



Hamilton

FINANCIAL SERVICES

FINANCIAL REPORT 2022





Hamilton

FINANCIAL REPORT

2022

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

City of Hamilton
Financial Report
2022

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Accommodations for Readers with Disabilities

In accordance with the Ontario Human Rights Code, Ontario's Human Rights Act, 2001 (ODA) and Accessibility for Ontarians with Disabilities Act, 2005 (AODA), the City of Hamilton will accommodate for readers with a disability upon request.

**City of Hamilton
Five Year Financial and Statistical Review
2022**

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenue					
Taxation	\$ 1,028,395	\$ 985,972	\$ 957,739	\$ 917,126	\$ 888,229
Government grants and contributions	511,692	536,264	521,305	447,833	454,774
User charges	389,639	344,086	329,316	372,145	347,637
Developer contributions earned	32,015	68,541	33,693	60,646	119,703
Donated tangible capital assets	18,990	28,812	8,494	21,715	46,862
Investment and dividend income	44,735	37,639	33,545	37,598	31,101
Net income from Government Business Enterprises	6,057	13,097	10,726	11,262	24,285
Other	169,002	131,674	120,526	128,764	137,476
	<u>2,200,525</u>	<u>2,146,085</u>	<u>2,015,344</u>	<u>1,997,089</u>	<u>2,050,067</u>
Operating Expenses by Function					
General government	\$ 84,262	\$ 95,277	\$ 68,079	\$ 66,626	\$ 80,025
Protection services	365,261	357,517	341,243	330,258	324,227
Transportation services	364,580	338,618	322,651	337,719	320,005
Environmental services	300,621	283,556	251,828	252,778	284,271
Health services	151,288	153,396	126,930	106,057	102,868
Social and family services	357,834	342,493	333,523	309,361	316,819
Social housing	129,364	124,830	110,063	97,131	105,893
Recreation and cultural services	189,040	164,238	149,932	176,949	172,965
Planning and development	75,171	63,316	56,382	52,263	56,785
	<u>2,017,421</u>	<u>1,923,241</u>	<u>1,760,631</u>	<u>1,729,142</u>	<u>1,763,858</u>
Net Operating Revenue or Annual Surplus from Operations	<u>183,104</u>	<u>222,844</u>	<u>254,713</u>	<u>267,947</u>	<u>286,209</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2022 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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Taxation					
Taxation from real property	\$ 1,210,926	\$ 1,164,870	\$ 1,146,798	\$ 1,102,694	\$ 1,071,092
Taxation from other governments/payments in lieu of taxes	\$ 17,919	\$ 17,508	\$ 16,900	\$ 16,551	\$ 16,256
Taxation collected on behalf of school boards	(200,450)	(196,406)	(205,959)	(202,119)	(199,119)
Net taxes available for municipal purposes	1,028,395	985,972	957,739	917,126	888,229
Tax Levies					
City portion	\$ 993,537	\$ 954,419	\$ 924,159	\$ 886,787	\$ 857,981
School Board portion	195,845	193,426	202,808	198,980	196,082
	1,189,382	1,147,845	1,126,967	1,085,767	1,054,063
Tax arrears					
Taxes receivable	\$ 86,145	\$ 81,750	\$ 85,023	\$ 86,309	\$ 80,972
Taxes receivable per capita	146	140	147	149	141
Taxes receivable as a percentage of current years' levies	7.2%	7.1%	7.5%	7.9%	7.7%
Unweighted Taxable Assessment					
Residential	\$ 72,726,255	\$ 71,929,405	\$ 70,762,154	\$ 66,000,132	\$ 61,518,082
Non-Residential	9,812,463	9,676,235	9,620,270	9,069,880	8,442,007
	82,538,718	81,605,640	80,382,424	75,070,012	69,960,089
Weighted Taxable Assessment					
Residential	\$ 75,263,939	\$ 74,704,344	\$ 73,713,509	\$ 69,119,831	\$ 64,745,624
Non-Residential	21,267,983	20,954,969	20,946,399	19,641,077	18,379,207
	96,531,922	95,659,313	94,659,908	88,760,908	83,124,831
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%	1.2%	1.2%	1.2%	1.6%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2022 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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Expenses by Object					
Salaries, wages and employee benefits	\$ 902,088	\$ 862,369	\$ 819,188	\$ 797,631	\$ 780,052
Interest on long term liabilities	10,005	11,486	12,416	13,767	12,677
Materials	286,975	245,947	203,045	203,308	207,682
Contracted services	351,577	375,195	282,168	309,634	341,931
Rents and financial expenses	42,824	35,968	36,080	31,084	34,550
External transfers	195,999	176,015	193,667	168,471	190,538
Amortization of tangible capital assets	227,953	216,261	214,067	205,247	196,428
	<u>2,017,421</u>	<u>1,923,241</u>	<u>1,760,631</u>	<u>1,729,142</u>	<u>1,763,858</u>
Operating Expenses as Percentage of Total					
Salaries, wages and employee benefits	44.7%	44.8%	46.5%	46.1%	44.2%
Interest on long term liabilities	0.5%	0.6%	0.7%	0.8%	0.7%
Materials	14.3%	12.8%	11.6%	11.8%	11.8%
Contracted services	17.4%	19.5%	16.0%	18.0%	19.5%
Rents and financial expenses	2.1%	1.9%	2.0%	1.8%	2.0%
External transfers	9.7%	9.2%	11.0%	9.7%	10.8%
Amortization of tangible capital assets	11.3%	11.2%	12.2%	11.8%	11.0%
	<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	\$ 353,317	\$ 401,143	\$ 436,289	\$ 432,709	\$ 484,891
Long Term Debt incurred by the City for which other entities have assumed responsibility	-	-	-	-	-
	<u>353,317</u>	<u>401,143</u>	<u>436,289</u>	<u>432,709</u>	<u>484,891</u>
Long Term Liabilities					
Housing operations	\$ 46,731	\$ 48,882	\$ 40,991	\$ 46,967	\$ 52,803
City operations	306,586	352,261	395,298	385,742	432,088
	<u>353,317</u>	<u>401,143</u>	<u>436,289</u>	<u>432,709</u>	<u>484,891</u>
Long term liabilities as a % of Reserves and Capital Surplus	37.30%	46.80%	49.80%	51.60%	57.30%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2022 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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tangible Capital Assets					
General					
Land	\$ 448,607	\$ 442,267	\$ 403,879	\$ 387,321	\$ 357,211
Land improvements	225,955	202,950	181,506	167,237	157,312
Buildings	830,433	821,383	829,290	815,472	817,598
Vehicles	152,225	140,537	138,937	148,259	137,501
Computer hardware and software	15,689	17,694	18,698	19,499	13,572
Other	101,889	104,261	92,062	93,335	95,871
Infrastructure					
Roads	1,312,271	1,307,472	1,315,237	1,310,342	1,293,193
Bridges and structures	178,749	177,730	181,098	181,896	184,387
Water and wastewater facilities	493,680	448,041	416,470	395,495	398,743
Underground and other networks	2,092,702	2,066,026	2,021,641	1,986,865	1,861,011
Net Book Value	5,852,200	5,728,361	5,598,818	5,505,721	5,316,399
Assets under construction	697,750	720,255	604,146	425,067	360,182
	6,549,950	6,448,616	6,202,964	5,930,788	5,676,581
Accumulated Surplus or Municipal Financial Position					
Reserves and reserve funds					
Reserves	\$ 578,076	\$ 611,750	\$ 623,966	\$ 612,513	\$ 660,380
Hamilton Future Fund	65,328	63,848	58,466	52,963	48,635
	643,404	675,598	682,432	665,476	709,015
Capital surplus	\$ 304,984	\$ 180,850	\$ 193,769	\$ 173,857	\$ 136,894
Operating surplus	70,389	74,546	83,987	74,118	88,433
Investment in Government Business Enterprises	315,217	321,183	319,823	323,851	329,237
Investment in tangible capital assets	6,018,265	5,894,721	5,629,066	5,393,649	5,102,640
Unfunded liabilities - Employee future benefits	(387,179)	(372,130)	(363,419)	(348,328)	(348,832)
Unfunded liabilities - Solid waste landfill sites	(83,511)	(78,272)	(65,148)	(71,420)	(71,559)
Unfunded liabilities - Environmental	(4,865)	(7,308)	(15,400)	-	-
	6,876,704	6,689,188	6,465,110	6,211,203	5,945,828

Note: Amounts reported may have been restated from previous amounts presented to conform to 2022 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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statistical Information					
Population	592,000	584,000	578,000	579,000	572,575
Households	245,175	242,185	237,420	237,200	234,655
Area in hectares	112,840	112,840	112,840	112,775	112,775
Building Permit Values	\$ 1,856,371,964	\$ 2,128,166,392	\$ 1,383,480,564	\$ 1,408,521,764	\$ 1,264,757,129
Housing Starts	1,753	1,564	1,406	1,438	1,135
Residential Units - Building Permits	5,046	5,494	4,507	5,012	5,808
Average Monthly Social Assistance Case Load	9,828	9,118	11,034	11,248	11,884
Continuous Full Time Employees	7,067	6,890	6,919	6,841	6,724

Note: Amounts reported may have been restated from previous amounts presented to conform to 2022 Public Sector Accounting Board (PSAB) standards.

