2

City of Hamilton Consolidated Financial Statements 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of the Corporation of the City of Hamilton ("the entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated 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. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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.



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Financial Report 2019

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Financial Report 2019 as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.



- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants,

Hamilton, Canada
June 24, 2020

City of Hamilton

Consolidated Statement of Financial Position

For the year ended December 31, 2019 (all numbers are in thousands of dollars)

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Financial assets | | |
| Cash and cash equivalents (Note 3) | \$ 187,704 | \$ 130,292 |
| Taxes receivable | 86,309 | 80,972 |
| Accounts receivable | 131,232 | 119,048 |
| Other assets | 1,473 | 1,418 |
| Long term receivables (Note 4) | 47,379 | 63,573 |
| Portfolio investments (Note 3) | 1,069,908 | 1,056,507 |
| Investment in Government Business Enterprises (Note 5) | 323,851 | 329,237 |
| Total financial assets | <u>\$ 1,847,856</u> | <u>\$ 1,781,047</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 339,830 | \$ 323,521 |
| Deferred revenue - general | 42,542 | 45,196 |
| Deferred revenue - obligatory reserve funds (Note 6 & 7) | 331,278 | 237,055 |
| Long term liabilities – municipal operations (Note 8) | 385,742 | 432,088 |
| Long term liabilities – housing corporation (Note 9) | 46,967 | 52,803 |
| Employee future benefits and other obligations (Note 10 & 11) | 372,695 | 373,177 |
| Solid waste landfill liabilities (Note 12) | 71,420 | 71,559 |
| Total liabilities | <u>1,590,474</u> | <u>1,535,399</u> |
| Net financial assets | <u>\$ 257,382</u> | <u>\$ 245,648</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 21) | \$ 5,930,788 | \$ 5,676,581 |
| Inventories | 15,672 | 15,174 |
| Prepaid expenses | 7,361 | 8,425 |
| Total non-financial assets | <u>5,953,821</u> | <u>5,700,180</u> |
| Accumulated surplus (Note 13) | <u>\$ 6,211,203</u> | <u>\$ 5,945,828</u> |

Contractual obligations (Note 17)

Contractual rights (Note 18)

Contingent liabilities (Note 20)

Subsequent event (Note 25)

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Operations

For the year ended December 31, 2019 (all numbers are in thousands of dollars)

| | Budget <u>2019</u> (Note 24) | Actual <u>2019</u> | Actual <u>2018</u> |
|---|------------------------------------|-----------------------|-----------------------|
| Revenue | | | |
| Taxation (Note 15) | \$ 915,412 | \$ 917,126 | \$ 888,229 |
| Government grants and contributions (Note 16) | 441,934 | 447,833 | 454,774 |
| User charges, licences and fines | 350,781 | 372,145 | 347,637 |
| Developer contributions earned | 62,359 | 60,646 | 119,703 |
| Donated tangible capital assets | 21,715 | 21,715 | 46,862 |
| Investment and dividend income | 43,610 | 37,598 | 31,101 |
| Net income from Government | | | |
| Business Enterprises (Note 5) | - | 11,262 | 24,285 |
| Other | 105,020 | 128,764 | 137,476 |
| Total revenue | <u>1,940,831</u> | <u>1,997,089</u> | <u>2,050,067</u> |
| Expenses | | | |
| General government | \$ 70,503 | \$ 66,626 | \$ 80,025 |
| Protection services | 325,029 | 330,258 | 324,227 |
| Transportation services | 344,165 | 337,719 | 320,005 |
| Environmental services | 257,790 | 252,778 | 284,271 |
| Health services | 105,749 | 106,057 | 102,868 |
| Social and family services | 320,347 | 309,361 | 316,819 |
| Social housing | 118,229 | 97,131 | 105,893 |
| Recreation and cultural services | 172,605 | 176,949 | 172,965 |
| Planning and development | 57,510 | 52,263 | 56,785 |
| Total expenses | <u>1,771,927</u> | <u>1,729,142</u> | <u>1,763,858</u> |
| Annual Surplus | \$ 168,904 | \$ 267,947 | \$ 286,209 |
| Accumulated surplus | | | |
| Beginning of year | \$ 5,945,828 | \$ 5,945,828 | \$ 5,699,300 |
| Other comprehensive loss and other | | | |
| Government Business Enterprises (Note 5) | - | (2,572) | (39,681) |
| End of year | <u>\$ 6,114,732</u> | <u>\$ 6,211,203</u> | <u>\$ 5,945,828</u> |

See accompanying notes to the consolidated financial statements.

City of Hamilton**Consolidated Statement of Changes in Net Financial Assets**For the year ended December 31, 2019 (all numbers are in thousands of dollars)

| | Budget <u>2019</u> (Note 24) | Actual <u>2019</u> | Actual <u>2018</u> |
|--|------------------------------------|-----------------------|-----------------------|
| Operating activities | | | |
| Annual surplus | \$ 168,904 | \$ 267,947 | \$ 286,209 |
| Other comprehensive loss of | | | |
| Government Business Enterprises | - | (2,572) | (39,681) |
| Acquisition of tangible capital assets | (454,795) | (445,146) | (408,325) |
| Loss on disposition of tangible capital assets | 7,407 | 7,407 | 12,039 |
| Amortization of tangible capital assets | 205,247 | 205,247 | 196,431 |
| Donated tangible capital assets | (21,715) | (21,715) | (46,862) |
| Decrease in inventories | - | (498) | (2,618) |
| Increase in prepaid expenses | - | 1,064 | 2,284 |
| Net increase (decrease) in financial assets | <u>(94,954)</u> | <u>11,734</u> | <u>(523)</u> |
| Net financial assets | | | |
| Beginning of year | <u>245,648</u> | <u>245,648</u> | <u>246,171</u> |
| End of year | <u>\$ 150,694</u> | <u>\$ 257,382</u> | <u>\$ 245,648</u> |

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Cash Flows

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Operating activities | | |
| Annual surplus | \$ 267,947 | \$ 286,209 |
| Increase in taxes receivable | (5,337) | (3,054) |
| (Increase) decrease in accounts receivable | (12,184) | 1,357 |
| Increase in other assets | (53) | (91) |
| Increase in accounts payable and accrued liabilities | 16,308 | 4,334 |
| Decrease in deferred revenue - general | (2,654) | (22,471) |
| Increase (decrease) in deferred revenue - obligatory reserve fund | 94,223 | (15,101) |
| Increase in inventories | (498) | (2,618) |
| Decrease in prepaid expenses | 1,064 | 2,284 |
| Non-cash activities | | |
| Amortization of tangible capital assets | 205,247 | 196,431 |
| Donated tangible capital assets | (21,715) | (46,862) |
| Loss on disposition of tangible capital assets | 7,407 | 12,039 |
| Net income from Government Business Enterprises | (11,262) | (24,285) |
| Change in employee future benefits and other obligations | (482) | 5,590 |
| Change in solid waste landfill liabilities | (139) | 47,385 |
| | <u>537,872</u> | <u>441,147</u> |
| Investing activities | | |
| Increase in portfolio investments | (13,401) | (108,579) |
| Decrease (increase) in long term receivables | 16,194 | (11,449) |
| Dividends received from Government Business Enterprises | 14,076 | 11,464 |
| | <u>16,869</u> | <u>(108,564)</u> |
| Financing activities | | |
| Long term debt issued – municipal operations | - | 110,820 |
| Debt principal repayment – municipal operations | (45,728) | (37,749) |
| Lease obligation payment – municipal operations | (619) | (619) |
| Debt principal repayment – housing corporation | (5,836) | (5,705) |
| | <u>(52,183)</u> | <u>66,747</u> |
| Capital activities | | |
| Purchase of tangible capital assets | <u>(445,146)</u> | <u>(408,325)</u> |
| Net increase (decrease) in cash and cash equivalents | 57,412 | (8,995) |
| Cash and cash equivalents | | |
| Beginning of year | <u>130,292</u> | <u>139,287</u> |
| End of year | <u>\$ 187,704</u> | <u>\$ 130,292</u> |

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies

The Consolidated Financial Statements of the City of Hamilton (“City”) are prepared by management in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada.

Significant accounting policies adopted by the City are as follows:

(a) Reporting entity

- (i) The consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes in accumulated surplus, changes in net financial assets of the reporting entity. The consolidated financial statements include the activities of all committees of Council and the following boards and enterprises which are under the control of and accountable to Council:

Hamilton Police Services Board
The Hamilton Public Library Board
The Hamilton Street Railway Company
CityHousing Hamilton Corporation
Hamilton Business Improvement Areas including Ancaster BIA, Barton Street Village BIA, Concession Street BIA, Downtown Hamilton BIA, Dundas BIA, International Village BIA, King Street West BIA, Locke Street BIA, Main Street West Esplanade BIA, Downtown Stoney Creek BIA, Ottawa Street BIA, Waterdown BIA, and Westdale BIA
Flamborough Recreation Sub-Committees
Confederation Park
Hamilton Farmers Market

Interdepartmental and organizational transactions and balances are eliminated.

CityHousing Hamilton Corporation was incorporated as Hamilton Housing Corporation on January 1, 2001 as a result of the provincial legislation, Social Housing Reform Act 2000, which transferred the operation of various local housing authorities to municipalities. The City of Hamilton assumed social housing responsibilities on December 1, 2001. The share capital of CityHousing Hamilton Corporation is 100% owned by the City of Hamilton and a separate Board of Directors has been established to provide oversight responsibilities for the Corporation.

CityHousing Hamilton Corporation has been consolidated on a line-by-line basis after conforming with the City’s accounting principles after eliminating inter-organizational transactions and balances.

During 2018, Hamilton Utilities Corporation, underwent a corporate restructuring whereby it transferred the subsidiaries controlled by it, to a new entity; Hamilton Enterprises Holding Corporation (“H.E.H.C.O.”). H.E.H.C.O. is owned 100% by the City.

Hamilton Utilities Corporation (“H.U.C.”), Hamilton Enterprises Holdings Corporation (“H.E.H.C.O”) and Hamilton Renewable Power Inc. (“H.R.P.I.”) are subsidiary corporations of the City and are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 5). 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.

City of Hamilton trust fund assets that are administered for the benefit of external parties are excluded from the consolidated financial statements. Separate financial statements have been prepared.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

Cemetery trust, and general trust funds administered by the City amounting to \$20,060,000 (2018 - \$18,788,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations. Homes for the Aged trust funds administered by the City amounting to \$404,000 (2018 - \$383,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

- (i) The financial activities of certain entities associated with the City of Hamilton are not consolidated. The City's contributions to these entities are recorded in the Consolidated Statement of Operations. The entities that are not consolidated are as follows:

Hamilton Region Conservation Authority
Disabled and Aged Regional Transit System
The Hamilton Municipal Retirement Fund
The Hamilton-Wentworth Retirement Fund
The Pension Fund of the Employees of the Hamilton Street Railway
The Hamilton and Scourge Foundation Inc.
Township of Glanbrook Non-Profit Housing Corporation

- (ii) The taxation, other revenues, expenses, assets and liabilities with respect to the operations of various school boards are not reflected in the consolidated financial statements.

(b) Basis of accounting

Revenues are recorded on the accrual basis of accounting, whereby revenues are recognized as they are earned and measurable. Expenses are recognized in the period goods and services are acquired and a liability is incurred.

