



Hamilton



2013
FINANCIAL
REPORT



Hamilton

FINANCIAL REPORT

2013

**City of Hamilton
71 Main Street West
Hamilton, Ontario
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City of Hamilton
Financial Report
2013

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Section 1

City of Hamilton Five Year Financial and Statistical Review 2013

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenue					
Taxation	\$ 764,684	\$ 739,264	\$ 720,324	\$ 700,257	\$ 675,606
Government grants and contributions	341,231	349,192	427,098	520,896	376,283
User charges	279,074	280,475	287,057	265,116	254,358
Development charges and subdivider contributions	22,031	54,840	71,270	16,378	23,286
Donated tangible capital assets	29,821	30,460	57,332	41,193	43,645
Investment and dividend income	44,070	45,062	46,933	48,627	51,600
Net income (loss) from Government Business Enterprises	4,795	8,609	9,613	26,533	286
Other	96,512	89,321	88,337	91,722	87,446
	<u>1,582,218</u>	<u>1,597,223</u>	<u>1,707,964</u>	<u>1,710,722</u>	<u>1,512,510</u>
Operating Expenses by Function					
General government	\$ 82,191	\$ 83,709	\$ 69,535	\$ 69,028	\$ 71,132
Protection services	277,047	270,851	259,867	243,421	235,325
Transportation services	276,569	275,357	282,336	267,921	330,170
Environmental services	196,046	193,852	194,973	171,122	165,823
Health services	90,282	84,340	79,593	77,118	74,437
Social and family services	272,957	276,635	276,048	294,794	301,016
Social housing	99,654	109,839	117,027	116,178	106,786
Recreation and cultural services	137,564	132,401	134,542	138,777	133,403
Planning and development	38,537	39,399	37,699	38,416	40,605
	<u>1,470,847</u>	<u>1,466,383</u>	<u>1,451,620</u>	<u>1,416,775</u>	<u>1,458,697</u>
Net Operating Revenue or Annual Surplus from Operations	<u>111,371</u>	<u>130,840</u>	<u>256,344</u>	<u>293,947</u>	<u>53,813</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2013 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Taxation					
Taxation from real property	\$ 940,090	\$ 914,365	\$ 893,209	\$ 871,170	\$ 843,029
Taxation from other governments/payments in lieu of taxes	15,080	15,060	15,267	14,835	14,553
Taxation collected on behalf of school boards	(190,486)	(190,161)	(188,152)	(185,748)	(181,976)
Net taxes available for municipal purposes	<u>764,684</u>	<u>739,264</u>	<u>720,324</u>	<u>700,257</u>	<u>675,606</u>
Tax Levies					
City portion	\$ 737,350	\$ 711,785	\$ 692,391	\$ 673,013	\$ 649,061
School Board portion	187,274	186,936	185,066	181,510	177,969
	<u>924,624</u>	<u>898,721</u>	<u>877,457</u>	<u>854,523</u>	<u>827,030</u>
Tax arrears					
Taxes receivable	\$ 80,067	\$ 78,078	\$ 78,728	\$ 71,937	\$ 69,028
Taxes receivable per capita	148	146	148	136	131
Taxes receivable as a percentage of current years' levies	8.7%	8.7%	9.0%	8.4%	8.3%
Unweighted Taxable Assessment					
Residential	\$ 46,565,889	\$ 44,555,379	\$ 41,781,277	\$ 39,268,260	\$ 36,842,873
Non-Residential	6,791,790	6,668,514	6,277,837	5,760,437	5,263,578
	<u>53,357,679</u>	<u>51,223,893</u>	<u>48,059,114</u>	<u>45,028,697</u>	<u>42,106,451</u>
Weighted Taxable Assessment					
Residential	\$ 50,094,712	\$ 47,986,529	\$ 45,123,128	\$ 42,509,064	\$ 39,960,408
Non-Residential	14,946,695	14,705,148	13,912,554	12,828,948	11,841,894
	<u>65,041,407</u>	<u>62,691,677</u>	<u>59,035,682</u>	<u>55,338,012</u>	<u>51,802,302</u>
Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment					
Residential	77%	77%	76%	77%	77%
Non-Residential	23%	23%	24%	23%	23%
Taxable Assessment Growth (weighted)	0.8%	0.8%	1.1%	1.3%	1.3%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2013 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Expenses by Object					
Salaries, wages and employee benefits	\$ 665,684	\$ 648,797	\$ 625,386	\$ 606,815	\$ 643,407
Interest on long term liabilities	14,717	16,405	16,815	17,871	18,395
Materials	198,499	216,264	234,099	182,656	209,388
Contracted services	213,225	207,004	180,943	197,194	191,500
Rents and financial expenses	28,360	26,345	25,869	19,289	15,467
External transfers	177,693	183,433	199,187	227,269	223,363
Amortization of tangible capital assets	172,669	168,135	169,321	165,681	157,177
	<u>1,470,847</u>	<u>1,466,383</u>	<u>1,451,620</u>	<u>1,416,775</u>	<u>1,458,697</u>
Operating Expenses as Percentage of Total					
Salaries, wages and employee benefits	45.3%	44.2%	43.0%	42.8%	44.1%
Interest on long term liabilities	1.0%	1.1%	1.2%	1.3%	1.3%
Materials	13.5%	14.7%	16.1%	12.9%	14.4%
Contracted services	14.5%	14.1%	12.5%	13.9%	13.1%
Rents and financial expenses	1.9%	1.8%	1.8%	1.4%	1.1%
External transfers	12.1%	12.5%	13.7%	16.0%	15.2%
Amortization of tangible capital assets	11.7%	11.6%	11.7%	11.7%	10.8%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Long Term Liabilities					
Long Term Liabilities incurred by the City	\$ 388,663	\$ 430,905	\$ 368,683	\$ 420,352	\$ 427,358
Long Term Debt incurred by the City for which other entities have assumed responsibility	(9,136)	(11,818)	(14,336)	(23,371)	(26,494)
	<u>379,527</u>	<u>419,087</u>	<u>354,347</u>	<u>396,981</u>	<u>400,864</u>
Long Term Liabilities					
Housing operations	\$ 79,650	\$ 84,449	\$ 84,908	\$ 89,195	\$ 93,279
City operations	299,877	334,638	269,439	307,786	307,585
	<u>379,527</u>	<u>419,087</u>	<u>354,347</u>	<u>396,981</u>	<u>400,864</u>
Long term liabilities as a % of Reserves and Capital Surplus	56.70%	58.60%	52.40%	55.80%	58.10%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2013 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tangible Capital Assets					
General					
Land	\$ 265,406	\$ 252,555	\$ 235,428	\$ 218,869	\$ 193,416
Land improvements	134,479	131,206	113,353	110,475	107,154
Buildings	569,650	564,255	473,450	399,349	307,949
Vehicles	109,191	118,460	118,843	129,356	127,272
Computer hardware and software	4,928	5,503	4,335	5,008	4,517
Other	90,596	65,122	66,925	63,075	59,891
Infrastructure					
Roads	1,183,951	1,201,843	1,196,811	1,212,293	1,244,287
Bridges and structures	176,442	169,941	171,716	159,286	160,890
Water and wastewater facilities	388,850	323,503	215,272	160,327	152,553
Underground and other networks	1,585,462	1,544,543	1,508,056	1,443,408	1,384,228
Net Book Value	<u>4,508,955</u>	<u>4,376,931</u>	<u>4,104,189</u>	<u>3,901,446</u>	<u>3,742,157</u>
Assets under construction	223,286	236,220	341,441	283,547	191,478
	<u>4,732,241</u>	<u>4,613,151</u>	<u>4,445,630</u>	<u>4,184,993</u>	<u>3,933,635</u>
Accumulated Surplus or Municipal Financial Position					
Reserves and reserve funds					
Reserves	\$ 606,664	\$ 599,756	\$ 583,063	\$ 530,213	\$ 410,630
Hamilton Future Fund	61,116	76,949	73,506	72,990	73,426
	<u>667,780</u>	<u>676,705</u>	<u>656,569</u>	<u>603,203</u>	<u>484,056</u>
Capital surplus	\$ 1,742	\$ 38,296	\$ 19,858	\$ 107,836	\$ 205,492
Operating surplus	1,486	1,056	1,123	1,054	806
Investment in Government Business Enterprises	235,405	230,610	222,001	212,388	185,810
Investment in tangible capital assets	4,343,421	4,184,595	4,084,246	3,780,753	3,492,082
Unfunded liabilities - Employee future benefits	(297,989)	(287,476)	(269,461)	(253,988)	(246,298)
Unfunded liabilities - Solid waste landfill sites	(28,655)	(31,967)	(33,357)	(26,611)	(26,952)
	<u>4,923,190</u>	<u>4,811,819</u>	<u>4,680,979</u>	<u>4,424,635</u>	<u>4,094,996</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2013 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statistical Information					
Population	540,000	535,234	531,057	528,502	525,697
Households	218,500	215,733	212,262	209,965	207,667
Area in hectares	112,775	112,775	112,775	112,775	112,775
Building Permit Values	\$1,025,785,758	\$1,499,627,394	\$ 731,019,287	\$1,096,299,091	\$ 637,968,543
Housing Starts	1,250	1,499	1,058	1,513	804
Residential Units - Building Permits	3,112	3,302	3,373	5,137	3,008
Average Monthly Social Assistance Case Load	12,619	13,288	13,807	13,330	12,224
Continuous Full Time Employees	6,411	6,392	6,296	6,259	6,183

Note: Amounts reported may have been restated from previous amounts presented to conform to 2013 Public Sector Accounting Board (PSAB) standards.