Section 2

City of Hamilton Consolidated Financial Statements 2022

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INDEPENDENT AUDITOR'S 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 Corporation of the City of Hamilton (the City), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- 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 City as at December 31, 2022, 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

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

- the information, other than the financial statements and the auditor's report thereon, included in the Financial Report 2022

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.



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We obtained the information, other than the financial statements and the auditor's report thereon, included in the Financial Report 2022 as at the date of this auditor's 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 auditor's 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 City's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 City to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants,

Hamilton, Canada

June 21, 2023

City of Hamilton

Consolidated Statement of Financial Position

For the year ended December 31, 2022 (all numbers are in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents (Note 3)	\$ 448,977	\$ 473,967
Taxes receivable	86,145	81,750
Accounts receivable	147,290	144,390
Other assets	1,476	1,421
Long term receivables (Note 4)	60,549	53,405
Portfolio investments (Note 3)	1,337,671	1,171,734
Investment in Government Business Enterprises (Note 5)	315,217	321,183
Total financial assets	\$ 2,397,325	\$ 2,247,850
Liabilities		
Accounts payable and accrued liabilities	\$ 418,927	\$ 436,642
Deferred revenue - general	105,042	105,713
Deferred revenue - obligatory reserve funds (Note 6 & 7)	725,530	617,918
Long term liabilities – municipal operations (Note 8)	306,586	352,261
Long term liabilities – housing corporation (Note 9)	46,731	48,882
Employee future benefits and other obligations (Note 10 & 11)	411,543	396,733
Solid waste landfill liabilities (Note 12)	83,511	78,272
Total liabilities	2,097,870	2,036,421
Net financial assets	\$ 299,455	\$ 211,429
Non-financial assets		
Tangible capital assets (Note 21)	\$ 6,549,950	\$ 6,448,616
Inventories	19,850	19,528
Prepaid expenses	7,449	9,615
Total non-financial assets	6,577,249	6,477,759
Accumulated surplus (Note 13)	\$ 6,876,704	\$ 6,689,188

Contractual obligations (Note 17)

Contractual rights (Note 18)

Contingent liabilities (Note 20)

COVID-19 (Note 25)

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Operations

For the year ended December 31, 2022 (all numbers are in thousands of dollars)

	Budget <u>2022</u> (Note 24)	Actual <u>2022</u>	Actual <u>2021</u>
Revenue			
Taxation (Note 15)	\$ 1,024,475	\$ 1,028,395	\$ 985,972
Government grants and contributions (Note 16)	431,831	511,692	536,264
User charges	387,543	389,639	344,086
Developer contributions earned	36,490	32,015	68,541
Donated tangible capital assets	18,990	18,990	28,812
Investment and dividend income	39,394	44,735	37,639
Net income from Government Business Enterprises (Note 5)	-	6,057	13,097
Other	113,934	169,002	131,674
Total revenue	<u>2,052,657</u>	<u>2,200,525</u>	<u>2,146,085</u>
Expenses			
General government	\$ 71,156	\$ 84,262	\$ 95,277
Protection services	362,700	365,261	357,517
Transportation services	369,639	364,580	338,618
Environmental services	299,348	300,621	283,556
Health services	166,597	151,288	153,396
Social and family services	354,684	357,834	342,493
Social housing	122,924	129,364	124,830
Recreation and cultural services	194,774	189,040	164,238
Planning and development	78,816	75,171	63,316
Total expenses	<u>2,020,638</u>	<u>2,017,421</u>	<u>1,923,241</u>
Annual Surplus	\$ 32,019	\$ 183,104	\$ 222,844
Accumulated surplus			
Beginning of year	\$ 6,689,188	\$ 6,689,188	\$ 6,465,110
Other comprehensive income and other Government Business Enterprises (Note 5)	-	4,412	1,234
End of year	<u>\$ 6,721,207</u>	<u>\$ 6,876,704</u>	<u>\$ 6,689,188</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, 2022 (all numbers are in thousands of dollars)

	Budget <u>2022</u> (Note 24)	Actual <u>2022</u>	Actual <u>2021</u>
Operating activities			
Annual surplus	\$ 32,019	\$ 183,104	\$ 222,844
Other comprehensive loss of Government Business Enterprises	-	4,412	1,234
Acquisition of tangible capital assets	(490,762)	(320,219)	(447,314)
Loss on disposition of tangible capital assets	9,922	9,922	14,212
Amortization of tangible capital assets	227,952	227,953	216,262
Donated tangible capital assets	(18,990)	(18,990)	(28,812)
Change in inventories	-	(322)	(134)
Change in prepaid expenses	-	2,166	504
Change in financial assets	<u>(239,859)</u>	<u>88,026</u>	<u>(21,204)</u>
Net financial assets (debt)			
Beginning of year	<u>211,429</u>	<u>211,429</u>	<u>232,633</u>
End of year	<u>\$ (28,430)</u>	<u>\$ 299,455</u>	<u>\$ 211,429</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Cash Flows

For the year ended December 31, 2022 (all numbers in columns are in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Operating activities		
Annual surplus	\$ 183,104	\$ 222,844
(Increase) decrease in taxes receivable	(4,395)	3,273
Increase in accounts receivable	(2,900)	(5,233)
(Increase) decrease in other assets	(55)	7
(Decrease) increase in accounts payable and accrued liabilities	(17,715)	46,639
(Decrease) increase in deferred revenue - general	(671)	18,570
Increase in deferred revenue - obligatory reserve fund	107,612	147,339
Increase in inventories	(322)	(134)
Decrease in prepaid expenses	2,166	504
Non-cash activities		
Amortization of tangible capital assets	227,953	216,262
Donated tangible capital assets	(18,990)	(28,812)
Loss on disposition of tangible capital assets	9,922	14,212
Net income from Government Business Enterprises	(6,057)	(13,097)
Change in employee future benefits and other obligations	14,810	8,783
Change in solid waste landfill liabilities	5,239	13,124
	<u>499,701</u>	<u>644,281</u>
Investing activities		
Increase in portfolio investments	(165,937)	(148,835)
Increase in long term receivables	(7,144)	(11,168)
Dividends received from Government Business Enterprises	16,435	12,971
	<u>(156,646)</u>	<u>(147,032)</u>
Financing activities		
Long term debt issued – housing corporation	3,909	13,918
Long term liability – municipal operations	397	2,678
Debt principal repayment – municipal operations	(45,535)	(45,112)
Lease obligation payment – municipal operations	(537)	(603)
Debt principal repayment – housing corporation	(6,060)	(6,027)
	<u>(47,826)</u>	<u>(35,146)</u>
Capital activities		
Purchase of tangible capital assets	(320,219)	(447,314)
Net (decrease) increase in cash and cash equivalents	(24,990)	14,789
Cash and cash equivalents		
Beginning of year	<u>473,967</u>	<u>459,178</u>
End of year	<u>\$ 448,977</u>	<u>\$ 473,967</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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, Locke Street 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.

Hamilton Utilities Corporation (“H.U.C.”), Hamilton Enterprises Holdings Corporation (“H.E.H.C.O.”) and Hamilton Renewable Power Inc. (“HRP 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 (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, 2022 (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 \$21,481,000 (2021 - \$19,921,000 - prior year comparatives have been adjusted due to a change in accounting policy) 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 \$427,000 (2021 - \$407,000) 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
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 and 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.

(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.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(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	3 to 100 years
General - Buildings	20 to 50 years
General - Vehicles	2 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 consolidated financial statements.

(i) Inventories

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(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) Solid waste landfill liabilities

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.

(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, 2022, there are no such related party transactions to disclose.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(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, 2022, there are no such contingent assets to disclose.

(q) Contractual rights

Contractual rights require the disclosure of information in regard 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, 2022, 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 government 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, 2022, there were no material inter-entity transactions to disclose.

2. Adoption of new accounting standards

The following are upcoming standard and amendment changes that will be effective in future periods. They have not been applied to the 2022 consolidated financial statements. Management is still assessing the impact to the City's future financial statements and the extent of the impact is still not known at this point.

(a) PS 1201, Financial Statement Presentation

Introduces a new statement of remeasurement gains and losses. The new statement will report: unrealized foreign exchange gains or losses, fair value remeasurements and other comprehensive income (OCI) from GBEs / GBPs. This standard is effective for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end) and must be adopted simultaneously with PS 3450-Financial Instruments and PS2601-Foreign Currency Translation.

(b) PS 2601, Foreign Currency Translation

Requires foreign exchange translation gains and losses to be reported in the statement of remeasurement gains and losses. This standard is effective for fiscal periods beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (all numbers in columns are in thousands of dollars)

2. Adoption of new accounting standards (continued)

(c) PS 3280, Asset Retirement Obligations

Establishes a framework for recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Legally obligated costs associated with the retirement of capital assets will be accounted for over the life of the asset, as opposed to at time the retirement occurs. This section is effective for fiscal years beginning on or after April 1, 2022 (The City's December 31, 2023 year-end).

