

Hamilton

FINANCIAL REPORT 2020



City of Hamilton | FINANCIAL SERVICES



Hamilton

FINANCIAL REPORT

2020

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

**City of Hamilton
Financial Report
2020**

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Accommodations for Readers with Disabilities

In accordance with the Ontario Human Rights Code, Ontarians 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.

Section 1

City of Hamilton Five Year Financial and Statistical Review 2020

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenue					
Taxation	\$ 957,739	\$ 917,126	\$ 888,229	\$ 876,880	\$ 854,709
Government grants and contributions	521,305	447,833	454,774	394,785	385,447
User charges	329,316	372,145	347,637	334,974	332,601
Development charges and subdivider contributions	33,693	60,646	119,703	50,313	82,025
Donated tangible capital assets	8,494	21,715	46,862	18,217	16,646
Investment and dividend income	33,545	37,598	31,101	28,070	27,067
Net income from Government Business Enterprises	10,726	11,262	24,285	134,914	22,857
Other	120,526	128,764	137,476	131,383	116,549
	2,015,344	1,997,089	2,050,067	1,969,536	1,837,901
Operating Expenses by Function					
General government	\$ 68,079	\$ 66,626	\$ 80,025	\$ 70,733	\$ 72,550
Protection services	341,243	330,258	324,227	312,564	306,629
Transportation services	322,651	337,719	320,005	326,274	310,190
Environmental services	251,828	252,778	284,271	239,488	238,553
Health services	126,930	106,057	102,868	99,125	98,443
Social and family services	333,523	309,361	316,819	315,218	302,830
Social housing	110,063	97,131	105,893	105,141	111,113
Recreation and cultural services	149,932	176,949	172,965	169,029	165,214
Planning and development	56,382	52,263	56,785	53,455	51,514
	1,760,631	1,729,142	1,763,858	1,691,027	1,657,036
Net Operating Revenue or Annual Surplus from Operations	254,713	267,947	286,209	278,509	180,865

Note: Amounts reported may have been restated from previous amounts presented to conform to 2020 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Taxation					
Taxation from real property	\$ 1,146,798	\$ 1,102,694	\$ 1,071,092	\$ 1,056,723	\$ 1,032,999
Taxation from other governments/payments in lieu of taxes	\$ 16,900	\$ 16,551	\$ 16,256	\$ 17,042	\$ 16,469
Taxation collected on behalf of school boards	(205,959)	(202,119)	(199,119)	(196,885)	(194,759)
Net taxes available for municipal purposes	957,739	917,126	888,229	876,880	854,709
Tax Levies					
City portion	\$ 924,159	\$ 886,787	\$ 857,981	\$ 845,392	\$ 827,668
School Board portion	202,808	198,980	196,082	193,714	191,734
	1,126,967	1,085,767	1,054,063	1,039,106	1,019,402
Tax arrears					
Taxes receivable	\$ 85,023	\$ 86,309	\$ 80,972	\$ 77,918	\$ 83,730
Taxes receivable per capita	147	149	145	140	155
Taxes receivable as a percentage of current years' levies	7.5%	7.9%	7.7%	7.5%	8.2%
Unweighted Taxable Assessment					
Residential	\$ 70,762,154	\$ 66,000,132	\$ 61,518,082	\$ 57,306,633	\$ 53,366,322
Non-Residential	9,620,270	9,069,880	8,442,007	7,908,588	7,571,212
	80,382,424	75,070,012	69,960,089	65,215,221	60,937,534
Weighted Taxable Assessment					
Residential	\$ 73,713,509	\$ 69,119,831	\$ 64,745,624	\$ 61,208,842	\$ 57,357,959
Non-Residential	20,946,399	19,641,077	18,379,207	17,376,301	16,428,325
	94,659,908	88,760,908	83,124,831	78,585,143	73,786,284
Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment					
Residential	78%	78%	78%	78%	78%
Non-Residential	22%	22%	22%	22%	22%
Taxable Assessment Growth (weighted)					
	1.2%	1.2%	1.6%	1.4%	0.7%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2020 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Expenses by Object					
Salaries, wages and employee benefits	\$ 819,188	\$ 797,631	\$ 780,052	\$ 755,403	\$ 741,847
Interest on long term liabilities	12,416	13,767	12,677	13,442	12,934
Materials	203,045	203,308	207,682	218,037	221,520
Contracted services	282,168	309,634	341,931	275,361	276,159
Rents and financial expenses	36,080	31,084	34,550	42,421	34,297
External transfers	193,667	168,471	190,538	194,241	184,546
Amortization of tangible capital assets	214,067	205,247	196,428	192,122	185,733
	1,760,631	1,729,142	1,763,858	1,691,027	1,657,036
Operating Expenses as Percentage of Total					
Salaries, wages and employee benefits	46.5%	46.1%	44.2%	44.7%	44.8%
Interest on long term liabilities	0.7%	0.8%	0.7%	0.8%	0.8%
Materials	11.6%	11.8%	11.8%	12.9%	13.4%
Contracted services	16.0%	18.0%	19.5%	16.3%	16.7%
Rents and financial expenses	2.0%	1.8%	2.0%	2.5%	2.1%
External transfers	11.0%	9.7%	10.8%	11.5%	11.1%
Amortization of tangible capital assets	12.2%	11.8%	11.0%	11.3%	11.1%
	100.0%	100.0%	100.0%	100.0%	100.0%
Long Term Liabilities					
Long Term Liabilities incurred by the City	\$ 436,289	\$ 432,709	\$ 484,891	\$ 418,145	\$ 472,805
Long Term Debt incurred by the City for which other entities have assumed responsibility	-	-	-	-	-
	436,289	432,709	484,891	418,145	472,805
Long Term Liabilities					
Housing operations	\$ 40,991	\$ 46,967	\$ 52,803	\$ 58,508	\$ 64,070
City operations	395,298	385,742	432,088	359,637	408,735
	436,289	432,709	484,891	418,145	472,805
Long term liabilities as a % of Reserves and Capital Surplus	49.80%	51.60%	57.30%	58.60%	62.20%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2020 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tangible Capital Assets					
General					
Land	\$ 403,879	\$ 387,321	\$ 357,211	\$ 333,818	\$ 315,467
Land improvements	181,506	167,237	157,312	152,325	150,337
Buildings	829,290	815,472	817,598	756,160	761,396
Vehicles	138,937	148,259	137,501	128,600	133,786
Computer hardware and software	18,698	19,499	13,572	11,821	11,058
Other	92,062	93,335	95,871	99,540	103,490
Infrastructure					
Roads	1,315,237	1,310,342	1,293,193	1,261,223	1,253,561
Bridges and structures	181,098	181,896	184,387	183,422	184,213
Water and wastewater facilities	416,470	395,495	398,743	403,647	396,884
Underground and other networks	2,021,641	1,986,865	1,861,011	1,789,334	1,761,542
Net Book Value	<u>5,598,818</u>	<u>5,505,721</u>	<u>5,316,399</u>	<u>5,119,890</u>	<u>5,071,734</u>
Assets under construction	604,146	425,067	360,182	309,974	199,680
	<u>6,202,964</u>	<u>5,930,788</u>	<u>5,676,581</u>	<u>5,429,864</u>	<u>5,271,414</u>
Accumulated Surplus or Municipal Financial Position					
Reserves and reserve funds					
Reserves	\$ 623,966	\$ 612,513	\$ 660,380	\$ 697,931	\$ 647,278
Hamilton Future Fund	58,466	52,963	48,635	44,322	43,079
	<u>682,432</u>	<u>665,476</u>	<u>709,015</u>	<u>742,253</u>	<u>690,357</u>
Capital surplus	\$ 193,769	\$ 173,857	\$ 136,894	\$ (28,137)	\$ 70,021
Operating surplus	83,987	74,118	88,433	1,498	2,020
Investment in Government Business Enterprises	319,823	323,851	329,237	356,098	247,386
Investment in tangible capital assets	5,629,066	5,393,649	5,102,640	4,995,441	4,780,723
Unfunded liabilities - Employee future benefits	(363,419)	(348,328)	(348,832)	(343,679)	(333,787)
Unfunded liabilities - Solid waste landfill sites	(65,148)	(71,420)	(71,559)	(24,174)	(24,466)
Unfunded liabilities - Environmental	(15,400)	-	-	-	-
	<u>6,465,110</u>	<u>6,211,203</u>	<u>5,236,813</u>	<u>5,699,300</u>	<u>4,741,897</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2020 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statistical Information					
Population	578,000	579,000	572,575	563,480	558,397
Households	237,420	237,200	234,655	227,641	222,918
Area in hectares	112,840	112,775	112,775	112,775	112,775
Building Permit Values	\$ 1,383,480,564	\$ 1,408,521,764	\$ 1,264,757,129	\$ 1,364,145,419	\$ 1,056,237,746
Housing Starts	1,406	1,438	1,135	1,340	1,436
Residential Units - Building Permits	4,507	5,012	5,808	6,053	5,835
Average Monthly Social Assistance Case Load	11,034	11,248	11,884	12,807	12,753
Continuous Full Time Employees	6,919	6,841	6,724	6,664	6,670

