



Hamilton

FINANCIAL REPORT

2018

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

City of Hamilton
Financial Report
2018

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Accommodations for Readers with Disabilities

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

**City of Hamilton
Five Year Financial and Statistical Review
2018**

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenue					
Taxation	\$ 888,229	\$ 876,880	\$ 854,709	\$ 831,645	\$ 792,317
Government grants and contributions	454,774	394,785	385,447	384,363	418,772
User charges	347,637	334,974	332,601	315,340	298,888
Development charges and subdivider contributions	119,703	50,313	82,025	25,611	47,102
Donated tangible capital assets	46,862	18,217	16,646	43,571	36,584
Investment and dividend income	31,101	28,070	27,067	30,284	35,452
Net income from Government Business Enterprises	24,285	134,914	22,857	18,758	3,622
Other	137,476	131,383	116,549	114,019	98,716
	<u>2,050,067</u>	<u>1,969,536</u>	<u>1,837,901</u>	<u>1,763,591</u>	<u>1,731,453</u>
Operating Expenses by Function					
General government	\$ 80,025	\$ 70,733	\$ 72,550	\$ 57,664	\$ 50,906
Protection services	324,227	312,564	306,629	300,362	283,934
Transportation services	320,005	326,274	310,190	318,605	323,253
Environmental services	284,271	239,488	238,553	219,339	206,052
Health services	102,868	99,125	98,443	105,377	91,846
Social and family services	316,819	315,218	302,830	294,343	284,733
Social housing	105,893	105,141	111,113	120,898	111,650
Recreation and cultural services	172,965	169,029	165,214	155,720	142,383
Planning and development	56,785	53,455	51,514	54,882	46,933
	<u>1,763,858</u>	<u>1,691,027</u>	<u>1,657,036</u>	<u>1,627,190</u>	<u>1,541,690</u>
Net Operating Revenue or Annual Surplus from Operations	<u>286,209</u>	<u>278,509</u>	<u>180,865</u>	<u>136,401</u>	<u>189,763</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2018 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Taxation					
Taxation from real property	\$ 1,071,092	\$ 1,056,723	\$ 1,032,999	\$ 1,010,050	\$ 967,719
Taxation from other governments/payments in lieu of taxes	\$ 16,256	\$ 17,042	\$ 16,469	15,367	15,367
Taxation collected on behalf of school boards	(199,119)	(196,885)	(194,759)	(193,772)	(190,769)
Net taxes available for municipal purposes	<u>888,229</u>	<u>876,880</u>	<u>854,709</u>	<u>831,645</u>	<u>792,317</u>
Tax Levies					
City portion	\$ 857,981	\$ 845,392	\$ 827,668	\$ 797,619	\$ 761,745
School Board portion	<u>196,082</u>	<u>193,714</u>	<u>191,734</u>	<u>188,861</u>	<u>186,846</u>
	1,054,063	1,039,106	1,019,402	986,480	948,591
Tax arrears					
Taxes receivable	\$ 80,972	\$ 77,918	\$ 83,730	\$ 85,429	\$ 82,976
Taxes receivable per capita	145	140	155	155	152
Taxes receivable as a percentage of current years' levies	7.7%	7.5%	8.2%	8.7%	8.7%
Unweighted Taxable Assessment					
Residential	\$ 61,518,082	\$ 57,306,633	\$ 53,366,322	\$ 50,882,588	\$ 48,734,517
Non-Residential	<u>8,442,007</u>	<u>7,908,588</u>	<u>7,571,212</u>	<u>7,262,270</u>	<u>6,937,908</u>
	69,960,089	65,215,221	60,937,534	58,144,858	55,672,425
Weighted Taxable Assessment					
Residential	\$ 61,745,624	\$ 61,208,842	\$ 57,357,959	\$ 54,721,738	\$ 52,506,258
Non-Residential	<u>18,379,207</u>	<u>17,376,301</u>	<u>16,428,325</u>	<u>15,809,651</u>	<u>15,125,118</u>
	80,124,831	78,585,143	73,786,284	70,531,389	67,631,376
Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment					
Residential	78%	78%	78%	78%	78%
Non-Residential	22%	22%	22%	22%	22%
Taxable Assessment Growth (weighted)					
	1.4%	1.4%	0.7%	1.6%	1.3%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2018 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Expenses by Object					
Salaries, wages and employee benefits	\$ 780,052	\$ 755,403	\$ 741,847	\$ 723,337	\$ 693,067
Interest on long term liabilities	12,677	13,442	12,934	14,297	13,176
Materials	207,682	218,037	221,520	223,349	212,112
Contracted services	341,931	275,361	276,159	248,843	238,005
Rents and financial expenses	34,550	42,421	34,297	36,435	32,821
External transfers	190,538	194,241	184,546	202,881	177,383
Amortization of tangible capital assets	196,428	192,122	185,733	178,048	175,126
	<u>1,763,858</u>	<u>1,691,027</u>	<u>1,657,036</u>	<u>1,627,190</u>	<u>1,541,690</u>
Operating Expenses as Percentage of Total					
Salaries, wages and employee benefits	44.2%	44.7%	44.8%	44.6%	45.0%
Interest on long term liabilities	0.7%	0.8%	0.8%	0.9%	0.9%
Materials	11.8%	12.9%	13.4%	13.7%	13.8%
Contracted services	19.5%	16.3%	16.7%	15.3%	15.4%
Rents and financial expenses	2.0%	2.5%	2.1%	2.2%	2.1%
External transfers	10.8%	11.5%	11.1%	12.5%	11.5%
Amortization of tangible capital assets	11.0%	11.3%	11.1%	10.8%	11.3%
	<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	\$ 494,891	\$ 418,145	\$ 472,805	\$ 394,295	\$ 444,766
Long Term Debt incurred by the City for which other entities have assumed responsibility	-	-	-	(3,239)	(6,280)
	<u>494,891</u>	<u>418,145</u>	<u>472,805</u>	<u>391,056</u>	<u>438,486</u>
Long Term Liabilities					
Housing operations	\$ 52,803	\$ 58,508	\$ 64,070	\$ 69,466	\$ 74,675
City operations	432,088	359,637	408,735	321,590	363,811
	<u>484,891</u>	<u>418,145</u>	<u>472,805</u>	<u>391,056</u>	<u>438,486</u>
Long term liabilities as a % of Reserves and Capital Surplus	57.30%	58.60%	62.20%	62.30%	60.50%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2018 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tangible Capital Assets					
General					
Land	\$ 357,211	\$ 333,818	\$ 315,467	\$ 304,977	\$ 287,316
Land improvements	157,312	152,325	150,337	135,252	137,563
Buildings	817,598	756,160	761,396	735,926	583,083
Vehicles	137,501	128,600	133,786	107,241	100,547
Computer hardware and software	13,572	11,821	11,058	7,876	6,701
Other	95,871	99,540	103,490	92,098	88,164
Infrastructure					
Roads	1,293,193	1,261,223	1,253,561	1,248,288	1,188,995
Bridges and structures	184,387	183,422	184,213	184,794	183,252
Water and wastewater facilities	398,743	403,647	396,884	385,404	391,440
Underground and other networks	1,861,011	1,789,334	1,761,542	1,713,019	1,631,570
Net Book Value	<u>5,316,399</u>	<u>5,119,890</u>	<u>5,071,734</u>	<u>4,914,875</u>	<u>4,598,631</u>
Assets under construction	360,182	309,974	199,680	235,413	359,541
	<u>5,676,581</u>	<u>5,429,864</u>	<u>5,271,414</u>	<u>5,150,288</u>	<u>4,958,172</u>
Accumulated Surplus or Municipal Financial Position					
Reserves and reserve funds					
Reserves	\$ 660,380	\$ 697,931	\$ 647,278	\$ 660,757	\$ 636,625
Hamilton Future Fund	48,635	44,322	43,079	37,711	46,436
	<u>709,015</u>	<u>742,253</u>	<u>690,357</u>	<u>698,468</u>	<u>683,061</u>
Capital surplus	\$ 136,894	\$ (28,137)	\$ 70,021	\$ (70,758)	\$ 41,550
Operating surplus	88,433	1,498	2,020	2,305	(1,862)
Investment in Government Business Enterprises	329,237	356,098	247,386	232,811	223,724
Investment in tangible capital assets	5,102,640	4,995,441	4,780,723	4,740,652	4,507,349
Unfunded liabilities - Employee future benefits	(348,832)	(343,679)	(333,787)	(326,627)	(313,254)
Unfunded liabilities - Solid waste landfill sites	(71,559)	(24,174)	(24,466)	(25,769)	(26,084)
	<u>5,945,828</u>	<u>5,699,300</u>	<u>5,432,254</u>	<u>5,251,082</u>	<u>5,114,484</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2018 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statistical Information					
Population	572,575	563,480	558,397	550,700	545,850
Households	234,655	227,641	222,918	223,000	221,000
Area in hectares	112,775	112,775	112,775	112,775	112,775
Building Permit Values	\$1,264,757,129	\$1,364,145,419	\$1,056,237,746	\$1,108,192,846	\$1,143,192,706
Housing Starts	1,135	1,340	1,436	1,415	1,203
Residential Units - Building Permits	5,808	6,053	5,835	4,142	3,379
Average Monthly Social Assistance Case Load	11,884	12,807	12,753	12,946	12,388
Continuous Full Time Employees	6,724	6,664	6,670	6,597	6,405

Note: Amounts reported may have been restated from previous amounts presented to conform to 2018 Public Sector Accounting Board (PSAB) standards.