(c) Use of estimates

The preparation of financial statements in accordance 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 period. Significant estimates include assumptions used in estimating provisions for allowance for doubtful accounts, donated tangible capital assets, solid waste landfill liabilities, liabilities for contaminated sites, and in performing actuarial valuations of employee future benefit obligations.

Where estimation uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Cash, cash equivalents

Cash and cash equivalents include cash on hand, cash held in financial institutions and temporary investments with maturities of 365 days or less. Investments are valued at cost and are written down when there is a decrease in value.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(e) Portfolio investments

Portfolio investments mainly comprise of federal, provincial and municipal government bonds and deposit notes and short term instruments of financial institutions. Portfolio investments are valued at cost less any amounts written off to reflect an other than temporary decline in value.

(f) Deferred revenue – obligatory reserve funds

Receipts which are restricted by legislation of senior governments or by agreement with external parties are in nature restricted revenues and are reported as deferred revenues. When qualifying expenses are incurred, deferred revenues are recognized into revenue in the fiscal period they are expended.

(g) Employee future benefits and other obligations

Employee future benefits and other obligations for retirement, post employment and pension benefits are reported in the Consolidated Statement of Financial Position. The accrued benefit obligations are determined using management's best estimates of expected investment yields, wage and salary escalation, mortality rates, termination and retirement ages. The actuarial gain or loss is amortized over the expected average remaining life expectancy of the members of the employee groups.

(h) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. Donated and/or contributed assets are capitalized and recorded at their estimated fair value upon acquisition and recognized in revenue. Leased tangible capital assets are valued at the present value of the future minimum lease payments. Certain tangible capital assets for which historical cost information is not available have been recorded at current replacement cost deflated by a relevant inflation factor.

Amortization for road linear assets is calculated on a consumption basis using road deterioration curves. All other tangible capital assets are amortized on a straight-line basis over their estimated useful lives. One half of the annual amortization is recorded as amortization expense in the year of acquisition or construction and in the year of disposal. Estimated useful lives range from 2 years to 100 years as follows:

| | |
|---|-----------------|
| General - Land improvements | 20 to 75 years |
| General - Buildings | 20 to 50 years |
| General - Vehicles | 3 to 20 years |
| General – Computer hardware and software | 3 to 5 years |
| General – Other – Machinery and equipment | 2 to 100 years |
| Infrastructure – Bridges and other structures | 40 to 75 years |
| Infrastructure – Water and wastewater facilities | 20 to 40 years |
| Infrastructure – Water, wastewater, storm and road linear | 18 to 100 years |

The City has leased tangible capital assets which are amortized over the term of the lease, ranging from 5 to 50 years. The cost, accumulated amortization, net book value and amortization expense have been reported in these consolidated financial statements.

Assets under construction are not amortized until the asset is ready for use. All interest on debt incurred during construction of related tangible capital assets is expensed in operations in the year incurred. Works of art and historic treasures are not recorded as assets in these financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(i) Inventories

Inventories held for consumption or use are valued at the lower of cost and net realizable value.

(j) Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met, and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(k) Long term receivables

Long term receivables are valued at cost. Recoverability is assessed annually, and a valuation allowance is recorded when recoverability has been impaired. Long term receivables are written off when they are no longer recoverable. Recoveries of long term receivables previously written off are recognized in the year received. Interest revenue is recognized as it is earned. Long term receivables with significant concessionary terms are reported as an expense on the Consolidated Statement of Operations. Long term receivables are reported in Note 4.

(l) Tax revenue

Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized, and the taxable event has occurred.

(m) Landfill Liability

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

(n) Contaminated Sites

Contamination is a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- (i) an environmental standard exists
- (ii) contamination exceeds the environmental standard
- (iii) the City is directly responsible or accepts responsibility
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is estimated based upon information that is available when the financial statements are prepared. It is based upon the costs directly attributable to the remediation activities required using a present value measurement technique.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(o) Related parties disclosure

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. Related party transactions are disclosed if they occurred at a value different from that which would have been arrived at if parties were unrelated and the transaction has material effect on the consolidated financial statements. As at December 31, 2019, there are no such related party transactions to disclose.

(p) Contingent assets

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty which will be ultimately resolved when one of more future events occur that are not within the government's control. Disclosure of a contingent asset is required under this standard when the occurrence of a confirming future event is likely. As at December 31, 2019, there are no such contingent assets to disclose.

(q) Contractual rights

Contractual rights requires the disclosure of information in regards to future rights to economic resources arising from contracts or agreements that will result in a future economic benefit. Such disclosure includes the nature, extent and timing of contractual rights. The City is involved with various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources. Contractual rights are reported in note 18.

(r) Assets

The assets standard provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events and from which future economic benefits are to be obtained. For the year ended December 31, 2019, all material assets have been disclosed and reported within this definition.

(s) Inter-Entity transactions

Inter-entity transactions standard provides guidance on how to account for and report transactions between public sector entities that comprises a governments reporting entity. This section provides guidance for the measurement of these transactions. All City transactions are recorded at the exchange amount, being the amount agreed to by both parties. For the year ended December 31, 2019, there were no material inter-entity transactions to disclose.

2. Adoption of New Accounting standards

The following standard issued by PSAB was effective January 1, 2019. The implementation of this standard had no impact on the annual surplus, net debt or accounting surplus, but resulted in an additional note disclosure.

(a) PS 3430 Restructuring transactions

Restructuring transactions establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. Financial statement presentation and disclosure is required. For the year ended December 31, 2019 there is no restructuring transaction to be disclosed.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

3. Cash and cash equivalents and portfolio investments

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents are comprised of: | | |
| Cash on hand | \$ 157 | \$ 141 |
| Cash held in banks | 181,331 | 123,968 |
| Temporary investments | 6,216 | 6,183 |
| | <u>\$ 187,704</u> | <u>\$ 130,292</u> |
| Portfolio investments are comprised of: | | |
| Unrestricted investments | \$ 685,667 | \$ 770,817 |
| Designated investments (obligatory reserve funds) | 331,278 | 237,055 |
| Designated investments (Hamilton Future Fund) | 52,963 | 48,635 |
| | <u>\$ 1,069,908</u> | <u>\$ 1,056,507</u> |

Portfolio investments have a market value of \$1,094,050,000 (2018 - \$1,054,605,000). The City has purchased \$3,057,000 (2018 - \$3,056,000) of its own debentures which have not been cancelled. This investment in its own debenture is included in portfolio investments on the consolidated statement of financial position. The gross amounts of these debentures is \$383,001,000 (2018 - \$428,728,000)

4. Long term receivables

The City has long -term receivables in the amount of \$47,379,000 (2018 - \$63,573,000.) The long-term receivables are comprised of:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-------------------------|
| Development charge deferral agreements | \$ 30,012 | \$ 37,253 |
| Mortgages receivable: | | |
| Downtown convert to rent program | 5,425 | 13,043 |
| Hamilton Utilities Corporation | 6,480 | 6,804 |
| Hamilton Renewable Power Inc. | - | 278 |
| Sheraton Hotel loan | 755 | 868 |
| Other City loan programs | 3,764 | 3,987 |
| Loans to other agencies and organizations | 3,632 | 4,211 |
| Less: Provision for loans with concessionary terms | (2,689) | (2,871) |
| | <u>\$ 47,379</u> | <u>\$ 63,573</u> |

Development charge deferral agreements and mortgage receivables are loans which are secured by property, with interest rates varying from 0% to 5.61% and terms of one year to thirty years.

Loans to other agencies and organizations included loans to Hamilton Conservation Authority, Catholic Children's Aid Society, Winona Peach Festival, Redeemer University College, the Bob Kemp Hospice, Canadian Football Hall of Fame, Rosedale tennis Club with interest rates varying from 0% to 6.75% for terms of up to thirty years.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises

Hamilton Utilities Corporation, Hamilton Enterprises Holdings Corporation and Hamilton Renewable Power Inc. are subsidiary corporations of the City and are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises.

In compliance with provincial legislation enacted to restructure the electrical industry in Ontario, the Hamilton Utilities Corporation ("H.U.C.") was incorporated on June 1, 2000. All of the assets and liabilities of the predecessor hydro-electric systems were transferred to H.U.C. During 2004, Hamilton Hydro Energy Inc. was established with the City's acceptance of a dividend in kind in the form of one common share from H.U.C. Effective June 1, 2005, the articles of incorporation reflected the amendment of a name change to Hamilton Renewable Power Inc. ("H.R.P.I."). On December 18, 2017 Hamilton Enterprises Holdings Corporation ("H.E.H.C.O.") was incorporated.

The amounts related to government business enterprises as reported in the Consolidated Statement of Operations for 2019 and 2018 is as reported by the Hamilton Utilities Corporation, Hamilton Enterprises Corporation and Hamilton Renewable Power Inc.

| | <u>2019</u> | <u>2018</u> |
|--------------------------|------------------|------------------|
| Net income from H.U.C. | \$ 12,899 | \$ 25,517 |
| Net loss from H.E.H.C.O. | (1,815) | (1,366) |
| Net income from H.R.P.I. | 178 | 134 |
| | <u>\$ 11,262</u> | <u>\$ 24,285</u> |

The City's investment in Government Business Enterprises is reported in the Consolidated Statement of Financial Position as:

| | <u>2019</u> | <u>2018</u> |
|--------------------------|-------------------|-------------------|
| Investment in H.U.C. | \$ 327,254 | \$ 330,896 |
| Investment in H.E.H.C.O. | (3,172) | (1,357) |
| Investment in H.R.P.I. | (231) | (302) |
| | <u>\$ 323,851</u> | <u>\$ 329,237</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Utilities Corporation reported by H.U.C. at December 31, 2019 and December 31, 2018 respectively.

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|--------------------|
| Financial Position | | |
| Current assets | \$ 388 | \$ 1,714 |
| Notes receivable from Corporation | 51,772 | 51,772 |
| Long term receivables | 6,156 | 6,480 |
| Due from related parties | 2,130 | - |
| Future payments in lieu of income taxes | 461 | - |
| Investment in Alectra Holdings Inc. | 351,550 | 356,595 |
| Total assets | <u>\$ 412,457</u> | <u>\$ 416,561</u> |
| Current liabilities | | |
| (including current portion of long term debt) | 324 | 1,910 |
| Non-current liabilities | 74,100 | 72,976 |
| Total liabilities | <u>74,424</u> | <u>74,886</u> |
| Change in equity on restructuring | 10,779 | 10,779 |
| Shareholder's equity | <u>\$ 327,254</u> | <u>\$ 330,896</u> |
| Results of operations | | |
| Revenues | \$ 353 | \$ 386 |
| Operating expenses | (816) | (3,150) |
| Equity income in Alectra Holdings Inc. | 10,541 | 19,272 |
| Financing expenses | (248) | (282) |
| Other income | 248 | 442 |
| Gain on dilution of investment in Alectra Holdings Inc. | 979 | - |
| Equity earnings from operations | <u>11,057</u> | <u>16,668</u> |
| Recovery of taxes | 1,842 | 8,849 |
| Net income before other comprehensive income | <u>12,899</u> | <u>25,517</u> |
| Other comprehensive (loss) income | (2,572) | 816 |
| Refundable dividend tax on hand | - | (40,506) |
| Net income (loss) | <u>\$ 10,327</u> | <u>\$ (14,173)</u> |
| Dividends paid | 13,969 | 11,361 |

Hamilton Utilities Corporation long term receivables and borrowings:

Included in non-current liabilities is a loan payable to the City in the amount of \$6,480,000. The loan payable and the long term receivable relate to the acquisition of the City of Hamilton's Central Utilities Plant. Included in receivables is receivable from H.E.H.C.O. The loan payable and the long term receivable bear interest at 4.06% per annum and are repayable \$324 annually principal plus interest and are due January 1, 2019 with four 5 year renewal terms. At December 31, 2019, the City has not given notice that it will not renew the loan agreement as such, the loan remains in non-current liabilities.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Enterprises Holding Corporation reported by H.E.H.C.O. at December 31, 2019 and December 31, 2018 respectively.