Note: Amounts reported may have been restated from previous amounts presented to conform to 2020 Public Sector Accounting Board (PSAB) standards.

Section 2

City of Hamilton Consolidated Financial Statements 2020

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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 Corporation of the City of Hamilton ("the entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2020
- 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, 2020, 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 2020

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 2020 as at the date of this auditors' report.

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants,

Hamilton, Canada

June 23, 2021

City of Hamilton

Consolidated Statement of Financial Position

For the year ended December 31, 2020 (all numbers are in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents (Note 3)	\$ 459,178	\$ 187,704
Taxes receivable	85,023	86,309
Accounts receivable	139,157	131,232
Other assets	1,428	1,473
Long term receivables (Note 4)	42,237	47,379
Portfolio investments (Note 3)	1,022,899	1,069,908
Investment in Government Business Enterprises (Note 5)	<u>319,823</u>	<u>323,851</u>
Total financial assets	\$ 2,069,745	\$ 1,847,856
Liabilities		
Accounts payable and accrued liabilities	\$ 390,003	\$ 339,830
Deferred revenue - general	87,143	42,542
Deferred revenue - obligatory reserve funds (Note 6 & 7)	470,579	331,278
Long term liabilities – municipal operations (Note 8)	395,298	385,742
Long term liabilities – housing corporation (Note 9)	40,991	46,967
Employee future benefits and other obligations (Note 10 & 11)	387,950	372,695
Solid waste landfill liabilities (Note 12)	<u>65,148</u>	<u>71,420</u>
Total liabilities	1,837,112	1,590,474
Net financial assets	\$ 232,633	\$ 257,382
Non-financial assets		
Tangible capital assets (Note 21)	\$ 6,202,964	\$ 5,930,788
Inventories	19,394	15,672
Prepaid expenses	<u>10,119</u>	<u>7,361</u>
Total non-financial assets	6,232,477	5,953,821
Accumulated surplus (Note 13)	\$ 6,465,110	\$ 6,211,203

Contractual obligations (Note 17)

Contractual rights (Note 18)

Contingent liabilities (Note 20)

COVID-19 (Note 25)

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Operations

For the year ended December 31, 2020 (all numbers are in thousands of dollars)

	Budget <u>2020</u> (Note 24)	Actual <u>2020</u>	Actual <u>2019</u>
Revenue			
Taxation (Note 15)	\$ 953,883	\$ 957,739	\$ 917,126
Government grants and contributions (Note 16)	621,458	521,305	447,833
User charges, licences and fines	365,598	329,316	372,145
Developer contributions earned	35,463	33,693	60,646
Donated tangible capital assets	8,494	8,494	21,715
Investment and dividend income	33,730	33,545	37,598
Net income from Government			
Business Enterprises (Note 5)	-	10,726	11,262
Other	<u>111,332</u>	<u>120,526</u>	<u>128,764</u>
Total revenue	<u>2,129,958</u>	<u>2,015,344</u>	<u>1,997,089</u>
Expenses			
General government	\$ 78,429	\$ 68,079	\$ 66,626
Protection services	343,042	341,243	330,258
Transportation services	359,977	322,651	337,719
Environmental services	250,886	251,828	252,778
Health services	118,240	126,930	106,057
Social and family services	337,009	333,523	309,361
Social housing	107,008	110,063	97,131
Recreation and cultural services	174,024	149,932	176,949
Planning and development	<u>60,825</u>	<u>56,382</u>	<u>52,263</u>
Total expenses	<u>1,829,440</u>	<u>1,760,631</u>	<u>1,729,142</u>
Annual Surplus	<u>\$ 300,518</u>	<u>\$ 254,713</u>	<u>\$ 267,947</u>
Accumulated surplus			
Beginning of year	<u>\$ 6,211,203</u>	<u>\$ 6,211,203</u>	<u>\$ 5,945,828</u>
Other comprehensive loss and other			
Government Business Enterprises (Note 5)	<u>-</u>	<u>(806)</u>	<u>(2,572)</u>
End of year	<u>\$ 6,511,721</u>	<u>\$ 6,465,110</u>	<u>\$ 6,211,203</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31, 2020 (all numbers are in thousands of dollars)

	Budget <u>2020</u> (Note 24)	Actual <u>2020</u>	Actual <u>2019</u>
Operating activities			
Annual surplus	\$ 300,518	\$ 254,713	\$ 267,947
Other comprehensive loss of			
Government Business Enterprises	-	(806)	(2,572)
Acquisition of tangible capital assets	(659,399)	(487,876)	(445,146)
Loss on disposition of tangible capital assets	10,127	10,127	7,407
Amortization of tangible capital assets	214,066	214,067	205,247
Donated tangible capital assets	(8,494)	(8,494)	(21,715)
Change in inventories	-	(3,722)	(498)
Change in prepaid expenses	-	(2,758)	1,064
Change in financial assets	(143,182)	(24,749)	11,734
Net financial assets			
Beginning of year	257,382	257,382	245,648
End of year	\$ 114,200	\$ 232,633	\$ 257,382