(d) PS 3400, Revenue

Establishes a framework for recognition, measurement and reporting revenues that arise from transactions that include performance obligations (revenue recognized as performance obligations are satisfied) and transactions that do not have performance obligations (revenue recognized at realizable value). This section is effective for fiscal years beginning on or after April 1, 2023 (The City's December 31, 2024 year-end).

(e) PS 3450, Financial Instruments

Provides guidance on recognition, measurement, presentation and disclosure of financial instruments and introduces fair value measurement for a number of financial instruments including derivatives. This standard is effective for fiscal periods beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).

(f) PS 3041 Portfolio Investments

Provides guidance on how to account for investments in organizations that do not form part of the government reporting entity. Such investments are normally in equity instruments or debt instruments issued by the investee. This section is effective for fiscal years beginning on or after April 1, 2022 (The City's December 31, 2023 year-end).

(g) Public Sector Guideline 8, Purchased Intangible

Allows public sector entities to recognize intangible purchased through an exchange transaction. This guideline is effective for fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 year-end).

(h) PS 3160 Public Private Partnership

This Section establishes standards on accounting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. This section is effective for fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 year-end).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (all numbers in columns are in thousands of dollars)

3. Cash and cash equivalents and portfolio investments

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 128	\$ 133
Cash held in banks	441,973	467,491
Temporary investments	6,876	6,343
	<u>\$ 448,977</u>	<u>\$ 473,967</u>
Portfolio investments are comprised of:		
Unrestricted investments	\$ 546,813	\$ 489,968
Designated investments (obligatory reserve funds)	725,530	617,918
Designated investments (Hamilton Future Fund)	65,328	63,848
	<u>\$ 1,337,671</u>	<u>\$ 1,171,734</u>

Portfolio investments have a market value of \$1,163,964,000 (2021 - \$1,151,442,000). The City has purchased \$3,446,000 (2021 - \$3,446,000) 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 \$302,528,000 (2021 - \$348,063,000).

4. Long term receivables

The City has long-term receivables in the amount of \$60,549,000 (2021 - \$53,405,000). The long-term receivables are comprised of:

	<u>2022</u>	<u>2021</u>
Development charge deferral agreements	\$ 50,016	\$ 41,575
Mortgages receivable:		
Hamilton Enterprises Holding Corporation	5,508	5,832
Sheraton Hotel loan	311	462
Other City loan programs	2,387	3,898
Loans to other agencies and organizations	4,152	3,547
Less: Provision for loans with concessionary terms	(1,825)	(1,909)
	<u>\$ 60,549</u>	<u>\$ 53,405</u>

Development charge deferral agreements and mortgage receivables are loans which are secured by property, with interest rates varying from 0% to 9.20% and terms of one year to thirty years.

Loans to other agencies and organizations include loans to the Catholic Children's Aid Society, Royal Yacht Club, Winona Peach Festival, the Bob Kemp Hospice, and Rosedale Tennis Club with interest rates varying from 0% to 4.92% for terms of up to thirty years.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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 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. ("HRP Inc."). 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 2022 and 2021 is as reported by the Hamilton Utilities Corporation, Hamilton Enterprises Corporation and Hamilton Renewable Power Inc.

	<u>2022</u>	<u>2021</u>
Net income from H.U.C.	\$ 7,869	\$ 16,132
Net loss from H.E.H.C.O.	(1,337)	(2,770)
Net loss from HRP Inc.	(475)	(265)
	<u>\$ 6,057</u>	<u>\$ 13,097</u>

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

	<u>2022</u>	<u>2021</u>
Investment in H.U.C.	\$ 288,376	\$ 292,615
Investment in H.E.H.C.O.	28,020	29,272
Investment in HRP Inc.	(1,179)	(704)
	<u>\$ 315,217</u>	<u>\$ 321,183</u>

The change in investment in Government Business Enterprises is allocated as follows:

	<u>2022</u>	<u>2021</u>
Investment in Government Business Enterprises at January 1	\$ 321,183	\$ 319,823
Net income during the year	6,057	13,097
Other comprehensive income	4,412	1,234
Dividends	(16,435)	(12,971)
Investment in Government Business Enterprises at December 31	<u>\$ 315,217</u>	<u>\$ 321,183</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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, 2022 and December 31, 2021 respectively.

	<u>2022</u>	<u>2021</u>
Financial Position		
Current assets	\$ 73	\$ 49
Notes receivable from Corporation	16,212	16,212
Future payments in lieu of income taxes	-	448
Investment in Alectra Holdings Inc.	<u>350,426</u>	<u>356,107</u>
Total assets	<u>366,711</u>	<u>372,816</u>
Current liabilities		
(including current portion of long term debt)	15	14
Non-current liabilities	<u>67,541</u>	<u>69,408</u>
Total liabilities	<u>67,556</u>	<u>69,422</u>
Change in equity on restructuring	<u>10,779</u>	<u>10,779</u>
Shareholder's equity	<u>\$ 288,376</u>	<u>\$ 292,615</u>
Results of operations		
Revenues	\$ 285	\$ 156
Operating expenses	(282)	(184)
Equity income in Alectra Holdings Inc.	6,427	17,668
Financing expenses	(6)	(6)
Other income	<u>26</u>	<u>7</u>
Equity earnings from operations	6,450	17,641
Recovery / (payment) of taxes	<u>1,419</u>	<u>(1,509)</u>
Net income before other comprehensive income	7,869	16,132
Other comprehensive income	<u>4,327</u>	<u>1,212</u>
Net income	<u>\$ 12,196</u>	<u>\$ 17,344</u>
Dividends paid	16,435	12,971

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

H.U.C. transactions with corporations under common control:

Amounts owing to and from corporations under common control are non-interest bearing with no fixed terms of repayment.

The following table provides condensed supplementary financial information for Hamilton Enterprises Holding Corporation reported by H.E.H.C.O. at December 31, 2022 and December 31, 2021 respectively.

	<u>2022</u>	<u>2021</u>
Financial Position		
Current assets	\$ 10,532	\$ 8,269
Capital assets	44,583	47,381
Other assets	4,783	5,159
Future payments in lieu of income taxes	5,999	5,243
Total assets	<u>65,897</u>	<u>66,052</u>
Current liabilities		
(including current portion of long term debt)	20,664	19,235
Non-current liabilities	28,321	28,645
Total liabilities	<u>48,985</u>	<u>47,880</u>
Non-controlling interest	-	59
Opening equity	(11,159)	(11,159)
Adjustment to equity for non-controlling interest	51	-
Total shareholder's deficit	<u>\$ 28,020</u>	<u>\$ 29,272</u>
Results of operations		
Revenues	\$ 19,743	\$ 18,133
Operating expenses	(20,382)	(20,277)
Financing expense	(667)	(917)
Other income	73	24
Equity earnings from operations	(1,233)	(3,037)
Payment / (recovery) of taxes	112	(248)
Loss for the year	(1,345)	(2,789)
Non-controlling interest of a subsidiary	8	19
Net loss before other comprehensive income	(1,337)	(2,770)
Other comprehensive income	85	22
Net loss	<u>\$ (1,252)</u>	<u>\$ (2,748)</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

H.E.H.C.O. transactions with corporations under common control

Amounts owing to and from corporations under common control are non-interest bearing and have no fixed terms of repayment.

H.E.H.C.O. amounts owing to parent:

Amounts totaling \$5,508 (2021 - \$5,832) owing to the City of Hamilton (the "City") are due December 31, 2039, bearing interest at a fixed interest rate of 4.06% throughout the term of the loan. The loan is payable in annual principal repayments of \$324 plus interest. The amounts owing to the City relate to the Corporation's acquisition of the City of Hamilton's Central Utilities Plant ("CUP").

The borrowings are secured by the assets of the CUP with a net book value of \$8,702 (2021 - \$9,034) with a cross-company guarantee provided by a corporation under common control.

Interest expense for the amounts owing to parent was \$192 (2021 - \$210). Principal payments on the amounts owing to parent are due as follows:

		<u>2022</u>
2023	\$	324
2024		324
2025		324
2026		324
2027		324
Thereafter		<u>3,888</u>
	\$	<u>5,508</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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 HRP Inc. at December 31, 2022 and December 31, 2021 respectively.