Section 2

City of Hamilton Consolidated Financial Statements 2018

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INDEPENDENT AUDITORS' REPORT

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

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

- the (consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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



Other Information

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

- the information, other than the financial statements and the auditors' report thereon, included in the Financial Report 2018

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

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

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Financial Report 2018 as at the date of this auditors' report.

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

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

July 12, 2019

City of Hamilton

Consolidated Statement of Financial Position

For the year ended December 31, 2018 (all numbers are in thousands of dollars)

	<u>2018</u>	<u>2017</u>
Financial assets		
Cash and cash equivalents (Note 3)	\$ 130,292	\$ 139,287
Taxes receivable	80,972	77,918
Accounts receivable	119,048	120,405
Other assets	1,418	1,327
Long term receivables (Note 4)	63,573	52,124
Portfolio investments (Note 3)	1,056,507	947,928
Investment in Government Business Enterprises (Note 5)	<u>329,237</u>	<u>356,098</u>
Total financial assets	\$ 1,781,047	\$ 1,695,087
Liabilities		
Accounts payable and accrued liabilities	\$ 323,521	\$ 319,187
Deferred revenue - general	45,196	67,667
Deferred revenue - obligatory reserve funds (Note 6 & 7)	237,055	252,156
Long term liabilities – municipal operations (Note 8)	432,088	359,637
Long term liabilities – housing corporation (Note 9)	52,803	58,508
Employee future benefits and other obligations (Note 10 & 11)	373,177	367,587
Solid waste landfill liabilities (Note 12)	<u>71,559</u>	<u>24,174</u>
Total liabilities	1,535,399	1,448,916
Net financial assets	\$ 245,648	\$ 246,171
Non-financial assets		
Tangible capital assets (Note 21)	\$ 5,676,581	\$ 5,429,864
Inventories	15,174	12,556
Prepaid expenses	<u>8,425</u>	<u>10,709</u>
Total non-financial assets	5,700,180	5,453,129
Accumulated surplus (Note 13)	\$ 5,945,828	\$ 5,699,300

Contractual obligations (Note 17)

Contractual rights (Note 18)

Contingent liabilities (Note 20)

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Operations

For the year ended December 31, 2018 (all numbers are in thousands of dollars)

	Budget 2018 (Note 24)	Actual 2018	Actual 2017
Revenue			
Taxation (Note 15)	\$ 886,430	\$ 888,229	\$ 876,880
Government grants and contributions (Note 16)	453,642	454,774	394,785
User charges, licences and fines	336,728	347,637	334,974
Developer contributions earned	122,105	119,703	50,313
Donated tangible capital assets	46,862	46,862	18,217
Investment and dividend income	43,705	31,101	28,070
Net income from Government Business Enterprises (Note 5)	-	24,285	134,914
Other	106,222	137,476	131,383
Total revenue	1,995,694	2,050,067	1,969,536
Expenses			
General government	\$ 75,146	\$ 80,025	\$ 70,733
Protection services	324,653	324,227	312,564
Transportation services	315,117	320,005	326,274
Environmental services	294,636	284,271	239,488
Health services	103,589	102,868	99,125
Social and family services	317,343	316,819	315,218
Social housing	117,717	105,893	105,141
Recreation and cultural services	175,281	172,965	169,029
Planning and development	56,213	56,785	53,455
Total expenses	1,779,695	1,763,858	1,691,027
Annual Surplus	\$ 215,999	\$ 286,209	\$ 278,509
Accumulated surplus			
Beginning of year	\$ 5,432,254	\$ 5,699,300	\$ 5,432,254
Other comprehensive loss and other Government Business Enterprises (Note 5)	-	(39,681)	(11,463)
End of year	\$ 5,648,253	\$ 5,945,828	\$ 5,699,300

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, 2018 (all numbers are in thousands of dollars)

	Budget <u>2018</u> (Note 24)	Actual <u>2018</u>	Actual <u>2017</u>
Operating activities			
Annual surplus	\$ 215,999	\$ 286,209	\$ 278,509
Other comprehensive loss of			
Government Business Enterprises	-	(39,681)	(11,463)
Acquisition of tangible capital assets	(389,769)	(408,325)	(350,916)
Loss on disposition of tangible capital assets	12,039	12,039	18,561
Amortization of tangible capital assets	196,431	196,431	192,122
Donated tangible capital assets	(46,862)	(46,862)	(18,217)
Decrease in inventories	-	(2,618)	(823)
Increase (decrease) in prepaid expenses	-	2,284	(2,794)
Net decrease (increase) in financial assets	<u>(12,162)</u>	<u>(523)</u>	<u>104,979</u>
Net financial assets			
Beginning of year	<u>246,171</u>	<u>246,171</u>	<u>141,192</u>
End of year	<u>\$ 234,009</u>	<u>\$ 245,648</u>	<u>\$ 246,171</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Cash Flows

For the year ended December 31, 2018 (all numbers are in thousands of dollars)

	<u>2018</u>	<u>2017</u>
Operating activities		
Annual surplus	\$ 286,209	\$ 278,509
Increase (decrease) in taxes receivable	(3,054)	5,812
Decrease (increase) in accounts receivable	1,357	(12,440)
Increase in other assets	(91)	(676)
Increase in accounts payable and accrued liabilities	4,334	51,013
(Decrease) increase in deferred revenue - general	(22,471)	8,049
Decrease (increase) in deferred revenue – obligatory reserve fund	(15,101)	38,909
Increase in inventories	(2,618)	(823)
Decrease (increase) in prepaid expenses	2,284	(2,794)
Non-cash activities		
Amortization of tangible capital assets	196,431	192,122
Donated tangible capital assets	(46,862)	(18,217)
Loss on disposition of tangible capital assets	12,039	18,561
Net income from Government Business Enterprises	(24,285)	(134,914)
Change in employee future benefits and other obligations	5,590	10,825
Change in solid waste landfill liabilities	47,385	(292)
	<u>441,147</u>	<u>433,644</u>
Investing activities		
Increase in portfolio investments	(108,579)	(47,893)
Increase in long term receivables	(11,449)	(3,812)
Dividends received from Government Business Enterprises	11,464	14,740
	<u>(108,564)</u>	<u>(36,965)</u>
Financing activities		
Long term debt issued – municipal operations	110,820	-
Debt principal repayment – municipal operations	(37,749)	(48,480)
Lease obligation payment – municipal operations	(619)	(619)
Debt principal repayment – housing corporation	(5,705)	(5,562)
	<u>66,747</u>	<u>(54,661)</u>
Capital activities		
Purchase of tangible capital assets	(408,325)	(350,916)
Net decrease in cash and cash equivalents	(8,995)	(8,898)
Cash and cash equivalents		
Beginning of year	<u>139,287</u>	<u>148,185</u>
End of year	<u>\$ 130,292</u>	<u>\$ 139,287</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies

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

Significant accounting policies adopted by the City are as follows:

(a) Reporting entity

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

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

Interdepartmental and organizational transactions and balances are eliminated.

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

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

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

Hamilton Utilities Corporation ("H.U.C."), Hamilton Enterprises Holdings Corporation ("H.E.H.C.O") and Hamilton Renewable Power Inc. ("H.R.P.I.") are subsidiary corporations of the City and are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 5). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City and inter-organizational transactions and balances are not eliminated.

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

Cemetery trust, and general trust funds administered by the City amounting to \$18,788,000 (2017 - \$17,663,000) 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 \$383,000 (2017 - \$452,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

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

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

- (ii) The 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:

Anonymous Testing Program
IDU Outreach Program
Child and Adolescent Services
Community Capacity Building - Choices and Changes Program
Community Mental Health and Addictions
Healthy Kids Community Challenge
Canada Prenatal Nutrition Program
Remedial Measures
Community Homelessness Prevention Initiative
Homelessness Partnering Strategy
Home For Good

- (iii) 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.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(c) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating provisions for allowance for doubtful accounts, donated tangible capital assets, solid waste landfill liabilities, liabilities for contaminated sites, and in performing actuarial valuations of employee future benefit obligations.