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Cash Flows

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

	2020	2019
Operating activities		
Annual surplus	\$ 254,713	\$ 267,947
Increase in taxes receivable	1,286	(5,337)
Increase in accounts receivable	(7,925)	(12,184)
Increase in other assets	45	(53)
Increase in accounts payable and accrued liabilities	50,173	16,308
(Increase) decrease in deferred revenue - general	44,601	(2,654)
Increase in deferred revenue - obligatory reserve fund	139,301	94,223
Increase in inventories	(3,722)	(498)
Decrease in prepaid expenses	(2,758)	1,064
Non-cash activities		
Amortization of tangible capital assets	214,067	205,247
Donated tangible capital assets	(8,494)	(21,715)
Loss on disposition of tangible capital assets	10,127	7,407
Net income from Government Business Enterprises	(10,726)	(11,262)
Change in employee future benefits and other obligations	15,255	(482)
Change in solid waste landfill liabilities	<u>(6,272)</u>	<u>(139)</u>
	689,671	537,872
Investing activities		
Increase in portfolio investments	47,009	(13,401)
Decrease in long term receivables	5,142	16,194
Dividends received from Government Business Enterprises	51,934	14,076
Issuance of share capital	<u>(37,986)</u>	<u>-</u>
	66,099	16,869
Financing activities		
Long term debt issued – municipal operations	51,705	-
Debt principal repayment – municipal operations	(41,530)	(45,728)
Lease obligation payment – municipal operations	(619)	(619)
Debt principal repayment – housing corporation	<u>(5,976)</u>	<u>(5,836)</u>
	3,580	(52,183)
Capital activities		
Purchase of tangible capital assets	<u>(487,876)</u>	<u>(445,146)</u>
Net increase in cash and cash equivalents	271,474	57,412
Cash and cash equivalents		
Beginning of year	187,704	130,292
End of year	\$ 459,178	\$ 187,704

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies

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

Significant accounting policies adopted by the City are as follows:

(a) Reporting entity

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

Hamilton Police Services Board
The Hamilton Public Library Board
The Hamilton Street Railway Company
CityHousing Hamilton Corporation

Hamilton Business Improvement Areas including Ancaster BIA, Barton Street Village BIA, Concession Street BIA, Downtown Hamilton BIA, Dundas BIA, International Village BIA, Locke Street BIA, Downtown Stoney Creek BIA, Ottawa Street BIA, Waterdown BIA, and Westdale BIA
Flamborough Recreation Sub-Committees

Confederation Park

Hamilton Farmers Market

Public Health and Housing Services Division (HSD) fully funded programs

Interdepartmental and organizational transactions and balances are eliminated.

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

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

Hamilton Utilities Corporation ("H.U.C."), Hamilton Enterprises Holdings Corporation ("H.E.H.C.O.") and Hamilton Renewable Power Inc. ("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, 2020 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

Cemetery trust, and general trust funds administered by the City amounting to \$21,374,000 (2019 - \$20,060,000) 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 \$413,000 (2019 - \$404,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

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

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

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

(b) Basis of accounting

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

(c) Use of estimates

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

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

(d) Cash, cash equivalents

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

(e) Portfolio investments

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(f) Portfolio investments

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

(g) 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.

(h) 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.

(i) Tangible capital assets

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

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

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

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

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(i) Inventories

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

(j) Government transfers

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

(k) Long term receivables

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

(l) Tax revenue

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

(m) Landfill Liability

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

(n) Contaminated Sites

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

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

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(o) Related parties disclosure

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. Related party transactions are disclosed if they occurred at a value different from that which would have been arrived at if parties were unrelated and the transaction has material effect on the consolidated financial statements. As at December 31, 2020, there are no such related party transactions to disclose.

(p) Contingent assets

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty which will be ultimately resolved when one of more future events occur that are not within the government's control. Disclosure of a contingent asset is required under this standard when the occurrence of a confirming future event is likely. As at December 31, 2020, there are no such contingent assets to disclose.

(q) Contractual rights

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

(r) Assets

The assets standard provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events and from which future economic benefits are to be obtained. For the year ended December 31, 2020, all material assets have been disclosed and reported within this definition.

(s) Inter-Entity transactions

Inter-entity transactions standard provides guidance on how to account for and report transactions between public sector entities that comprises a governments reporting entity. This section provides guidance for the measurement of these transactions. All City transactions are recorded at the exchange amount, being the amount agreed to by both parties. For the year ended December 31, 2020, there were no material inter-entity transactions to disclose.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

2. Adoption of new accounting standards

The following are upcoming standard and amendment changes that will be effective in future periods. They have not been applied to the 2020 consolidated financial statements. Management is still assessing the impact to the City's future financial statements and the extent of the impact is still not known at this point.

(a) PS 1201, Financial Statement Presentation

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

(b) PS 2601, Foreign Currency Translation

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

(c) PS 3280, Asset Retirement Obligations

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

(d) PS 3400, Revenue

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

(e) PS 3450, Financial Instruments

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

(f) Public Sector Guideline 8, Purchased Intangible

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

3. Cash and cash equivalents and portfolio investments

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 130	\$ 157
Cash held in banks	452,713	181,331
Temporary investments	6,335	6,216
	<u>\$ 459,178</u>	<u>\$ 187,704</u>
Portfolio investments are comprised of:		
Unrestricted investments	\$ 493,854	\$ 685,667
Designated investments (obligatory reserve funds)	470,579	331,278
Designated investments (Hamilton Future Fund)	58,466	52,963
	<u>\$ 1,022,899</u>	<u>\$ 1,069,908</u>

Portfolio investments have a market value of \$1,094,766,000 (2019 - \$1,094,050,000). The City has purchased \$6,504,000 (2019 - \$3,058,000) of its own debentures which have not been cancelled. This investment in its own debenture is included in portfolio investments on the consolidated statement of financial position. The gross amounts of these debentures is \$393,175,000 (2019 - \$383,001,000)

4. Long term receivables

The City has long-term receivables in the amount of \$42,237,000 (2019 - \$47,379,000). The long-term receivables are comprised of:

	<u>2020</u>	<u>2019</u>
Development charge deferral agreements	\$ 26,658	\$ 30,012
Mortgages receivable:		
Downtown convert to rent program	4,784	5,425
Hamilton Utilities Corporation	-	6,480
Hamilton Enterprises Holding Corporation	6,156	-
Sheraton Hotel loan	610	755
Other City loan programs	3,424	3,764
Loans to other agencies and organizations	3,091	3,632
Less: Provision for loans with concessionary terms	(2,486)	(2,689)
	<u>\$ 42,237</u>	<u>\$ 47,379</u>

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

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises

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

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

The amounts related to government business enterprises as reported in the Consolidated Statement of Operations for 2020 and 2019 is as reported by the Hamilton Utilities Corporation, Hamilton Enterprises Corporation and Hamilton Renewable Power Inc.