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Financial Position | | |
| Current assets | \$ 8,376 | \$ 5,169 |
| Capital assets | 53,086 | 53,858 |
| Intangible Assets | 1,617 | 2,003 |
| Right-of-use assets | 4,028 | - |
| Goodwill | 571 | 571 |
| Future payments in lieu of income taxes | 4,514 | 31 |
| Total assets | <u>72,192</u> | <u>61,632</u> |
| Current liabilities | | |
| (including current portion of long term debt) | 7,678 | 2,433 |
| Non-current liabilities | 78,762 | 71,624 |
| Total liabilities | <u>86,440</u> | <u>74,057</u> |
| Shareholder's deficit | | |
| Non-controlling interest | 83 | 91 |
| Opening equity | (11,159) | (11,159) |
| Total shareholder's deficit | <u>\$ (3,172)</u> | <u>\$ (1,357)</u> |
| Results of operations | | |
| Revenues | \$ 14,307 | \$ 11,138 |
| Operating expenses | (15,686) | (11,896) |
| Financing expense | (1,187) | (750) |
| Other income | 199 | 135 |
| Equity earnings from operations | <u>(2,367)</u> | <u>(1,373)</u> |
| Recovery of taxes | <u>(544)</u> | <u>(7)</u> |
| Net loss before dividends | (1,823) | (1,366) |
| Other comprehensive income | - | 4 |
| Non-controlling interest | 8 | 5 |
| Net loss | <u>\$ (1,815)</u> | <u>\$ (1,357)</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Renewable Power Incorporated reported by H.R.P.I. at December 31, 2019 and December 31, 2018 respectively.

| | <u>2019</u> | <u>2018</u> |
|---|-----------------|-----------------|
| Financial Position | | |
| Current assets | \$ 1,132 | \$ 850 |
| Capital assets | 5,602 | 6,187 |
| Other assets | 32 | 32 |
| Total assets | <u>6,766</u> | <u>7,069</u> |
| Current liabilities | | |
| (Including current portion of long term debt) | 685 | 996 |
| Future payment in lieu of taxes | 312 | 375 |
| Total liabilities | <u>997</u> | <u>1,371</u> |
| Shareholder's equity | 6,000 | 6,000 |
| Net deficit | <u>\$ (231)</u> | <u>\$ (302)</u> |
| Results of operations | | |
| Revenues | \$ 3,199 | \$ 3,041 |
| Expenses | (3,021) | (2,907) |
| Net income | <u>\$ 178</u> | <u>\$ 134</u> |
| Dividends paid | 107 | 103 |

Government Business Enterprises - related party transactions

The following summarizes the Corporations related party transactions with Government Business Enterprises for the year ended December 31.

| | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| Revenue | | |
| Dividend revenue from H.U.C. | \$ 13,969 | \$ 11,361 |
| Dividend revenue from H.R.P.I. | 107 | 103 |
| Property and other taxes received by the City from H.U.C. | 529 | 632 |
| Sale of Methane to H.R.P.I. | 814 | 771 |
| Expenditures | | |
| Hydro purchased by the City from H.E.H.C.O. | 37,874 | 34,447 |
| Thermal Energy purchased from H.R.P.I. | 284 | 224 |
| Assets | | |
| Accounts receivable from H.R.P.I. | 415 | 392 |
| Long term receivable from H.U.C. | 6,480 | 6,804 |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

6. Deferred revenue – obligatory reserve funds

The deferred revenue – obligatory reserve funds, reported on the consolidated statement of financial position, are made up of the following:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Development charge reserve funds | \$ 186,994 | \$ 128,146 |
| Recreational land dedicated under the Planning Act | 56,154 | 42,763 |
| Gasoline tax revenue: Provincial | 9,699 | 17,332 |
| Federal | 54,846 | 27,604 |
| Building Permit Revenue | 23,493 | 20,700 |
| Other (Main Street Revitalization) | 92 | 510 |
| | <u>\$ 331,278</u> | <u>\$ 237,055</u> |

7. Deferred revenue – obligatory reserve funds

The deferred revenue – obligatory reserve funds, reported on the consolidated statement of financial position, are made up of the following:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Balance at the beginning of the year | \$ 237,055 | \$ 252,156 |
| Add: | | |
| Developer and other contributions | 134,567 | 94,686 |
| Interest earned | 6,516 | 6,219 |
| Provincial and Federal Funding | 69,166 | 44,474 |
| | <u>210,249</u> | <u>145,379</u> |
| Less: | | |
| Contributions used in operating and capital funds | 116,026 | 160,480 |
| Balance at the end of the year | <u>\$ 331,278</u> | <u>\$ 237,055</u> |

8. Long term liabilities – municipal operations

- (a) The long term liabilities – municipal operations consists of long term debt for serial debentures and loans that mature in the years 2020 to 2044 with interest rates varying between 1.61% and 5.05% and obligations for leased tangible capital assets with payments from 2020 to 2051 at a discount rate of 5%. The balance of long term liabilities consists of the following:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Long term liabilities incurred by the City | \$ 383,001 | \$ 428,728 |
| Long term liabilities for leased tangible capital assets incurred by the City | 2,741 | 3,360 |
| Net long term liabilities | <u>\$ 385,742</u> | <u>\$ 432,088</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

8. Long term liabilities – municipal operations (continued)

- (b) Of the \$383,001,000 long term debt (2018 - \$428,728,000) certain principal payments do not represent a burden on general City revenue, as they are to be recovered in future years from other sources.

The total long-term debt is to be recovered from the following:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------|-------------------|-------------------|
| General Revenue | \$ 255,373 | \$ 290,812 |
| Water & Wastewater user charges | 127,628 | 137,916 |
| | <u>\$ 383,001</u> | <u>\$ 428,728</u> |

- (c) The total City principal repayments of long term debt in each of the next five years and thereafter are due as follows:

| | General Revenues | Water & Wastewater User Charges | <u>Total 2019</u> |
|---------------------|---------------------|------------------------------------|-----------------------|
| 2020 | \$ 29,384 | \$ 12,146 | \$ 41,530 |
| 2021 | 29,514 | 12,151 | \$ 41,665 |
| 2022 | 29,932 | 12,156 | \$ 42,088 |
| 2023 | 24,710 | 12,103 | \$ 36,813 |
| 2024 | 22,548 | 12,046 | \$ 34,594 |
| 2025 and thereafter | 119,285 | 67,026 | \$ 186,311 |
| Total | <u>\$ 255,373</u> | <u>\$ 127,628</u> | <u>\$ 383,001</u> |

- (d) The total City principal repayments of leased tangible capital assets in each of the next five years and thereafter are due as follows:

| | <u>2019</u> |
|---------------------|-----------------|
| 2020 | \$ 619 |
| 2021 | 335 |
| 2022 | 62 |
| 2023 | 62 |
| 2024 | 62 |
| 2025 and thereafter | 1,601 |
| Total | <u>\$ 2,741</u> |

- (e) Total charges for the year for long term debt are as follows:

| | <u>2019</u> | <u>2018</u> |
|----------------------|------------------|------------------|
| Principal repayments | \$ 45,728 | \$ 37,749 |
| Interest expense | 12,161 | 10,967 |
| | <u>\$ 57,889</u> | <u>\$ 48,716</u> |

- (f) Total charges for the year for leased tangible capital assets are as follows:

| | <u>2019</u> | <u>2018</u> |
|----------------------|---------------|---------------|
| Principal repayments | \$ 619 | \$ 619 |
| Interest expense | 257 | 247 |
| | <u>\$ 876</u> | <u>\$ 866</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

9. Long term debt – housing corporation

(a) The balance of long term debt – housing corporations reported on the Consolidated Statement of Financial Position represents capital assets of the CityHousing Hamilton that are financed by mortgages. The mortgages mature in the years 2020 to 2030 with interest rates varying between 0.96% and 5.83%. The mortgage obligations for CityHousing Hamilton are \$46,967,000 (2018 - \$52,803,000).

(b) The principal repayments of these mortgages in each of the next five years and thereafter are as follows:

| | <u>2019</u> |
|---------------------|------------------|
| 2020 | \$ 8,461 |
| 2021 | 6,308 |
| 2022 | 12,727 |
| 2023 | 3,473 |
| 2024 | 7,550 |
| 2025 and thereafter | 8,448 |
| | <u>\$ 46,967</u> |

(c) Total charges for the year for long term debt - housing corporations are as follows:

| | <u>2019</u> | <u>2018</u> |
|----------------------|-----------------|-----------------|
| Principal repayments | \$ 5,836 | \$ 5,705 |
| Interest expense | 1,349 | 1,463 |
| | <u>\$ 7,185</u> | <u>\$ 7,168</u> |

(d) Other long term debt incurred by the City of Hamilton's housing corporations, representing capital assets financed by debentures issued by the Ontario Housing Corporation of \$8,340,000 (2018 - \$11,000,000), is not included in the Consolidated Statement of Financial Position. The Social Housing Reform Act, 2000 transferred the ownership and responsibility for the administration of Province of Ontario public housing to the City of Hamilton as a local housing corporation. The transfer, effective January 1, 2001, included land and buildings at no cost. The servicing of long term debt remains the obligation of the Province of Ontario.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

10. Employee future benefits and other obligations

The City provides certain employee benefits that require funding in future periods. An estimate of these liabilities has been recorded in the Consolidated Statement of Financial Position. These amounts are summarized as follows:

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| Accrued Benefit Obligation | | |
| Sick leave benefit plan | \$ 58,789 | \$ 57,470 |
| Long term disability | 33,431 | 27,869 |
| Workplace safety and insurance board liabilities (WSIB) | 97,787 | 93,436 |
| Retirement benefits | 153,571 | 151,311 |
| Vacation benefits | 26,806 | 26,906 |
| Pension benefit plans (Note 10 (f)) | <u>(2,196)</u> | <u>9,917</u> |
| | 368,188 | 366,909 |
| | | |
| Net unamortized actuarial gain | 1,513 | 5,762 |
| Valuation Allowance | <u>2,994</u> | <u>506</u> |
| | | |
| Accrued Liability | <u>\$ 372,695</u> | <u>\$ 373,177</u> |

The City has established reserves for some of these liabilities totalling \$67,885,000 (2018 - \$66,073,000) as described in the following notes.