Section 2

City of Hamilton Consolidated Financial Statements 2013

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of Hamilton ("the entity"), which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Hamilton as at December 31, 2013, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants,

June 11, 2014
Hamilton, Canada

City of Hamilton

Consolidated Statement of Financial Position

As at December 31, 2013 (all numbers are in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Financial assets		
Cash and cash equivalents (Note 2)	\$ 100,255	\$ 66,192
Taxes receivable	80,067	78,078
Accounts receivable	101,465	104,065
Other assets	475	816
Long term receivables (Note 3)	51,410	49,216
Portfolio investments (Note 2)	816,219	817,134
Investment in Government Business Enterprises (Note 4)	<u>235,405</u>	<u>230,610</u>
Total financial assets	<u>\$1,385,296</u>	<u>\$1,346,111</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 247,860	\$ 222,256
Deferred revenue - general	44,139	37,189
Deferred revenue - obligatory reserve funds (Note 5)	196,705	148,567
Long term liabilities – Municipal Operations (Note 7)	299,877	334,638
Long term liabilities – Housing Corporation (Note 8)	79,650	84,449
Employee future benefits and other obligations (Note 9)	318,645	307,514
Solid waste landfill liabilities (Note 11)	<u>28,655</u>	<u>31,967</u>
Total liabilities	<u>1,215,531</u>	<u>1,166,580</u>
Net financial assets	<u>\$ 169,765</u>	<u>\$ 179,531</u>
Non-financial assets		
Tangible capital assets (Note 19)	\$4,732,241	\$4,613,151
Inventories	9,928	8,682
Prepaid expenses	<u>11,256</u>	<u>10,455</u>
Total non-financial assets	<u>4,753,425</u>	<u>4,632,288</u>
Accumulated surplus (Note 12)	<u>\$4,923,190</u>	<u>\$4,811,819</u>

Contractual obligations (Note 16)

Contingent liabilities (Note 18)

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Operations

For the year ended December 31, 2013 (all numbers are in thousands of dollars)

	Budget 2013 (Note 21)	Actual 2013	Actual 2012
Revenue			
Taxation (Note 14)	\$ 764,170	\$ 764,684	\$ 739,264
Government grants and contributions	326,380	341,231	349,192
User charges	290,452	279,074	280,475
Development charges and subdivider contributions	82,642	22,031	54,840
Donated tangible capital assets	30,500	29,821	30,460
Investment and dividend income	27,752	44,070	45,062
Net income from Government Business Enterprises (Note 4)	-	4,795	8,609
Other	110,608	96,512	89,321
Total revenue	1,632,504	1,582,218	1,597,223
Expenses			
General government	\$ 72,611	\$ 82,191	\$ 83,709
Protection services	270,898	277,047	270,851
Transportation services	283,631	276,569	275,357
Environmental services	199,324	196,046	193,852
Health services	86,278	90,282	84,340
Social and family services	270,230	272,957	276,635
Social housing	102,091	99,654	109,839
Recreation and cultural services	147,919	137,564	132,401
Planning and development	42,204	38,537	39,399
Total expenses	1,475,186	1,470,847	1,466,383
Annual Surplus	\$ 157,318	\$ 111,371	\$ 130,840
Accumulated surplus			
Beginning of year, As previously reported	\$ 4,811,819	\$ 4,811,819	\$ 4,680,979
End of year	\$ 4,969,137	\$ 4,923,190	\$ 4,811,819

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, 2013 (all numbers are in thousands of dollars)

	Budget <u>2013</u> (Note 21)	Actual <u>2013</u>	Actual <u>2012</u>
Operating activities			
Annual surplus	\$ 157,318	\$ 111,371	\$ 130,840
Acquisition of tangible capital assets	(396,117)	(271,825)	(318,031)
Proceeds from sale of tangible capital assets	-	9,886	12,836
Amortization of tangible capital assets	169,000	172,670	168,134
Donated tangible capital assets	(30,500)	(29,821)	(30,460)
Decrease (increase) in inventories	-	(1,246)	459
Decrease (increase) in prepaid expenses	-	(801)	2,802
Net increase (decrease) in net financial assets	<u>(100,299)</u>	<u>(9,766)</u>	<u>(33,420)</u>
Net financial assets			
Beginning of year,	<u>179,531</u>	<u>179,531</u>	<u>212,951</u>
End of year	<u>\$ 79,232</u>	<u>\$ 169,765</u>	<u>\$ 179,531</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Cash Flow

For the year ended December 31, 2013 (all numbers are in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Operating activities		
Annual surplus	\$ 111,371	\$ 130,840
Decrease (increase) in taxes receivable	(1,989)	650
Decrease (increase) in accounts receivable	2,600	25,430
Decrease (increase) in other assets	341	(151)
Increase (decrease) in accounts payable and accrued liabilities	25,604	(7,445)
Increase in deferred revenue - general	6,950	9,484
Increase (decrease) in deferred revenue – obligatory reserve fund	48,138	23,098
Decrease (increase) in inventories	(1,246)	459
Decrease (increase) in prepaid expenses	(801)	2,802
Non-cash activities		
Amortization of tangible capital assets	172,670	168,134
Donated tangible capital assets	(29,821)	(30,460)
Loss on disposition of tangible capital assets	9,886	12,836
Change in investment in Government Business Enterprises	(4,795)	(8,609)
Change in employee future benefit and other obligations	11,131	18,521
Change in solid waste landfill liabilities	(3,312)	(1,390)
	<u>346,727</u>	<u>344,199</u>
Investing activities		
Decrease (Increase) in portfolio investments	915	(78,423)
(Increase) in long term receivables	(2,194)	(19,225)
	<u>(1,279)</u>	<u>(97,648)</u>
Financing activities		
Long term debt issued – Municipal Operations	-	94,739
Debt principal repayment – Municipal Operations	(32,764)	(28,387)
Lease obligation payment – Municipal Operations	(1,997)	(1,153)
Long term debt issued - Housing Corporations	-	3,752
Debt principal repayment – Housing Corporation	(4,799)	(4,211)
	<u>(39,560)</u>	<u>64,740</u>
Capital activities		
Purchase of tangible capital assets	(271,825)	(318,031)
Net increase (decrease) in cash and cash equivalents	34,063	(6,740)
Cash and cash equivalents		
Beginning of year	<u>66,192</u>	<u>72,932</u>
End of year	<u>\$ 100,255</u>	<u>\$ 66,192</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (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 Entertainment and Convention Facilities Inc.
The Hamilton Public Library Board
The Hamilton Street Railway Company
City Housing Hamilton Corporation
Hamilton Business Improvement Areas including Ancaster BIA, Barton Street Village BIA, Concession Street BIA, Downtown Hamilton BIA, Dundas BIA, International Village BIA, King Street West BIA, Locke Street BIA, Main Street West Esplanade BIA, Downtown Stoney Creek BIA, Ottawa Street BIA, Waterdown BIA, and Westdale BIA
Flamborough Recreation Sub-Committees

Interdepartmental and organizational transactions and balances are eliminated.

City Housing 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 City Housing 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.

City Housing 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.") and Hamilton Renewable Power Inc. ("H.R.P.I.") are subsidiary corporations of the City and are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 4). 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.

Cemetery trust, library trust and general trust funds administered by the City amounting to \$18,358,000 (2012 - \$17,501,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations. Homes for the Aged trust funds administered by the City amounting to \$549,000 (2012 - \$646,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

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

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

- (iii) The financial activities of programs administered by the City which are fully funded by the Province of Ontario or the Government of Canada on the basis of a March 31st year-end are excluded from these financial statements. The programs, which are not consolidated, are as follows:

Aids Bureau
Asthma Project
Child and Adolescent Services
Community Capacity Building - Choices and Changes Program
Community Mental Health and Addictions
Prenatal Nutrition & Support
Remedial Measures
Young Offenders Assessment

- (iv) 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, and in performing actuarial valuations of employee future benefits.

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(e) Portfolio investments

Portfolio investments are comprised of fixed income securities primarily federal, provincial and municipal government bonds and federal government treasury bills. Portfolio investments are valued at the lower of cost and fair value.

(f) Deferred revenue – obligatory reserve funds

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

(g) Employee future benefits and other obligations

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

(h) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. Donated 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. The City's open landfill site is amortized based on units of production (capacity used during the year). 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 3 years to 100 years as follows:

General - Land improvements	20 to 75 years
General - Buildings	20 to 50 years
General - Vehicles	4 to 20 years
General – Computer hardware and software	3 to 5 years
General – Other – Machinery and equipment	3 to 100 years
Infrastructure – Roads	10 to 50 years
Infrastructure – Bridges and other structures	40 to 75 years
Infrastructure – Water and wastewater facilities	20 to 40 years
Infrastructure – Water, wastewater, stormwater linear network	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.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(i) Inventories

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

(j) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Amounts received that create future obligations are recorded as Deferred Revenue – General on the Consolidated Statement of Financial Position.

(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 3.

2. Cash and portfolio investments

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 168	\$ 183
Cash held in banks	94,360	60,027
Temporary investments	5,727	5,982
	<u>\$ 100,255</u>	<u>\$ 66,192</u>
Portfolio investments are comprised of:		
Unrestricted investments	\$ 558,398	\$ 591,618
Designated investments (obligatory reserve funds)	196,705	148,567
Designated investments (Hamilton Future Fund)	61,116	76,949
	<u>\$ 816,219</u>	<u>\$ 817,134</u>

Portfolio investments have a market value of \$819,382,000 (2012 - \$838,555,000) and include City debentures - unrestricted investments of \$14,942,000 (2012 - \$14,988,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

3. Long term receivables

The City has long-term receivables in the amount of \$51,410,000 (2012 - \$49,216,000). The long term receivables are comprised of:

	<u>2013</u>	<u>2012</u>
Development charge deferral agreements	\$ 21,482	\$ 20,104
Mortgages receivable:		
Downtown convert to rent program	15,026	12,568
Hamilton Renewable Power Inc.	3,460	3,966
Sheraton Hotel loan	1,308	1,380
Other City loan programs	6,398	6,781
Loans to other agencies and organizations	7,786	8,459
Less: Provision for loans with concessionary terms	(4,050)	(4,042)
	<u>\$ 51,410</u>	<u>\$ 49,216</u>

Development charge deferral agreements and mortgage receivables are loans which are secured by property, with interest rates varying from 0% to 6.75% and terms of one year to thirty years.