	<u>2020</u>	<u>2019</u>
Net income from H.U.C.	\$ 13,473	\$ 12,899
Net loss from H.E.H.C.O.	(2,681)	(1,815)
Net (loss) income from H.R.P.I.	<u>(66)</u>	<u>178</u>
	<u>\$ 10,726</u>	<u>\$ 11,262</u>

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

	<u>2020</u>	<u>2019</u>
Investment in H.U.C.	\$ 288,242	\$ 327,254
Investment in H.E.H.C.O.	32,020	(3,172)
Investment in H.R.P.I.	<u>(439)</u>	<u>(231)</u>
	<u>\$ 319,823</u>	<u>\$ 323,851</u>

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

	<u>2020</u>	<u>2019</u>
Investment in Government Business Enterprises at January 1	\$ 323,851	\$ 329,237
Net income during the year	10,726	11,262
Other comprehensive loss	(806)	(2,572)
Dividends	<u>(51,934)</u>	<u>(14,076)</u>
Issuance of capital	<u>37,986</u>	<u>-</u>
Investment in Government Business Enterprises at December 31	<u>\$ 319,823</u>	<u>\$ 323,851</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (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, 2020 and December 31, 2019 respectively.

	<u>2020</u>	<u>2019</u>
Financial Position		
Current assets	\$ 72	\$ 388
Notes receivable from Corporation	13,786	51,772
Long term receivables	-	6,156
Due from related parties	2,426	2,130
Future payments in lieu of income taxes	473	461
Investment in Alectra Holdings Inc.	350,198	351,550
Total assets	<u>\$ 366,955</u>	<u>\$ 412,457</u>
Current liabilities		
(including current portion of long term debt)	8	324
Non-current liabilities	<u>67,926</u>	<u>74,100</u>
Total liabilities	<u>67,934</u>	<u>74,424</u>
Change in equity on restructuring	10,779	10,779
Shareholder's equity	<u>\$ 288,242</u>	<u>\$ 327,254</u>
Results of operations		
Revenues	\$ 156	\$ 353
Operating expenses	(188)	(816)
Equity income in Alectra Holdings Inc.	13,147	10,541
Financing expenses	(5)	(248)
Other income	12	248
Gain on dilution of investment in Alectra Holdings Inc.	-	979
Equity earnings from operations	<u>13,122</u>	<u>11,057</u>
Recovery of taxes	351	1,842
Net income before other comprehensive income	<u>13,473</u>	<u>12,899</u>
Other comprehensive loss	(693)	(2,572)
Net income	<u>\$ 12,780</u>	<u>\$ 10,327</u>
Dividends paid	51,792	13,969

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

Hamilton Utilities Corporation long term receivables and borrowings:

Long-term receivables related to a loan between the Corporation and HCE Energy ("HCE") a corporation under common control relating to HCE's acquisition of the City of Hamilton's Central Utilities Plant ("CUP"). The long-term borrowings were a loan between the City of Hamilton (the City') and the Corporation relating to HCE's acquisition of the City's Central Utilities Plant ("CUP").

Prior to year-end, the Corporation and the City, along with HCE formally entered into an assignment agreement to transfer both the remaining long-term receivable in the amount of \$6,156 and long-term borrowing in the amount of \$6,156 to the City and HCE respectively. As at December 31, 2020, the Corporation has no further contractual right to cash flows from long-term receivables and no obligation to settle long-term borrowings with the City.

The settlement transaction comprised of long-term debt forgiveness and the transfer of long-term receivable with related parties have been recognized directly in equity in the statement of changes in equity.

Interest expense for the long-term borrowings was \$nil (2019 - \$248). Interest revenue recognized was \$nil (2019 - \$248)

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (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, 2020 and December 31, 2019 respectively.

	<u>2020</u>	<u>2019</u>
Financial Position		
Current assets	\$ 9,442	\$ 8,376
Capital assets	51,618	53,086
Other assets	5,418	6,216
Future payments in lieu of income taxes	5,209	4,514
Total assets	71,687	72,192
Current liabilities		
(including current portion of long term debt)	20,786	7,678
Non-current liabilities	29,962	78,762
Total liabilities	50,748	86,440
Shareholder's deficit		
Non-controlling interest	78	83
Opening equity	(11,159)	(11,159)
Total shareholder's deficit	\$ 32,020	\$ (3,172)
Results of operations		
Revenues	\$ 15,527	\$ 14,307
Operating expenses	(16,533)	(15,686)
Financing expense	(1,365)	(1,187)
Other income	19	199
Equity earnings from operations	(2,352)	(2,367)
Payment / recovery of taxes	334	(544)
Loss for the year	(2,686)	(1,823)
Non-controlling interest of a subsidiary	5	8
Net loss before other comprehensive income	(2,681)	(1,815)
Other comprehensive income	(113)	-
Net loss	\$ (2,794)	\$ (1,815)
Issuance of share capital	37,986	-

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

During the year, the City recognized a dividend in-kind from one of its subsidiaries, H.E.H.C.O., in exchange for notes receivable which were formally assigned to the City in the year. The notes receivable relate to the corporate reorganization undertaken by the H.E.H.C.O. in 2018. The transactions during the year reflect the execution of the remaining reorganization steps that were approved in 2018.

Subsequent to the assignment of the notes receivable, the City subscribed for \$37,986 common shares of its investment in H.E.H.C.O. in exchange for settlement of the outstanding notes receivable.

Amounts owing to Corporations under common control:

Amounts owing to corporations under common control, previously owed to Hamilton Utilities Corporation ("H.U.C.") and now owing to the City of Hamilton are due December 31, 2039, bearing interest as at fixed interest rate of 4.06% throughout the term of the loan. The loan is payable in annual principal repayments of \$324 plus interest. The amounts owing to the City relate to the Corporations' acquisition of the City of Hamilton's Central Utilities Plant. ("CUP").

During the year, amounts owing to H.U.C. were formally assigned to the City who accepted the assignment of borrowings and the Corporation is now remitting principal and interest payments directly to the City.

The borrowing are secured by the assets of the CUP with a net book value of \$9,273 (2019 - \$9,778) with a cross-company guarantee provided by a corporation under common control.

Interest expense for the long-term borrowings was \$229 (2019 - \$248). Principal payments on the long-term borrowings and receivables are due as follows:

	<u>2020</u>
2021	\$ 324
2022	324
2023	324
2024	324
2025	324
Thereafter	4,536
	\$ 6,156

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (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, 2020 and December 31, 2019 respectively.

	<u>2020</u>	<u>2019</u>
Financial Position		
Current assets	\$ 1,325	\$ 1,132
Capital assets	5,090	5,602
Other assets	32	32
Total assets	<u>6,447</u>	<u>6,766</u>
Current liabilities		
(Including current portion of long term debt)	642	685
Future payment in lieu of taxes	<u>244</u>	312
Total liabilities	<u>886</u>	997
Shareholder's equity	6,000	6,000
Net deficit	<u>\$ (439)</u>	<u>\$ (231)</u>
Results of operations		
Revenues	\$ 2,900	\$ 3,199
Expenses	<u>(2,966)</u>	<u>(3,021)</u>
Net (loss) income	<u>\$ (66)</u>	<u>\$ 178</u>
Dividends paid	142	107

Government Business Enterprises - related party transactions

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

	<u>2020</u>	<u>2019</u>
Revenue		
Dividend revenue from H.U.C.	\$ 51,792	\$ 13,969
Dividend revenue from H.R.P.I.	142	107
Property and other taxes received by the City from H.U.C.	532	529
Sale of Methane to H.R.P.I.	794	814
Expenditures		
Hydro purchased by the City from H.E.H.C.O.	34,224	37,874
Thermal Energy purchased from H.R.P.I.	274	284
Assets		
Accounts receivable from H.R.P.I.	429	415
Long term receivable from H.U.C.	-	6,480
Long term receivable from H.E.H.C.O.	6,156	-