The continuity of employee future benefits and other obligations are summarized as follows:

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| Liability for Employee Future Benefits and Other Obligations | | |
| balance at beginning of the year | \$ 373,177 | \$ 367,587 |
| Plan amendment per actuarial valuation | 2,488 | 2,940 |
| Benefit expense | 32,101 | 28,033 |
| Interest expense | 13,420 | 12,255 |
| Amortization of actuarial loss on accrued benefit obligations | 3,220 | 2,873 |
| Amortization of actuarial gain on earnings on pension assets | (3,261) | (1,802) |
| Benefit payments | <u>(48,450)</u> | <u>(38,709)</u> |
| Liability for Employee Future Benefits and Other Obligations | | |
| balance at end of the year | <u>\$ 372,695</u> | <u>\$ 373,177</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

10. Employee future benefits and other obligations (continued)

The expenses related to these employee benefits and other obligations are reported in the Consolidated Statement of Operations. These expenses are summarized as follows:

| | <u>2019</u> | <u>2018</u> |
|--|------------------|------------------|
| Plan amendment per actuarial valuation | \$ 2,488 | \$ 2,940 |
| Benefit expense | 32,101 | 28,033 |
| Interest expense | 13,420 | 12,255 |
| Amortization of net actuarial loss | (41) | 1,071 |
| | <u>\$ 47,968</u> | <u>\$ 44,299</u> |

Actuarial valuations are performed on post employment, retirement benefits and pension benefits to provide estimates of the accrued benefit obligations. These estimates are based on a number of assumptions about future events including interest rates, inflation rates, salary and wage increases, medical and dental cost increases and mortality. The assumptions are determined at the time of the actuarial valuations and are reviewed annually. Consequently, different assumptions may be used as follows:

| | Discount | Return | Inflation | Payroll | Dental | Life |
|---------------------------------------|---------------|---------------|-----------|-----------|-----------|-----------------------|
| | Rate | on Assets | Rate | Increases | Increases | Expectancy (Years) |
| Vested sick leave | 3.50% | NA | 2.0% | 3.0% | NA | 15 |
| Long term disability | 3.00% | NA | 2.0% | 3.0% | NA | 8.0 |
| Workplace safety and insurance | 3.50% | NA | 2.0% | 3.0% | NA | 10.0 |
| Retirement Benefits Health and Dental | 3.75% | NA | 2.0% | 3.0% | 4.0% | 19 |
| Pensions Benefits (non-OMERS) | 4.40 to 4.90% | 4.40 to 4.90% | 2.0% | NA (1) | NA | 7.44 to 9.3 |

Notes:

(1) There is no estimate for future salary and wage increases in the non-OMERS pension plans as the active employees have been transferred to OMERS.

(a) Liability for sick leave benefit plans

The City provides a sick leave benefit plan for certain employee groups. Under the sick leave benefit plan of the City, unused sick leave can accumulate, and employees may become entitled to a cash payment when they leave the City's employment. An actuarial valuation as at December 31, 2017 has estimated the accrued benefit obligation at \$58,789,000 (2018 – \$57,470,000). Changes in valuation assumptions have resulted in an increase in the liability to \$58,789,000 from the expected liability of \$55,214,000. The actuarial loss as at December 31, 2019 of \$3,575,000 is being amortized over 15 years, which is the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$9,586,000 (2018 - \$8,069,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

10. Employee future benefits and other obligations (continued)

(b) Liability for long term disability

The City provides benefits in the event of total disability for certain employee groups. An actuarial valuation of the City's self-insured long-term disability program as at December 31, 2019 has estimated the accrued benefit obligation at \$33,431,000 (2018- \$27,869,000). Changes in valuation assumptions have resulted in an increase in the liability of \$33,431,000 from the expected liability of \$27,550,000. The actuarial loss as at December 31, 2019 of \$5,881,000 is being amortized over 8.0 years, which is the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$15,612,000 (2018 - \$15,814,000)

(c) Liability for workplace safety and insurance

The City is liable for compensation related to workplace injuries as stipulated by the Workplace Safety & Insurance Act. An actuarial valuation as at December 31, 2019 estimated the accrued benefit obligation for workplace safety & insurance existing claims and future pension awards at \$97,787,000 (2018 - \$93,436,000). Changes in valuation assumptions have resulted in an increase in the liability to \$97,787,000 from the expected liability of \$89,286,000. The actuarial loss of \$8,501,000 is being amortized over 10.0 years, which is the expected average remaining life expectancy of the plan members in various groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$41,110,000 (2018 - \$40,652,000).

(d) Liability for retirement benefits

The City provides certain health, dental and life insurance benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS) or the normal retirement age and up to the age of 65 years. An actuarial valuation at December 31, 2018 estimated the accrued benefit obligation at \$153,571,000 (2018 - \$151,311,000). Changes in valuation assumptions have resulted in an increase in liability to \$153,571,000 from the expected liability of \$140,027,000. The actuarial loss of \$13,544,000 is being amortized over 19 years, which is the expected average remaining life expectancy of the plan members in various groups. The City has \$7,430,000 (2018 - \$7,122,000) set aside in the Consolidated Statements of Financial Position to assist with this liability.

(e) Liability for vacation benefits

The City is liable for vacation days earned by its employees as at December 31, 2019 but not taken until a later date. The liability as at December 31, 2019 has been estimated at \$26,806,000 (2018 - \$26,906,000), of which \$16,938,000 is funded by City departments' budgets (2018 - \$17,223,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,577,000 (2018 - \$1,538,000), and the remaining liability of \$8,291,000 is unfunded (2018 - \$8,145,000)

(f) Liability for pensions plans

In addition to the Ontario Municipal Employees Retirement System (OMERS) described in Note 11, the City also provides pension benefits under three other plans. The actuarial valuations for Hamilton-Wentworth Retirement Fund and Hamilton Street Railway Retirement Fund at December 31, 2016 and Hamilton Municipal Retirement Fund at December 31, 2017 estimated the combined accrued benefit asset of the pension plans at \$2,196,000 from an obligation of \$9,917,000 in 2018. Changes in valuation resulted in an asset of \$2,196,000 from an expected liability of \$33,812,000. The actuarial gain of \$36,008,000 is being amortized over 7.4 to 9.3 years, which is the expected average remaining life expectancy of the plan members.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

11. Pension agreements

(a) Ontario Municipal Employees Retirement System

The City makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of approximately 7,226 members of City staff and councillors. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by employees, based on the length of credited service and average earnings.

The latest actuarial valuation as at December 31, 2019 indicates a “going concern” Actuarial Deficit based on the plan’s current member and employer contribution rates. Contributions were made in the 2019 calendar year at rates ranging from 9.0% to 15.8% depending on the member’s designated retirement age and level of earnings. As a result \$60,176,000 (2018 - \$59,519,000) was contributed to the OMERS plan for current service.

As OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees.

(b) Other pension plans – Hamilton-Wentworth Retirement Fund, Hamilton Municipal Retirement Fund, and Hamilton Street Railway Retirement Fund.

Approximately 317 current employees and 955 former employees of the City are members of three defined benefit plans; Hamilton-Wentworth, Hamilton Municipal and the Hamilton Street Railway Retirement Funds and are current or future beneficiaries under their terms and conditions. Actuarial valuations of the pension plans for funding purposes are required under the Pension Benefits Act every three years. The actuarial valuations of the pension plans for accounting purposes provide different results than the valuations for funding purposes. For funding purposes, one of the pension plans is in a surplus position and the other two plans are in a deficit position.

The actuarial valuations for these pension plans are based on a number of assumptions about future events including mortality, inflation and interest rates. The two plans with deficits are paying a number of amortization schedules that will be completed over a period ranging from two to fifteen years.

The accrued pension liability reported in the Consolidated statement of Financial Position is comprised as follows:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|------------------|------------------|
| Accrued pension benefit obligation | \$ 335,238 | \$ 321,429 |
| Pension plan assets | | |
| Marketable securities (Market Value) | <u>(337,434)</u> | <u>(311,512)</u> |
| Other assets | (2,196) | 9,917 |
| Unamortized actuarial gain | <u>33,014</u> | <u>33,363</u> |
| Accrued pension liability | <u>30,818</u> | 43,280 |
| Valuation allowance | <u>2,994</u> | 506 |
| Adjusted accrued pension liability | <u>\$ 33,812</u> | <u>\$ 43,786</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

11. Pension agreements (continued)

The actuarial gain or loss on pension fund assets and the actuarial gain or loss on accrued pension benefits obligations are comprised as follows:

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|------------------|
| Expected pension fund assets at the end of year | \$ 312,488 | \$ 342,517 |
| Actual pension fund assets at end of year | <u>337,434</u> | <u>311,512</u> |
| Actuarial gain (loss) on pension fund assets | <u>24,946</u> | <u>(31,005)</u> |
| Expected accrued pension benefit obligation at end of year | | |
| Actual accrued pension benefit obligation at end of year | 314,820 | 337,402 |
| Accrued pension benefit obligation | <u>335,238</u> | <u>321,429</u> |
| Actuarial (loss) gain on accrued pension benefit obligation | <u>\$ (20,418)</u> | <u>\$ 15,973</u> |

The expense related to the pension plans are comprised as follows:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Amortization of net actuarial loss on accrued pension benefit obligation | \$ (2,198) | \$ (81) |
| Amortization of net actuarial loss on pension plan assets | <u>(2,680)</u> | <u>(4,599)</u> |
| Net amortization | <u>(4,878)</u> | <u>(4,680)</u> |
| Interest on average accrued pension benefit obligation | \$ 16,727 | \$ 16,305 |
| Expected return on average pension plan assets | <u>(16,405)</u> | <u>(16,364)</u> |
| Net interest | <u>322</u> | <u>(59)</u> |
| Change in valuation allowance | <u>2,488</u> | <u>506</u> |
| Total expenses | <u>\$ (2,068)</u> | <u>\$ (4,233)</u> |

Payment of \$7,907,303 (2018 - \$7,633,836) have been applied to reduce the Hamilton - Wentworth and Hamilton Street Railway plans' deficit as actuarially determined for funding purposes. The pension deficit for the pension plans as at December 31, 2019 will be funded by the City with payments as follows:

| | |
|---------------------|------------------|
| 2020 | \$ 4,267 |
| 2021 | 3,722 |
| 2022 | 3,722 |
| 2023 | 2,471 |
| 2024 and thereafter | <u>10,535</u> |
| Total | <u>\$ 24,717</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

12. Solid waste landfill liabilities

The City owns and operates one open landfill site and it owns and maintains twelve (12) closed landfill sites.

The active landfill site in the Glanbrook community was opened in 1980 covering 220 hectares over three phases with a capacity of 14,824,000 cubic metres of waste. The total capacity has been broken into three Phases, with Phase 1 having a capacity of 8,403,000, Phase 2 having a capacity of 4,855,000 cubic metres and Phase 3 having a capacity of 1,566,000 cubic metres. As at December 31, 2018 landfilling has ceased in Phase 1, and is occurring in Phase 2. Filling was initiated at Phase 2 in mid-December and therefore as of December 31, 2019 still retained an estimated 4,855,000 cubic meters of capacity. It is estimated Phase 2 will reach its capacity and close in 2046. Construction of Phase 3 has not been initiated. It is estimated that the site will reach full capacity and close in 2055.

In 2019 approximately 41% of waste generated was diverted from landfills (2018 - 30%).