	<u>2022</u>	<u>2021</u>
Financial Position		
Current assets	\$ 1,362	\$ 1,503
Capital assets	4,095	4,542
Other assets	32	32
Total assets	<u>5,489</u>	<u>6,077</u>
Current liabilities		
(Including current portion of long term debt)	537	603
Future payment in lieu of taxes	131	178
Total liabilities	<u>668</u>	<u>781</u>
Shareholder's equity	6,000	6,000
Net deficit	<u>\$ (1,179)</u>	<u>\$ (704)</u>
Results of operations		
Revenues	\$ 1,677	\$ 2,435
Expenses	(2,152)	(2,700)
Net loss	<u>\$ (475)</u>	<u>\$ (265)</u>

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>2022</u>	<u>2021</u>
Revenue		
Dividend revenue from H.U.C.	\$ 16,435	\$ 12,971
Property and other taxes received by the City from H.U.C.	548	537
Sale of methane to HRP Inc.	486	734
Expenditures		
Hydro purchased by the City from H.E.H.C.O.	37,223	36,762
Thermal energy purchased from HRP Inc.	171	241
Assets		
Accounts receivable from HRP Inc.	315	446
Long term receivable from H.E.H.C.O.	5,184	5,508

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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>2022</u>	<u>2021</u>
Development charge reserve funds	\$ 467,128	\$ 373,591
Recreational land dedicated under the Planning Act	88,239	70,102
Community Benefit Charges Reserve	179	-
Community Benefit Charges (Transition Reserve)	15,423	-
Gasoline tax revenue: Provincial	11,765	20,092
Canada Community-Building Fund (Federal Gas Tax)	105,528	104,319
Building Permit Revenue	29,406	28,048
Other (Main Street Revitalization)	7	7
Safe Restart Agreement (SRA): Municipal & Transit Funding	7,855	21,759
	<u>\$ 725,530</u>	<u>\$ 617,918</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>2022</u>	<u>2021</u>
Balance at January 1	\$ 617,918	\$ 470,579
Add:		
Developer and other contributions	154,595	163,612
Interest earned	15,046	11,051
Provincial and Federal Funding	36,983	125,674
	<u>206,624</u>	<u>300,337</u>
Less:		
Contributions used in operating and capital funds	99,012	152,998
Balance at December 31	<u>\$ 725,530</u>	<u>\$ 617,918</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 2023 to 2044 with interest rates varying between 0.50% and 5.05% and obligations for leased tangible capital assets with payments from 2023 to 2051 at a discount rate of 5%. The balance of long-term liabilities consists of the following:

	<u>2022</u>	<u>2021</u>
Long term liabilities incurred by the City	\$ 302,528	\$ 348,063
Long term liabilities for leased tangible capital assets incurred by the City	4,058	4,198
Net long term liabilities	<u>\$ 306,586</u>	<u>\$ 352,261</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (all numbers in columns are in thousands of dollars)

8. Long term liabilities – municipal operations (continued)

- (b) Of the \$302,528,000 long term debt incurred by the City (2021 - \$348,063,000) 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>2022</u>	<u>2021</u>
General Revenue	\$ 199,325	\$ 231,779
Water & Wastewater user charges	103,203	116,284
	<u>\$ 302,528</u>	<u>\$ 348,063</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	Total <u>2022</u>
2023	\$ 27,232	\$ 13,028	\$ 40,260
2024	25,070	12,971	38,041
2025	25,145	12,971	38,116
2026	20,024	12,971	32,995
2027	18,028	11,573	29,601
2028 and thereafter	83,826	39,689	123,515
Total	<u>\$ 199,325</u>	<u>\$ 103,203</u>	<u>\$ 302,528</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>2022</u>
2023	\$ 520
2024	330
2025	330
2026	330
2027	330
2028 and thereafter	2,218
Total	<u>\$ 4,058</u>

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

	<u>2022</u>	<u>2021</u>
Principal repayments	\$ 45,535	\$ 45,112
Interest expense	8,884	10,218
	<u>\$ 54,419</u>	<u>\$ 55,330</u>

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

	<u>2022</u>	<u>2021</u>
Principal repayments	\$ 537	\$ 603
Interest expense	203	240
	<u>\$ 740</u>	<u>\$ 843</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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 2023 to 2040 with interest rates varying between 0% and 5.83%. The mortgage obligations for CityHousing Hamilton are \$46,731,000 (2021 - \$48,882,000).

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

	<u>2022</u>
2023	\$ 5,555
2024	9,571
2025	4,395
2026	3,464
2027	3,518
2028 and thereafter	<u>20,228</u>
	<u>\$ 46,731</u>

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

	<u>2022</u>	<u>2021</u>
Principal repayments	\$ 6,060	\$ 6,027
Interest expense	<u>918</u>	<u>1,029</u>
	<u>\$ 6,978</u>	<u>\$ 7,056</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 \$1,804,000 (2021 - \$3,583,000), 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, 2022 (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>2022</u>	<u>2021</u>
Accrued Benefit Obligation		
Sick leave benefit plan (a)	\$ 65,388	\$ 62,692
Long term disability (b)	46,742	44,975
Workplace safety and insurance board liabilities (WSIB) (c)	164,562	132,478
Retirement benefits (d)	172,675	170,423
Vacation benefits (e)	26,928	27,031
Pension benefit plans (f)	<u>(18,338)</u>	<u>(40,311)</u>
	457,957	397,288
Net unamortized actuarial loss	(59,699)	(9,596)
Valuation allowance	<u>13,285</u>	<u>9,041</u>
Accrued Liability	\$ 411,543	\$ 396,733

The City has established reserves for some of these liabilities totalling \$92,709,000 (2021 - \$82,141,000) as described in the following notes.

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

	<u>2022</u>	<u>2021</u>
Liability for Employee Future Benefits and Other Obligations		
balance at beginning of the year	\$ 396,733	\$ 387,950
Plan amendment per actuarial valuation	4,244	3,242
Benefit expense	50,578	38,842
Interest expense	13,235	12,693
Amortization of actuarial loss on accrued benefit obligations	8,284	5,835
Amortization of actuarial gain on earnings on pension assets	(11,775)	(6,253)
Benefit payments	<u>(49,756)</u>	<u>(45,576)</u>
Liability for Employee Future Benefits and Other Obligations		
balance at end of the year	\$ 411,543	\$ 396,733

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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>2022</u>	<u>2021</u>
Plan amendment per actuarial valuation	\$ 4,244	\$ 3,242
Benefit expense	50,578	38,842
Interest expense	13,235	12,693
Amortization of net actuarial loss	<u>(3,491)</u>	<u>(418)</u>
	<u>\$ 64,566</u>	<u>\$ 54,359</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 several 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	Healthcare	Life
	Rate	on Assets	Rate	Increases	Cost	Expectancy
					Increases	(Years)
Vested sick leave	3.25%	NA	2.0%	3.0%	NA	15.0
Long term disability	4.20%	NA	2.0%	3.0%	NA	8.0
Workplace safety and insurance	4.20%	NA	2.0 to 6.5%	3.0%	NA	10.0
Retirement Benefits	3.50%	NA	2.0%	3.0%	4.0% - 5.96%	12.0
Pensions Benefits (non-OMERS)	5.20%	5.20%	2.0%	NA (1)	NA	6.0 - 10.5

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 plan

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, 2020 has estimated the accrued benefit obligation at \$65,388,000 (2021 - \$62,692,000). Changes in valuation assumptions have resulted in an increase in the liability to \$65,388,000 from the expected liability of \$64,878,000. The actuarial loss as at December 31, 2022 of \$510,000 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 \$13,588,000 (2021 - \$12,111,000).

(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, 2022 has estimated the accrued benefit obligation at \$46,742,000 (2021 - \$44,975,000). Changes in valuation assumptions have resulted in an increase in the liability of \$46,742,000 from the expected liability of \$35,973,000. The actuarial loss as at December 31, 2022 of \$10,769,000 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 \$19,213,000 (2021 - \$15,806,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (all numbers in columns are in thousands of dollars)

10. Employee future benefits and other obligations (continued)

(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, 2022 estimated the accrued benefit obligation for workplace safety & insurance existing claims and future pension awards at \$164,562,000 (2021 - \$132,478,000). Changes in valuation assumptions have resulted in an increase in the liability to \$164,562,000 from the expected liability of \$122,681,000. The actuarial loss of \$41,881,000 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 \$42,023,000 (2021 - \$41,618,000).

(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, 2020 estimated the accrued benefit obligation at \$172,675,000 (2021 - \$170,423,000). Changes in valuation assumptions have resulted in an increase in liability to \$172,675,000 from the expected liability of \$154,039,000. The actuarial loss of \$18,636,000 is being amortized over 12 years, which is the expected average remaining life expectancy of the plan members in various groups. The City has \$8,232,000 (2021 - \$7,993,000) set aside in the Consolidated Statement 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, 2022 but not taken until a later date. The liability as at December 31, 2022 has been estimated at \$26,928,000 (2021 - \$27,031,000), of which \$16,133,000 is funded by City departments' budgets (2021 - \$16,609,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$656,000 (2021 - \$641,000), and the remaining liability of \$10,139,000 is unfunded (2021 - \$9,781,000).

(f) Liability for pensions benefit 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, Hamilton Street Railway Retirement Fund and Hamilton Municipal Retirement Fund at December 31, 2022 estimated the combined accrued benefit asset of the pension plans at \$18,338,000 from an asset of \$40,311,000 in 2021. Changes in valuation resulted in an asset of \$18,338,000 from an expected liability of 7,043,000. The actuarial gain of \$25,381,000 is being amortized over 6.0 to 10.5 years, which is the expected average remaining life expectancy of the plan members. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$17,229,000 (2021 - \$11,965,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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 7,441 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, 2022 indicates a “going concern” Actuarial Deficit based on the plan’s current member and employer contribution rates. Contributions were made in the 2022 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, \$62,899,000 (2021 - \$61,070,000) 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. The OMERS primary pension plan has a deficit of \$6.7 billion as of December 31, 2022 (2021 - \$3.1 billion)

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

Approximately 230 current employees and 903 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 one plan with deficits is paying a number of amortization schedules that will be completed over a period of ten years.