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

6. Deferred revenue – obligatory reserve funds

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

	<u>2020</u>	<u>2019</u>
Development charge reserve funds	\$ 285,420	\$ 186,994
Recreational land dedicated under the Planning Act	66,934	56,154
Gasoline tax revenue: Provincial	19,220	9,699
Federal	59,101	54,846
Building Permit Revenue	24,613	23,493
Other (Main Street Revitalization)	15	92
Safe Restart Agreement (SRA): Municipal & Transit Funding	15,276	-
	<u>\$ 470,579</u>	<u>\$ 331,278</u>

7. Deferred revenue – obligatory reserve funds

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

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	\$ 331,278	\$ 237,055
Add:		
Developer and other contributions	183,211	134,567
Interest earned	7,385	6,516
Provincial and Federal Funding	52,770	69,166
	<u>243,366</u>	<u>210,249</u>
Less:		
Contributions used in operating and capital funds	<u>104,065</u>	<u>116,026</u>
Balance at the end of the year	<u>\$ 470,579</u>	<u>\$ 331,278</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 2021 to 2044 with interest rates varying between 1.61% and 5.05% and obligations for leased tangible capital assets with payments from 2021 to 2051 at a discount rate of 5%. The balance of long term liabilities consists of the following:

	<u>2020</u>	<u>2019</u>
Long term liabilities incurred by the City	\$ 393,175	\$ 383,001
Long term liabilities for leased tangible capital assets incurred by the City	2,123	2,741
Net long term liabilities	<u>\$ 395,298</u>	<u>\$ 385,742</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

8. Long term liabilities – municipal operations (continued)

- (b) Of the \$393,175,000 long term debt incurred by the City (2019 - \$383,001,000) 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>2020</u>	<u>2019</u>
General Revenue	\$ 263,815	\$ 255,373
Water & Wastewater user charges	129,360	127,628
	<u>\$ 393,175</u>	<u>\$ 383,001</u>

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

	General Revenues	Water & Wastewater User Charges	Total 2020
2021	\$ 32,036	\$ 13,076	\$ 45,112
2022	32,454	13,081	45,535
2023	27,232	13,028	40,260
2024	25,070	12,971	38,041
2025	25,145	12,971	38,116
2026 and thereafter	121,878	64,233	186,111
Total	<u>\$ 263,815</u>	<u>\$ 129,360</u>	<u>\$ 393,175</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>2020</u>
2021	\$ 335
2022	62
2023	62
2024	62
2025	62
2026 and thereafter	1,540
Total	<u>\$ 2,123</u>

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

	<u>2020</u>	<u>2019</u>
Principal repayments	\$ 41,530	\$ 45,728
Interest expense	10,958	12,161
	<u>\$ 52,488</u>	<u>\$ 57,889</u>

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

	<u>2020</u>	<u>2019</u>
Principal repayments	\$ 619	\$ 619
Interest expense	267	257
	<u>\$ 886</u>	<u>\$ 876</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (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 2021 to 2030 with interest rates varying between 0.69% and 5.83%. The mortgage obligations for CityHousing Hamilton are \$40,991,000 (2019 - \$46,967,000).
- (b) The principal repayments of these mortgages in each of the next five years and thereafter are as follows:

	<u>2020</u>
2021	\$ 5,979
2022	13,321
2023	4,082
2024	8,149
2025	3,174
2026 and thereafter	<u>6,286</u>
	<u>\$ 40,991</u>

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

	<u>2020</u>	<u>2019</u>
Principal repayments	\$ 5,976	\$ 5,836
Interest expense	1,191	1,349
	<u>\$ 7,167</u>	<u>\$ 7,185</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 \$5,966,000 (2019 - \$8,340,000), 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, 2020 (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:

	2020	2019
Accrued Benefit Obligation		
Sick leave benefit plan (a)	\$ 60,015	\$ 58,789
Long term disability (b)	43,676	33,431
Workplace safety and insurance board liabilities (WSIB) (c)	128,967	97,787
Retirement benefits (d)	168,449	153,571
Vacation benefits (e)	27,212	26,806
Pension benefit plans (f)	<u>(34,366)</u>	<u>(2,196)</u>
	393,953	368,188
Net unamortized actuarial (loss) gain	(11,803)	1,513
Valuation allowance	<u>5,800</u>	<u>2,994</u>
Accrued Liability	\$ 387,950	\$ 372,695

The City has established reserves for some of these liabilities totalling \$74,278,000 (2019 - \$71,226,000) as described in the following notes.

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

	2020	2019
Liability for Employee Future Benefits and Other Obligations		
balance at beginning of the year	\$ 372,695	\$ 373,177
Plan amendment per actuarial valuation	11,930	2,488
Benefit expense	36,920	32,101
Interest expense	12,612	13,420
Amortization of actuarial loss on accrued benefit obligations	5,600	3,220
Amortization of actuarial gain on earnings on pension assets	(5,952)	(3,261)
Benefit payments	<u>(45,855)</u>	<u>(48,450)</u>
Liability for Employee Future Benefits and Other Obligations balance at end of the year	\$ 387,950	\$ 372,695

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (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>2020</u>	<u>2019</u>
Plan amendment per actuarial valuation	\$ 11,930	\$ 2,488
Benefit expense	36,920	32,101
Interest expense	12,612	13,420
Amortization of net actuarial loss	(351)	(41)
	<u>\$ 61,111</u>	<u>\$ 47,968</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 Rate	Return on Assets	Inflation Rate	Payroll Increases	Dental Increases	Life Expectancy (Years)
Vested sick leave	3.25%	NA	2.0%	3.0%	NA	15
Long term disability	3.00%	NA	2.0%	3.0%	NA	8.0
Workplace safety and insurance	3.50%	NA	2.0%	3.0%	NA	10.0
Retirement Benefits Health and Dental	3.50%	NA	2.0%	3.0%	4.0%	12
Pensions Benefits (non-OMERS)	4.40%	4.40%	2.0%	NA (1)	NA	7.98 to 9.8

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, 2020 has estimated the accrued benefit obligation at \$60,015,000 (2019 - \$58,789,000). Changes in valuation assumptions have resulted in an increase in the liability to \$60,015,000 from the expected liability of \$58,180,000. The actuarial loss as at December 31, 2020 of \$1,835,000 is being amortized over 15 years, which is the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$9,570,000 (2019 - \$9,586,000).

(b) Liability for long term disability

The City provides benefits in the event of total disability for certain employee groups. An actuarial valuation of the City's self-insured long-term disability program as at December 31, 2020 has estimated the accrued benefit obligation at \$43,676,000 (2019 - \$33,431,000). Changes in valuation assumptions have resulted in an increase in the liability of \$43,676,000 from the expected liability of \$29,745,000. The actuarial loss as at December 31, 2020 of \$13,931,000 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 \$15,044,000 (2019 - \$15,612,000)

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

10. Employee future benefits and other obligations (continued)

(c) Liability for workplace safety and insurance

The City is liable for compensation related to workplace injuries as stipulated by the Workplace Safety & Insurance Act. An actuarial valuation as at December 31, 2020 estimated the accrued benefit obligation for workplace safety & insurance existing claims and future pension awards at \$128,967,000 (2019 - \$97,787,000). Changes in valuation assumptions have resulted in an increase in the liability to \$128,967,000 from the expected liability of \$100,965,000. The actuarial loss of \$28,002,000 is being amortized over 10.0 years, which is the expected average remaining life expectancy of the plan members in various groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$41,329,000 (2019 - \$41,110,000).