Loans to other agencies and organizations consist of loans to the Hamilton Conservation Authority, Wentworth Minor Football Association, Catholic Children's Aid Society, Winona Peach Festival, Redeemer University College, the Bob Kemp Hospice, Hamilton CarShare and the Good Sheppard, with interest rates varying from 0% to 5.18% for terms of up to thirty years.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises

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

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

The amounts related to government business enterprises as reported in the Consolidated Statement of Operations for 2013 and 2012 is as reported by the Hamilton Utilities Corporation and Hamilton Renewable Power Inc.

	<u>2013</u>	<u>2012</u>
Net income from H.U.C.	\$ 4,781	\$ 8,837
Net income (loss) from H.R.P.I.	<u>14</u>	<u>(228)</u>
Net income from Government Business Enterprises	<u>\$ 4,795</u>	<u>\$ 8,609</u>

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

	<u>2013</u>	<u>2012</u>
Investment in H.U.C.	\$ 235,618	\$ 230,837
Investment in H.R.P.I.	<u>(213)</u>	<u>(227)</u>
	<u>\$ 235,405</u>	<u>\$ 230,610</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

4. 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, 2013 and December 31, 2012 respectively.

	<u>2013</u>	<u>2012</u>
Financial Position		
Current assets	\$ 172,879	\$ 182,428
Capital assets	409,263	384,181
Intangible assets	15,374	12,865
Goodwill	18,923	18,923
Future payments in lieu of taxes	13,768	16,324
Total assets	<u>630,207</u>	<u>614,721</u>
Current liabilities (including current portion of long term debt)	102,194	97,333
Non-current liabilities	241,795	237,073
Total liabilities	<u>343,989</u>	<u>334,406</u>
Minority Interest	50,600	49,478
Net assets	<u>\$ 235,618</u>	<u>\$ 230,837</u>
Results of operations		
Revenues	\$ 610,605	\$ 575,218
Operating expenses	(577,778)	(531,711)
Financing expenses	(7,031)	(8,506)
Investing expenses	(1,707)	(1,442)
Other income	1,219	1,011
Equity earnings from operations	<u>25,308</u>	<u>34,570</u>
Payment in lieu of taxes	(6,435)	(7,352)
Income from discontinued operations	-	(33)
Minority Interest	<u>(3,730)</u>	<u>(5,523)</u>
Net Income before dividends	15,143	21,662
Dividends paid	(11,384)	(11,802)
Other comprehensive income	1,022	(1,084)
Refundable dividend tax on hand	-	61
Net income	<u>\$ 4,781</u>	<u>\$ 8,837</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Renewable Power Inc. reported at December 31, 2013 and December 31, 2012 respectively.

	<u>2013</u>	<u>2012</u>
Financial Position		
Current assets	\$ 1,465	\$ 1,285
Capital assets	9,040	9,833
Other assets	32	32
	<hr/>	<hr/>
Total assets	10,537	11,150
	<hr/>	<hr/>
Current liabilities (including current portion of long term debt)	1,587	1,322
Future payment in lieu of taxes	514	551
Long term debt	2,649	3,504
	<hr/>	<hr/>
Total liabilities	4,750	5,377
	<hr/>	<hr/>
Shareholder's equity	6,000	6,000
Net assets	\$ (213)	\$ (227)
	<hr/>	<hr/>
Results of operations		
Revenues	\$ 3,685	\$ 3,671
Expenses	(3,365)	(3,272)
Dividends paid	(306)	(627)
Net income (loss)	\$ 14	\$ (228)
	<hr/>	<hr/>

Hamilton Utilities Corporation's non-current liabilities includes long term debt of senior unsecured debentures of \$150,000,000 bearing interest at 3.03%, due July 25, 2022.

Hamilton Utilities Corporation's non-current liabilities includes long term debt of senior unsecured debentures of \$40,000,000 bearing interest at 4.77%, due July 21, 2020.

The notes to Hamilton Utilities Corporation's consolidated financial statements and Hamilton Renewable Power Inc.'s consolidated financial statements include commitments and contingencies that are disclosed in the City's notes to the consolidated financial statements as contractual obligations (Note 16) and contingent liabilities (Note 18).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

The following summarizes the City's related party transactions with Hamilton Utilities Corporation and Hamilton Renewable Power Inc. for the year.

All transactions are in the normal course of operations, other than dividend revenue, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	<u>2013</u>	<u>2012</u>
Revenue		
Dividend revenue from H.U.C.	\$ 11,384	\$ 11,802
Property and other taxes received by the City from H.U.C.	543	528
Sale of Methane to H.R.P.I.	934	886
Expenditures		
Hydro purchased by the City from H.U.C.	28,330	29,664
Water and sewer billing contracted service with H.U.C.	4,130	3,891
Thermal and Electrical Energy purchased from H.U.C.	1,897	1,950
Thermal Energy purchased from H.R.P.I.	457	401
Assets		
Water user charges receivable from H.U.C.	12,141	10,085
Accounts receivable from H.R.P.I.	528	532
Long term receivable from H.R.P.I.	3,460	3,966
Liabilities		
Accounts Payable – H.U.C.	430	221

5. Deferred revenue - obligatory reserve funds

	<u>2013</u>	<u>2012</u>
Development charge reserve funds	\$ 81,990	\$ 52,748
Subdivider contributions	52	51
Recreational land dedicated under the Planning Act	21,293	15,916
Gasoline tax revenue: Provincial	27,618	25,707
Federal	29,563	20,113
Building Permit Revenue	14,918	13,254
Other (Pan Am Games, Ivor Wynne)	21,271	20,778
	<u>\$ 196,705</u>	<u>\$ 148,567</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

6. Continuity of deferred revenue

	<u>2013</u>	<u>2012</u>
Balance at the beginning of the year	\$ 185,756	\$ 153,174
Development charge reserve funds	29,242	14,794
Subdivider contributions	1	1
Recreational land dedicated under the Planning Act	5,378	5,524
Gasoline tax revenue: Provincial	1,911	1,202
Federal	9,450	(2,304)
Building Permit Revenue	1,664	3,412
Other (Pan Am Games, Ivor Wynne)	493	469
Deferred General	6,950	9,484
Balance at the end of the year	<u>\$ 240,845</u>	<u>\$ 185,756</u>

7. 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 2014 to 2027 with interest rates varying between 1.61% and 6.75% and obligations for leased tangible capital assets with payments from 2014 to 2050 at a discount rate of 5%. The balance of long term liabilities consists of the following:

	<u>2013</u>	<u>2012</u>
Long term debt incurred by the City	\$ 303,093	\$ 338,539
Long term debt incurred by the City for which other entities have assumed responsibility	<u>(9,136)</u>	<u>(11,818)</u>
Net long term debt	\$ 293,957	\$ 326,721
Long term liabilities for leased tangible capital assets incurred by the City	<u>5,920</u>	<u>7,917</u>
Net long term liabilities	<u>\$ 299,877</u>	<u>\$ 334,638</u>

- (b) In addition to long term liabilities incurred for City purposes, the City assumed the responsibility for the charges on long term debt originally incurred by local municipalities with respect to functions which are now a City responsibility.

The City also incurs long term debt on behalf of school boards and other non-consolidated boards. The responsibility for raising the amounts required to service this debt lies with these respective bodies. The City is contingently liable for the long term debt with respect to the tile drainage and shoreline property assistance loans for debentures for which the responsibility for repayment of principal and interest has been assumed by school boards and non-consolidated boards. The total amount of this contingent liability outstanding at December 31, 2013 is \$9,136,000 (2012 - \$11,818,000).

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

7. Long term liabilities – municipal operations (continued)

- (c) Of the \$293,957,000 long term debt (2012 - \$326,721,000) 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>2013</u>	<u>2012</u>
General revenues	\$ 243,135	\$ 272,160
Water & Wastewater user charges	50,818	54,557
Non-consolidated entities	4	4
	<u>\$ 293,957</u>	<u>\$ 326,721</u>

- (d) 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	Non- consolidated Entities	Total 2013
2014	\$ 30,026	\$ 3,742	\$ 1	\$ 33,769
2015	31,076	3,746	1	34,823
2016	32,190	3,750	1	35,941
2017	29,898	3,754	1	33,653
2018	19,164	3,758	-	22,922
2019 and thereafter	100,781	32,068	-	132,849
Total	<u>\$ 243,135</u>	<u>\$ 50,818</u>	<u>\$ 4</u>	<u>\$ 293,957</u>

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

	<u>2013</u>
2014	\$ 1,130
2015	1,130
2016	524
2017	321
2018	321
2019 and thereafter	2,494
Total	<u>\$ 5,920</u>

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

	<u>2013</u>	<u>2012</u>
Principal repayments	\$ 32,764	\$ 28,387
Interest expense	11,975	12,589
	<u>\$ 44,739</u>	<u>\$ 40,976</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

7. Long term liabilities – municipal operations (continued)

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

	<u>2013</u>	<u>2012</u>
Principal repayments	\$ 1,997	\$ 1,153
Interest expense	206	154
	<u>\$ 2,203</u>	<u>\$ 1,307</u>

8. Long term liabilities – housing corporation

(a) The balance of long term liabilities – housing corporation 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 2014 to 2027 with interest rates varying between 1.65% and 5.83%. The mortgage obligations for CityHousing Hamilton are \$79,650,000 (2012 - \$84,449,000).

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

	<u>2013</u>
2014	\$ 29,728
2015	8,102
2016	10,024
2017	11,678
2018	3,002
2019 and thereafter	17,116
	<u>\$ 79,650</u>

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

	<u>2013</u>	<u>2012</u>
Principal repayments	\$ 4,799	\$ 4,211
Interest expense	2,536	3,862
	<u>\$ 7,335</u>	<u>\$ 8,073</u>

(d) Other long term debt incurred by the City of Hamilton's housing corporation, representing capital assets financed by debentures issued by the Ontario Housing Corporation of \$27,978,000 (2012 - \$31,391,000), are 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, 2013 (all numbers in columns are in thousands of dollars)

9. 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>2013</u>	<u>2012</u>
Accrued Benefit Obligation		
Sick leave benefit plan	\$ 51,144	\$ 49,486
Long term disability	19,362	16,755
Workplace safety and insurance board liabilities (WSIB)	70,086	69,009
Retirement benefits	127,236	126,049
Vacation benefits	24,572	24,366
Pension benefit plans (Note 9f)	<u>107,393</u>	<u>91,252</u>
	399,793	376,917
Net unamortized actuarial loss	<u>(81,148)</u>	<u>(69,403)</u>
Accrued Liability	<u>\$ 318,645</u>	<u>\$ 307,514</u>

The City has established reserves for some of these liabilities totalling \$66,360,000 (2012 - \$64,995,000) as described in the following notes.