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

	<u>2022</u>	<u>2021</u>
Accrued pension benefit obligation	\$ 276,639	\$ 322,674
Pension plan assets	<u>(294,977)</u>	<u>(362,985)</u>
Other assets	(18,338)	(40,311)
Unamortized actuarial gain	<u>12,096</u>	<u>49,113</u>
Accrued pension liability	<u>(6,242)</u>	<u>8,802</u>
Valuation allowance	13,285	9,041
Adjusted accrued pension liability	<u>\$ 7,043</u>	<u>\$ 17,843</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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>2022</u>	<u>2021</u>
Expected pension fund assets at the end of year	\$ 355,306	\$ 337,259
Actual pension fund assets at end of year	<u>294,977</u>	<u>362,985</u>
Actuarial (loss) gain on pension fund assets	<u>(60,329)</u>	<u>25,726</u>
Expected accrued pension benefit obligation at end of year	307,713	299,572
Actual accrued pension benefit obligation at end of year	<u>276,639</u>	<u>322,674</u>
Actuarial gain (loss) on accrued pension benefit obligation	<u>\$ 31,074</u>	<u>\$ (23,102)</u>

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

	<u>2022</u>	<u>2021</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ (113)	\$ (2,653)
Amortization of net actuarial loss on pension plan assets	<u>(11,377)</u>	<u>(6,766)</u>
Net amortization	<u>(11,490)</u>	<u>(9,419)</u>
Interest on average accrued pension benefit obligation	\$ 11,383	\$ 13,119
Expected return on average pension plan assets	<u>(13,047)</u>	<u>(14,670)</u>
Net interest	<u>(1,664)</u>	<u>(1,551)</u>
Change in valuation allowance	<u>4,245</u>	<u>3,241</u>
Total expenses	<u>\$ (8,909)</u>	<u>\$ (7,729)</u>

Payment of \$1,889,500 (2021 - \$1,770,200) 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, 2022 will be funded by the City with payments as follows:

	<u>2022</u>
2023	\$ 1,956
2024	1,956
2025	1,956
2026	1,956
2027 and thereafter	<u>7,824</u>
Total	<u>\$ 15,648</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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 14,821,000 cubic metres of waste. The total capacity has been broken into three Phases, with Phase 1 having a capacity of 8,400,000, 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. Approximately 295,000 cubic metres of un-utilized or recovered (due to site settlement) capacity had been retained at Phase 1 representing 3.5% of its theoretical approved capacity. This is intended for use in the event of an emergency or extended lack of access into Phase 2. For the purpose of financial considerations Phase 1 should be treated as being "at capacity" although the intent is to eventually utilize the retained air space. Filling was initiated at Phase 2 in mid-December 2018 and therefore as of December 31, 2022 still retained an estimated 4,025,000 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 2022 approximately 42% of waste generated was diverted from landfills (2021 - 43%).

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 2.69% inflation. These costs are then discounted back to December 31, 2022 using a discount factor of 3.69%. 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 \$94,410,000 (2021 - \$86,199,000). The expenses remaining to be recognized are \$10,899,000 (2021 - \$7,927,000). The liability of \$83,511,000 (2021 - \$78,272,000) 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 \$1,306,000 (2021 - \$1,275,000) 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, 2022 (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>2022</u>	<u>2021</u>
Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:		
Working funds	\$ 136,301	\$ 116,740
Contingencies	1,062	1,038
Replacement of equipment	47,587	58,853
Sick leave (Note 10)	13,588	12,111
Workplace Safety and Insurance Board (WSIB) (Note 10)	42,023	41,618
Pension plans (Note 10)	17,229	11,965
Tax stabilization	19,792	41,309
General government	25,232	22,907
Protection services	1,675	1,637
Transportation services	24,240	24,380
Environmental services	110,077	138,908
Health and social services	13,921	10,403
Recreation and cultural services	31,409	24,162
Planning and development	6,660	3,702
Other unallocated	87,280	102,017
Hamilton Future Fund (Note 14)	65,328	63,848
Total reserves and discretionary reserve funds	\$ 643,404	\$ 675,598
Operating surplus		
Flamborough recreation sub-committees	\$ 266	\$ 280
Business improvement areas	1,235	1,354
Housing operations	68,440	72,769
Confederation Park operations	448	143
Total operating surplus	\$ 70,389	\$ 74,546
Capital surplus		
Municipal operations	\$ 180,783	\$ 82,795
Housing operations	124,201	98,055
Total capital surplus	\$ 304,984	\$ 180,850
Unfunded liabilities		
Employee benefit obligations	\$ (387,179)	\$ (372,130)
Solid Waste landfill liabilities	(83,511)	(78,272)
Environmental liability	(4,865)	(7,308)
Total unfunded liabilities	\$ (475,555)	\$ (457,710)
Investment in Government Business Enterprises (Note 5)	\$ 315,217	\$ 321,183
Investment in tangible capital assets	\$ 6,018,265	\$ 5,894,721
Accumulated surplus	\$ 6,876,704	\$ 6,689,188

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ 63,848	\$ 58,466
Current operations		
Investment income	1,298	1,215
Repayment of Waste Management Projects	182	7,923
Other	-	(208)
	<u>1,480</u>	<u>8,930</u>
Tangible capital assets		
Waste Management Projects	-	452
Other	-	(4,000)
	<u>-</u>	<u>(3,548)</u>
Balance at the end of the year	<u>\$ 65,328</u>	<u>\$ 63,848</u>

15. Taxation

	Budget <u>2022</u>	Actual <u>2022</u>	Actual <u>2021</u>
Taxation from real property	\$ 1,202,812	\$ 1,210,926	\$ 1,164,870
Taxation from other governments payments in lieu of taxes	<u>17,508</u>	<u>17,919</u>	<u>17,508</u>
	1,220,320	1,228,845	1,182,378
Less: Taxation collected on behalf of school boards	<u>(195,845)</u>	<u>(200,450)</u>	<u>(196,406)</u>
Net taxes available for municipal purposes	<u>\$ 1,024,475</u>	<u>\$ 1,028,395</u>	<u>\$ 985,972</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, 2022 (all numbers in columns are in thousands of dollars)

16. Government transfers

	<u>2022</u>	<u>2021</u>
Government transfers received:		
Policing	\$ 6,034	\$ 5,825
Court security	4,911	5,188
Transit	8,105	8,468
Waste diversion	7,032	6,570
Public Health	56,317	65,201
Ambulance services	37,671	34,755
Social assistance	150,461	158,409
Long term care homes	34,275	31,724
Child care	96,201	79,276
Housing	27,716	41,134
Federal and provincial gas tax	47,219	34,670
Other	11,333	25,898
Infrastructure	24,417	39,146
	<u>\$ 511,692</u>	<u>\$ 536,264</u>
Government transfers paid:		
Social assistance	\$ 123,564	\$ 99,917
Social housing	57,075	58,026
Grants	20,418	39,902
	<u>\$ 201,057</u>	<u>\$ 197,845</u>

17. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$578,518,000 at December 31, 2022 for capital works (2021 - \$431,428,000). 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, 2022 amounting to \$2,210,000 (2021 - \$2,496,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$287,000 in 2022 (2021 - \$174,000) 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, 2022 of \$3,460,000 (2021 - \$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 \$453,000 in 2022 (2021 - \$522,000) 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 for the period of March 1, 2020 to February 28, 2030. The contract fees amounting to \$5,251,000 for 2022 (2021 - \$5,767,000) are reported in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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 ended on March 28, 2020 and the City exercised a one-year option. The new contract came into effect on March 29, 2021 and will end on April 2, 2028 (with a one-year extension option). Contract fees amounting to \$25,584,000 for 2022 (2021 - \$23,061,000) 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 agreement is on a month-to-month basis until a new contract is signed or until cancelled on 120 calendar days' notice by either party. The annual contract fees amounting to \$17,571,000 for 2022 (2021 - \$12,999,000) 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 \$54,632,000 (2021 - \$61,493,000). The minimum lease payments for these leases over the next five years and thereafter are:

	<u>2022</u>
2023	\$ 6,827
2024	6,340
2025	4,997
2026	4,690
2027	4,751
2028 and thereafter	<u>27,027</u>
Total	<u>\$ 54,632</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, 2022, 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 in each of the years from 2013 to 2026, inclusive, with a final principal repayment of \$2,538,000 in 2027. As at December 31, 2022, the remaining principal balance for the second term loan is \$12,670,000 (2021 - \$15,203,000). 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, 2022 (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.