The closure costs for the open Glanbrook landfill site and post closure care costs for the closed sites are based upon management estimates, adjusted by 3.0% inflation. These costs are then discounted back to December 31, 2019 using a discount factor of 4.0%. Post closure care for the Glanbrook site is estimated to be required for 50 years from the date of closure of each phase. Studies continue to be undertaken to assess the liability associated with the City's closed landfill sites and the estimates will be updated as new information arises.

Estimated expenses for closure and post-closure care are \$80,076,000 (2018 - \$78,973,000). The expenses remaining to be recognized are \$8,656,000 (2018 - \$7,414,000). The liability of \$71,420,000 (2018 - \$71,559,000) for closure of the operational site and post closure care of the closed sites has been reported on the Consolidated Statement of Financial Position. A reserve of \$1,189,000 (2018 - \$1,134,000) was established to finance the future cost for closed landfill sites.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

13. Accumulated Surplus

The accumulated surplus balance is comprised of balances in reserves and discretionary reserve funds, operating surplus, capital surplus, unfunded liabilities to be recovered in the future, investment in government business enterprises and investment in tangible capital assets.

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following: | | |
| Working funds | \$ 84,933 | \$ 84,867 |
| Contingencies | 996 | 971 |
| Replacement of equipment | 51,225 | 61,433 |
| Sick leave (Note 10) | 9,586 | 8,069 |
| Workplace Safety and Insurance Board (WSIB) (Note 10) | 41,110 | 40,652 |
| Pension plans | 3,341 | 3,258 |
| Tax stabilization | 20,760 | 23,215 |
| General government | 16,785 | 8,848 |
| Protection services | 1,184 | 642 |
| Transportation services | 25,396 | 23,319 |
| Environmental services | 224,625 | 259,368 |
| Health and social services | 5,478 | 8,945 |
| Recreation and cultural services | 23,848 | 26,019 |
| Planning and development | 8,046 | 13,190 |
| Other unallocated | 95,200 | 97,584 |
| Hamilton Future Fund (Note 14) | 52,963 | 48,635 |
| Total reserves and discretionary reserve funds | \$ 665,476 | \$ 709,015 |
| Operating surplus | | |
| Flamborough recreation sub-committees | \$ 227 | \$ 267 |
| Business improvement areas | 1,268 | 1,221 |
| Housing operations | 72,343 | 86,500 |
| Confederation Park operations | 280 | 445 |
| Total operating surplus | \$ 74,118 | \$ 88,433 |
| Capital surplus | | |
| Municipal operations | \$ 113,897 | \$ 119,822 |
| Housing operations | 59,960 | 17,072 |
| Total capital surplus | \$ 173,857 | \$ 136,894 |
| Unfunded liabilities | | |
| Employee benefit obligations | \$ (348,328) | \$ (348,832) |
| Solid Waste landfill liabilities | (71,420) | (71,559) |
| Total unfunded liabilities | \$ (419,748) | \$ (420,391) |
| Investment in Government Business Enterprises (Note 5) | \$ 323,851 | \$ 329,237 |
| Investment in tangible capital assets | \$ 5,393,649 | \$ 5,102,640 |
| Accumulated surplus | \$ 6,211,203 | \$ 5,945,828 |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

14. Hamilton Future Fund

The Hamilton Future Fund was established by the Council of the City of Hamilton in 2002 from the proceeds from Hamilton Utilities Corporation of the net assets owed to the City upon restructuring of the electrical industry. The Hamilton Future Fund is used to create and protect a permanent legacy for current and future generations of Hamiltonians to enjoy economic prosperity and improved quality of life.

The continuity of the Hamilton Future Fund is as follows:

| | <u>2019</u> | <u>2018</u> |
|--|----------------|----------------|
| Balance at the beginning of the year | \$ 48,635 | \$ 44,322 |
| Current operations | | |
| Investment income | 1,203 | 1,232 |
| Repayment of Waste Management Projects | 8,440 | 8,648 |
| St Joseph's Healthcare Hamilton Foundation | - | (675) |
| Westdale Cinema Group | - | (250) |
| Other | (1,142) | (586) |
| | <u>8,501</u> | <u>8,369</u> |
| Tangible capital assets | | |
| Waste Management Projects | (173) | (13) |
| Parkland | - | (43) |
| Other | (4,000) | (4,000) |
| | <u>(4,173)</u> | <u>(4,056)</u> |
| Balance at the end of the year | \$ 52,963 | \$ 48,635 |

15. Taxation

| | Budget <u>2019</u> | Actual <u>2019</u> | Actual <u>2018</u> |
|--|-----------------------|-----------------------|-----------------------|
| Taxation from real property | \$ 1,098,165 | \$ 1,102,694 | \$ 1,071,092 |
| Taxation from other governments payments in lieu of taxes | 16,227 | 16,551 | 16,256 |
| | <u>1,114,392</u> | <u>1,119,245</u> | <u>1,087,348</u> |
| Less: Taxation collected on behalf of school boards | (198,980) | (202,119) | (199,119) |
| Net taxes available for municipal purposes | <u>\$ 915,412</u> | <u>\$ 917,126</u> | <u>\$ 888,229</u> |

The City is required to levy and collect taxes on behalf of the school boards. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

16. Government transfers

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|-------------------|-------------------|
| Government transfers received: | | |
| Policing | \$ 4,447 | \$ 4,518 |
| Court security | 4,947 | 4,201 |
| Transit | 5,019 | 4,300 |
| Waste diversion | 5,095 | 5,093 |
| Public Health | 33,218 | 33,381 |
| Ambulance services | 25,300 | 24,517 |
| Social assistance | 133,015 | 137,819 |
| Long term care homes | 22,783 | 22,157 |
| Child care | 78,758 | 84,389 |
| Housing | 23,672 | 30,000 |
| Federal and provincial gas tax | 51,241 | 39,212 |
| Other | 4,126 | 3,855 |
| Infrastructure | 56,212 | 61,332 |
| | <u>\$ 447,833</u> | <u>\$ 454,774</u> |
| | <u>2019</u> | <u>2018</u> |
| Government transfers paid: | | |
| Social assistance | \$ 124,549 | \$ 131,160 |
| Social housing | 53,050 | 55,788 |
| Grants | 22,221 | 22,538 |
| | <u>\$ 199,820</u> | <u>\$ 209,486</u> |

17. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$556,293,000 at December 31, 2019 for capital works (2018 - \$488,067,000). City Council has authorized the financing of these obligations.
- (b) The City has agreements with the Ontario Realty Corporation, an agency of the Provincial Government of Ontario, for various capital projects. The outstanding future obligations at December 31, 2019 amounting to \$2,810,000 (2018 - \$3,307,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$497,000 in 2019 (2018 - \$158,000) are reported in the Consolidated Statement of Operations.
- (c) The City is legislated under the Development Charges Act to fund Government of Ontario ("GO") Transit's Growth and Capital Expansion Plan. The obligation at December 31, 2019 of \$3,460,000 (2018 - \$3,460,000) is reported in the Consolidated Statement of Financial Position. Payments are collected through development charges and remitted to Metrolinx, an agency of the Government of the Province of Ontario. Payments made to Metrolinx in the amount of \$500,000 in 2019 (2018 - \$367,000) are reported in the Consolidated Statement of Operations.
- (d) The City has a contract with Waste Connections (formerly known as Progressive Waste Services) for the transfer, hauling and disposal of the City's solid waste, including the operations of the City's Transfer Stations and Community Recycling Centre. The term of the agreement is ten years and two months for the period of January 1, 2010 to February 29, 2020. The contract fees amounting to \$7,883,000 for 2019 (2018 - \$7,969,000) are reported in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

17. Contractual obligations (continued)

- (e) The City has a contract with GFL Environmental Inc. for the provision of curbside/roadside collection of organics, garbage, leaf and yard, bulk waste for one-half of the City, including curbside/roadside recycling, automated recycling and bin waste collection for the entire City. The agreement ends on March 28, 2020 (with an option of one year extension). Contract fees amounting to \$17,602,000 for 2019 (2018 - \$18,393,000) are reported in the Consolidated Statement of Operations.
- (f) The City has lease agreements with Disabled and Aged Regional Transit System (D.A.R.T.S.) for the delivery of specialized transportation services. The duration of this agreement is for a term, commencing on the 1st day of July, 2017, and ending on the 30th day of June, 2020 (the "Term"). Should extension or other form of renewal not be approved by City Council prior to the expiry of the Agreement at the end of the term, the Agreement will continue on a monthly basis until a new contract is signed or until cancelled on one hundred and twenty (120) calendar days' notice by either party. The annual contract fees amounting to \$22,545,000 for 2019 (2018 - \$20,622,000) are reported in the Consolidated Statement of Operations.
- (g) The City has executed lease agreements for administrative office space, parking lots and other land leases requiring annual payments in future years as they become due and payable in the amount of \$47,735,000 (2018 - \$37,332,000). The minimum lease payments for these leases over the next five years and thereafter are:

| | | |
|---------------------|----|---------------|
| 2020 | \$ | 6,716 |
| 2021 | | 4,859 |
| 2022 | | 3,289 |
| 2023 | | 3,082 |
| 2024 | | 2,869 |
| 2025 and thereafter | | 26,920 |
| Total | \$ | <u>47,735</u> |

- (h) The City has a Credit Facility Agreement dated March 14, 2012 with a Canadian chartered bank to borrow up to \$117,740,000, consisting of \$65,000,000 in a revolving demand facility, and two non-revolving term facilities in the amounts of \$38,000,000 and \$14,740,000.

On May 8, 2012, the City took a drawdown of \$38,000,000 and \$14,740,000 from the two non-revolving term facilities, by undertaking two term loans. No other amounts have been drawn from the Credit Facility Agreement and therefore, as at December 31, 2019, the City has \$65,000,000 in a revolving demand facility.

The first term loan of \$14,740,000 was paid in full on May 8, 2017. The second term loan has an original principal of \$38,000,000, a term of 15 years, and an annual principal repayment of \$2,533,000. As at December 31, 2019, the remaining principal balance for the second term loan is \$20,269,000 (2018 - \$22,802,000). The interest cost for the City is based on the 30-day Banker's Acceptance rate. These loans are included in Long term liabilities – "Municipal Operations on the Statement of Financial Position."

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

18. Contractual Rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The City has entered into an agreement with the Ontario Lottery and Gaming Corporation (OLG) whereby quarterly contributions are received based on a percentage of gaming revenues estimated at \$5,200,000 per year.

19. Public liability insurance

The City has undertaken a portion of the risk for public liability, as a means of achieving cost effective risk management. As a result, the City is self-insured for public liability claims up to \$250,000 for any individual claim or for any number of claims arising out of a single occurrence. Outside insurance coverage is in place for claims in excess of \$250,000 to a maximum of \$50,000,000 per claim or occurrence.

The City has reported liabilities for insurance claims on the Consolidated Statement of Financial Position in the amount of \$18,315,000 (2018 - \$20,292,000). Claim expenses for the year in the amount of \$8,423,000 (2018 - \$7,930,000) are reported as expenses in the Consolidated Statement of Operations.