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

	<u>2013</u>	<u>2012</u>
Liability for Employee Future Benefits and Other Obligations		
balance at beginning of the year	\$ 307,514	\$ 288,993
Benefit expense	18,063	21,599
Interest expense	12,382	13,231
Amortization of actuarial loss on accrued benefit obligations	8,221	8,346
Amortization of actuarial loss (gain) on earnings on pension assets	(394)	1,107
Benefit payments	<u>(27,141)</u>	<u>(25,762)</u>
Liability for Employee Future Benefits and Other Obligations		
balance at end of the year	<u>\$ 318,645</u>	<u>\$ 307,514</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

9. 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>2013</u>	<u>2012</u>
Benefit expense	18,063	21,599
Interest expense	12,382	13,231
Amortization of net actuarial loss	8,221	8,346
	<u>\$ 38,666</u>	<u>\$ 43,176</u>

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

	Discount	Return	Inflation	Payroll	Dental	Life
	Rate	on Assets	Rate	Increases	Increases	Expectancy (Years)
Vested sick leave	4.5%	NA	2.0%	4.0%	NA	9.4
Long term disability	4.0%	NA	2.0%	3.0%	NA	8.0
Workplace safety and insurance	4.0%	NA	2.0%	3.0%	NA	11.0
Retirement Benefits Health and Dental	4.5%	NA	2.0%	4.0%	3.5% (1)	13.3 to 14.1
Pensions Benefits (non-OMERS)	4.5%	5.5%	2.0%	NA (2)	NA	6.5 to 9.0

Notes: (1) Medical costs are assumed to increase at a rate of 6% in 2012, with future annual increases grading down linearly by 0.5% to an ultimate rate of 3.5%.

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

(a) Liability for sick leave benefit plans

The City provides a sick leave benefit plan for certain employee groups. Under the sick leave benefit plan of the City, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the City's employment. An actuarial valuation as at December 31, 2013 has estimated the accrued benefit obligation at \$51,144,000 (2012 - \$49,486,000). Changes in valuation assumptions have resulted in an increase in the liability to \$51,144,000 from the expected liability of \$41,778,000. The unamortized actuarial loss as at December 31, 2013 of \$9,366,000 is being amortized over 9.4 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 \$8,052,000 (2012 - \$9,109,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

9. Employee future benefits and other obligations (continued)

(b) Liability for long term disability

The City provides benefits in the event of total disability for certain employee groups. An actuarial valuation of the City's self insured long term disability program as at December 31, 2013 has estimated the accrued benefit obligation at \$19,362,000 (2012 - \$16,755,000). Changes in valuation assumptions have resulted in a decrease in the liability to \$19,362,000 from the expected liability of \$19,601,000. The unamortized actuarial gain as at December 31, 2013 of \$239,000 is being amortized over 8.0 years, which is the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$15,748,000 (2012 - \$14,848,000).

(c) Liability for workplace safety and insurance

The City is liable for compensation related to workplace injuries as stipulated by the Workplace Safety & Insurance Act. An actuarial valuation as at December 31, 2013 estimated the accrued benefit obligation for workplace safety & insurance existing claims and future pension awards at \$70,086,000 (2012 - \$69,009,000). Changes in valuation assumptions have resulted in an increase in the liability to \$70,086,000 from the expected liability of \$65,411,000. The unamortized actuarial loss of \$4,675,000 is being amortized over 11.0 years, which is the expected average remaining life expectancy of the plan members in various groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$41,187,000 (2012 - \$39,697,000).

(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, 2013 estimated the accrued benefit obligation at \$127,236,000 (2012 - \$126,049,000). Changes in valuation assumptions have resulted in an increase in the liability to \$127,236,000 from the expected liability of \$95,248,000. The unamortized actuarial loss of \$31,988,000 is being amortized over 13.3 to 14.1 years, which is the expected average remaining life expectancy of the plan members in various groups.

(e) Liability for vacation benefits

The City is liable for vacation days earned by its employees as at December 31 but not taken until a later date. The liability as at December 31, 2013 has been estimated at \$24,572,000 (2012 - \$24,366,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,373,000 (2012 - \$1,341,000).

(f) Liability for pensions plans

The City provides pension plans other than the Ontario Municipal Employees Retirement System (OMERS) as described in Note 10. The actuarial valuations at December 31, 2013 estimated the combined accrued benefit obligation of the pension plans at \$107,393,000 (2012 - \$91,252,000). Changes in valuation resulted in an increase in the liability to \$107,393,000 from an expected liability of \$72,034,000. The unamortized actuarial loss of \$35,359,000 is being amortized over 6.5 to 9.0 years, which is the expected average remaining life expectancy of the plan members.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

10. 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 6,698 members of City staff and councillors. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees, based on the length of credited service and average earnings.

The latest actuarial valuation as at December 31, 2013 indicates a “going concern” Actuarial Deficit based on the plan’s current member and employer contribution rates. Contributions were made in the 2013 calendar year at rates ranging from 9.0% to 15.9% depending on the member’s designated retirement age and level of earnings. As a result \$49,036,000 (2012 - \$44,460,000) was contributed to OMERS for current service.

(b) Other pension plans

Approximately 448 employees of the City are members of three defined benefit pension plans and will be 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 net asset position and two of the pension plans are in a net liability position.

The actuarial valuation of the Hamilton Wentworth Retirement Fund (“HWRF”) pension plan as at December 31, 2013 is based on a number of assumptions about future events including mortality, inflation rates, and interest rates. The unamortized actuarial gains and losses on plan assets and the accrued benefit obligation are being amortized over six and a half years representing the expected average remaining life expectancy of the plan members. The accrued pension liability reported in the Consolidated Statement of Financial Position is comprised as follows:

	<u>2013</u>	<u>2012</u>
Accrued pension benefit obligation - HWRF	\$ 83,101	\$ 79,463
Pension plan assets:		
Marketable securities	<u>(61,167)</u>	<u>(59,865)</u>
	21,934	19,598
Unamortized actuarial loss	<u>(7,694)</u>	<u>(3,974)</u>
Accrued pension liability - HWRF	<u>\$ 14,240</u>	<u>\$ 15,624</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

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

	<u>2013</u>	<u>2012</u>
Expected pension fund assets at end of year	\$ 57,071	\$ 57,046
Actual pension fund assets at end of year	<u>61,167</u>	<u>59,865</u>
Actuarial gain (loss) on pension fund assets	<u>\$ 4,096</u>	<u>\$ 2,819</u>
Expected accrued pension benefit obligation at end of year	\$ 75,233	\$ 79,627
Actual accrued pension benefit obligation at end of year	<u>83,101</u>	<u>79,463</u>
Actuarial (gain) loss on accrued pension benefit obligation – HWRF	<u>\$ (7,868)</u>	<u>\$ 164</u>

The expenses related to the HWRF pension plan are comprised as follows:

	<u>2013</u>	<u>2012</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ 34	\$ 56
Amortization of net actuarial gain on pension plan assets	<u>19</u>	<u>395</u>
Net Amortization	<u>53</u>	<u>451</u>
Interest on average accrued pension benefit obligation	\$ 3,404	\$ 3,598
Expected return on average pension plan assets	<u>(3,130)</u>	<u>(3,116)</u>
Net Interest	<u>274</u>	<u>482</u>
Total expenses	<u>\$ 327</u>	<u>\$ 933</u>

Payments of \$2,346,000 (2012 - \$2,402,000) have been applied to reduce the HWRF pension plan deficit as actuarially determined for funding purposes. The pension deficit for the HWRF pension plan as at December 31, 2013 will be funded by the City with payments as follows:

2014	\$ 1,773
2015	1,773
2016	602
2017	602
2018	602
2019 and thereafter	<u>1,806</u>
Total	<u>\$ 7,158</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

The actuarial valuation of the Hamilton Municipal Retirement Fund (“HMRF”) pension plan as at December 31, 2013 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The unamortized actuarial gains and losses on plan assets and accrued benefit obligation are being amortized over nine years representing the expected average remaining life expectancy of the plan members. The accrued pension liability reported in the Consolidated Statement of Financial Position is comprised as follows:

	<u>2013</u>	<u>2012</u>
Accrued pension benefit obligation - HMRF	\$ 88,819	\$ 82,411
Pension plan assets:		
Marketable securities	<u>(80,342)</u>	<u>(78,259)</u>
	8,477	4,152
Unamortized actuarial loss	<u>(7,695)</u>	<u>(3,261)</u>
Accrued pension liability - HMRF	<u>\$ 782</u>	<u>\$ 891</u>

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

	<u>2013</u>	<u>2012</u>
Expected pension fund assets at end of year	\$ 74,944	\$ 74,489
Actual pension fund assets at end of year	<u>80,342</u>	<u>78,259</u>
Actuarial gain (loss) on pension fund assets - HMRF	<u>\$ 5,398</u>	<u>\$ 3,770</u>
Expected accrued pension benefit obligation at end of year	\$ 78,538	\$ 84,838
Actual accrued pension benefit obligation at end of year	<u>88,819</u>	<u>82,411</u>
Actuarial (gain) loss on accrued pension benefit obligation – HMRF	<u>\$ (10,281)</u>	<u>\$ 2,427</u>

The expenses related to the HMRF pension plan are comprised as follows:

	<u>2013</u>	<u>2012</u>
Amortization of net actuarial loss on accrued pension benefit obligation	238	481
Amortization of net actuarial gain on pension plan assets	<u>211</u>	<u>588</u>
Net Amortization	449	1,069
Interest on average accrued pension benefit obligation	\$ 3,542	\$ 3,819
Expected return on average pension plan assets	<u>(4,100)</u>	<u>(4,084)</u>
Net Interest	<u>(558)</u>	<u>(265)</u>
Total expenses	<u>\$ (109)</u>	<u>\$ 804</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