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 \$21,129,000 (2021 - \$20,117,000). Claim expenses for the year in the amount of \$11,837,000 (2021 - \$9,780,000) 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, 2022. Furthermore, in the normal course of operations, the City is subject to various litigation claims. Where the occurrence of a future event is considered likely to result in a loss with respect to an existing condition and the potential liability is reasonably estimated, amounts have been included in accrued liabilities on the consolidated statement of financial position. When the outcome of the claims cannot be determined at this time, any additional losses related to claims will be recorded in the period during which the liability is determinable. Amounts recorded in the consolidated statement of financial position have not been disclosed in the notes to consolidated financial statements as disclosure may adversely impact the outcome. Management's estimate is based on an analysis of specific claims and historical experience with similar claims.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (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 2-38 and 2-39). The City has tangible capital assets valued at cost in the amount of \$10,493,084,000 (2021 - \$10,220,429,000) and a net book value of \$6,549,950,000 (2021 - \$6,448,616,000). The net book value of the tangible capital assets valued as at December 31, 2022 is as follows:

	<u>2022</u>	<u>2021</u>
General		
Land	\$ 448,607	\$ 442,267
Land improvements	225,955	202,950
Buildings	830,433	821,383
Vehicles	152,225	140,537
Computer hardware and software	15,689	17,694
Other	101,889	104,261
Infrastructure		
Roads	1,312,271	1,307,472
Bridges and structures	178,749	177,730
Water and wastewater facilities	493,680	448,041
Underground and other networks	<u>2,092,702</u>	<u>2,066,026</u>
Net Book Value	5,852,200	5,728,361
Assets under construction	<u>697,750</u>	<u>720,255</u>
Balance at the end of the year	<u>\$ 6,549,950</u>	<u>\$ 6,448,616</u>

Included are leased tangible capital assets with a net book value of \$4,058,000 (2021 - \$4,198,000). 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, 2022 (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, and tourism.
- 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 2-40 and 2-41).

23. Liability for Contaminated Sites

The City of Hamilton estimates liabilities of \$32,127,000 as at December 31, 2022 for remediation of various lands using a risk-based approach (2021 - \$33,288,000) included in accounts payable and accrued liabilities on the consolidated statement of financial position. Total future undiscounted expenditures are estimated at \$38,514,000. 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 3.69% discount rate. The amount of estimated recoveries is nil (2021 – nil).

24. Budget figures

The 2022 operating budget and capital financing for the housing corporation was approved by the City Housing Hamilton Board at a meeting on December 13, 2021. The 2022 operating budget and capital financing for municipal operations was approved by City Council at a meeting on March 30, 2022.

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, 2022 (all numbers in columns are in thousands of dollars)

24. Budget figures (continued)

	<u>2022</u>
Revenue	
Council Approved Gross Revenue Operating Budget - Municipal	\$ 1,963,135
Council Approved Gross Revenue - Public Health & HSD fully funded programs	40,643
Council Approved Gross Revenue Capital Budget - Municipal	590,520
	<u>2,594,298</u>
Board Approved Gross Revenue Operating Budget - Housing Corporation	61,108
Board Approved Gross Revenue Capital Budget - Housing Corporation	9,185
	<u>70,293</u>
Adjustments to Revenues	
Less: Transfers from reserves and reserve funds Operating Budget Municipal Operations	(105,601)
Less: Transfers from reserves and reserve funds Capital Budget Municipal Operations	(227,406)
Less: Transfers from capital fund to current fund - Municipal Operations	(223,532)
Less: Transfers from capital fund to current fund - Housing Corporation	(9,185)
Less: Long term debt financing Capital Budget	(69,359)
Add: Donated tangible capital assets	18,990
Add: Reserve & reserve funds	32,723
Add: Confederation Park Consolidation	3,306
Less: Elimination for consolidation of Housing Corporation	(18,327)
Less: Elimination for consolidation of Government Business Enterprise	(13,543)
	<u>(611,934)</u>
Consolidated	\$ 2,052,657
Expenses	
Council Approved Gross Expenditure Operating Budget - Municipal	\$ 1,963,135
Council Approved Gross Expenditure - Public Health & HSD fully funded programs	40,643
Council Approved Gross Expenditure Capital Budget - Municipal	590,520
	<u>2,594,298</u>
Board Approved Gross Expenditure Operating Budget - Housing Corporation	61,108
Board Approved Gross Expenditure Capital Budget - Housing Corporation	9,185
	<u>70,293</u>
Adjustments to Expenditures	
Less: Debt principal repayment - Municipal Operations	(45,535)
Less: Debt principal repayment - Housing Corporation	(6,060)
Less: Transfers to reserves and reserve funds - Municipal Operations	(100,958)
Less: Transfers to capital from current funds - Municipal Operations	(223,532)
Less: Tangible capital assets - Municipal Operations	(490,762)
Less: Tangible capital assets - Housing Corporation	(9,185)
Add: Change in employee future benefits and other obligations	15,048
Add: Change in solid waste landfill liability	5,239
Less: Change in Contaminated Sites and Environmental Liability	(1,161)
Add: Amortization expense for tangible capital assets	227,953
Add: Confederation Park Consolidation	2,956
Less: Elimination for consolidation of Housing Corporation	(27,878)
Add: Loss on disposition of tangible capital assets	9,922
	<u>(643,953)</u>
Consolidated	\$ 2,020,638

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2022 (all numbers in columns are in thousands of dollars)

25. COVID-19

The City of Hamilton ended the COVID-19 emergency declaration in May 2022 after two-years. However, response and recovery efforts continued throughout 2022 as the municipality transitions to new service delivery models, addresses increased demand for services as a result of the pandemic and continued response efforts in combatting the spread of COVID-19 and other respiratory illnesses still present in the community at large.

In 2022, the City of Hamilton has reported approximately \$72,400,000 in financial pressures as a result of COVID-19 pandemic response and recovery efforts bringing the three-year total, from 2020 to 2022, to \$226,200,000. Of the \$226,200,000 COVID-19 response, a total of \$208,900,000 was funded through federal and provincial programs and the remaining \$17,300,000 was absorbed by the City of Hamilton. Pandemic response and recovery efforts continued to significantly impact the following services in 2022:

- Public Health Services
- Housing Services
- Long-Term Care
- Paramedic Services
- Provincial Offences Act and Red-Light Camera Revenues
- Parking Services
- Licensing and By-Law Services
- Transit
- Police Services
- Fire Services

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2022 (all numbers in columns are in thousands of dollars)

2022 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, 2022	\$ 442,267	\$ 417,033	\$ 1,545,215	\$ 347,767	\$ 34,488	\$ 179,145	\$ 2,612,527	\$ 252,465	\$ 901,360	\$ 2,767,907	\$ 720,255	\$ 10,220,429	
Additions, betterments & transfers in 2022	12,347	39,313	52,494	36,060	5,504	13,744	53,975	4,560	69,205	55,085	(22,068)	320,219	
Disposals & writedowns in 2022	(6,207)	(633)	(10,660)	(13,721)	(4,767)	(14,996)	(7,325)	(352)	(2,421)	(5,035)	(437)	(66,554)	
Donations & contributions in 2022	200	-	-	-	-	86	7,878	-	-	10,826	-	18,990	
Balance, Dec 31, 2022	\$ 448,607	\$ 455,713	\$ 1,587,049	\$ 370,106	\$ 35,225	\$ 177,979	\$ 2,667,055	\$ 256,673	\$ 968,144	\$ 2,828,783	\$ 697,750	\$ 10,493,084	
Accumulated amortization													
Balance, Jan 1, 2022	\$ -	\$ 214,083	\$ 723,832	\$ 207,230	\$ 16,794	\$ 74,884	\$ 1,305,055	\$ 74,735	\$ 453,319	\$ 701,881	\$ -	\$ 3,771,813	
Amortization in 2022	-	16,268	41,741	24,180	7,509	16,202	56,660	3,413	22,965	39,015	-	227,953	
Disposals in 2022	-	(593)	(8,957)	(13,529)	(4,767)	(14,996)	(6,931)	(224)	(1,820)	(4,815)	-	(56,632)	
Balance, Dec 31, 2022	\$ -	\$ 229,758	\$ 756,616	\$ 217,881	\$ 19,536	\$ 76,090	\$ 1,354,784	\$ 77,924	\$ 474,464	\$ 736,081	\$ -	\$ 3,943,134	
Net book value Dec 31, 2022	\$ 448,607	\$ 225,955	\$ 830,433	\$ 152,225	\$ 15,689	\$ 101,889	\$ 1,312,271	\$ 178,749	\$ 493,680	\$ 2,092,702	\$ 697,750	\$ 6,549,950	
Assets under construction	\$ -	\$ 29,931	\$ 169,596	\$ 1,238	\$ 4,709	\$ 262	\$ 25,466	\$ 10,851	\$ 410,954	\$ 44,743	\$ (697,750)		
Total	\$ 448,607	\$ 255,886	\$ 1,000,029	\$ 153,463	\$ 20,398	\$ 102,151	\$ 1,337,737	\$ 189,600	\$ 904,634	\$ 2,137,445	\$ -	\$ 6,549,950	

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2022 (all numbers in columns are in thousands of dollars)