20. Contingent liabilities

The City has outstanding contractual obligations with its unionized employee groups as of December 31, 2019. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund the six outstanding settlements. In December 2019 two of these unionized groups reached a settlement and subsequent to December 31, 2019 both were paid the outstanding retroactive payments.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

21. Tangible Capital Assets

Details of the tangible capital assets are included in the Schedule of Tangible Capital Assets (pages 2-37 and 2-38). The City has tangible capital assets valued at cost in the amount of \$9,372,722,000 (2018 - \$8,982,686,000) and a net book value of \$5,930,788,000 (2018 - \$5,676,581,000). The net book value of the tangible capital assets valued as at December 31, 2019 is as follows:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------|---------------------|---------------------|
| General | | |
| Land | \$ 387,321 | \$ 357,211 |
| Land improvements | 167,237 | 157,312 |
| Buildings | 815,472 | 817,598 |
| Vehicles | 148,259 | 137,501 |
| Computer hardware and software | 19,499 | 13,572 |
| Other | 93,335 | 95,871 |
| Infrastructure | | |
| Roads | 1,310,342 | 1,293,193 |
| Bridges and structures | 181,896 | 184,387 |
| Water and wastewater facilities | 395,495 | 398,743 |
| Underground and other networks | <u>1,986,865</u> | <u>1,861,011</u> |
| Net Book Value | 5,505,721 | 5,316,399 |
| Assets under construction | <u>425,067</u> | <u>360,182</u> |
| Balance at the end of the year | <u>\$ 5,930,788</u> | <u>\$ 5,676,581</u> |

Included are leased tangible capital assets with a net book value of \$2,741,000 (2018 - \$3,360,000). In addition, the City has works of arts and historical treasures including sculptures, fine art, murals, cemetery crosses, cenotaphs, cannons and artillery that are preserved by the City but are not recorded as tangible capital assets.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

22. Reporting by Business Segment

The Consolidated Financial Statements provide a summary of the revenues and expenses for all of the services provided to the residents and businesses in the City of Hamilton as defined in the reporting entity (Note 1).

Certain allocation methodologies are employed in the preparation of segmented financial information. Services are funded primarily by taxation and user fees. Taxation revenue is allocated to the general government segment. Certain government grants, user charges and other revenues have been allocated based upon the same allocation as the related expenses. User fees are allocated based upon the segment that generated the fee.

Revenues and expenses are reported by the following functions and services:

- General government: Office of the Mayor and council, corporate administration including fleet and facilities
- Protection services: police, fire, conservation authorities
- Transportation services: roads, winter maintenance, traffic, parking, transit
- Environmental services: water, wastewater, storm water, waste management collection, diversion & disposal
- Health services: public health, cemeteries and emergency medical services/ambulance
- Social and family services: general assistance, hostels, homes for the aged, services to aged persons, child care services
- Social housing: public housing, non-profit housing, rent supplement programs
- Recreation and cultural services: parks, recreation programs, recreation facilities, golf courses, marinas, museums, libraries, tourism and HECFI.
- Planning and development: planning, zoning, commercial and industrial development and residential development

Financial information about the City's business segments is included in the Schedule of Operations for Business Segments (pages 2-39 and 2-40).

23. Liability for Contaminated Sites

The City of Hamilton estimates liabilities of \$8,993,000 as at December 31, 2019 for remediation of various lands using a risk-based approach (2018 - \$9,308,000). Total future undiscounted expenditures are estimated at \$11,889,000. The liabilities result from past industrial uses. Future expenditures are based on agreements with third parties, where available, as well as estimates. Future expenditures have been discounted using a 4% discount rate. The amount of estimated recoveries is nil (2018 – nil).

24. Budget figures

The 2019 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on December 20, 2018. The 2019 operating budget and capital financing for municipal operations was approved by City Council at a meeting on March 27, 2019.

The budget figures conform to the accounting standards adopted in CPA Canada Public Sector Accounting Handbook section *PS1200 Financial Statement Presentation*. As such, the budget figures presented in the consolidated financial statements differ from the presentation approved by City Council. A summary reconciliation follows:

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

24. Budget figures (continued)

| | <u>2019</u> |
|--|---------------------|
| Revenue | |
| Council Approved Gross Revenue Operating Budget - Municipal | \$ 1,739,888 |
| Council Approved Gross Revenue Capital Budget - Municipal | 510,948 |
| | <u>2,250,836</u> |
| Board Approved Gross Revenue Operating Budget - Housing Corporation | 60,069 |
| Board Approved Gross Revenue Capital Budget - Housing Corporation | 8,688 |
| | <u>68,757</u> |
| Adjustments to Revenues | |
| Less: Transfers from reserves and reserve funds Operating Budget Municipal Operations | (25,397) |
| Less: Transfers from reserves and reserve funds Capital Budget Municipal Operations | (171,720) |
| Less: Transfers from capital fund to current fund - Municipal Operations | (179,587) |
| Less: Transfers from capital fund to current fund - Housing Corporation | (8,688) |
| Less: Long term debt financing Capital Budget | (20,529) |
| Add: Donated tangible capital assets | 21,715 |
| Less: Reclassification - Municipal Operations | (30) |
| Add: Reserve & reserve funds | 23,157 |
| Add: Confederation Park and Westfield Heritage Village Consolidation | 2,860 |
| Less: Elimination for consolidation of Housing Corporation | (20,543) |
| | <u>(378,762)</u> |
| Consolidated | <u>\$ 1,940,831</u> |
| Expenses | |
| Council Approved Gross Expenditure Operating Budget - Municipal | \$ 1,739,888 |
| Council Approved Gross Expenditure Capital Budget - Municipal | 510,948 |
| | <u>2,250,836</u> |
| Board Approved Gross Expenditure Operating Budget - Housing Corporation | 60,069 |
| Board Approved Gross Expenditure Capital Budget - Housing Corporation | 8,688 |
| | <u>68,757</u> |
| Adjustments to Expenditures | |
| Less: Debt principal repayment - Municipal Operations | (45,728) |
| Less: Debt principal repayment - Housing Corporation | (5,836) |
| Less: Transfers to reserves and reserve funds - Municipal Operations | (70,044) |
| Less: Transfers to capital from current funds - Municipal Operations | (179,587) |
| Less: Tangible capital assets - Municipal Operations | (430,585) |
| Less: Tangible capital assets - Housing Corporation | (8,688) |
| Less: Reclassification - Municipal Operations | (30) |
| Add: Change in employee future benefits and other obligations | (504) |
| Less: Change in solid waste landfill liability | (139) |
| Add: Amortization expense for tangible capital assets | 205,247 |
| Add: Confederation Park and Westfield Heritage Village Consolidation | 2,410 |
| Less: Elimination for consolidation of Housing Corporation | (21,590) |
| Add: Loss on disposition of tangible capital assets | 7,409 |
| | <u>(547,666)</u> |
| Consolidated | <u>\$ 1,771,927</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

25. Subsequent event

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable

The Corporation declared a state of emergency under the Emergency Management Act Ontario, on March 17, 2020. The declaration of a state of emergency provides the Mayor with the ability to take action and make orders, as necessary, to protect the health, safety and welfare of residents.

The current challenging economic climate may lead to adverse changes in cash flows, reduction of service levels and budgetary constraints, which may also have a direct impact on the Corporation's revenues, annual surplus or deficit and reserve and reserve funds in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the Corporation, surrounding economy and services are not known at this time.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2019 (all numbers in columns are in thousands of dollars)

2019 Schedule of Tangible Capital Assets

| | General | | | | | | Infrastructure | | | | Assets Under Construction | TOTAL |
|--|------------|-------------------|--------------|------------|-----------|------------|----------------|----------------------------|-----------------|------------------------|---------------------------|--------------|
| | Land | Land Improvements | Buildings | Vehicles | Computer | Other | Roads | Bridges & Other Structures | W/WW Facilities | W/WW/SW Linear Network | | |
| Cost | | | | | | | | | | | | |
| Balance, Jan 1, 2019 | \$ 357,211 | \$ 332,290 | \$ 1,435,768 | \$ 313,398 | \$ 24,304 | \$ 172,915 | \$ 2,460,975 | \$ 249,145 | \$ 791,180 | \$ 2,485,318 | \$ 360,182 | \$ 8,982,686 |
| Additions, betterments & transfers in 2019 | 31,156 | 21,959 | 35,034 | 35,115 | 11,756 | 11,183 | 64,019 | 836 | 17,487 | 148,539 | 68,062 | 445,146 |
| Disposals & writedowns in 2019 | (1,971) | (179) | (3,588) | (13,706) | (368) | (13,320) | (20,055) | (22) | (229) | (20,210) | (3,177) | (76,825) |
| Donations & contributions in 2019 | 925 | 25 | - | - | - | - | 7,840 | - | - | 12,925 | - | 21,715 |
| Balance, Dec 31, 2019 | \$ 387,321 | \$ 354,095 | \$ 1,467,214 | \$ 334,807 | \$ 35,692 | \$ 170,778 | \$ 2,512,779 | \$ 249,959 | \$ 808,438 | \$ 2,626,572 | \$ 425,067 | \$ 9,372,722 |
| Accumulated amortization | | | | | | | | | | | | |
| Balance, Jan 1, 2019 | \$ - | \$ 174,978 | \$ 618,170 | \$ 175,897 | \$ 10,732 | \$ 77,044 | \$ 1,167,782 | \$ 64,758 | \$ 392,437 | \$ 624,307 | \$ - | \$ 3,306,105 |
| Amortization in 2019 | - | 11,945 | 36,346 | 24,066 | 5,823 | 13,717 | 54,117 | 3,327 | 20,529 | 35,377 | - | 205,247 |
| Disposals in 2019 | - | (65) | (2,774) | (13,415) | (362) | (13,318) | (19,462) | (22) | (23) | (19,977) | - | (69,418) |
| Balance, Dec 31, 2019 | \$ - | \$ 186,858 | \$ 651,742 | \$ 186,548 | \$ 16,193 | \$ 77,443 | \$ 1,202,437 | \$ 68,063 | \$ 412,943 | \$ 639,707 | \$ - | \$ 3,441,934 |
| Net book value Dec 31, 2019 | \$ 387,321 | \$ 167,237 | \$ 815,472 | \$ 148,259 | \$ 19,499 | \$ 93,335 | \$ 1,310,342 | \$ 181,896 | \$ 395,495 | \$ 1,986,865 | \$ 425,067 | \$ 5,930,788 |
| Assets under construction | \$ 14 | \$ 49,403 | \$ 5,056 | \$ 3,247 | \$ 3,665 | \$ 1,132 | \$ 28,820 | \$ 79,596 | \$ 220,281 | \$ 33,853 | \$ (425,067) | |
| Total | \$ 387,335 | \$ 216,640 | \$ 820,528 | \$ 151,506 | \$ 23,164 | \$ 94,467 | \$ 1,339,162 | \$ 261,492 | \$ 615,776 | \$ 2,020,718 | \$ - | \$ 5,930,788 |

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2019 (all numbers in columns are in thousands of dollars)