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

(d) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, cash held in financial institutions and temporary investments with maturities of 365 days or less. Temporary investments are recorded at cost and are written down to fair value when there has been a decline in value.

(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 cost less any amounts written off to reflect an other than temporary decline in value.

(f) Deferred revenue – obligatory reserve funds

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

(g) Employee future benefits and other obligations

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

(h) Tangible capital assets

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

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

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	2 to 100 years
Infrastructure – Bridges and other structures	40 to 75 years
Infrastructure – Water and wastewater facilities	20 to 40 years
Infrastructure – Water, wastewater, 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.

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

(i) Inventories

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

(j) Government transfers

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

(k) Long term receivables

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

(l) Tax revenue

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

(m) Landfill Liability

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(n) Contaminated Sites

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

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

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

2. Adoption of New Accounting standards

The following standards issued by PSAB were effective January 1, 2018. The implementation of these standards had no impact on the annual surplus, net debt or accounting surplus, but resulted in additional note disclosures.

(a) PS 2200 Related parties disclosure

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. Related party transactions are disclosed if they occurred at a value different from that which would have been arrived at if parties were unrelated and the transaction has material effect on the consolidated financial statements.

(b) PS 3320 Contingent assets

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty which will be ultimately resolved when one of more future events occur that are not within the government's control. Disclosure of a contingent asset is required under this standard when the occurrence of a confirming future event is likely.

(c) PS 3380 Contractual rights

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

(d) PS 3210 Assets

The assets standard provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events and from which future economic benefits are to be obtained. For the year ended December 31, 2018, all material assets have been disclosed and reported within this definition.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

2. Adoption of New Accounting standards (continued)

(e) PS 3420 Inter-Entity transactions

Inter-entity transactions standard provides guidance on how to account for and report transactions between public sector entities that comprises a governments reporting entity. This section provides guidance for the measurement of these transactions. All City transactions are recorded at the exchange amount, being the amount agreed to by both parties.

3. Cash and cash equivalents and portfolio investments

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 141	\$ 174
Cash held in banks	123,968	132,957
Temporary investments	6,183	6,156
	<u>\$ 130,292</u>	<u>\$ 139,287</u>
Portfolio investments are comprised of:		
Unrestricted investments	\$ 770,817	\$ 651,451
Designated investments (obligatory reserve funds)	237,055	252,155
Designated investments (Hamilton Future Fund)	48,635	44,322
	<u>\$ 1,056,507</u>	<u>\$ 947,928</u>

Portfolio investments have a market value of \$1,054,625,000 (2017 - \$955,877,000). The City has purchased \$3,056,000 (2017 - \$7,426,000) of its own debentures which have not been cancelled. This investment in its own debenture is included in investments on the consolidated statement of financial position. The gross amounts of these debentures is \$428,728,000 (2017 - \$355,658,000)

4. Long term receivables

The City has long-term receivables in the amount of \$63,573,000 (2017 - \$52,124,000). The long term receivables are comprised of:

	<u>2018</u>	<u>2017</u>
Development charge deferral agreements	\$ 37,253	\$ 26,987
Mortgages receivable:		
Downtown convert to rent program	13,043	11,422
Hamilton Utilities Corporation	6,804	7,128
Hamilton Renewable Power Inc.	278	808
Sheraton Hotel loan	868	977
Other City loan programs	3,987	3,802
Loans to other agencies and organizations	4,211	3,997
Less: Provision for loans with concessionary terms	(2,871)	(2,997)
	<u>\$ 63,573</u>	<u>\$ 52,124</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

4. Long term receivables (continued)

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

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

5. Investment in Government Business Enterprises

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

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

The amounts related to government business enterprises as reported in the Consolidated Statement of Operations for 2018 and 2017 is as reported by the Hamilton Utilities Corporation, Hamilton Enterprises Corporation and Hamilton Renewable Power Inc.

	<u>2018</u>	<u>2017</u>
Net income from H.U.C.	\$ 25,517	\$ 134,786
Net loss from H.E.H.C.O.	(1,366)	-
Net income from H.R.P.I.	134	128
	<u>\$ 24,285</u>	<u>\$ 134,914</u>

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

	<u>2018</u>	<u>2017</u>
Investment in H.U.C.	\$ 330,896	\$ 356,430
Investment in H.E.H.C.O.	(1,357)	-
Investment in H.R.P.I.	(302)	(332)
	<u>\$ 329,237</u>	<u>\$ 356,098</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Utilities Corporation reported by H.U.C. at December 31, 2018 and December 31, 2017 respectively.

	<u>2018</u>	<u>2017</u>
Financial Position		
Current assets	\$ 1,714	\$ 18,699
Capital assets	-	39,239
Intangible assets	-	2,400
Goodwill	-	582
Notes receivable from corporation	51,772	-
Long term receivables	6,480	-
Future payments in lieu of taxes	-	1,883
Investment in Alectra Holdings Inc.	356,595	347,238
Total assets	<u>416,561</u>	<u>410,041</u>
Current liabilities (including current portion of long term debt)	1,910	5,350
Non-current liabilities	72,976	48,149
Total liabilities	<u>74,886</u>	<u>53,499</u>
Minority interest	-	112
Change in opening equity	10,779	-
Shareholders' equity	<u>\$ 330,896</u>	<u>\$ 356,430</u>
Results of operations		
Revenues	\$ 386	\$ 67,940
Operating expenses	(3,150)	(71,489)
Equity income in Alectra Holdings Inc.	19,272	13,659
Financing expenses	(282)	(1,097)
Investing expenses	-	(49)
Other income	442	159,544
Equity earnings from operations	<u>16,668</u>	<u>168,508</u>
Recovery of taxes	8,849	(33,705)
Minority interest	-	(17)
Net income before other comprehensive income	<u>25,517</u>	<u>134,786</u>
Other comprehensive income (loss)	816	(11,463)
Refundable dividend tax on hand	(40,506)	-
Net (loss) income	<u>\$ (14,173)</u>	<u>\$ 123,323</u>
Dividends paid	11,361	14,678

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Enterprises Holding Corporation reported by H.E.H.C.O. at December 31, 2018 and December 31, 2017 respectively.

	<u>2018</u>	<u>2017</u>
Financial Position		
Current assets	\$ 5,169	\$ -
Capital assets	53,858	-
Intangible assets	2,003	-
Goodwill	571	-
Future payments in lieu of income taxes	31	-
Total assets	<u>61,632</u>	<u>-</u>
Current liabilities		
(including current portion of long term debt)	2,433	-
Non-current liabilities	71,624	-
Total liabilities	<u>74,057</u>	<u>-</u>
Non-controlling interest	91	-
Opening equity	(11,159)	-
Net deficit	<u>\$ (1,357)</u>	<u>\$ -</u>
Results of operations		
Revenues	\$ 11,138	\$ -
Operating expenses	(11,896)	-
Financing expenses	(750)	-
Other income	135	-
Equity earnings from operations	<u>(1,373)</u>	<u>-</u>
Recovery of taxes	<u>(7)</u>	<u>-</u>
Net loss before dividends	(1,366)	-
Other comprehensive income	4	-
Non-controlling interest	5	-
Net loss	<u>\$ (1,357)</u>	<u>\$ -</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Renewable Power Incorporated reported by H.R.P.I. at December 31, 2018 and December 31, 2017 respectively.

	<u>2018</u>	<u>2017</u>
Financial Position		
Current assets	\$ 850	\$ 758
Capital assets	6,187	6,735
Other assets	32	32
Total assets	<u>7,069</u>	<u>7,525</u>
Current liabilities		
(including current portion of long term debt)	996	1,160
Future payment in lieu of taxes	375	419
Long term debt	-	278
Total liabilities	<u>1,371</u>	<u>1,857</u>
Shareholder's equity	6,000	6,000
Net deficit	<u>\$ (302)</u>	<u>\$ (332)</u>
Results of operations		
Revenues	\$ 3,041	\$ 3,182
Expenses	(2,907)	(3,054)
Net income	<u>\$ 134</u>	<u>\$ 128</u>
Dividends paid	103	62

Hamilton Utilities Corporation long term receivables and borrowings:

Included in non-current liabilities is a loan payable to the City in the amount of \$6,480,000. The loan payable and the long term receivable relate to the acquisition of the City of Hamilton's Central Utilities Plant. The long term receivable is receivable from H.E.H.C.O. The loan payable and the long term receivable bear interest at 4.06% per annum and are repayable \$324 annually principal plus interest and are due January 1, 2019 with four 5 year renewal terms. At December 31, 2018, the City has not given notice that it will no renew the loan agreement as such, the loan agreement as such, the loan remains in non-current liabilities.