2021 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, 2021	\$ 403,879	\$ 381,381	\$ 1,514,736	\$ 343,559	\$ 35,021	\$ 160,797	\$ 2,568,703	\$ 252,459	\$ 849,535	\$ 2,691,922	\$ 604,146	\$ 9,806,138	
Additions, betterments & transfers in 2021	38,451	36,997	40,484	25,402	6,152	27,322	37,530	6	52,065	66,230	116,675	447,314	
Disposals & writedowns in 2021	(4,037)	(1,345)	(10,005)	(21,194)	(6,685)	(8,974)	(2,258)	-	(240)	(6,531)	(566)	(61,835)	
Donations & contributions in 2021	3,974	-	-	-	-	-	8,552	-	-	16,286	-	28,812	
Balance, Dec 31, 2021	\$ 442,267	\$ 417,033	\$ 1,545,215	\$ 347,767	\$ 34,488	\$ 179,145	\$ 2,612,527	\$ 252,465	\$ 901,360	\$ 2,767,907	\$ 720,255	\$ 10,220,429	
Accumulated amortization													
Balance, Jan 1, 2021	\$ -	\$ 199,875	\$ 685,446	\$ 204,622	\$ 16,323	\$ 68,735	\$ 1,253,466	\$ 71,361	\$ 433,065	\$ 670,281	\$ -	\$ 3,603,174	
Amortization in 2021	-	14,743	40,204	23,585	7,156	15,123	53,604	3,374	20,494	37,979	-	216,262	
Disposals in 2021	-	(535)	(1,818)	(20,977)	(6,685)	(8,974)	(2,015)	-	(240)	(6,379)	-	(47,623)	
Balance, Dec 31, 2021	\$ -	\$ 214,083	\$ 723,832	\$ 207,230	\$ 16,794	\$ 74,884	\$ 1,305,055	\$ 74,735	\$ 453,319	\$ 701,881	\$ -	\$ 3,771,813	
Net book value Dec 31, 2021	\$ 442,267	\$ 202,950	\$ 821,383	\$ 140,537	\$ 17,694	\$ 104,261	\$ 1,307,472	\$ 177,730	\$ 448,041	\$ 2,066,026	\$ 720,255	\$ 6,448,616	
Assets under construction	\$ -	\$ 43,776	\$ 153,820	\$ 844	\$ 4,643	\$ -	\$ 35,744	\$ 9,699	\$ 430,873	\$ 40,856	\$ (720,255)		
Total	\$ 442,267	\$ 246,726	\$ 975,203	\$ 141,381	\$ 22,337	\$ 104,261	\$ 1,343,216	\$ 187,429	\$ 878,914	\$ 2,106,882	\$ -	\$ 6,448,616	

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2022 (all numbers in columns are in thousands of dollars)

2022 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 2022
Revenue										
Taxation	\$ 1,028,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,028,395
Government grants and contributions	4,786	14,708	49,121	16,736	94,112	281,329	37,291	7,189	6,420	511,692
User charges	4,528	6,844	51,870	269,313	4,644	15,688	681	24,265	11,806	389,639
Developer contributions earned	337	1,098	14,375	8,650	307	2	-	3,595	3,651	32,015
Donated tangible capital assets	-	-	7,963	10,827	-	-	-	200	-	18,990
Investment and dividend income	20,039	1,613	6,671	11,468	56	302	769	3,057	760	44,735
Net income from Government Business Enterprises	6,057	-	-	-	-	-	-	-	-	6,057
Other	15,555	32,150	19,161	26,218	166	41	54,001	7,917	13,793	169,002
Total	\$ 1,079,697	\$ 56,413	\$ 149,161	\$ 343,212	\$ 99,285	\$ 297,362	\$ 92,742	\$ 46,223	\$ 36,430	\$ 2,200,525
Expenses										
Salaries, wages and employee benefits	\$ 81,827	\$ 303,335	\$ 125,135	\$ 52,925	\$ 118,238	\$ 90,872	\$ 17,517	\$ 77,342	\$ 34,897	\$ 902,088
Interest on long term liabilities	1,219	350	2,088	3,882	371	45	937	1,063	50	10,005
Materials	73,984	22,197	53,356	54,496	9,946	9,247	20,431	34,940	8,378	286,975
Contracted services	7,351	6,225	59,526	91,642	6,785	97,571	45,907	17,691	18,879	351,577
Rents and financial expenses	2,562	2,490	9,967	10,795	2,810	2,508	1,700	6,207	3,785	42,824
External transfers	66	8,058	2	1,091	210	146,611	33,460	5,634	867	195,999
Amortization of tangible capital assets	10,081	11,016	84,798	71,921	3,626	2,663	8,268	32,334	3,246	227,953
Interfunctional transfers	(92,828)	11,590	29,708	13,869	9,302	8,317	1,144	13,829	5,069	-
Total	\$ 84,262	\$ 365,261	\$ 364,580	\$ 300,621	\$ 151,288	\$ 357,834	\$ 129,364	\$ 189,040	\$ 75,171	\$ 2,017,421
Annual surplus (deficit)	\$ 995,435	\$ (308,848)	\$ (215,419)	\$ 42,591	\$ (52,003)	\$ (60,472)	\$ (36,622)	\$ (142,817)	\$ (38,741)	\$ 183,104

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2022 (all numbers in columns are in thousands of dollars)

2021 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 2021
Revenue										
Taxation	\$ 985,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 985,972
Government grants and contributions	7,575	18,288	45,422	34,294	100,305	269,919	50,016	8,901	1,544	536,264
User charges	4,696	5,983	39,973	249,492	4,334	14,777	1,062	10,915	12,854	344,086
Developer contributions earned	291	1,268	24,830	32,352	263	21	-	510	9,006	68,541
Donated tangible capital assets	-	-	8,552	16,286	-	-	-	3,974	-	28,812
Investment and dividend income	18,000	1,163	4,565	9,902	32	235	627	2,055	1,060	37,639
Net income from Government Business Enterprises	13,097	-	-	-	-	-	-	-	-	13,097
Other	23,814	30,523	12,845	909	108	198	44,577	8,153	10,547	131,674
Total	\$ 1,053,445	\$ 57,225	\$ 136,187	\$ 343,235	\$ 105,042	\$ 285,150	\$ 96,282	\$ 34,508	\$ 35,011	\$ 2,146,085
Expenses										
Salaries, wages and employee benefits	\$ 80,670	\$ 295,927	\$ 116,145	\$ 49,067	\$ 121,598	\$ 86,063	\$ 16,498	\$ 65,384	\$ 31,017	\$ 862,369
Interest on long term liabilities	220	1,548	2,570	4,337	391	140	1,048	1,169	63	11,486
Materials	78,467	23,106	39,961	40,533	9,142	10,166	15,529	24,696	4,347	245,947
Contracted services	12,130	4,744	64,512	101,794	5,557	108,644	46,062	16,767	14,985	375,195
Rents and financial expenses	3,688	2,158	6,836	5,872	3,389	2,134	1,356	6,733	3,802	35,968
External transfers	27	7,832	7	1,108	1,176	124,389	35,508	5,260	708	176,015
Amortization of tangible capital assets	10,150	10,235	80,834	67,834	3,384	2,512	7,891	30,364	3,057	216,261
Interfunctional transfers	(90,075)	11,967	27,753	13,011	8,759	8,445	938	13,865	5,337	-
Total	\$ 95,277	\$ 357,517	\$ 338,618	\$ 283,556	\$ 153,396	\$ 342,493	\$ 124,830	\$ 164,238	\$ 63,316	\$ 1,923,241
Annual surplus (deficit)	\$ 958,168	\$ (300,292)	\$ (202,431)	\$ 59,679	\$ (48,354)	\$ (57,343)	\$ (28,548)	\$ (129,730)	\$ (28,305)	\$ 222,844

Section 3

City of Hamilton Consolidated Financial Statements for the Trust Funds Cemetery and General Trusts December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations 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 financial position of The City of Hamilton Trust Funds – Cemetery and General Trust as at December 31, 2022, 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 “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our 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 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.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 represents 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 28, 2023

City of Hamilton

Trust Funds – Consolidated

As at December 31, 2022 with comparative information for 2021

Statement of Financial Position

As at December 31, 2022

	<u>2022</u>	<u>2021</u> (Note 2)
Financial assets		
Cash	\$ 1,208,693	\$ 1,290,657
Investments (Note 3)	22,110,753	20,469,229
Accrued interest receivable	228,278	-
Due from City of Hamilton - Cemetery (Note 4)	1,197,960	1,211,167
Due from City of Hamilton - Other Trust Funds (Note 4)	<u>37,971</u>	<u>36,600</u>
Total financial assets	<u>\$ 24,783,655</u>	<u>\$ 23,007,653</u>
Liabilities		
Deposits (Note 5)	\$ 363,223	\$ 339,647
Deferred revenue - pre-need (Notes 2 and 6)	<u>2,938,998</u>	<u>2,747,033</u>
Total liabilities	<u>\$ 3,302,221</u>	<u>\$ 3,086,680</u>
Accumulated surplus and net financial assets (Note 7)	<u>\$ 21,481,434</u>	<u>\$ 19,920,973</u>

Statement of Operations

Year ended December 31, 2022

	<u>2022</u>	<u>2021</u> (Note 2)
Revenues		
Cemetery lots and interments (Note 2)	\$ 879,163	\$ 907,940
Investment income	<u>879,954</u>	<u>424,652</u>
Total revenue	<u>\$ 1,759,117</u>	<u>\$ 1,332,592</u>
Expenses		
Transfer to other trust funds	\$ 186,381	\$ 186,119
Other	<u>12,275</u>	<u>12,177</u>
Total expenses	<u>\$ 198,656</u>	<u>\$ 198,296</u>
Annual surplus	<u>\$ 1,560,461</u>	<u>\$ 1,134,296</u>
Accumulated surplus, beginning of the year	<u>19,920,973</u>	<u>18,786,677</u>
Accumulated surplus, end of the year	<u>\$ 21,481,434</u>	<u>\$ 19,920,973</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes to The Financial Statements

Year ended December 31, 2022

1. Significant accounting policies

The consolidated financial statements of the City of Hamilton Trust Funds (the "Trust Funds"), including the financial statements of the Cemetery and financial statements of the Other Trusts, 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 are earned 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. Change in accounting policy

In 2022, the Trust Funds – Cemetery opted to change its policy for revenue recognition to align the Trust Funds – Cemetery's accounting practices with the City's treatment for collected pre-need contract funds. Revenues are to be recognized in the same period a contract becomes at-need, and until then, the collected funds are to be held as deferred revenue.