2018 Schedule of Tangible Capital Assets

| | General | | | | | | Infrastructure | | | | Assets Under Construction | TOTAL |
|--|------------|-------------------|--------------|------------|-----------|------------|----------------|----------------------------|-----------------|------------------------|---------------------------|--------------|
| | Land | Land Improvements | Buildings | Vehicles | Computer | Other | Roads | Bridges & Other Structures | W/WW Facilities | W/WW/SW Linear Network | | |
| Cost | | | | | | | | | | | | |
| Balance, Jan 1, 2018 | \$ 333,818 | \$ 316,660 | \$ 1,342,796 | \$ 289,081 | \$ 19,862 | \$ 162,448 | \$ 2,381,454 | \$ 244,981 | \$ 776,505 | \$ 2,381,332 | \$ 309,974 | \$ 8,558,911 |
| Additions, betterments & transfers in 2018 | 28,671 | 14,427 | 97,128 | 32,219 | 6,424 | 11,878 | 71,459 | 4,291 | 14,763 | 71,710 | 55,355 | 408,325 |
| Disposals & writedowns in 2019 | (5,278) | (606) | (4,156) | (7,902) | (1,982) | (1,431) | (3,715) | (127) | (88) | (979) | (5,147) | (31,411) |
| Donations & contributions in 2018 | - | 1,809 | - | - | - | 20 | 11,777 | - | - | 33,255 | - | 46,861 |
| Balance, Dec 31, 2018 | \$ 357,211 | \$ 332,290 | \$ 1,435,768 | \$ 313,398 | \$ 24,304 | \$ 172,915 | \$ 2,460,975 | \$ 249,145 | \$ 791,180 | \$ 2,485,318 | \$ 360,182 | \$ 8,982,686 |
| Accumulated amortization | | | | | | | | | | | | |
| Balance, Jan 1, 2018 | \$ - | \$ 164,335 | \$ 586,636 | \$ 160,481 | \$ 8,041 | \$ 62,908 | \$ 1,120,231 | \$ 61,559 | \$ 372,858 | \$ 591,998 | \$ - | \$ 3,129,047 |
| Amortization in 2018 | - | 11,128 | 35,558 | 23,216 | 4,673 | 14,910 | 50,782 | 3,288 | 19,588 | 33,288 | - | 196,431 |
| Disposals in 2018 | - | (485) | (4,024) | (7,800) | (1,982) | (774) | (3,231) | (89) | (9) | (979) | - | (19,373) |
| Balance, Dec 31, 2018 | \$ - | \$ 174,978 | \$ 618,170 | \$ 175,897 | \$ 10,732 | \$ 77,044 | \$ 1,167,782 | \$ 64,758 | \$ 392,437 | \$ 624,307 | \$ - | \$ 3,306,105 |
| Net book value Dec 31, 2018 | \$ 357,211 | \$ 157,312 | \$ 817,598 | \$ 137,501 | \$ 13,572 | \$ 95,871 | \$ 1,293,193 | \$ 184,387 | \$ 398,743 | \$ 1,861,011 | \$ 360,182 | \$ 5,676,581 |
| Assets under construction | \$ - | \$ 35,310 | \$ 59,212 | \$ 2,226 | \$ 5,612 | \$ 4,372 | \$ 25,426 | \$ 2,334 | \$ 120,851 | \$ 104,839 | \$ (360,182) | |
| Total | \$ 357,211 | \$ 192,622 | \$ 876,810 | \$ 139,727 | \$ 19,184 | \$ 100,243 | \$ 1,318,619 | \$ 186,721 | \$ 519,594 | \$ 1,965,850 | \$ - | \$ 5,676,581 |

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2019 (all numbers in columns are in thousands of dollars)

2019 Schedule of Operations for Business Segments

| | General government | Protection services | Transportation services | Environmental services | Health services | Social and family services | Social housing | Recreation and cultural services | Planning and development | TOTAL 2019 |
|--|-----------------------|------------------------|----------------------------|---------------------------|--------------------|----------------------------------|-------------------|--|-----------------------------|---------------------|
| Revenue | | | | | | | | | | |
| Taxation | \$ 917,126 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 917,126 |
| Government grants and contributions | 1,696 | 9,751 | 52,898 | 40,645 | 58,785 | 234,556 | 40,356 | 4,768 | 4,378 | 447,833 |
| User charges | 5,542 | 6,158 | 66,033 | 238,185 | 3,291 | 16,994 | 949 | 24,239 | 10,754 | 372,145 |
| Development charges and subdivider contributions | (1,164) | 1,439 | 19,127 | 30,956 | - | - | - | 6,981 | 3,307 | 60,646 |
| Donations of tangible capital assets | - | - | 7,840 | 12,925 | - | - | - | 950 | - | 21,715 |
| Investment income | 19,277 | 1,289 | 3,473 | 10,485 | 63 | 147 | 471 | 1,860 | 533 | 37,598 |
| Income from Government Business Enterprises | 11,262 | - | - | - | - | - | - | - | - | 11,262 |
| Other | 27,504 | 28,562 | 10,591 | 3,205 | 228 | 88 | 45,410 | 9,278 | 3,898 | 128,764 |
| Total | \$ 981,243 | \$ 47,199 | \$ 159,962 | \$ 336,401 | \$ 62,367 | \$ 251,785 | \$ 87,186 | \$ 48,076 | \$ 22,870 | \$ 1,997,089 |
| Expenses | | | | | | | | | | |
| Salaries and benefits | \$ 70,975 | \$ 276,170 | \$ 118,028 | \$ 47,208 | \$ 82,100 | \$ 80,184 | \$ 13,789 | \$ 78,269 | \$ 30,908 | \$ 797,631 |
| Interest on long term debt | 1,540 | 546 | 3,393 | 4,868 | 399 | 315 | 1,349 | 1,270 | 87 | 13,767 |
| Materials supplies services | 35,518 | 20,591 | 43,121 | 38,914 | 7,388 | 8,141 | 16,176 | 29,738 | 3,721 | 203,308 |
| Contracted services | 24,935 | 3,634 | 60,013 | 82,024 | 3,468 | 81,231 | 31,726 | 16,469 | 6,134 | 309,634 |
| Rents and financial expenses | 3,333 | 1,979 | 6,841 | 4,894 | 2,135 | 2,502 | 3,108 | 4,462 | 1,830 | 31,084 |
| External transfers | 280 | 9,406 | - | 1,296 | 14 | 127,009 | 23,341 | 5,655 | 1,470 | 168,471 |
| Amortization | 9,031 | 8,513 | 81,455 | 62,161 | 3,259 | 2,363 | 6,908 | 28,578 | 2,979 | 205,247 |
| Interfunctional transfers | (78,986) | 9,419 | 24,868 | 11,413 | 7,294 | 7,616 | 734 | 12,508 | 5,134 | - |
| Total | \$ 66,626 | \$ 330,258 | \$ 337,719 | \$ 252,778 | \$ 106,057 | \$ 309,361 | \$ 97,131 | \$ 176,949 | \$ 52,263 | \$ 1,729,142 |
| Annual surplus (deficit) | \$ 914,617 | \$ (283,059) | \$ (177,757) | \$ 83,623 | \$ (43,690) | \$ (57,576) | \$ (9,945) | \$ (128,873) | \$ (29,393) | \$ 267,947 |

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2019 (all numbers in columns are in thousands of dollars)

2018 Schedule of Operations for Business Segments

| | General government | Protection services | Transportation services | Environmental services | Health services | Social and family services | Social housing | Recreation and cultural services | Planning and development | TOTAL 2018 |
|--|-----------------------|------------------------|----------------------------|---------------------------|--------------------|----------------------------------|-------------------|--|-----------------------------|---------------------|
| Revenue | | | | | | | | | | |
| Taxation | \$ 888,229 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 888,229 |
| Government grants and contributions | 2,062 | 8,743 | 58,980 | 27,356 | 57,898 | 245,885 | 48,728 | 3,397 | 1,725 | 454,774 |
| User charges | 6,474 | 5,855 | 59,377 | 220,704 | 3,236 | 16,262 | 270 | 23,272 | 12,187 | 347,637 |
| Development charges and subdivider contributions | 2,425 | 876 | 15,577 | 80,854 | - | - | - | 13,226 | 6,745 | 119,703 |
| Donations of tangible capital assets | - | - | 11,777 | 33,256 | - | - | - | 1,829 | - | 46,862 |
| Investment income | 14,179 | 1,495 | 2,502 | 10,128 | 61 | 186 | 512 | 1,564 | 474 | 31,101 |
| Income from Government Business Enterprises | 24,285 | - | - | - | - | - | - | - | - | 24,285 |
| Other | 26,971 | 26,304 | 12,758 | 3,975 | 62 | 29 | 54,154 | 7,725 | 5,498 | 137,476 |
| Total | \$ 964,625 | \$ 43,273 | \$ 160,971 | \$ 376,273 | \$ 61,257 | \$ 262,362 | \$ 103,664 | \$ 51,013 | \$ 26,629 | \$ 2,050,067 |
| Expenses | | | | | | | | | | |
| Salaries and benefits | \$ 68,567 | \$ 276,046 | \$ 112,122 | \$ 45,102 | \$ 79,509 | \$ 77,282 | \$ 15,808 | \$ 75,922 | \$ 29,694 | \$ 780,052 |
| Interest on long term debt | 919 | 657 | 3,375 | 4,176 | 417 | 396 | 1,463 | 1,183 | 91 | 12,677 |
| Materials supplies services | 39,276 | 19,095 | 45,645 | 37,834 | 7,639 | 8,054 | 17,116 | 28,289 | 4,734 | 207,682 |
| Contracted services | 27,045 | 3,316 | 51,036 | 119,033 | 3,608 | 85,444 | 23,422 | 15,484 | 13,543 | 341,931 |
| Rents and financial expenses | 6,332 | 1,941 | 8,245 | 5,915 | 2,055 | 2,558 | 1,502 | 5,432 | 570 | 34,550 |
| External transfers | 282 | 7,392 | - | 1,466 | 15 | 133,783 | 39,253 | 7,414 | 933 | 190,538 |
| Amortization | 8,656 | 8,215 | 77,003 | 59,798 | 3,152 | 2,323 | 6,680 | 27,602 | 2,999 | 196,428 |
| Interfunctional transfers | (71,052) | 7,565 | 22,579 | 10,947 | 6,473 | 6,979 | 649 | 11,639 | 4,221 | - |
| Total | \$ 80,025 | \$ 324,227 | \$ 320,005 | \$ 284,271 | \$ 102,868 | \$ 316,819 | \$ 105,893 | \$ 172,965 | \$ 56,785 | \$ 1,763,858 |
| Annual surplus (deficit) | \$ 884,600 | \$ (280,954) | \$ (159,034) | \$ 92,002 | \$ (41,611) | \$ (54,457) | \$ (2,229) | \$ (121,952) | \$ (30,156) | \$ 286,209 |

Section 3

City of Hamilton Consolidated Financial Statements for the Trust Funds Cemetery and General Trusts December 31, 2019

Contents

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the Trust Funds – Cemetery and General Trusts of the City of Hamilton (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2019
 - the consolidated statement of operations for the year then ended
 - and notes to the financial statements, including a summary of significant accounting policies
- (Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations 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. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

We are independent of the Entity 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 Those Charged with Governance 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 1, 2020

City of Hamilton

Trust Funds – Consolidated

As at December 31, 2019

Statement of Financial Position

As at December 31, 2019

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Financial assets | | |
| Cash | \$ 2,486,026 | \$ 4,096,219 |
| Investments (Note 2) | 16,800,084 | 13,918,360 |
| Due from City of Hamilton - Cemetery (Note 3) | 1,238,993 | 1,199,667 |
| Due from City of Hamilton - Other Trust Funds (Note 3) | 42,071 | 49,741 |
| Total financial assets | <u>\$ 20,567,174</u> | <u>\$ 19,263,987</u> |
| Liabilities | | |
| Deposits | \$ 507,160 | \$ 475,556 |
| Accumulated surplus and net financial assets | <u>\$ 20,060,014</u> | <u>\$ 18,788,431</u> |

Statement of Operations

Year ended December 31, 2019

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Revenues | | |
| Cemetery lots and interments | \$ 818,379 | \$ 746,383 |
| Investment income | 596,006 | 562,378 |
| Other revenue | - | 2,300 |
| Total revenue | <u>\$ 1,414,385</u> | <u>\$ 1,311,061</u> |
| Expenses | | |
| Transfer to other trust funds | \$ 124,143 | \$ 167,859 |
| Other | 18,659 | 17,833 |
| Total expenses | <u>\$ 142,802</u> | <u>\$ 185,692</u> |
| Annual surplus | <u>\$ 1,271,583</u> | <u>\$ 1,125,369</u> |
| Accumulated surplus at the beginning of the year | <u>18,788,431</u> | <u>17,663,062</u> |
| Accumulated surplus at the end of the year (Note 4) | <u>\$ 20,060,014</u> | <u>\$ 18,788,431</u> |

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes to The Financial Statements

As at December 31, 2019

1. Significant accounting policies

The financial statements of the City of Hamilton Trust Funds (the "Trust Funds") are the representation of management prepared in accordance Canadian public sector accounting standards. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations.