Hamilton Renewable Power Incorporated Capital Loan:

The City of Hamilton, the sole shareholder, has provided a capital loan, bearing interest at 6.75% compounded semi-annually, due in semi-annual payments of \$287,698 principal and interest maturing in 2019.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

	<u>2018</u>	<u>2017</u>
Revenue		
Dividend revenue from H.U.C.	\$ 11,361	\$ 14,678
Dividend revenue from H.R.P.I.	103	62
Property and other taxes received by the City from H.U.C.	632	640
Sale of Methane to H.R.P.I.	771	872
Expenditures		
Hydro purchased by the City from H.E.H.C.O.	34,447	38,100
Water and sewer billing contracted service with H.E.H.C.O.	-	419
Thermal and Electrical Energy purchased from H.E.H.C.O.	-	2,378
Thermal Energy purchased from H.R.P.I.	224	360
Fibre Service purchased by the City from H.E.H.C.O.	-	1,077
Cooling changes related to Central Utilities Plant	-	1,802
Assets		
Accounts receivable H.U.C.	-	1,363
Accounts receivable from H.R.P.I.	392	446
Long term receivables from H.U.C.	6,804	7,128
Long term receivables from H.R.P.I.	-	808
Liabilities		
Accounts payable - H.U.C.	-	1,005

6. Deferred revenue – obligatory reserve funds

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

	<u>2018</u>	<u>2017</u>
Development charge reserve funds	\$128,146	\$158,996
Recreational land dedicated under the Planning Act	42,763	35,235
Gasoline tax revenue: Provincial	17,332	16,692
Federal	27,604	21,919
Building Permit Revenue	20,700	19,285
Other (Ivor Wynne)	-	29
Other (Main Street Revitalization)	510	-
	<u>\$237,055</u>	<u>\$252,156</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

7. Deferred revenue – obligatory reserve funds

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

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	\$ 252,156	\$ 213,247
Add:		
Developer and other contributions	94,686	90,155
Interest earned	6,219	4,706
Provincial and Federal Funding	44,474	43,238
	<u>145,379</u>	<u>138,099</u>
Less:		
Contributions used in operating and capital funds	<u>(160,480)</u>	<u>(99,190)</u>
Balance at the end of the year	<u>\$ 237,055</u>	<u>\$ 252,156</u>

8. Long term liabilities – municipal operations

- (a) The long term liabilities – municipal operations consists of long term debt for serial debentures and loans that mature in the years 2019 to 2044 with interest rates varying between 1.61% and 6.75% and obligations for leased tangible capital assets with payments from 2019 to 2051 at a discount rate of 5%. The balance of long term liabilities consists of the following:

	<u>2018</u>	<u>2017</u>
Long term liabilities incurred by the City	\$ 428,728	\$ 355,658
Long term liabilities for leased tangible capital assets incurred by the City	3,360	3,979
Net long term liabilities	<u>\$ 432,088</u>	<u>\$ 359,637</u>

- (b) Of the \$428,728,000 long term debt (2017 - \$355,658,000) 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>2018</u>	<u>2017</u>
General revenues	\$ 290,812	\$ 233,406
Water & Wastewater user charges	137,916	122,252
	<u>\$ 428,728</u>	<u>\$ 355,658</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

8. Long term liabilities – municipal operations (continued)

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

	General Revenues	Water & Wastewater User Charges	Total <u>2018</u>
2019	\$ 33,586	\$ 12,142	\$ 45,728
2020	29,384	12,146	41,530
2021	29,514	12,151	41,665
2022	29,932	12,156	42,088
2023	24,710	12,103	36,813
2024 and thereafter	143,686	77,218	220,904
Total	<u>\$ 290,812</u>	<u>\$ 137,916</u>	<u>\$ 428,728</u>

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

	<u>2018</u>
2019	\$ 619
2020	619
2021	335
2022	62
2023	62
2024 and thereafter	1,663
Total	<u>\$ 3,360</u>

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

	<u>2018</u>	<u>2017</u>
Principal repayments	\$ 37,749	\$ 48,480
Interest expense	10,967	11,716
	<u>\$ 48,716</u>	<u>\$ 60,196</u>

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

	<u>2018</u>	<u>2017</u>
Principal repayments	\$ 619	\$ 619
Interest expense	247	238
	<u>\$ 866</u>	<u>\$ 857</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

9. Long term debt – housing corporation

(a) The balance of long term debt – housing corporations reported on the Consolidated Statement of Financial Position represents capital assets of the CityHousing Hamilton that are financed by mortgages. The mortgages mature in the years 2019 to 2027 with interest rates varying between 0.96% and 5.83%. The mortgage obligations for CityHousing Hamilton are \$52,803,000 (2017 - \$58,508,000).

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

	<u>2018</u>
2019	\$ 24,800
2020	6,447
2021	4,281
2022	10,633
2023	1,321
2024 and thereafter	5,321
	<u>\$ 52,803</u>

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

	<u>2018</u>	<u>2017</u>
Principal repayments	\$ 5,705	\$ 5,562
Interest expense	1,463	1,489
	<u>\$ 7,168</u>	<u>\$ 7,051</u>

(d) Other long term debt incurred by the City of Hamilton's housing corporations, representing capital assets financed by debentures issued by the Ontario Housing Corporation of \$11,000,000 (2017 - \$14,035,000), is not included in the Consolidated Statement of Financial Position. The Social Housing Reform Act, 2000 transferred the ownership and responsibility for the administration of Province of Ontario public housing to the City of Hamilton as a local housing corporation. The transfer, effective January 1, 2001, included land and buildings at no cost. The servicing of long term debt remains the obligation of the Province of Ontario.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

10. Employee future benefits and other obligations

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

	<u>2018</u>	<u>2017</u>
Accrued Benefit Obligation		
Sick leave benefit plan	\$ 57,470	\$ 55,982
Long term disability	27,869	26,687
Workplace safety and insurance board liabilities (WSIB)	93,436	88,537
Retirement benefits	151,311	146,547
Vacation benefits	26,906	27,478
Pension benefit plans (Note 10 (f))	9,917	9,132
	<u>366,909</u>	<u>354,363</u>
Net unamortized actuarial gain	5,762	13,224
Valuation Allowance	506	-
	<u>5,762</u>	<u>13,224</u>
Accrued Liability	<u>\$ 373,177</u>	<u>\$ 367,587</u>

The City has established reserves for some of these liabilities totalling \$66,073,000 (2017 - \$66,002,000) as described in the following notes.

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

	<u>2018</u>	<u>2017</u>
Liability for Employee Future Benefits and Other Obligations		
balance at beginning of the year	\$ 367,587	\$ 356,762
Plan amendment per actuarial valuation	2,940	-
Benefit expense	28,033	26,394
Interest expense	12,255	13,735
Amortization of actuarial loss on accrued benefit obligations	2,873	7,417
Amortization of actuarial gain on earnings on pension assets	(1,802)	(1,271)
Benefit payments	(38,709)	(35,450)
Liability for Employee Future Benefits and Other Obligations	<u>373,177</u>	<u>367,587</u>
balance at end of the year	<u>\$ 373,177</u>	<u>\$ 367,587</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

10. Employee future benefits and other obligations (continued)

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

	<u>2018</u>	<u>2017</u>
Plan amendment per actuarial valuation	\$ 2,940	\$ -
Benefit expense	28,033	26,394
Interest expense	12,255	13,735
Amortization of net actuarial loss	1,071	6,146
	<u>\$ 44,299</u>	<u>\$ 46,275</u>

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

	Discount	Return	Inflation	Payroll	Dental	Life
	Rate	on Assets	Rate	Increases	Increases	Expectancy
						(Years)
Vested sick leave	3.50%	NA	2.0%	3.0%	NA	11.8 to 12.4
Long term disability	3.50%	NA	2.0%	3.0%	NA	8.0
Workplace safety and insurance	4.25%	NA	2.0%	3.0%	NA	10.0
Retirement Benefits Health and Dental	3.75%	NA	2.0%	3.0%	4.0%	14.3
Pensions Benefits (non-OMERS)	5.40%	5.40%	2.25%	NA (1)	NA	7.94 to 10.3

Notes:

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

(a) Liability for sick leave benefit plans

The City provides a sick leave benefit plan for certain employee groups. Under the sick leave benefit plan of the City, unused sick leave can accumulate, and employees may become entitled to a cash payment when they leave the City's employment. An actuarial valuation as at December 31, 2017 has estimated the accrued benefit obligation at \$57,470,000 (2017 - \$55,982,000). Changes in valuation assumptions have resulted in an increase in the liability to \$57,470,000 from the expected liability of \$52,625,000. The actuarial loss as at December 31, 2018 of \$4,845,000 is being amortized over 11.8 to 12.4 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 \$8,069,000 (2017 - \$7,955,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

10. Employee future benefits and other obligations (continued)

(b) Liability for long term disability

The City provides benefits in the event of total disability for certain employee groups. An actuarial valuation of the City's self-insured long-term disability program as at December 31, 2015 has estimated the accrued benefit obligation at \$27,869,000 (2017 - \$26,687,000). Changes in valuation assumptions have resulted in an increase in the liability of \$27,869,000 from the expected liability of \$26,502,000. The actuarial loss as at December 31, 2018 of \$1,367,000 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 \$15,814,000 (2017 - \$16,394,000).