(d) Liability for retirement benefits

The City provides certain health, dental and life insurance benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS) or the normal retirement age and up to the age of 65 years. An actuarial valuation at December 31, 2020 estimated the accrued benefit obligation at \$168,449,000 (2019 - \$153,571,000). Changes in valuation assumptions have resulted in an increase in liability to \$168,449,000 from the expected liability of \$144,507,000. The actuarial loss of \$23,942,000 is being amortized over 19 years, which is the expected average remaining life expectancy of the plan members in various groups. The City has \$7,682,000 (2019 - \$7,430,000) set aside in the Consolidated Statement of Financial Position to assist with this liability.

(e) Liability for vacation benefits

The City is liable for vacation days earned by its employees as at December 31, 2020 but not taken until a later date. The liability as at December 31, 2020 has been estimated at \$27,212,000 (2019 - \$26,806,000), of which \$16,577,000 is funded by City departments' budgets (2019 - \$16,938,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,610,000 (2019 - \$1,577,000), and the remaining liability of \$9,025,000 is unfunded (2019 - \$8,291,000).

(f) Liability for pensions benefit plans

In addition to the Ontario Municipal Employees Retirement System (OMERS) described in Note 11, the City also provides pension benefits under three other plans. The actuarial valuations for Hamilton-Wentworth Retirement Fund, Hamilton Street Railway Retirement Fund and Hamilton Municipal Retirement Fund at December 31, 2019 estimated the combined accrued benefit asset of the pension plans at \$34,366,000 from an asset of \$2,196,000 in 2019. Changes in valuation resulted in an asset of \$34,366,000 from an expected liability of \$27,342,000. The actuarial gain of \$61,708,000 is being amortized over 7.98 to 9.8 years, which is the expected average remaining life expectancy of the plan members. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$6,725,000 (2019 - \$3,341,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

11. Pension agreements

(a) Ontario Municipal Employees Retirement System

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

The latest actuarial valuation as at December 31, 2020 indicates a “going concern” Actuarial Deficit based on the plan’s current member and employer contribution rates. Contributions were made in the 2020 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 \$61,086,000 (2019 - \$60,176,000) was contributed to the OMERS plan for current service.

As OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. The OMERS primary pension plan has a deficit of \$3.2 billion as of December 31, 2020 (2019 - \$3.4 billion)

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

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

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

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

	<u>2020</u>	<u>2019</u>
Accrued pension benefit obligation	\$ 309,881	\$ 335,238
Pension plan assets	(344,247)	(337,434)
Other assets	(34,366)	(2,196)
Unamortized actuarial gain	55,908	33,014
Accrued pension liability	21,542	30,818
Valuation allowance	5,800	2,994
Adjusted accrued pension liability	<u>\$ 27,342</u>	<u>\$ 33,812</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (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>2020</u>	<u>2019</u>
Expected pension fund assets at the end of year	\$ 331,800	\$ 312,488
Actual pension fund assets at end of year	<u>344,247</u>	<u>337,434</u>
Actuarial gain on pension fund assets	<u>12,447</u>	<u>24,946</u>
Expected accrued pension benefit obligation at end of year		
Actual accrued pension benefit obligation at end of year	326,203	314,820
Accrued pension benefit obligation	<u>309,881</u>	<u>335,238</u>
Actuarial gain (loss) on accrued pension benefit obligation	<u>\$ 16,322</u>	<u>\$ (20,418)</u>

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

	<u>2020</u>	<u>2019</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ (162)	\$ (2,198)
Amortization of net actuarial loss on pension plan assets	<u>(5,407)</u>	<u>(2,680)</u>
Net amortization	<u>(5,569)</u>	<u>(4,878)</u>
Interest on average accrued pension benefit obligation	\$ 14,455	\$ 16,727
Expected return on average pension plan assets	<u>(14,608)</u>	<u>(16,405)</u>
Net interest	<u>(153)</u>	<u>322</u>
Change in valuation allowance	<u>2,806</u>	<u>2,488</u>
Total expenses	<u>\$ (2,916)</u>	<u>\$ (2,068)</u>

Payment of \$3,555,201 (2019 - \$7,907,303) 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, 2020 will be funded by the City with payments as follows:

	<u>2020</u>
2021	\$ 1,770
2022	1,890
2023	1,956
2024	1,956
2025 and thereafter	<u>11,736</u>
Total	<u>\$ 19,308</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (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 2018 and therefore as of December 31, 2020 still retained an estimated 4,448,000 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 2020 approximately 42% of waste generated was diverted from landfills (2019 - 41%).

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 an inflation rate of 2.5%. These costs are then discounted back to December 31, 2020 using a discount factor of 3.5%. 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 \$72,676,000 (2019 - \$80,076,000). The expenses remaining to be recognized are \$7,528,000 (2019 - \$8,656,000). The liability of \$65,148,000 (2019 - \$71,420,000) 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 \$1,249,000 (2019 - \$1,189,000) 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, 2020 (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>2020</u>	<u>2019</u>
Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:		
Working funds	\$ 94,122	\$ 84,933
Contingencies	1,017	996
Replacement of equipment	53,344	51,225
Sick leave (Note 10)	9,570	9,586
Workplace Safety and Insurance Board (WSIB) (Note 10)	41,329	41,110
Pension plans (Note 10)	6,725	3,341
Tax stabilization	65,917	20,760
General government	21,140	16,785
Protection services	1,332	1,184
Transportation services	25,911	25,396
Environmental services	167,911	224,625
Health and social services	5,846	5,478
Recreation and cultural services	19,868	23,848
Planning and development	7,896	8,046
Other unallocated	102,038	95,200
Hamilton Future Fund (Note 14)	58,466	52,963
Total reserves and discretionary reserve funds	\$ 682,432	\$ 665,476
Operating surplus		
Flamborough recreation sub-committees	\$ 251	\$ 227
Business improvement areas	1,333	1,268
Housing operations	82,203	72,343
Confederation Park operations	200	280
Total operating surplus	\$ 83,987	\$ 74,118
Capital surplus		
Municipal operations	\$ 119,817	\$ 113,897
Housing operations	73,952	59,960
Total capital surplus	\$ 193,769	\$ 173,857
Unfunded liabilities		
Employee benefit obligations	\$ (363,419)	\$ (348,328)
Solid Waste landfill liabilities	(65,148)	(71,420)
Environmental liability	(15,400)	-
Total unfunded liabilities	\$ (443,967)	\$ (419,748)
Investment in Government Business Enterprises (Note 5)	\$ 319,823	\$ 323,851
Investment in tangible capital assets	\$ 5,629,066	\$ 5,393,649
Accumulated surplus	\$ 6,465,110	\$ 6,211,203