The actuarial valuation of the HSR pension plan as at December 31, 2013 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The unamortized actuarial gains and losses on plan assets and accrued benefit obligation are being amortized over nine years representing the expected average remaining life expectancy of the plan members. The accrued pension liability reported in the Consolidated Statement of Financial Position is comprised as follows:

	<u>2013</u>	<u>2012</u>
Accrued pension benefit obligation	\$ 251,970	\$ 230,409
Pension plan assets:		
Marketable securities	<u>(174,989)</u>	<u>(162,908)</u>
	76,981	67,501
Unamortized actuarial loss	<u>(19,969)</u>	<u>(11,167)</u>
Accrued pension liability - HSR	<u>\$ 57,012</u>	<u>\$ 56,334</u>

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

	<u>2013</u>	<u>2012</u>
Expected pension fund assets at end of year	\$ 163,204	\$ 155,319
Actual pension fund assets at end of year	<u>174,989</u>	<u>162,908</u>
Actuarial gain (loss) on pension fund assets	<u>\$ 11,785</u>	<u>\$ 7,589</u>
Expected accrued pension benefit obligation at end of year	\$ 230,598	\$ 230,611
Actual accrued pension benefit obligation at end of year	<u>251,970</u>	<u>230,409</u>
Actuarial (gain) loss on accrued pension benefit obligation – HSR	<u>\$ (21,372)</u>	<u>\$ 202</u>

The expenses related to the HSR pension plan are comprised as follows:

	<u>2013</u>	<u>2012</u>
Amortization of net actuarial loss on accrued pension benefit obligation	1,409	1,429
Amortization of net actuarial gain (loss) on pension plan assets	<u>(623)</u>	<u>125</u>
Net Amortization	786	1,554
Interest on average accrued pension benefit obligation	\$ 10,144	\$ 10,149
Expected return on average pension plan assets	<u>(8,728)</u>	<u>(8,324)</u>
Net Interest	<u>1,416</u>	<u>1,825</u>
Total expenses	<u>\$ 2,202</u>	<u>\$ 3,379</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

Payments of \$1,524,000 (2012 – \$1,468,000) have been applied to reduce the HSR pension plan deficit as actuarially determined for funding purposes. The pension deficit for the HSR pension plan as at December 31, 2013 will be funded by the City with payments as follows:

2014	\$ 1,553
2015	1,553
2016	1,381
2017	1,381
2018	1,381
2019 and thereafter	8,978
Total	<u>\$ 16,227</u>

11. 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 with a capacity of 13,258,000 cubic metres of waste. As at December 31, 2013 the remaining capacity of the site is estimated at 5,704,000 cubic metres, representing 43% of the total capacity. In 2013 approximately 50% of waste generated was diverted from landfills (2012 – 43%). The open landfill site is estimated to reach its capacity and close in 2043.

The closure costs for the open Glanbrook landfill site and post closure care costs for the closed sites were based upon management estimates, adjusted by 3% inflation. These costs were then discounted back to December 31, 2013 using a discount factor of 5%. Post closure care for the Glanbrook site is estimated to be required for 50 years from the date of site closure. 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 \$37,866,000 (2012 - \$49,113,000). The expenses remaining to be recognized are \$9,211,000 (2012 - \$17,146,000). The liability of \$28,655,000 (2012 - \$31,967,000) 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 \$903,000 (2012 - \$853,000) 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, 2013 (all numbers in columns are in thousands of dollars)

12. 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>2013</u>	<u>2012</u>
Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:		
Working funds	\$ 69,059	\$ 61,370
Contingencies	867	847
Replacement of equipment	66,034	62,025
Sick leave (Note 9)	8,052	9,109
Workplace Safety and Insurance Board (WSIB)(Note 9)	41,187	39,697
Pension Plans	4,884	4,935
Operating programs	87,635	84,827
Tangible capital assets	<u>328,946</u>	<u>336,946</u>
Total reserves	606,664	599,756
Hamilton Future Fund (Note 13)	<u>61,116</u>	<u>76,949</u>
Total reserves and discretionary reserve funds	<u>\$ 667,780</u>	<u>\$ 676,705</u>
Operating surplus		
Flamborough recreation sub-committees	\$ 268	\$ 253
Business improvement areas	588	361
Housing Operations	630	442
Total operating surplus	<u>\$ 1,486</u>	<u>\$ 1,056</u>
Capital surplus		
Municipal Operations	\$ (7,709)	\$ 24,191
Housing Operations	9,451	14,105
Total capital surplus	<u>\$ 1,742</u>	<u>\$ 38,296</u>
Unfunded liabilities		
Employee benefit obligations (Note 9)	\$ (297,989)	\$ (287,476)
Solid Waste Landfill Liabilities	(28,655)	(31,967)
Total unfunded liabilities	<u>\$ (326,644)</u>	<u>\$ (319,443)</u>
Investment in Government Business Enterprises (Note 4)	<u>\$ 235,405</u>	<u>\$ 230,610</u>
Investment in tangible capital assets	<u>\$4,343,421</u>	<u>\$4,184,595</u>
Accumulated surplus	<u>\$4,923,190</u>	<u>\$4,811,819</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

13. 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>2013</u>	<u>2012</u>
Balance at the beginning of the year	\$ 76,949	\$ 73,506
Revenues		
Investment Income	<u>1,661</u>	<u>3,044</u>
Operating Expenses		
Repayment of Waste Management Projects	<u>7,101</u>	6,855
Net income	<u>\$ 7,101</u>	<u>\$ 6,855</u>
Tangible capital assets		
Waste Management Projects	(3,620)	(1,387)
Roads and Bridges	(53)	(1,731)
2015 Pan Am Games	(19,680)	(3,221)
Career Development Resource Centre	-	(2)
Urban Development Bank	(47)	-
Other	<u>(1,195)</u>	<u>(115)</u>
	<u>\$ (24,595)</u>	<u>\$ (6,456)</u>
Balance at the end of the year	<u>\$ 61,116</u>	<u>\$ 76,949</u>

14. Taxation

	Budget <u>2013</u>	Actual <u>2013</u>	Actual <u>2012</u>
Taxation from real property	\$ 936,176	\$ 940,090	\$ 914,365
Taxation from other governments payments in lieu of taxes	<u>15,268</u>	<u>15,080</u>	<u>15,060</u>
	951,444	955,170	929,425
Less: Taxation collected on behalf of school boards	<u>(187,274)</u>	<u>(190,486)</u>	<u>(190,161)</u>
Net taxes available for municipal purposes	<u>\$ 764,170</u>	<u>\$ 764,684</u>	<u>\$ 739,264</u>

The City is required to levy and collect taxes on behalf of the school boards. These taxes are recorded as revenue at the amounts levied. 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, 2013 (all numbers in columns are in thousands of dollars)

15. Government transfers

(a) Government transfers - grants, subsidies and contributions

The City receives grants, subsidies and contributions from provincial and federal governments for general purposes, to finance specific program expenditures and to finance capital expenditures. Under the accrual basis of accounting these cash payments are recorded as grant revenues on the Consolidated Statement of Operations. Amounts received that create future obligations are recorded as Deferred Revenue - General on the Consolidated Statement of Financial Position. Any amounts owed by the other governments are recorded as Accounts Receivable on the Consolidated Statement of Financial Position. Amounts received for payments-in-lieu of taxes are not reported as government transfers.

During 2013 the City received payments from the provincial and federal governments in the amount of \$377,890,000 (2012 - \$377,676,000) as follows:

	<u>2013</u>	<u>2012</u>
Government of the Province of Ontario	\$ 300,283	\$ 292,405
Government of Canada	<u>77,607</u>	<u>85,271</u>
Total	<u>\$ 377,890</u>	<u>\$ 377,676</u>

(b) Government transfers - payments for social assistance entitlements, housing subsidies and grants

The City makes discretionary and non-discretionary disbursements to individuals, institutions and agencies. These payments are recorded as expenditures in the Consolidated Statement of Operations to the extent that the payments meet the accrual basis of accounting. Amounts paid for Canada Pension Plan and investments in government debentures are not reported as government transfers. During 2013, the City issued payments as government transfers in the amount of \$199,099,000 (2012 - \$211,142,000) as follows:

	<u>2013</u>	<u>2012</u>
Payments for social assistance entitlements	\$ 124,827	\$ 136,331
Payments for housing subsidies	57,080	57,459
Grants to agencies and institutions	<u>17,192</u>	<u>17,352</u>
Total	<u>\$ 199,099</u>	<u>\$ 211,142</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

16. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$309,631,000 at December 31, 2013 for capital works (2012 - \$336,929,000). 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, 2013 amounting to \$4,214,000 (2012 - \$4,354,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$140,000 in 2013 (2012 - \$171,000) 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 for 2005 to 2014. The obligation at December 31, 2013 of \$3,460,000 (2012 - \$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 \$332,000 in 2013 (2012 - \$371,000) are reported in the Consolidated Statement of Operations.
- (d) The City has an agreement with a developer to design and install services in the Dundas and Waterdown community of the City of Hamilton. The City is committed to repaying the developer \$8,524,000 plus interest on the outstanding balance. Payments under the terms of the agreement are due by 2017 with an option to extend the term until 2022. The outstanding future obligation at December 31, 2013 amounting to \$8,583,000 (2012 - \$8,524,000) is not reflected in the Consolidated Financial Statements. Payments are collected by a special area charge and remitted to the developer. Payments made to the developer amounting to \$365,000 in 2013 (2012 - \$585,000) are reported in the Consolidated Statement of Operations.
- (e) The City has an agreement with BFI for the transfer, hauling and disposal of the City's solid waste. The term of the agreement is ten years and two months for the period of January 1, 2010 to February 29, 2020. The contract fees amounting to \$6,726,300 for 2013 (2012 - \$6,537,000) are reported in the Consolidated Statement of Operations.
- (f) The City has an agreement with GFL Environmental East Corp for the provision of curbside/roadside and automated recycling, green cart, garbage, leaf and yard, bulk waste, and bin waste collection. The agreement ends on March 28, 2020. Contract fees amounting to \$ 16,666,000 for 2013 (2012 - \$17,869,000) are reported in the Consolidated Statement of Operations.
- (g) 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 term of the existing agreement is five years for the period of July 1, 2012 to June 30, 2017 with an option to renew for a further term up to five years. The annual contract fees amounting to \$12,811,000 (2012 - \$11,379,000) are reported in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

16. Contractual obligations (continued)

(h) The City has lease agreements with Tradeport International Corporation for the management and operation of the City's airport. The term of the agreement is forty years for the period July 1, 1996 to June 30, 2036. Under the terms of the agreement, Tradeport is responsible for capital management and all operating costs. Revenue in the amount of \$326,000 (2012 - \$283,000) is reported on the Consolidated Statement of Operations.