(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, 2015 estimated the accrued benefit obligation for workplace safety & insurance existing claims and future pension awards at \$93,436,000 (2017 - \$88,537,000). Changes in valuation assumptions have resulted in an increase in the liability to \$93,436,000 from the expected liability of \$88,019,000. The actuarial loss of \$5,417,000 is being amortized over 10.0 years, which is the expected average remaining life expectancy of the plan members in various groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$40,652,000 (2017 - \$40,172,000).

(d) Liability for retirement benefits

The City provides certain health, dental and life insurance benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS) or the normal retirement age and up to the age of 65 years. An actuarial valuation at December 31, 2018 estimated the accrued benefit obligation at \$151,311,000 (2017 - \$146,547,000). Changes in valuation assumptions have resulted in an increase in liability to \$151,311,000 from the expected liability of \$135,340,000. The actuarial loss of \$15,971,000 is being amortized over 14.3 to 16.0 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 \$7,122,000 (2017 - \$6,812,000).

(e) Liability for vacation benefits

The City is liable for vacation days earned by its employees as at December 31, 2018 but not taken until a later date. The liability as at December 31, 2018 has been estimated at \$26,906,000 (2017 - \$27,478,000), of which \$17,223,000 is funded by City departments' budgets (2017 - \$17,096,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,538,000 (2017 - \$1,500,000), and the remaining liability of \$8,145,000 is unfunded (2017 - \$8,882,000).

(f) Liability for pensions plans

In addition to the Ontario Municipal Employees Retirement System (OMERS) described in Note 11, the City also provides pension benefits under three other plans. The actuarial valuations for Hamilton-Wentworth Retirement Fund and Hamilton Street Railway Retirement Fund at December 31, 2016 and Hamilton Municipal Retirement Fund at December 31, 2017 estimated the combined accrued benefit obligation of the pension plans at \$9,917,000 (2017 - \$9,132,000). Changes in valuation resulted in an increase in the liability to \$9,917,000 from an expected liability of \$43,786,000. The actuarial gain of \$33,869,000 is being amortized over 7.9 to 10.0 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, 2018 (all numbers in columns are in thousands of dollars)

11. Pension agreements

(a) Ontario Municipal Employees Retirement System

The City makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of approximately 7,132 members of City staff and councillors. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by employees, based on the length of credited service and average earnings.

The latest actuarial valuation as at December 31, 2018 indicates a “going concern” Actuarial Deficit based on the plan’s current member and employer contribution rates. Contributions were made in the 2018 calendar year at rates ranging from 9.0% to 15.8% depending on the member’s designated retirement age and level of earnings. As a result \$59,519,000 (2017 - \$56,454,000) was contributed to the OMERS plan for current service.

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

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

Approximately 339 current employees and 928 former employees of the City are members of three defined benefit plans; Hamilton-Wentworth, Hamilton Municipal and the Hamilton Street Railway Retirement Funds and are current or future beneficiaries under their terms and conditions. Actuarial valuations of the pension plans for funding purposes are required under the Pension Benefits Act every three years. The actuarial valuations of the pension plans for accounting purposes provide different results than the valuations for funding purposes. For funding purposes, one of the pension plans is in a surplus position and the other two plans are in a deficit position.

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

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

	<u>2018</u>	<u>2017</u>
Accrued pension benefit obligation	\$ 321,429	\$ 350,888
Pension plan assets		
Marketable securities (Market Value)	<u>(311,512)</u>	<u>(341,756)</u>
Other assets	9,917	9,132
Unamortized actuarial gain	<u>33,363</u>	<u>46,575</u>
Accrued pension liability	43,280	55,707
Valuation Allowance	506	-
Adjusted Accrued Pension Liability	<u>\$ 43,786</u>	<u>\$ 55,707</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

11. Pension agreements (continued)

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

	<u>2018</u>	<u>2017</u>
Expected pension fund assets at the end of year	\$ 342,517	\$ 328,689
Actual pension fund assets at end of year	311,512	341,756
Actuarial gain (loss) on pension fund assets	<u>(31,005)</u>	<u>13,067</u>
Expected accrued pension benefit obligation at end of year		
Actual accrued pension benefit obligation at end of year	337,402	356,956
Accrued pension benefit obligation	321,429	350,888
Actuarial gain on accrued pension benefit obligation	<u>\$ 15,973</u>	<u>\$ 6,068</u>

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

	<u>2018</u>	<u>2017</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ (81)	\$ 1,988
Amortization of net actuarial loss on pension plan assets	<u>(4,599)</u>	<u>(1,270)</u>
Net amortization	<u>(4,680)</u>	<u>718</u>
Interest on average accrued pension benefit obligation	\$ 16,305	\$ 17,897
Expected return on average pension plan assets	<u>(16,364)</u>	<u>(16,382)</u>
Net interest	<u>(59)</u>	<u>1,515</u>
Change in Valuation Allowance	506	-
Total expenses	<u>\$ (4,233)</u>	<u>\$ 2,233</u>

Payment of \$7,633,836 (2017 - \$5,882,000) have been applied to reduce the Hamilton - Wentworth and Hamilton Street Railway plans' deficit as actuarially determined for funding purposes. The pension deficit for the pension plans as at December 31, 2018 will be funded by the City with payments as follows:

2019	\$ 7,770
2020	3,722
2021	3,722
2022	3,722
2023 and thereafter	13,006
Total	<u>\$ 31,942</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

12. Solid waste landfill liabilities

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

The active landfill site in the Glanbrook community was opened in 1980 covering 220 hectares over three phases with a capacity of 14,824,000 cubic metres of waste. The total capacity has been broken into three Phases, with Phase 1 having a capacity of 8,403,000, Phase 2 having a capacity of 4,855,000 cubic metres and Phase 3 having a capacity of 1,566,000 cubic metres. As at December 31, 2018 landfilling has ceased in Phase 1, and is occurring in Phase 2. Approximately 295,000 cubic metres of un-utilized or recovered (due to site settlement) capacity had been retained at Phase 1 representing 3.5% of its theoretical approved capacity. This is intended for use in the event of an emergency or extended lack of access into Phase 2. For the purpose of financial considerations Phase 1 should be treated as being “at capacity” although the intent is to eventually utilize the retained air space. Filling was initiated at Phase 2 in mid-December and therefore as of December 31, 2018 still retained an estimated 4,850,000 cubic meters of capacity. It is estimated Phase 2 will reach its capacity and close in 2046. Construction of Phase 3 has not been initiated. It is estimated that the site will reach full capacity and close in 2055.

In 2018 approximately 30% of waste generated was diverted from landfills (2017 – 43%). The reduced diversion rate is attributed to the interim closure of the organics processing facility.

The closure costs for the open Glanbrook landfill site and post closure care costs for the closed sites are based upon management estimates, adjusted by 3.5% inflation. These costs are then discounted back to December 31, 2018 using a discount factor of 4.5%. Post closure care for the Glanbrook site is estimated to be required for 50 years from the date of closure of each phase. Studies continue to be undertaken to assess the liability associated with the City's closed landfill sites and the estimates will be updated as new information arises.