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (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>2020</u>	<u>2019</u>
Balance at the beginning of the year	\$ 52,963	\$ 48,635
Current operations		
Investment income	1,213	1,203
Repayment of Waste Management Projects	8,440	8,440
Other	-	(1,142)
	<u>9,653</u>	<u>8,501</u>
Tangible capital assets		
Waste Management Projects	-	(173)
Parkland	(150)	-
Other	(4,000)	(4,000)
	<u>(4,150)</u>	<u>(4,173)</u>
Balance at the end of the year	\$ 58,466	\$ 52,963

15. Taxation

	<u>Budget 2020</u>	<u>Actual 2020</u>	<u>Actual 2019</u>
Taxation from real property	\$ 1,140,165	\$ 1,146,798	\$ 1,102,694
Taxation from other governments payments in lieu of taxes	16,526	16,900	16,551
	<u>1,156,691</u>	<u>1,163,698</u>	<u>1,119,245</u>
Less: Taxation collected on behalf of school boards	(202,808)	(205,959)	(202,119)
Net taxes available for municipal purposes	<u>\$ 953,883</u>	<u>\$ 957,739</u>	<u>\$ 917,126</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, 2020 (all numbers in columns are in thousands of dollars)

16. Government transfers

	<u>2020</u>	<u>2019</u>
Government transfers received:		
Policing	\$ 4,936	\$ 4,447
Court security	5,055	4,947
Transit	14,922	5,019
Waste diversion	5,731	5,095
Public Health	46,171	33,218
Ambulance services	32,885	25,300
Social assistance	171,360	133,015
Long term care homes	27,228	22,783
Child care	66,348	78,758
Housing	24,151	23,672
Federal and provincial gas tax	40,757	51,241
Other	21,202	4,126
Infrastructure	60,559	56,212
	<u>\$ 521,305</u>	<u>\$ 447,833</u>
 Government transfers paid:		
Social assistance	\$ 121,608	\$ 124,549
Social housing	59,166	53,050
Grants	19,401	22,221
	<u>\$ 200,175</u>	<u>\$ 199,820</u>

17. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$441,657,000 at December 31, 2020 for capital works (2019 - \$556,293,000). 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, 2020 amounting to \$2,670,000 (2019 - \$2,810,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$140,000 in 2020 (2019 - \$497,000) 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, 2020 of \$3,460,000 (2019 - \$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 \$4,400,000 in 2020 (2019 - \$500,000) are reported in the Consolidated Statement of Operations.
- (d) The City has a contract with Waste Connections (formerly known as Progressive Waste Services) for the transfer, hauling and disposal of the City's solid waste, including the operations of the City's Transfer Stations and Community Recycling Centre. The term of the agreement is ten years for the period of March 1, 2020 to February 28, 2030. The contract fees amounting to \$6,783,000 for 2020 (2019 - \$7,883,000) are reported in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

17. Contractual obligations (continued)

- (e) The City has a contract with GFL Environmental Inc. for the provision of curbside/roadside collection of organics, garbage, leaf and yard, bulk waste for one-half of the City, including curbside/roadside recycling, automated recycling and bin waste collection for the entire City. The agreement ended on March 28, 2020 and City exercised one-year extension option. New contract will come into effect on March 29, 2021 and will end on April 2, 2028 (with an option of one-year extension). Contract fees amounting to \$18,608,000 for 2020 (2019 - \$17,602,000) are reported in the Consolidated Statement of Operations.
- (f) The City has lease agreements with Disabled and Aged Regional Transit System (D.A.R.T.S.) for the delivery of specialized transportation services. The agreement is on a month-to-month basis until a new contract is signed or until cancelled on 120 calendar days' notice by either party. The annual contract fees amounting to \$14,368,000 for 2020 (2019 - \$22,545,000) 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 \$67,559,000 (2019 - \$47,735,000). The minimum lease payments for these leases over the next five years and thereafter are:

	<u>2020</u>
2021	\$ 7,503
2022	6,656
2023	6,689
2024	6,218
2025	4,949
2026 and thereafter	35,544
Total	<hr/> \$ 67,559

- (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, 2020, 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, 2020, the remaining principal balance for the second term loan is \$17,736,000 (2019 - \$20,269,000). The interest cost for the City is based on the 30-day Banker's Acceptance rate. These loans are included in Long term liabilities – "Municipal Operations on the Statement of Financial Position."

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

18. Contractual Rights

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

19. Public liability insurance

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

The City has reported liabilities for insurance claims on the Consolidated Statement of Financial Position in the amount of \$19,149,000 (2019 - \$18,315,000). Claim expenses for the year in the amount of \$8,708,000 (2019 - \$8,423,000) 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, 2020. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund the three outstanding settlements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

21. Tangible Capital Assets

Details of the tangible capital assets are included in the Schedule of Tangible Capital Assets (pages 2-39 and 2-40). The City has tangible capital assets valued at cost in the amount of \$9,806,138,000 (2019 - \$9,372,722,000) and a net book value of \$6,202,964,000 (2019 - \$5,930,788,000). The net book value of the tangible capital assets valued as at December 31, 2020 is as follows:

	<u>2020</u>	<u>2019</u>
General		
Land	\$ 403,879	\$ 387,321
Land improvements	181,506	167,237
Buildings	829,290	815,472
Vehicles	138,937	148,259
Computer hardware and software	18,698	19,499
Other	92,062	93,335
Infrastructure		
Roads	1,315,237	1,310,342
Bridges and structures	181,098	181,896
Water and wastewater facilities	416,470	395,495
Underground and other networks	<u>2,021,641</u>	<u>1,986,865</u>
Net Book Value	<u>5,598,818</u>	<u>5,505,721</u>
Assets under construction	<u>604,146</u>	<u>425,067</u>
Balance at the end of the year	<u>\$ 6,202,964</u>	<u>\$ 5,930,788</u>

Included are leased tangible capital assets with a net book value of \$2,123,000 (2019 - \$2,741,000). In addition, the City has works of arts and historical treasures including sculptures, fine art, murals, cemetery crosses, cenotaphs, cannons and artillery that are preserved by the City but are not recorded as tangible capital assets.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

22. Reporting by Business Segment

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

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

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

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

Financial information about the City's business segments is included in the Schedule of Operations for Business Segments (pages 2-41 and 2-42).

23. Liability for Contaminated Sites

The City of Hamilton estimates liabilities of \$28,882,000 as at December 31, 2020 for remediation of various lands using a risk-based approach (2019 - \$8,993,000). Total future undiscounted expenditures are estimated at \$31,979,000. The liabilities result from past industrial uses. Future expenditures are based on agreements with third parties, where available, as well as estimates. Future expenditures have been discounted using a 3.5% discount rate. The amount of estimated recoveries is nil (2019 – nil).

24. Budget figures

The 2020 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on December 10, 2019. The 2020 operating budget and capital financing for municipal operations was approved by City Council at a meeting on March 20, 2020.