(i) The City has executed lease agreements for administrative office space and radio communication equipment and infrastructure requiring annual payments in future years as they become due and payable in the amount of \$32,384,000 (2012 - \$39,812,000). The minimum lease payments for these leases over the next five years and thereafter are:

2014	\$ 6,976
2015	5,373
2016	4,020
2017	4,060
2018	4,104
2019 and thereafter	7,851
Total	<u>\$ 32,384</u>

(j) 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, 2013, the City has \$65,000,000 in a revolving demand facility.

The first term loan has an original principal of \$14,740,000, a term of 5 years, and an annual principal repayment of \$2,948,000. The second term loan has an original principal of \$38,000,000, a term of 15 years, and an annual principal repayment of \$2,533,000. As at December 31, 2013, the remaining principal balance is 11,792,000 (2012 - \$14,740,000) for the first term loan and \$35,467,000 (2012 - \$38,000,000) for the second term loan. The interest cost for the City for both loans is based on the 30-day Banker's Acceptance rate.

(k) Hamilton Utilities Corporation (H.U.C.) has a credit agreement dated June 30, 2013 with a Canadian chartered bank to borrow up to \$100,000,000 to finance general corporate requirements, working capital requirements, and prudential obligations. Borrowings may be in the form of Bankers' Acceptances ("BAs"), prime rate loans, letters of credit, and/or current account overdrafts. The Amended Credit Facility matures on June 30, 2016. Interest rates payable on the Amended Credit Facility are based on a margin above prime or the BA rate, as the case may be, determined by reference to the Corporation's debt rating. A standby fee is paid on any unutilized portion of the Amended Credit Facility. At year end, no amounts were drawn on these letters of credit (2012 - Nil). The Corporation has issued a \$9,100,000 letter of credit in favour of the Independent Electricity System Operator ("IESO") as security for Horizon Utilities purchase of electricity through the IESO. At year-end, no amounts were drawn on the letters of credit.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

17. 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 \$21,853,000 (2012 - \$21,623,000). Claim expenses for the year in the amount of \$9,074,000 (2012 - \$10,216,000) are reported as expenses in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2013 (all numbers in columns are in thousands of dollars)

18. Contingent liabilities

- (a) The City is contingently liable for the repayment of principal and interest on long term debt issued on behalf of school boards and other unconsolidated boards (Note 7(b)). The responsibility for raising the amounts required to service this debt lies with these respective bodies. The total amount of this contingent liability outstanding at December 31, 2013 is \$9,136,000 (2012 - \$11,818,000).
- (b) Certain property owners in the City of Hamilton have been successful in appealing their tax assessments with the result that previous years' taxes will eventually be refunded. Based on the results of these appeals it is likely that additional taxes for years up to 2013 will also be subject to appeal and it is further likely that these taxes will be refunded. An estimate cannot be made of this contingent liability and the City has recorded no provision for refund of property taxes for 2013 (2012 - Nil). The amount of any additional loss will be recorded in the year in which the settlement occurs.
- (c) The City has outstanding contractual obligations with its unionized employee groups as of December 31, 2013. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund these settlements. Subsequent to December 31, 2013, there were no settlements for these unionized employee groups.

19. Tangible Capital Assets

Details of the tangible capital assets are included in the Schedule of Tangible Capital Assets (pages 2-36 and 2-37). The City has tangible capital assets valued at cost in the amount of \$7,288,512,000 (2012 - \$7,037,017,000) and a net book value of \$4,732,241,000 (2012 - \$4,613,151,000). The net book value of the tangible capital assets valued as at December 31, 2013 is as follows:

	<u>2013</u>	<u>2012</u>
General		
Land	\$ 265,406	\$ 252,555
Land improvements	134,479	131,206
Buildings	569,650	564,255
Vehicles	109,191	118,460
Computer hardware and software	4,928	5,503
Other	90,596	65,122
Infrastructure		
Roads	1,183,951	1,201,843
Bridges and structures	176,442	169,941
Water and wastewater facilities	388,850	323,503
Underground and other networks	<u>1,585,462</u>	<u>1,544,543</u>
Net Book Value	4,508,955	4,376,931
Assets under construction	223,286	236,220
Balance at the end of the year	<u>\$4,732,241</u>	<u>\$4,613,151</u>

Included are leased tangible capital assets with a net book value of \$5,920,000 (2012 - \$7,917,000). 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, 2013 (all numbers in columns are in thousands of dollars)

20. 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).

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

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

Financial information about the City's business segments is included in the Schedule of Operations for Business Segments (pages 2-38 and 2-39).

21. Budget figures

The 2013 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on December 13, 2012. The 2013 operating budget and capital financing for municipal operations was approved by City Council at a meeting on April 10, 2013.

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, 2013 (all numbers in columns are in thousands of dollars)

21. Budget figures (continued)

	<u>2013</u>
Revenue	
Council Approved Gross Revenue Operating Budget - Municipal	1,438,806
Council Approved Gross Revenue Capital Budget - Municipal	435,153
	<u>1,873,959</u>
Board Approved Gross Revenue Operating Budget - Housing Corporation	59,578
Board Approved Gross Revenue Capital Budget - Housing Corporation	7,879
	<u>67,457</u>
Adjustments to Revenues	
Less: Transfers from reserves and reserve funds Operating Budget Municipal Operations	(31,647)
Less: Transfers from reserves and reserve funds Capital Budget Municipal Operations	(132,794)
Less: Transfers from current fund to capital fund - Municipal Operations	(120,856)
Less: Transfers from current fund to capital fund - Housing Corporations	(7,879)
Less: Long term debt financing Capital Budget	(37,910)
Add: Donated tangible capital assets	30,500
Less: Reclassification - Municipal Operations	(150)
Add: Reserve & reserve funds	13,800
Less: Elimination for consolidation of Housing Corporation	(21,976)
	<u>(308,912)</u>
Consolidated	<u>1,632,504</u>
Expenses	
Council Approved Gross Expenditure Operating Budget - Municipal	1,438,806
Council Approved Gross Expenditure Capital Budget - Municipal	435,153
	<u>1,873,959</u>
Board Approved Gross Expenditure Operating Budget - Housing Corporation	59,578
Board Approved Gross Expenditure Capital Budget - Housing Corporation	7,879
	<u>67,457</u>
Adjustments to Expenditures	
Less: Debt principal repayment - Municipal Operations	(32,764)
Less: Debt principal repayment - Housing Corporation	(4,799)
Less: Transfers to reserves and reserve funds - Municipal Operations	(61,533)
Less: Transfers to capital from current funds - Municipal Operations	(120,856)
Less: Tangible capital assets - Municipal Operations	(388,238)
Less: Tangible capital assets - Housing Corporation	(7,879)
Less: Reclassification - Municipal Operations	(149)
Add: Change in employee future benefits and other obligations	10,513
Less: Change in solid waste landfill liability	(3,312)
Add: Amortization expense for tangible capital assets	169,000
Less: Elimination for consolidation of Housing Corporation	(26,213)
	<u>(466,230)</u>
Consolidated	<u>1,475,186</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2013 (all numbers in columns are in thousands of dollars)

2013 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, 2013	\$ 252,555	\$ 242,897	\$ 1,026,096	\$ 262,518	\$ 9,627	\$ 97,817	\$ 2,079,803	\$ 214,694	\$ 613,353	\$ 2,001,437	\$ 236,220	\$ 7,037,017
Additions, Betterments & Transfers in 2013	12,121	12,195	31,527	12,620	2,278	34,976	35,364	11,060	80,522	46,333	146,669	425,665
Disposals & Writedowns in 2013	(207)	(1,840)	(3,933)	(25,350)	(1,548)	(2,927)	(5,429)	(21)	(235)	(2,897)	(5,764)	(50,151)
Donations & Contributions in 2013	937	101	-	-	-	-	7,935	-	-	20,847	-	29,820
WIP Transfers to Service in 2013	-	-	-	-	-	-	-	-	-	-	(153,839)	(153,839)
Balance, Dec 31, 2013	\$ 265,406	\$ 253,353	\$ 1,053,690	\$ 249,788	\$ 10,357	\$ 129,866	\$ 2,117,673	\$ 225,733	\$ 693,640	\$ 2,065,720	\$ 223,286	\$ 7,288,512
Accumulated Amortization												
Balance, Jan 1, 2013	\$ -	\$ 111,691	\$ 461,841	\$ 144,058	\$ 4,124	\$ 32,695	\$ 877,960	\$ 44,753	\$ 289,850	\$ 456,894	\$ -	\$ 2,423,866
Amortization in 2013	-	8,348	24,455	21,576	2,853	9,502	60,150	4,547	14,978	26,261	-	172,670
Acc'd Amortization Transfers in 2013	-	-	(179)	-	-	-	-	-	179	-	-	-
Amortization on Disposals in 2013	-	(1,165)	(2,077)	(25,037)	(1,548)	(2,927)	(4,388)	(9)	(217)	(2,897)	-	(40,265)
Balance, Dec 31, 2013	\$ -	\$ 118,874	\$ 484,040	\$ 140,597	\$ 5,429	\$ 39,270	\$ 933,722	\$ 49,291	\$ 304,790	\$ 480,258	\$ -	\$ 2,556,271
Net Book Value Dec 31, 2013	\$ 265,406	\$ 134,479	\$ 569,650	\$ 109,191	\$ 4,928	\$ 90,596	\$ 1,183,951	\$ 176,442	\$ 388,850	\$ 1,585,462	\$ 223,286	\$ 4,732,241
Assets Under Construction	\$ -	\$ 12,159	\$ 78,839	\$ 20	\$ 4,650	\$ 6,388	\$ 29,189	\$ 5,764	\$ 42,934	\$ 43,343	\$ 223,286	
Total	\$ 265,406	\$ 146,638	\$ 648,489	\$ 109,211	\$ 9,578	\$ 96,984	\$ 1,213,140	\$ 182,206	\$ 431,784	\$ 1,628,805		\$ 4,732,241