Estimated expenses for closure and post-closure care are \$78,973,000 (2017 - \$31,173,000). The expenses remaining to be recognized are \$7,414,000 (2017 - \$7,000,000). The liability of \$71,559,000 (2017 - \$24,174,000) for closure of the operational site and post closure care of the closed sites has been reported on the Consolidated Statement of Financial Position. A reserve of \$1,134,000 (2017 - \$1,080,000) 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, 2018 (all numbers in columns are in thousands of dollars)

13. Accumulated Surplus

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

	<u>2018</u>	<u>2017</u>
Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:		
Working funds	\$ 84,867	\$ 89,987
Contingencies	971	947
Replacement of equipment	61,433	59,658
Sick leave (Note 10)	8,069	7,955
Workplace Safety and Insurance Board (WSIB) (Note 10)	40,652	40,172
Pension plans	3,258	3,178
Tax stabilization	23,215	35,686
General government	8,848	12,459
Protection services	642	7,915
Transportation services	23,319	28,973
Environmental services	259,368	263,884
Health and social services	8,945	9,672
Recreation and cultural services	26,019	29,108
Planning and development	13,190	13,261
Other unallocated	97,584	95,076
Hamilton future fund (Note 14)	48,635	44,322
Total reserves and discretionary reserve funds	\$ 709,015	\$ 742,253
Operating surplus		
Flamborough recreation sub-committees	\$ 267	\$ 271
Business improvement areas	1,221	1,127
Housing operations	86,500	(154)
Confederation Park operations	445	254
Westfield Heritage Village operations	-	-
Total operating surplus	\$ 88,433	\$ 1,498
Capital surplus		
Municipal operations	\$ 119,822	\$ (37,423)
Housing operations	17,072	9,286
Total capital surplus	\$ 136,894	\$ (28,137)
Unfunded liabilities		
Employee benefit obligations	\$ (348,832)	\$ (343,679)
Solid Waste landfill liabilities	(71,559)	(24,174)
Total unfunded liabilities	\$ (420,391)	\$ (367,853)
Investment in Government Business Enterprises (Note 5)	\$ 329,237	\$ 356,098
Investment in tangible capital assets	\$5,102,640	\$ 4,995,441
Accumulated surplus	\$5,945,828	\$ 5,699,300

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

14. Hamilton Future Fund

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

The continuity of the Hamilton Future Fund is as follows:

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	\$ <u>44,322</u>	\$ 43,079
Current Operations		
Investment Income	1,232	1,097
Repayment of Waste Management Projects	8,648	7,991
Waste Management Projects	-	(46)
St Joseph's Healthcare Hamilton Foundation	(675)	-
Westdale Cinema Group	(250)	-
Other	(586)	(228)
	<u>8,369</u>	<u>8,814</u>
Tangible capital assets		
Waste Management Projects	(13)	(2,776)
Roads and Bridges	-	(335)
Parkland	(43)	(80)
Other	(4,000)	(4,380)
	<u>(4,056)</u>	<u>(7,571)</u>
Balance at the end of the year	\$ <u>48,635</u>	\$ 44,322

15. Taxation

	<u>Budget</u> <u>2018</u>	<u>Actual</u> <u>2018</u>	<u>Actual</u> <u>2017</u>
Taxation from real property	\$ 1,066,423	\$ 1,071,092	\$ 1,056,723
Taxation from other governments payments in lieu of taxes	16,089	16,256	17,042
	<u>1,082,512</u>	<u>1,087,348</u>	<u>1,073,765</u>
Less: Taxation collected on behalf of school boards	(196,082)	(199,119)	(196,885)
Net taxes available for municipal purposes	\$ <u>886,430</u>	\$ <u>888,229</u>	\$ <u>876,880</u>

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

16. Funding transfers from other governments

	<u>2018</u>	<u>2017</u>
General government services	\$ 2,062	\$ 3,735
Protection services	8,743	7,990
Transportation services	58,980	43,248
Environmental services	27,356	5,845
Health services	57,898	56,550
Social and family services	245,885	242,234
Social housing (after consolidations)	48,728	31,910
Recreation and cultural services	3,397	1,398
Planning and development	1,725	1,875
Total funding	<u>\$ 454,774</u>	<u>\$ 394,785</u>

17. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$488,067,000 at December 31, 2018 for capital works (2017 - \$538,980,000). 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, 2018 amounting to \$3,307,000 (2017 - \$3,465,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$158,250 in 2018 (2017 - \$237,000) are reported in the Consolidated Statement of Operations.
- (c) The City is legislated under the Development Charges Act to fund Government of Ontario ("GO") Transit's Growth and Capital Expansion Plan. The obligation at December 31, 2018 of \$3,460,000 (2017 - \$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 \$367,000 in 2018 (2017 - \$383,000) are reported in the Consolidated Statement of Operations.
- (d) The City has a contract with Waste Connections (formerly known as Progressive Waste Services) for the transfer, hauling and disposal of the City's solid waste, including the operations of the City's Transfer Stations and Community Recycling Centre. The term of the agreement is ten years and two months for the period of January 1, 2010 to February 29, 2020. The contract fees amounting to \$7,969,000 for 2018 (2017 - \$7,407,000) are reported in the Consolidated Statement of Operations.
- (e) The City has a contract with GFL Environmental Inc. for the provision of curbside/roadside collection of organics, garbage, leaf and yard, bulk waste for one-half of the City, including curbside/roadside recycling, automated recycling and bin waste collection for the entire City. The agreement ends on March 28, 2020 (with an option of one year extension). Contract fees amounting to \$18,393,000 for 2018 (2017 - \$17,418,000) are reported in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

17. Contractual obligations (continued)

- (f) The City has lease agreements with Disabled and Aged Regional Transit System (D.A.R.T.S.) for the delivery of specialized transportation services. The duration of this agreement is for a term, commencing on the 1st day of July, 2017, and ending on the 30th day of June, 2020 (the "Term"). Should extension or other form of renewal not be approved by City Council prior to the expiry of the Agreement at the end of the term, the Agreement will continue on a monthly basis until a new contract is signed or until cancelled on one hundred and twenty (120) calendar days' notice by either party. The annual contract fees amounting to \$20,622,000 for 2018 (2017 - \$17,031,000) are reported in the Consolidated Statement of Operations.
- (g) The City has executed lease agreements for administrative office space, parking lots and other land leases requiring annual payments in future years as they become due and payable in the amount of \$37,332,000 (2017 - \$50,676,000). The minimum lease payments for these leases over the next five years and thereafter are:

2019	\$ 7,417
2020	5,188
2021	3,413
2022	1,944
2023	1,995
2024 and thereafter	17,375
Total	<u>\$ 37,332</u>

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

On May 8, 2012, the City took a drawdown of \$38,000,000 and \$14,740,000 from the two non-revolving term facilities, by undertaking two term loans. No other amounts have been drawn from the Credit Facility Agreement and therefore, as at December 31, 2018, the City has \$65,000,000 in a revolving demand facility.

The first term loan of \$14,740,000 was paid in full on May 8, 2017. The second term loan has an original principal of \$38,000,000, a term of 15 years, and an annual principal repayment of \$2,533,000. As at December 31, 2018, the remaining principal balance for the second term loan and \$22,802,000 (2017 - \$25,335,000). The interest cost for the City is based on the 30-day Banker's Acceptance rate. These loans are included in Long term liabilities – "Municipal Operations on the Statement of Financial Position."

18. Contractual Rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The City has entered into an agreement with the Ontario Lottery and Gaming Corporation (OLG) whereby quarterly contributions are received based on a percentage of gaming revenues estimated at \$5,300,000 per year.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

19. Public liability insurance

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

The City has reported liabilities for insurance claims on the Consolidated Statement of Financial Position in the amount of \$20,292,000 (2017 - \$20,512,000). Claim expenses for the year in the amount of \$7,930,000 (2017 - \$10,062,000) are reported as expenses in the Consolidated Statement of Operations.

20. Contingent liabilities

The City has outstanding contractual obligations with its unionized employee groups as of December 31, 2018. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund the three outstanding settlements. In December 2018 two of these unionized groups reached a settlement and subsequent to December 31, 2018 both were paid the outstanding retroactive payments.

21. Tangible Capital Assets

Details of the tangible capital assets are included in the Schedule of Tangible Capital Assets (pages 2-37 and 2-38). The City has tangible capital assets valued at cost in the amount of \$8,982,686,000 (2017 \$8,558,911,000) and a net book value of \$5,676,581,000 (2017 - \$5,429,864,000). The net book value of the tangible capital assets valued as at December 31, 2018 is as follows:

	<u>2018</u>	<u>2017</u>
General		
Land	\$ 357,211	\$ 333,818
Land improvements	157,312	152,325
Buildings	817,598	756,160
Vehicles	137,501	128,600
Computer hardware and software	13,572	11,821
Other	95,871	99,540
Infrastructure		
Roads	1,293,193	1,261,223
Bridges and structures	184,387	183,422
Water and wastewater facilities	398,743	403,647
Underground and other networks	1,861,011	1,789,334
Net Book Value	5,316,399	5,119,890
Assets under construction	360,182	309,974
Balance at the end of the year	\$ 5,676,581	\$5,429,864

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

21. Tangible Capital Assets (continued)

Included are leased tangible capital assets with a net book value of \$3,360,000 (2017 - \$3,979,000), gross cost for 2018 is \$10,822,000 (2017 - \$10,822,000) and accumulated amortization of \$7,462,000 (2017 - \$6,843,000). 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.