Under the previous method of accounting, the collected funds were recognized as revenue when received within the Trust.

City of Hamilton

Trust Funds

Notes to The Financial Statements

Year ended December 31, 2022

2. Change in accounting policy (continued)

The impact of this change in accounting policy has been applied retrospectively, and as a result, comparative financial statements have been restated to reflect this change. As a result of this change, the Trust Funds – Cemetery reflected the following adjustments to the previously recorded balances:

- Trust Funds – Cemetery statements as at and for the year ended December 31, 2021
 - The statement of financial position was adjusted with changes to recognize deferred revenue of \$2,747,033.
 - The statement of operations was adjusted to decrease cemetery lots and interments by \$160,032 from \$1,067,972 to \$907,940, decrease annual surplus by \$160,032 from \$1,287,467 to \$1,127,435, decrease the accumulated surplus as at January 1, 2021 by \$2,587,001 from \$20,722,605 to \$18,135,604, and decrease the accumulated surplus as at December 31, 2021 by \$2,747,033 from \$22,010,072 to \$19,263,039.
- Consolidated statements as at and for the year ended December 31, 2021
 - The consolidated statement of financial position was adjusted with changes to recognize deferred revenue of \$2,747,033.
 - The consolidated statement of operations was adjusted to decrease cemetery lots and interments by \$160,032 from \$1,067,972 to \$907,940, decrease annual surplus by \$160,032 from \$1,294,328 to \$1,134,296, decrease the accumulated surplus as at January 1, 2021 by \$2,587,001 from \$21,373,678 to \$18,786,677, and decrease the accumulated surplus as at December 31, 2021 by \$2,747,033 from \$22,668,006 to \$19,920,973.

3. Investments

Investments are valued at cost less any amounts written off to reflect an other than temporary decline in value. The investments have a market value of \$20,987,856 (2021 - \$21,820,723) at the end of the year.

4. Due from City of Hamilton

The amount due from the City of Hamilton is bearing interest at variable rates with no fixed repayment terms.

5. Deposits

Deposits are comprised of cash receipts related to prepayment plan arrangements associated with funeral and other final expenses.

City of Hamilton Trust Funds

Notes to The Financial Statements

Year ended December 31, 2022

6. Deferred revenue – pre-need

Deferred revenue represents pre-need contract funds collected which are not yet at-need. These amounts will be recognized as revenue in the fiscal year when the interment service is performed as the contract becomes at-need.

	<u>2022</u>	<u>2021</u> (Note 2)
Balance, beginning of year	\$ 2,747,033	\$ 2,587,001
Contributions during the year	363,818	328,233
Services performed during the year recognized as revenue	<u>(171,853)</u>	<u>(168,201)</u>
Balance, end of year	<u>\$ 2,938,998</u>	<u>\$ 2,747,033</u>

7. Accumulated surplus

	<u>2022</u>	<u>2021</u> (Note 2)
The accumulated surplus consists of:		
Cemeteries	<u>\$ 20,811,072</u>	<u>\$ 19,263,039</u>
Other		
Fieldcote Farmer (Ancaster)	345,351	338,111
Knowles Bequest (Dundas)	253,246	249,443
F. Walden Dundurn Castle (Hamilton)	7,022	6,859
Ellen Grafton (Dundas)	8,319	8,161
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election (Hamilton)	38,395	37,506
Balfour Estate Chedoke (Hamilton)	<u>7,719</u>	<u>7,544</u>
	<u>\$ 670,362</u>	<u>\$ 657,934</u>
	<u>\$ 21,481,434</u>	<u>\$ 19,920,973</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds – Cemetery

As of December 31, 2022, with comparative information for 2021

Statement of Financial Position

As at December 31, 2022

	<u>2022</u>	<u>2021</u> (Note 2)
Financial assets		
Cash	\$ 777,527	\$ 870,569
Investments	21,909,528	20,267,983
Accrued interest receivable	228,278	-
Due from City of Hamilton	<u>1,197,960</u>	<u>1,211,167</u>
Total financial assets	<u>\$ 24,113,293</u>	<u>\$ 22,349,719</u>
Liabilities		
Deposits	\$ 363,223	\$ 339,647
Deferred revenue - pre-need	<u>2,938,998</u>	<u>2,747,033</u>
Total liabilities	<u>\$ 3,302,221</u>	<u>\$ 3,086,680</u>
Accumulated surplus and net financial assets	<u>\$ 20,811,072</u>	<u>\$ 19,263,039</u>

Statement of Operations

Year ended December 31, 2022

	<u>2022</u>	<u>2021</u> (Note 2)
Revenues		
Cemetery lots and interments	\$ 879,163	\$ 907,940
Investment income	<u>865,414</u>	<u>415,676</u>
Total revenue	<u>\$ 1,744,577</u>	<u>\$ 1,323,616</u>
Expenses		
Transfer to other trust funds	\$ 186,381	\$ 186,119
Other	<u>10,163</u>	<u>10,062</u>
Total expenses	<u>\$ 196,544</u>	<u>\$ 196,181</u>
Annual surplus	<u>\$ 1,548,033</u>	<u>\$ 1,127,435</u>
Accumulated surplus at the beginning of the year	<u>19,263,039</u>	<u>18,135,604</u>
Accumulated surplus at the end of the year	<u>\$ 20,811,072</u>	<u>\$ 19,263,039</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds – Other

As at December 31, 2022 with comparative information for 2021

Statement of Financial Position

As at December 31, 2022

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash	\$ 431,166	\$ 420,088
Investments	201,225	201,246
Due from City of Hamilton	<u>37,971</u>	<u>36,600</u>
Total financial assets	<u>\$ 670,362</u>	<u>\$ 657,934</u>
Accumulated surplus	<u>\$ 670,362</u>	<u>\$ 657,934</u>

Statement of Operations

Year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
Revenues		
Investment income	\$ 14,540	\$ 8,976
Expenses		
Other	<u>2,112</u>	<u>2,115</u>
Annual surplus	<u>\$ 12,428</u>	<u>\$ 6,861</u>
Accumulated surplus at the beginning of the year	<u>657,934</u>	<u>651,073</u>
Accumulated surplus at the end of the year	<u>\$ 670,362</u>	<u>\$ 657,934</u>

See accompanying notes to the financial statements

Section 4

City of Hamilton Financial Statements for the Trust Funds – Homes for the Aged December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2022
- 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 Trust Fund as at December 31, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our report.

We are independent of the Trust Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Trust Fund'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 Trust Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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



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for the purpose of expressing an opinion on the effectiveness of the Trust Fund'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 Trust Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Fund 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 represents 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 2, 2023

City of Hamilton

Trust Funds – Homes for the Aged

As at December 31, 2022 with comparative information for 2021

Statement of Financial Position

As at December 31, 2022

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2022	Total 2021
Financial assets						
Cash	\$ 30,651	\$ 25,877	\$ 42,637	\$ 328,283	\$ 427,448	\$ 407,071
Total financial assets	30,651	25,877	42,637	328,283	427,448	407,071
Liabilities						
Due to (from) City of Hamilton	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated surplus and net financial assets	\$ 30,651	\$ 25,877	\$ 42,637	\$ 328,283	\$ 427,448	\$ 407,071

Statement of Operations

Year ended December 31, 2022

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2022	Total 2021
Revenue						
Residents' deposits	\$ 120,508	\$ 67,090	\$ 7,861	\$ 12,128	\$ 207,587	\$ 133,130
Interest income	-	-	728	6,274	7,002	583
Donations	-	-	1,571	-	1,571	7,429
	120,508	67,090	10,160	18,402	216,160	141,142
Expenses						
Maintenance payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,655
Residents' charges	102,571	57,702	2,062	17,859	180,194	127,422
Payments to estates	8,322	7,267	-	-	15,589	14,482
Program purchases	-	-	-	-	-	333
	110,893	64,969	2,062	17,859	195,783	146,892
Annual surplus (deficit)	9,615	2,121	8,098	543	20,377	(5,750)
Accumulated surplus at the beginning of the year	21,036	23,756	34,539	327,740	407,071	412,821
Accumulated surplus at the end of the year	\$ 30,651	\$ 25,877	\$ 42,637	\$ 328,283	\$ 427,448	\$ 407,071

See accompanying notes to the financial statements.

City of Hamilton

Trust Funds – Homes for the Aged

Notes to the Financial Statements

Year ended December 31, 2022

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.

FINANCIAL REPORT 2022



Hamilton

FINANCIAL SERVICES