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2013 (all numbers in columns are in thousands of dollars)

2012 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, 2012	\$ 235,428	\$ 216,962	\$ 923,138	\$ 246,356	\$ 8,363	\$ 95,493	\$ 2,021,274	\$ 213,975	\$ 502,395	\$ 1,942,361	\$ 341,441	\$ 6,747,186	
Additions & Betterments & Transfers in 2012	18,226	25,760	115,686	21,146	3,719	6,367	59,182	903	121,675	43,755	175,636	592,055	
Disposals & Writedowns in 2012	(1,437)	155	(12,728)	(4,984)	(2,455)	(4,043)	(12,125)	(184)	(11,319)	(2,707)	(6,833)	(58,660)	
Donations & Contributions in 2012	338	20	-	-	-	-	11,472	-	602	18,028	-	30,460	
WIP Transfers to Service in 2012	-	-	-	-	-	-	-	-	-	-	(274,024)	(274,024)	
Balance, Dec 31, 2012	\$ 252,555	\$ 242,897	\$ 1,026,096	\$ 262,518	\$ 9,627	\$ 97,817	\$ 2,079,803	\$ 214,694	\$ 613,353	\$ 2,001,437	\$ 236,220	\$ 7,037,017	
Accumulated Amortization													
Balance, Jan 1, 2012	\$ -	\$ 103,609	\$ 449,688	\$ 127,513	\$ 4,028	\$ 28,568	\$ 824,463	\$ 42,259	\$ 287,123	\$ 434,305	\$ -	\$ 2,301,556	
Amortization in 2012	-	7,780	22,515	21,398	2,552	8,170	64,157	2,839	13,427	25,296	-	168,134	
Acc'd Amortization Transfers in 2012	-	214	-	-	-	-	-	(214)	-	-	-	-	
Amortization on Disposals in 2012	-	88	(10,362)	(4,853)	(2,456)	(4,043)	(10,660)	(131)	(10,700)	(2,707)	-	(45,824)	
Balance, Dec 31, 2012	\$ -	\$ 111,691	\$ 461,841	\$ 144,058	\$ 4,124	\$ 32,695	\$ 877,960	\$ 44,753	\$ 289,850	\$ 456,894	\$ -	\$ 2,423,866	
Net Book Value Dec 31, 2012	\$ 252,555	\$ 131,206	\$ 564,255	\$ 118,460	\$ 5,503	\$ 65,122	\$ 1,201,843	\$ 169,941	\$ 323,503	\$ 1,544,543	\$ 236,220	\$ 4,613,151	
Assets Under Construction	\$ -	\$ 16,546	\$ 39,377	\$ 88	\$ 3,106	\$ 28,932	\$ 11,103	\$ 540	\$ 101,621	\$ 34,907	\$ 236,220		
Total	\$ 252,555	\$ 147,752	\$ 603,632	\$ 118,548	\$ 8,609	\$ 94,054	\$ 1,212,946	\$ 170,481	\$ 425,124	\$ 1,579,450		\$ 4,613,151	

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2013 (all numbers in columns are in thousands of dollars)

2013 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 2013
Revenue										
Taxation	\$ 764,684	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 764,684
Government grants and contributions	\$ 6,308	\$ 5,475	\$ 31,491	\$ 6,990	\$ 50,829	\$ 196,288	\$ 26,125	\$ 17,521	\$ 204	\$ 341,231
User charges	\$ 3,714	\$ 6,477	\$ 52,267	\$ 173,418	\$ 3,010	\$ 12,128	\$ 207	\$ 20,256	\$ 7,597	\$ 279,074
Development charges and subdivider contributions	\$ 1,206	\$ 8,905	\$ (2,710)	\$ 10,094	\$ -	\$ -	\$ -	\$ (147)	\$ 4,683	\$ 22,031
Donations of tangible capital assets	\$ -	\$ -	\$ 7,935	\$ 21,394	\$ -	\$ -	\$ -	\$ 492	\$ -	\$ 29,821
Investment income	\$ 31,306	\$ 1,463	\$ 1,378	\$ 6,125	\$ (158)	\$ 340	\$ 1,245	\$ 1,737	\$ 634	\$ 44,070
Income from Government Business Enterprises	\$ 4,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,795
Other	\$ 18,299	\$ 20,850	\$ 10,961	\$ 5,243	\$ 233	\$ 70	\$ 36,527	\$ 2,221	\$ 2,108	\$ 96,512
Total	\$ 830,312	\$ 43,170	\$ 101,322	\$ 223,264	\$ 53,914	\$ 208,826	\$ 64,104	\$ 42,080	\$ 15,226	\$ 1,582,218
Expenses										
Salaries and benefits	\$ 49,659	\$ 238,902	\$ 90,464	\$ 38,388	\$ 67,001	\$ 76,128	\$ 12,176	\$ 68,593	\$ 24,373	\$ 665,684
Interest on long term debt	\$ 105	\$ 868	\$ 6,986	\$ 2,670	\$ -	\$ 796	\$ 2,547	\$ 604	\$ 141	\$ 14,717
Materials supplies services	\$ 42,845	\$ 15,510	\$ 43,297	\$ 26,048	\$ 8,079	\$ 9,102	\$ 29,158	\$ 19,767	\$ 4,693	\$ 198,499
Contracted services	\$ 11,382	\$ 3,704	\$ 36,344	\$ 67,331	\$ 7,748	\$ 55,042	\$ 15,424	\$ 12,368	\$ 3,882	\$ 213,225
Rents and financial expenses	\$ 2,332	\$ 2,307	\$ 1,279	\$ 8,359	\$ 1,640	\$ 2,480	\$ 446	\$ 7,957	\$ 1,560	\$ 28,360
External transfers	\$ 614	\$ 6,509	\$ 6	\$ 2,404	\$ 175	\$ 126,688	\$ 35,322	\$ 5,440	\$ 535	\$ 177,693
Amortization	\$ 7,372	\$ 6,720	\$ 82,986	\$ 46,211	\$ 2,064	\$ 1,946	\$ 4,581	\$ 17,906	\$ 2,883	\$ 172,669
Interfunctional transfers	\$ (32,118)	\$ 2,527	\$ 15,207	\$ 4,635	\$ 3,575	\$ 775	\$ -	\$ 4,929	\$ 470	\$ -
Total	\$ 82,191	\$ 277,047	\$ 276,569	\$ 196,046	\$ 90,282	\$ 272,957	\$ 99,654	\$ 137,564	\$ 38,537	\$ 1,470,847
Annual Surplus	\$ 748,121	\$ (233,877)	\$ (175,247)	\$ 27,218	\$ (36,368)	\$ (64,131)	\$ (35,550)	\$ (95,484)	\$ (23,311)	\$ 111,371

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2013 (all numbers in columns are in thousands of dollars)

2012 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 2012
Revenue										
Taxation	\$ 739,264	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 739,264
Government grants and contributions	515	4,948	44,064	18,802	49,279	196,608	30,036	4,328	612	349,192
User charges	3,416	6,547	50,163	171,539	3,144	12,190	402	23,338	9,736	280,475
Developer contributions earned	-	(756)	4,999	47,656	-	-	4	1,448	1,489	54,840
Donations of tangible capital assets	-	-	11,472	18,630	-	-	-	358	-	30,460
Investment income	31,644	790	3,038	5,615	(127)	457	958	1,257	1,430	45,062
Income from Government Business Enterprises	8,609	-	-	-	-	-	-	-	-	8,609
Other (sale of land included in this amount)	19,693	20,114	9,740	1,080	231	15	35,577	860	2,011	89,321
Total	\$ 803,141	\$ 31,643	\$ 123,476	\$ 263,322	\$ 52,527	\$ 209,270	\$ 66,977	\$ 31,589	\$ 15,278	\$ 1,597,223
Expenses										
Salaries and benefits	\$ 49,079	\$ 233,753	\$ 88,745	\$ 35,217	\$ 65,287	\$ 73,538	\$ 10,038	\$ 68,032	\$ 25,108	\$ 648,797
Interest on long term debt	109	856	7,618	2,519	1	849	3,671	629	153	16,405
Materials supplies services	47,276	16,090	39,887	35,184	7,757	8,873	30,592	24,771	5,834	216,264
Contracted services	10,559	2,768	37,626	63,211	3,580	55,103	22,903	8,193	3,061	207,004
Rents and financial expenses	1,803	2,072	4,112	6,926	1,623	2,416	1,206	4,732	1,455	26,345
External transfers	88	6,881	-	-	190	133,029	37,089	5,274	882	183,433
Amortization	6,628	6,153	84,118	43,857	1,837	1,830	4,340	16,561	2,811	168,135
Interfunctional transfers	(31,833)	2,278	13,251	6,938	4,065	997	-	4,209	95	-
Total	\$ 83,709	\$ 270,851	\$ 275,357	\$ 193,852	\$ 84,340	\$ 276,635	\$ 109,839	\$ 132,401	\$ 39,399	\$ 1,466,383
Annual Surplus (Deficit)	\$ 719,432	\$ (239,208)	\$ (151,881)	\$ 69,470	\$ (31,813)	\$ (67,365)	\$ (42,862)	\$ (100,812)	\$ (24,121)	\$ 130,840

Section 3

City of Hamilton Financial Statements for the Trust Funds Cemetery, Library and General Trusts December 31, 2013

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Trust Funds of the City of Hamilton, which comprise the statement of financial position as at December 31, 2013, the statement of operations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of the City of Hamilton as at December 31, 2013, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 11, 2014
Hamilton, Ontario