22. Reporting by Business Segment

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

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

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

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

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

23. Liability for Contaminated Sites

The City of Hamilton estimates liabilities of \$9,308,000 as at December 31, 2018 for remediation of various lands using a risk-based approach (2017 - \$5,701,000). Total future undiscounted expenditures are estimated at \$10,023,000. The liabilities result from past industrial uses. Future expenditures are based on agreements with third parties, where available, as well as estimates. Future expenditures have been discounted using a 4% discount rate. The amount of estimated recoveries is nil (2017 - nil).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2018 (all numbers in columns are in thousands of dollars)

24. Budget figures

The 2018 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on December 12, 2017. The 2018 operating budget and capital financing for municipal operations was approved by City Council at a meeting on March 9, 2018.

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, 2018 (all numbers in columns are in thousands of dollars)

24. Budget figures (continued)

	<u>2018</u>
Revenue	
Council Approved Gross Revenue Operating Budget - Municipal	\$ 1,676,736
Council Approved Gross Revenue Capital Budget - Municipal	455,498
	<u>2,132,234</u>
Board Approved Gross Revenue Operating Budget - Housing Corporation	59,705
Board Approved Gross Revenue Capital Budget - Housing Corporation	8,400
	<u>68,105</u>
Adjustments to Revenues	
Less: Transfers from reserves and reserve funds Operating Budget Municipal Operations	(9,327)
Less: Transfers from reserves and reserve funds Capital Budget Municipal Operations	(38,623)
Less: Transfers from capital fund to current fund - Municipal Operations	(171,823)
Less: Transfers from capital fund to current fund - Housing Corporation	(8,400)
Less: Long term debt financing Capital Budget	(29,008)
Add: Donated tangible capital assets	46,862
Less: Reclassification - Municipal Operations	(50)
Add: Reserve & reserve funds	23,585
Add: Confederation Park and Westfield Heritage Village Consolidation	2,809
Less: Elimination for consolidation of Housing Corporation	(20,670)
	<u>(204,645)</u>
Consolidated	<u>\$ 1,995,694</u>
Expenses	
Council Approved Gross Expenditure Operating Budget - Municipal	\$ 1,676,736
Council Approved Gross Expenditure Capital Budget - Municipal	455,498
	<u>2,132,234</u>
Board Approved Gross Expenditure Operating Budget - Housing Corporation	59,705
Board Approved Gross Expenditure Capital Budget - Housing Corporation	8,400
	<u>68,105</u>
Adjustments to Expenditures	
Less: Debt principal repayment - Municipal Operations	(37,749)
Less: Debt principal repayment - Housing Corporation	(5,705)
Less: Transfers to reserves and reserve funds - Municipal Operations	(55,734)
Less: Transfers to capital from current funds - Municipal Operations	(171,823)
Less: Tangible capital assets - Municipal Operations	(375,231)
Less: Tangible capital assets - Housing Corporation	(8,400)
Less: Reclassification - Municipal Operations	(50)
Add: Change in employee future benefits and other obligations	5,153
Less: Change in solid waste landfill liability	47,385
Add: Amortization expense for tangible capital assets	196,431
Add: Confederation Park and Westfield Heritage Village Consolidation	2,584
Less: Elimination for consolidation of Housing Corporation	(29,543)
Add: Loss on disposition of tangible capital assets	12,038
	<u>(420,644)</u>
Consolidated	<u>\$ 1,779,695</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2018 (all numbers in columns are in thousands of dollars)

2018 Schedule of Tangible Capital Assets

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

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2018 (all numbers in columns are in thousands of dollars)

2017 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, 2017	\$ 315,467	\$ 304,272	1,321,748	296,495	\$ 17,461	\$ 156,733	\$ 2,324,278	\$ 242,556	\$ 751,248	\$ 2,322,628	\$ 199,680	\$ 8,252,566
Additions, Betterments & Transfers in 2017	25,610	11,965	35,844	19,036	4,952	11,842	52,063	2,468	25,778	49,175	112,183	350,916
Disposals & Writedowns in 2017	(7,259)	(227)	(14,796)	(26,450)	(2,551)	(6,127)	(1,966)	(43)	(521)	(959)	(1,889)	(62,788)
Donations & Contributions in 2017	-	650	-	-	-	-	7,079	-	-	10,488	-	18,217
Balance, Dec 31, 2017	\$ 333,818	\$ 316,660	\$ 1,342,796	\$ 289,081	\$ 19,862	\$ 162,448	\$ 2,381,454	\$ 244,981	\$ 776,505	\$ 2,381,332	\$ 309,974	\$ 8,558,911
Accumulated Amortization												
Balance, Jan 1, 2017	\$ -	\$ 153,935	\$ 560,352	\$ 162,709	\$ 6,403	\$ 53,243	\$ 1,070,717	\$ 58,343	\$ 354,364	\$ 561,086	\$ -	\$ 2,981,152
Amortization in 2017	-	10,448	33,267	23,209	4,189	15,793	51,362	3,244	18,739	31,871	-	192,122
Acc'd Amortization Transfers in 2017	-	-	-	-	-	-	-	-	-	-	-	-
Amortization on Disposals in 2017	-	(48)	(6,983)	(25,437)	(2,551)	(6,128)	(1,848)	(28)	(245)	(959)	-	(44,227)
Balance, Dec 31, 2017	\$ -	\$ 164,335	\$ 586,636	\$ 160,481	\$ 8,041	\$ 62,908	\$ 1,120,231	\$ 61,559	\$ 372,858	\$ 591,998	\$ -	\$ 3,129,047
Net Book Value Dec 31, 2017	\$ 333,818	\$ 152,325	\$ 756,160	\$ 128,600	\$ 11,821	\$ 99,540	\$ 1,261,223	\$ 183,422	\$ 403,647	\$ 1,789,334	\$ 309,974	\$ 5,429,864
Assets Under Construction	\$ -	\$ 31,104	\$ 80,871	\$ 724	\$ 3,479	\$ 3,933	\$ 26,110	\$ 2,943	\$ 71,674	\$ 89,136	\$ 309,974	
Total	\$ 333,818	\$ 183,429	\$ 837,031	\$ 129,324	\$ 15,300	\$ 103,473	\$ 1,287,333	\$ 186,365	\$ 475,321	\$ 1,878,470	\$ -	\$ 5,429,864

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2018 (all numbers in columns are in thousands of dollars)

2018 Schedule of Operations for Business Segments

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

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2018 (all numbers in columns are in thousands of dollars)

2017 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 2017
Revenue										
Taxation	\$ 876,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 876,880
Government grants and contributions	3,735	7,990	43,248	5,845	56,550	242,234	31,910	1,398	1,875	394,785
User charges	5,888	5,493	58,278	212,157	3,030	16,123	646	22,235	11,124	334,974
Development charges and subdivider contributions	131	1,506	25,162	14,447	-	-	-	6,308	2,759	50,313
Donations of tangible capital assets	-	-	7,079	10,488	-	-	-	650	-	18,217
Investment income	12,860	1,774	1,981	8,818	40	159	1,157	871	410	28,070
Income from Government Business Enterprises	134,914	-	-	-	-	-	-	-	-	134,914
Other	24,783	25,772	12,207	1,473	72	31	47,647	17,082	2,316	131,383
Total	\$ 1,059,191	\$ 42,535	\$ 147,955	\$ 253,228	\$ 59,692	\$ 258,547	\$ 81,360	\$ 48,544	\$ 18,484	\$ 1,969,536
Expenses										
Salaries and benefits	\$ 63,037	\$ 265,325	\$ 108,156	\$ 41,524	\$ 77,895	\$ 82,205	\$ 14,766	\$ 74,066	\$ 28,429	\$ 755,403
Interest on long term debt	747	793	3,922	4,228	439	477	1,490	1,237	109	13,442
Materials supplies services	50,618	19,871	40,882	45,775	6,386	8,386	12,164	29,017	4,938	218,037
Contracted services	11,648	3,981	60,478	76,484	3,431	78,136	19,703	14,195	7,305	275,361
Rents and financial expenses	2,958	2,338	9,809	5,778	1,901	4,418	4,943	6,323	3,953	42,421
External transfers	466	5,766	-	1,618	11	133,583	45,290	5,938	1,569	194,241
Amortization	7,446	7,847	78,548	57,223	3,076	2,135	6,259	26,564	3,024	192,122
Interfunctional transfers	(66,187)	6,643	24,479	6,858	5,986	5,878	526	11,689	4,128	-
Total	\$ 70,733	\$ 312,564	\$ 326,274	\$ 239,488	\$ 99,125	\$ 315,218	\$ 105,141	\$ 169,029	\$ 53,455	\$ 1,691,027
Annual Surplus (Deficit)	\$ 988,458	\$ (270,029)	\$ (178,319)	\$ 13,740	\$ (39,433)	\$ (56,671)	\$ (23,781)	\$ (120,485)	\$ (34,971)	\$ 278,509