(a) Basis of consolidation

These consolidated statements reflect the revenues, expenditures, assets and liabilities of the following trust funds:

Fieldcote Farmer (Ancaster)
Dundas Knowles Bequest
Hamilton F. Waldon Dundurn Castle
Dundas Ellen Grafton
Ancaster Fieldcote Livingstone-Clarke
Ancaster Fieldcote Shaver
Hamilton Balfour Estate Chedoke
Cemetery Trust Funds
Municipal Election Surplus

(b) Basis of accounting

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable.
- (iii) Revenues on the cemetery lots are recognized upon transfer of title of the deed.

2. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$16,800,084 (2018 - \$13,918,360). These investments have a market value of \$17,946,604 (2018 - \$14,615,707) at the end of the year.

3. Due from City of Hamilton

The amount due from the City of Hamilton is non-interest bearing with no fixed repayment terms.

City of Hamilton

Trust Funds

Notes to The Financial Statements

As at December 31, 2019

4. Accumulated surplus

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------------|---------------------|
| The accumulated surplus consists of: | | |
| Cemeteries | <u>\$ 19,408,095</u> | <u>\$18,135,887</u> |
| Other | | |
| Fieldcote Farmer (Ancaster) | 334,070 | 336,169 |
| Knowles Bequest (Dundas) | 249,692 | 249,634 |
| F. Walden Dundurn Castle (Hamilton) | 6,586 | 6,422 |
| Ellen Grafton (Dundas) | 8,007 | 7,829 |
| Fieldcote Livingstone-Clarke (Ancaster) | 5,155 | 5,155 |
| Fieldcote Shaver (Ancaster) | 5,155 | 5,155 |
| Municipal Election (Hamilton) | 36,011 | 35,117 |
| Balfour Estate Chedoke (Hamilton) | <u>7,243</u> | <u>7,063</u> |
| | <u>\$ 651,919</u> | <u>\$ 652,544</u> |
| | <u>\$ 20,060,014</u> | <u>\$18,788,431</u> |

5. Subsequent events

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is no currently determinable. The current challenging economic climate may lead to adverse changes which may have a direct impact on the Trusts' operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.

City of Hamilton

Trust Funds - Cemetery

As at December 31, 2019

Statement of Financial Position

As at December 31, 2019

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|----------------------|----------------------|
| Financial assets | | |
| Cash | \$ 2,162,423 | \$ 3,794,622 |
| Investments | 16,513,839 | 13,617,154 |
| Due from City of Hamilton | <u>1,238,993</u> | <u>1,199,667</u> |
| Total financial assets | <u>\$ 19,915,255</u> | <u>\$ 18,611,443</u> |
| Liabilities | | |
| Deposits | <u>\$ 507,160</u> | <u>\$ 475,556</u> |
| Accumulated surplus | <u>\$ 19,408,095</u> | <u>\$ 18,135,887</u> |

Statement of Operations

Year ended December 31, 2019

| | <u>2019</u> | <u>2017</u> |
|---|----------------------|----------------------|
| Revenues | | |
| Cemetery lots and interments | \$ 818,379 | \$ 746,383 |
| Investment income | 580,939 | 547,044 |
| Other revenue | <u>-</u> | <u>2,300</u> |
| Total revenue | <u>\$ 1,399,318</u> | <u>\$ 1,295,727</u> |
| Expenses | | |
| Transfer to other trust funds | \$ 115,088 | \$ 158,443 |
| Other | <u>12,022</u> | <u>11,736</u> |
| Total expenses | <u>\$ 127,110</u> | <u>\$ 170,179</u> |
| Annual surplus | <u>\$ 1,272,208</u> | <u>\$ 1,125,548</u> |
| Accumulated surplus at the beginning of the year | <u>18,135,887</u> | <u>17,010,339</u> |
| Accumulated surplus at the end of the year | <u>\$ 19,408,095</u> | <u>\$ 18,135,887</u> |

See accompanying notes to the financial statements

City of Hamilton

Trust Funds – Other

As at December 31, 2019

Statement of Financial Position

As at December 31, 2019

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|-------------------|-------------------|
| Financial assets | | |
| Cash | \$ 323,602 | \$ 301,597 |
| Investments | 286,246 | 301,206 |
| Due from City of Hamilton | <u>42,071</u> | <u>49,741</u> |
| Total financial assets | <u>\$ 651,919</u> | <u>\$ 652,544</u> |
| Accumulated surplus | <u>\$ 651,919</u> | <u>\$ 652,544</u> |

Statement of Operations

Year ended December 31, 2019

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Revenues | | |
| Investment income | <u>\$ 15,067</u> | <u>\$ 15,334</u> |
| Total revenue | <u>\$ 15,067</u> | <u>\$ 15,334</u> |
| Expenses | | |
| Transfer to other trust funds | \$ 9,055 | \$ 9,416 |
| Other | <u>6,637</u> | <u>6,097</u> |
| Total expenses | <u>\$ 15,692</u> | <u>\$ 15,513</u> |
| Annual deficit | <u>\$ (625)</u> | <u>\$ (179)</u> |
| Accumulated surplus at the beginning of the year | <u>652,544</u> | <u>652,723</u> |
| Accumulated surplus at the end of the year | <u>\$ 651,919</u> | <u>\$ 652,544</u> |

Section 4

**City of Hamilton
Financial Statements for the
Trust Funds – Homes for the Aged
December 31, 2019**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the Trust Funds – Homes for the Aged of the City of Hamilton (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations 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. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

We are independent of the Entity 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 Those Charged with Governance 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 29, 2020

City of Hamilton

Trust Funds – Homes for the Aged

As at December 31, 2019 with comparative information for 2018

Statement of Financial Position As at December 31, 2019

| | Macassa Lodge Resident Trusts | Wentworth Lodge Resident Trusts | Macassa Lodge Other Trusts | Wentworth Lodge Other Trusts | Total 2019 | Total 2018 |
|---|--|--|-------------------------------------|---------------------------------------|-----------------------|-------------------|
| Financial assets | | | | | | |
| Cash | \$ 28,734 | \$ 28,120 | \$ 23,201 | \$ 43,768 | \$ 123,823 | \$ 201,569 |
| Investments | - | - | - | 280,523 | 280,523 | 271,022 |
| Total Financial Assets | \$ 28,734 | \$ 28,120 | \$ 23,201 | \$ 324,291 | \$ 404,346 | \$ 472,591 |
| Liabilities | | | | | | |
| Due to (from) City of Hamilton | - | - | - | - | - | 89,766 |
| Accumulated surplus and net financial assets | \$ 28,734 | \$ 28,120 | \$ 23,201 | \$ 324,291 | \$ 404,346 | \$ 382,825 |

Statement of Operations Year ended December 31, 2019

| | Macassa Lodge Resident Trusts | Wentworth Lodge Resident Trusts | Macassa Lodge Other Trusts | Wentworth Lodge Other Trusts | Total 2019 | Total 2018 |
|---|--|--|-------------------------------------|---------------------------------------|-----------------------|-------------------|
| Revenue | | | | | | |
| Residents' deposits | \$ 143,191 | \$ 107,143 | \$ 4,871 | \$ 21,682 | \$ 276,887 | \$ 250,418 |
| Investment income | - | - | 464 | 10,967 | 11,431 | 11,406 |
| Donations | - | - | 857 | - | 857 | 869 |
| | <u>143,191</u> | <u>107,143</u> | <u>6,192</u> | <u>32,649</u> | <u>289,175</u> | <u>262,693</u> |
| Expenses | | | | | | |
| Maintenance payments | - | 25,033 | - | - | 25,033 | 19,786 |
| Residents' charges | 118,915 | 80,039 | 2,196 | 17,523 | 218,673 | 208,845 |
| Payments to estates | 15,970 | 7,978 | - | - | 23,948 | 12,806 |
| Program purchases | - | - | - | - | - | 90,826 |
| | <u>134,885</u> | <u>113,050</u> | <u>2,196</u> | <u>17,523</u> | <u>267,654</u> | <u>332,263</u> |
| Annual surplus (deficit) | 8,306 | (5,907) | 3,996 | 15,126 | 21,521 | (69,570) |
| Accumulated surplus at the beginning of the year | 20,428 | 34,027 | 19,205 | 309,165 | 382,825 | 452,395 |
| Accumulated surplus at the end of the year | \$ 28,734 | \$ 28,120 | \$ 23,201 | \$ 324,291 | \$ 404,346 | \$ 382,825 |

See accompanying notes to the financial statements.

City of Hamilton
Trust Funds – Homes for the Aged
Notes to the Financial Statements
December 31, 2019

1. Purpose of Trust Funds

The various Trust Funds administered by The Corporation of the City of Hamilton are established for the following purposes:

Macassa and Wentworth Lodge Resident Trusts

These Trust Funds are established for residents to receive their funds and to pay for their various charges including monthly maintenance payments.

Macassa and Wentworth Lodge Other Trusts

These Trust Funds are established for the receipts of funds from donations and fund raising activities. The funds are to be used for the benefit of lodge residents over and above normal capital and operating expenses of the lodges.

2. Significant accounting policies

The financial statements of the Trust Funds of The City of Hamilton are the representation of management prepared in accordance with Canadian public sector accounting standards.

Basis of accounting

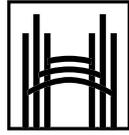
The Trust Funds follow the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as result of receipt of goods and services and/or the creation of a legal obligation to pay.

3. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$280,523 (2018 - \$271,022). These investments have a market value of \$285,598 (2018 - \$280,511) at the end of the year.

4. Subsequent event

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes which may have a direct impact on the Trust's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.



Hamilton