City of Hamilton

Trust Funds – Consolidated

As at December 31, 2013

Statement of Financial Position

As at December 31, 2013

	<u>2013</u>	<u>2012</u>
Financial Assets		
Cash	\$ 2,086,647	\$ 1,865,292
Investments (Note 2)	12,371,228	12,310,488
Deposits Hamilton Community Foundation (Note 3)	2,607,010	2,191,532
Due From City of Hamilton - Cemetery	825,558	686,024
Due From City of Hamilton - Library Trust Funds	367,691	366,669
Due From City of Hamilton - Other Trust Funds	99,650	80,841
Total Financial Assets	<u>\$ 18,357,784</u>	<u>\$ 17,500,846</u>
Liabilities		
Deposits	<u>\$ 201,872</u>	<u>200,479</u>
Accumulated surplus	<u>\$ 18,155,912</u>	<u>\$ 17,300,367</u>

Statement of Operations

Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Revenues		
Cemetery lots and interments	\$ 607,612	\$ 592,651
Investment income	491,701	564,384
Other revenue	456,444	212,664
Total revenue	<u>\$ 1,555,757</u>	<u>\$ 1,369,699</u>
Expenses		
Other	\$ 58,443	\$ 41,136
Transfer to other trust funds	641,769	660,679
Total expenses	<u>\$ 700,212</u>	<u>\$ 701,815</u>
Annual surplus	<u>\$ 855,545</u>	<u>\$ 667,884</u>
Accumulated surplus at the beginning of the year	<u>17,300,367</u>	<u>16,632,483</u>
Accumulated surplus at the end of the year	<u>\$ 18,155,912</u>	<u>\$ 17,300,367</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2013

1. Significant accounting policies

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

(a) Basis of Consolidation

These 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
Library - M. Waldon Thompson Bequest
Library - Central Library Special Gift Fund
Library - Permanent Endowment Fund
Library - Keetha McLaren Memorial Fund
Library - F. Waldon Library Bequest
Library - Waterdown Fundraising

(b) Basis of Accounting

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

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2013

2. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$12,371,228 (2012 - \$12,310,488). These investments have a market value of \$12,893,574 (2012 - \$13,530,237) at the end of the year.

3. Deposits – Hamilton Community Foundation

The library trust funds have funds invested with the Hamilton Community Foundation. These investments are recorded on the Statement of Financial Position at market value.

4. Accumulated Surplus

	<u>2013</u>	<u>2012</u>
The accumulated surplus consists of:		
Cemeteries	<u>\$ 14,151,775</u>	<u>\$ 13,700,325</u>
Library		
M. Walden Thompson Estate	20,557	20,114
Special Gift Fund Central	2,406,469	2,085,199
Permanent Endowment Fund	712,535	621,505
Keetha McLaren Memorial Fund	36,803	30,890
F. Walden Library Bequest	63,910	63,098
Waterdown Library Fundraising	<u>43,479</u>	<u>42,457</u>
	<u>\$ 3,283,753</u>	<u>\$ 2,863,263</u>
Other		
Fieldcote Farmer (Ancaster)	342,588	359,742
Knowles Bequest (Dundas)	267,369	264,915
F. Walden Dundurn Castle (Hamilton)	5,740	5,605
Ellen Grafton (Dundas)	7,343	7,248
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election (Hamilton)	5,631	5,499
Balfour Estate Chedoke (Hamilton)	<u>81,403</u>	<u>83,460</u>
	<u>\$ 720,384</u>	<u>\$ 736,779</u>
	<u>\$ 18,155,912</u>	<u>\$ 17,300,367</u>

City of Hamilton

Trust Funds – Cemetery

As at December 31, 2013

Statement of Financial Position

As at December 31, 2013

	<u>2013</u>	<u>2012</u>
Financial Assets		
Cash	\$ 1,409,020	\$ 1,257,326
Due From City of Hamilton	825,558	686,024
Investments	<u>12,119,069</u>	<u>11,957,454</u>
Total Financial Assets	<u>\$ 14,353,647</u>	<u>\$ 13,900,804</u>
Liabilities		
Deposits	<u>\$ 201,872</u>	<u>\$ 200,479</u>
Accumulated surplus	<u>\$ 14,151,775</u>	<u>\$ 13,700,325</u>

Statement of Operations

Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Revenues		
Cemetery lots and interments	\$ 607,612	\$ 592,651
Investment income	<u>469,563</u>	<u>536,681</u>
Total revenue	<u>\$ 1,077,175</u>	<u>\$ 1,129,332</u>
Expenses		
Other	\$ 10,992	\$ 11,247
Transfer to other trust funds	<u>614,733</u>	<u>660,679</u>
Total expenses	<u>\$ 625,725</u>	<u>\$ 671,926</u>
Annual surplus	<u>\$ 451,450</u>	<u>\$ 457,406</u>
Accumulated surplus at the beginning of the year	<u>13,700,325</u>	<u>13,242,919</u>
Accumulated surplus at the end of the year	<u>\$ 14,151,775</u>	<u>\$ 13,700,325</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds – Library

As at December 31, 2013

Statement of Financial Position

As at December 31, 2013

	<u>2013</u>	<u>2012</u>
Financial Assets		
Cash	\$ 309,052	\$ 305,062
Investment in the Hamilton Community Foundation	2,607,010	2,191,532
Due From City of Hamilton	<u>367,691</u>	<u>366,669</u>
Total Financial Assets	<u>\$ 3,283,753</u>	<u>\$ 2,863,263</u>
Accumulated surplus	<u>\$ 3,283,753</u>	<u>\$ 2,863,263</u>

Statement of Operations

Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Revenues		
Investment income	\$ 5,011	\$ 4,965
Other revenue	<u>449,444</u>	<u>191,664</u>
Total revenue	<u>\$ 454,455</u>	<u>\$ 196,629</u>
Expenses		
Other	<u>\$ 33,965</u>	<u>\$ 27,414</u>
Total expenses	<u>\$ 33,965</u>	<u>\$ 27,414</u>
Annual surplus	<u>\$ 420,490</u>	<u>\$ 169,215</u>
Accumulated surplus at the beginning of the year	<u>2,863,263</u>	<u>2,694,048</u>
Accumulated surplus at the end of the year	<u>\$ 3,283,753</u>	<u>\$ 2,863,263</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds – Other

As at December 31, 2013

Statement of Financial Position

As at December 31, 2013

	<u>2013</u>	<u>2012</u>
Financial Assets		
Cash	\$ 368,575	\$ 302,904
Investments	252,159	353,034
Due From City of Hamilton	<u>99,650</u>	<u>80,841</u>
Total Financial Assets	<u>\$ 720,384</u>	<u>\$ 736,779</u>
Accumulated surplus	<u>\$ 720,384</u>	<u>\$ 736,779</u>

Statement of Operations

Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Revenues		
Investment income	\$ 17,127	\$ 22,738
Other revenue	<u>7,000</u>	<u>21,000</u>
Total revenue	<u>\$ 24,127</u>	<u>\$ 43,738</u>
Expenses		
Transfer to other trust funds	\$ 27,036	\$ -
Other	<u>13,486</u>	<u>2,475</u>
Total expenses	<u>\$ 40,522</u>	<u>\$ 2,475</u>
Annual surplus (deficit)	<u>\$ (16,395)</u>	<u>\$ 41,263</u>
Accumulated surplus at the beginning of the year	<u>736,779</u>	<u>695,516</u>
Accumulated surplus at the end of the year	<u>\$ 720,384</u>	<u>\$ 736,779</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, 2013

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Trust Funds – Homes for the Aged, City of Hamilton, which comprise the statement of financial position as at December 31, 2013, the statement of operations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds – Homes for the Aged, City of Hamilton as at December 31, 2013, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 11, 2014
Hamilton, Ontario

City of Hamilton

Trust Funds – Homes for the Aged

As at December 31, 2013

Statement of Financial Position

As at December 31, 2013

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2013	Total 2012
Financial assets						
Cash	\$ 34,734	\$ 32,552	\$ 14,974	\$ 217,144	\$ 299,404	\$ 645,745
Investments	\$ -	\$ -	\$ -	\$ 250,000	\$ 250,000	
Liabilities						
Due to City of Hamilton	\$ -	\$ -	\$ -	\$ 397	\$ 397	\$ 271
Accumulated surplus	\$ 34,734	\$ 32,552	\$ 14,974	\$ 466,747	\$ 549,007	\$ 645,474

Statement of Operations

Year ended December 31, 2013

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2013	Total 2012
Revenue						
Residents' deposits	\$ 119,293	\$ 114,601	\$ 8,037	\$ 22,041	\$ 263,972	\$ 301,843
Investment income	-	-	349	5,406	\$ 5,755	7,506
Donations	-	-	2,282	4,506	\$ 6,788	6,065
	<u>119,293</u>	<u>114,601</u>	<u>10,668</u>	<u>31,953</u>	<u>276,515</u>	<u>315,414</u>
Expenses						
Maintenance payments	15,296	31,918	-	-	47,214	47,095
Residents' charges	96,798	75,857	13,008	51,201	236,864	229,551
Payments to estates	11,905	6,950	-	-	18,855	13,967
Payments on discharge	430	248	-	-	678	-
Renovation Expense	-	-	52,000	-	52,000	-
Program purchases	-	-	-	17,371	17,371	14,670
	<u>124,429</u>	<u>114,973</u>	<u>65,008</u>	<u>68,572</u>	<u>372,982</u>	<u>305,283</u>
Annual surplus (deficit)	(5,136)	(372)	(54,340)	(36,619)	(96,467)	10,131
Accumulated surplus at the beginning of the year	39,870	32,924	69,314	503,366	645,474	635,343
Accumulated surplus at the end of the year	\$ 34,734	\$ 32,552	\$ 14,974	\$ 466,747	\$ 549,007	\$ 645,474

See accompanying notes to the financial statements.

City of Hamilton
Trust Funds – Homes for the Aged
Notes to the Financial Statements

As at December 31, 2013

1. Purpose of Trust Funds

The various Trust Funds administered by 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

Sources of financing and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable.

3. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$250,000 (2012 - \$nil). These investments have a market value of \$251,938 (2012 - \$nil) at the end of the year.

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.



Hamilton