Section 3

City of Hamilton Consolidated Financial Statements for the Trust Funds Cemetery and General Trusts December 31, 2018

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

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

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 23, 2019

City of Hamilton

Trust Funds – Consolidated

As at December 31, 2018

Statement of Financial Position

As at December 31, 2018

	<u>2018</u>	<u>2017</u>
Financial Assets		
Cash	\$ 4,096,219	\$ 2,240,189
Investments (Note 2)	13,918,360	14,446,656
Due From City of Hamilton - Cemetery (Note 3)	1,199,667	1,336,704
Due From City of Hamilton - Other Trust Funds (Note 3)	<u>49,741</u>	<u>48,471</u>
Total Financial Assets	<u>\$ 19,263,987</u>	<u>\$ 18,072,020</u>
Liabilities		
Deposits	<u>475,556</u>	<u>408,958</u>
Accumulated surplus	<u>\$ 18,788,431</u>	<u>\$ 17,663,062</u>

Statement of Operations

Year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Revenues		
Cemetery lots and interments	\$ 746,383	\$ 758,783
Investment income	562,378	529,940
Other Revenue	<u>2,300</u>	<u>-</u>
Total revenue	<u>\$ 1,311,061</u>	<u>\$ 1,288,723</u>
Expenses		
Transfer to other trust funds	\$ 167,859	\$ 191,866
Other	<u>17,833</u>	<u>12,947</u>
Total expenses	<u>\$ 185,692</u>	<u>\$ 204,813</u>
Annual surplus	<u>\$ 1,125,369</u>	<u>\$ 1,083,910</u>
Accumulated surplus at the beginning of the year	<u>17,663,062</u>	<u>16,579,152</u>
Accumulated surplus at the end of the year (note 4)	<u>\$ 18,788,431</u>	<u>\$ 17,663,062</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2018

1. Significant accounting policies

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

(a) Basis of Consolidation

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

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

(b) Basis of Accounting

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

2. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$13,918,360 (2017 - \$14,446,656). These investments have a market value of \$14,615,707 (2017 - \$15,389,152) at the end of the year.

3. Due from City of Hamilton

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

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2018

4. Accumulated Surplus

	<u>2018</u>	<u>2017</u>
The accumulated surplus consists of:		
Cemeteries	<u>\$ 18,135,887</u>	<u>\$ 17,010,339</u>
Other		
Fieldcote Farmer (Ancaster)	336,169	336,655
Knowles Bequest (Dundas)	249,634	250,666
F. Walden Dundurn Castle (Hamilton)	6,422	6,264
Ellen Grafton (Dundas)	7,829	7,686
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election (Hamilton)	35,117	6,889
Balfour Estate Chedoke (Hamilton)	<u>7,063</u>	<u>34,253</u>
	<u>\$ 652,544</u>	<u>\$ 652,723</u>
	<u>\$ 18,788,431</u>	<u>\$ 17,663,062</u>

City of Hamilton

Trust Funds – Cemetery

As at December 31, 2018

Statement of Financial Position

As at December 31, 2018

	<u>2018</u>	<u>2017</u>
Financial Assets		
Cash	\$ 3,794,622	\$ 1,967,119
Investments	13,617,154	14,115,474
Due From City of Hamilton	<u>1,199,667</u>	<u>1,336,704</u>
Total Financial Assets	<u>\$ 18,611,443</u>	<u>\$ 17,419,297</u>
Liabilities		
Deposits	<u>\$ 475,556</u>	<u>\$ 408,958</u>
Accumulated surplus	<u>\$ 18,135,887</u>	<u>\$ 17,010,339</u>

Statement of Operations

Year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Revenues		
Cemetery lots and interments	\$ 746,383	\$ 758,783
Investment income	547,044	516,646
Other Revenue	<u>2,300</u>	<u>-</u>
Total revenue	<u>\$ 1,295,727</u>	<u>\$ 1,275,429</u>
Expenses		
Transfer to other trust funds	\$ 158,443	\$ 182,577
Other	<u>11,736</u>	<u>11,019</u>
Total expenses	<u>\$ 170,179</u>	<u>\$ 193,596</u>
Annual surplus	<u>\$ 1,125,548</u>	<u>\$ 1,081,833</u>
Accumulated surplus at the beginning of the year	<u>17,010,339</u>	<u>15,928,506</u>
Accumulated surplus at the end of the year	<u>\$ 18,135,887</u>	<u>\$ 17,010,339</u>

See accompanying notes to the financial statements

City of Hamilton
Trust Funds – OtherAs at December 31, 2018

Statement of Financial Position

As at December 31, 2018

	<u>2018</u>	<u>2017</u>
Financial Assets		
Cash	\$ 301,597	\$ 273,070
Investments	301,206	331,182
Due From City of Hamilton	49,741	48,471
	<hr/>	<hr/>
Total Financial Assets	\$ 652,544	\$ 652,723
	<hr/>	<hr/>
Accumulated surplus	\$ 652,544	\$ 652,723

Statement of Operations

Year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Revenues		
Investment income	\$ 15,334	\$ 13,294
	<hr/>	<hr/>
Total revenue	\$ 15,334	\$ 13,294
	<hr/>	<hr/>
Expenses		
Transfer to other trust funds	\$ 9,416	\$ 9,289
Other	6,097	1,928
	<hr/>	<hr/>
Total expenses	\$ 15,513	\$ 11,217
	<hr/>	<hr/>
Annual surplus (deficit)	\$ (179)	\$ 2,077
	<hr/>	<hr/>
Accumulated surplus at the beginning of the year	652,723	650,646
	<hr/>	<hr/>
Accumulated surplus at the end of the year	\$ 652,544	\$ 652,723

See accompanying notes to the financial statements

Section 4

City of Hamilton Financial Statements for the Trust Funds – Homes for the Aged December 31, 2018

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

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

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 24, 2019

City of Hamilton

Trust Funds – Homes for the Aged

As at December 31, 2018 with comparative information for 2017

Statement of Financial Position As at December 31, 2018

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2018	Total 2017
Financial assets						
Cash	\$ 20,428	\$ 34,027	\$ 19,205	\$ 127,909	\$ 201,569	\$ 190,151
Investments	-	-	-	271,022	271,022	262,244
Total Financial Assets	<u>\$ 20,428</u>	<u>\$ 34,027</u>	<u>\$ 19,205</u>	<u>\$ 398,931</u>	<u>\$ 472,591</u>	<u>\$ 452,395</u>
Liabilities						
Due to (from) City of Hamilton	-	-	-	89,766	89,766	-
Accumulated surplus	<u>\$ 20,428</u>	<u>\$ 34,027</u>	<u>\$ 19,205</u>	<u>\$ 309,165</u>	<u>\$ 382,825</u>	<u>\$ 452,395</u>

Statement of Operations Year ended December 31, 2018

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2018	Total 2017
Revenue						
Residents' deposits	\$ 107,210	\$ 118,879	\$ 3,972	\$ 20,357	\$ 250,418	\$ 252,433
Investment income	-	-	335	11,071	11,406	7,380
Donations	-	-	869	-	869	1,035
	<u>107,210</u>	<u>118,879</u>	<u>5,176</u>	<u>31,428</u>	<u>262,693</u>	<u>260,848</u>
Expenses						
Maintenance payments	-	19,786	-	-	19,786	18,335
Residents' charges	105,712	84,704	3,200	15,229	208,845	214,881
Payments to estates	7,751	5,055	-	-	12,806	12,801
Program purchases	-	1,060	-	89,766	90,826	-
	<u>113,463</u>	<u>110,605</u>	<u>3,200</u>	<u>104,995</u>	<u>332,263</u>	<u>246,017</u>
Annual surplus (deficit)	(6,253)	8,274	1,976	(73,567)	(69,570)	14,831
Accumulated surplus at the beginning of the year	<u>26,681</u>	<u>25,753</u>	<u>17,229</u>	<u>382,732</u>	<u>452,395</u>	<u>437,564</u>
Accumulated surplus at the end of the year	<u>\$ 20,428</u>	<u>\$ 34,027</u>	<u>\$ 19,205</u>	<u>\$ 309,165</u>	<u>\$ 382,825</u>	<u>\$ 452,395</u>

See accompanying notes to the financial statements.

City of Hamilton
Trust Funds – Homes for the Aged
Notes to the Financial Statements
December 31, 2018

1. Purpose of Trust Funds

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

Macassa and Wentworth Lodge Resident Trusts

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

Macassa and Wentworth Lodge Other Trusts

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

2. Significant accounting policies

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

Basis of accounting

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

3. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$271,022 (2017 - \$262,244). These investments have a market value of \$280,511 (2017 - \$275,519) at the end of the year.