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, 2020 (all numbers in columns are in thousands of dollars)

24. Budget figures (continued)

	<u>2020</u>
Revenue	
Council Approved Gross Revenue Operating Budget - Municipal	\$ 1,777,674
Council Approved Gross Revenue - Public Health & HSD fully funded programs	34,982
Council Approved Gross Revenue Capital Budget - Municipal	727,925
	<u>2,540,581</u>
Board Approved Gross Revenue Operating Budget - Housing Corporation	61,255
Board Approved Gross Revenue Capital Budget - Housing Corporation	7,282
	<u>68,537</u>
Adjustments to Revenues	
Less: Transfers from reserves and reserve funds Operating Budget Municipal Operations	(20,368)
Less: Transfers from reserves and reserve funds Capital Budget Municipal Operations	(184,279)
Less: Transfers from capital fund to current fund - Municipal Operations	(207,124)
Less: Transfers from capital fund to current fund - Housing Corporation	(7,282)
Less: Long term debt financing Capital Budget	(64,103)
Add: Donated tangible capital assets	8,494
Less: Reclassification - Municipal Operations	(30)
Add: Reserve & reserve funds	12,748
Add: Confederation Park Consolidation	3,298
Less: Elimination for consolidation of Housing Corporation	(20,514)
	<u>(479,160)</u>
Consolidated	<u>\$ 2,129,958</u>
Expenses	
Council Approved Gross Expenditure Operating Budget - Municipal	\$ 1,777,674
Council Approved Gross Expenditure - Public Health & HSD fully funded programs	34,982
Council Approved Gross Expenditure Capital Budget - Municipal	727,925
	<u>2,540,581</u>
Board Approved Gross Expenditure Operating Budget - Housing Corporation	61,255
Board Approved Gross Expenditure Capital Budget - Housing Corporation	7,282
	<u>68,537</u>
Adjustments to Expenditures	
Less: Debt principal repayment - Municipal Operations	(41,530)
Less: Debt principal repayment - Housing Corporation	(5,976)
Less: Transfers to reserves and reserve funds - Municipal Operations	(75,501)
Less: Transfers to capital from current funds - Municipal Operations	(207,124)
Less: Tangible capital assets - Municipal Operations	(659,399)
Less: Tangible capital assets - Housing Corporation	(7,282)
Less: Reclassification - Municipal Operations	(30)
Add: Change in employee future benefits and other obligations	15,091
Less: Change in solid waste landfill liability	(6,273)
Add: Change in Contaminated Sites	4,489
Add: Amortization expense for tangible capital assets	214,066
Add: Confederation Park Consolidation	2,848
Less: Elimination for consolidation of Housing Corporation	(23,184)
Add: Loss on disposition of tangible capital assets	10,127
	<u>(779,678)</u>
Consolidated	<u>\$ 1,829,440</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 (all numbers in columns are in thousands of dollars)

25. COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

The City of Hamilton has taken extraordinary measures to support its residents, including the most vulnerable, through this unprecedented public health and economic challenge. The response to the COVID-19 pandemic has resulted in significant financial pressures in 2020 estimated at \$38M in additional expenses and \$55M in lost revenues. Programs and revenues that faced financial challenges as a result of the pandemic response include:

- Public Health Services
- Ontario Works
- Housing Services
- Long-Term Care
- Paramedic Services
- Provincial Offences Act and Red Light Camera Revenues
- Parking Services
- Transit
- Ontario Lottery and Gaming Slots
- Shared Airport Revenues
- Property Tax Assistance Program
- Police Services

In response to the pandemic, the City put in place several measures to mitigate the financial impact of the pandemic response including:

- Closure of facilities
- Temporary suspension of scheduling for part-time and casual labour
- Not hiring full complement of student and seasonal positions
- Redeployment of staff to affected program areas
- Restrictions on hiring for non-essential positions
- Strict controls on discretionary spending including training, travel and conferences

Together with the application of various COVID-19 related funding from senior levels of government, including the Safe Restart Agreement – Municipal and Transit streams, Social Services Relief Fund, Reaching Home Initiative, Ministry of Public Health funding, Prevention and Containment funding and many others, the City was able to successfully mitigate many of the financial pressures related to the COVID-19 pandemic response.

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

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2020 (all numbers in columns are in thousands of dollars)

2020 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, 2020	\$ 387,321	\$ 354,095	\$ 1,467,214	\$ 334,807	\$ 35,692	\$ 170,778	\$ 2,512,779	\$ 249,959	\$ 808,438	\$ 2,626,572	\$ 425,067	\$ 9,372,722		
Additions, betterments & transfers in 2020	23,708	27,409	52,339	15,144	5,988	11,775	60,501	2,581	41,097	67,137	180,197	487,876		
Disposals & writedowns in 2020	(7,380)	(123)	(4,817)	(6,392)	(6,659)	(21,756)	(7,755)	(81)	-	(6,873)	(1,118)	(62,954)		
Donations & contributions in 2020	230	-	-	-	-	-	3,178	-	-	5,086	-	8,494		
Balance, Dec 31, 2020	\$ 403,879	\$ 381,381	\$ 1,514,736	\$ 343,559	\$ 35,021	\$ 160,797	\$ 2,568,703	\$ 252,459	\$ 849,535	\$ 2,691,922	\$ 604,146	\$ 9,806,138		
Accumulated amortization														
Balance, Jan 1, 2020	\$ -	\$ 186,858	\$ 651,742	\$ 186,548	\$ 16,193	\$ 77,443	\$ 1,202,437	\$ 68,063	\$ 412,943	\$ 639,707	\$ -	\$ 3,441,934		
Amortization in 2020	-	13,054	37,746	24,331	6,789	13,014	58,735	3,357	20,122	36,919	-	214,067		
Disposals in 2020	-	(37)	(4,042)	(6,257)	(6,659)	(21,722)	(7,706)	(59)	-	(6,345)	-	(52,827)		
Balance, Dec 31, 2020	\$ -	\$ 199,875	\$ 685,446	\$ 204,622	\$ 16,323	\$ 68,735	\$ 1,253,466	\$ 71,361	\$ 433,065	\$ 670,281	\$ -	\$ 3,603,174		
Net book value Dec 31, 2020	\$ 403,879	\$ 181,506	\$ 829,290	\$ 138,937	\$ 18,698	\$ 92,062	\$ 1,315,237	\$ 181,098	\$ 416,470	\$ 2,021,641	\$ 604,146	\$ 6,202,964		
Assets under construction	\$ -	\$ 47,048	\$ 110,078	\$ 1,737	\$ 7,525	\$ 3,816	\$ 25,239	\$ 3,452	\$ 377,914	\$ 27,337	\$ (604,146)			
Total	\$ 403,879	\$ 228,554	\$ 939,368	\$ 140,674	\$ 26,223	\$ 95,878	\$ 1,340,476	\$ 184,550	\$ 794,384	\$ 2,048,978	\$ -	\$ 6,202,964		

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2020 (all numbers in columns are in thousands of dollars)

2019 Schedule of Tangible Capital Assets

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

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2020 (all numbers in columns are in thousands of dollars)

2020 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 2020
Revenue										
Taxation	\$ 957,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 957,739
Government grants and contributions	10,147	15,049	52,090	52,198	79,544	264,936	35,672	9,854	1,815	\$ 521,305
User charges	5,326	5,274	37,266	240,856	3,262	14,337	290	11,279	11,426	\$ 329,316
Development charges and subdivider contributions	116	1,117	11,384	10,421	-	-	-	9,769	886	\$ 33,693
Donations of tangible capital assets	-	-	3,178	5,086	-	-	-	230	-	\$ 8,494
Investment income	16,789	1,116	3,309	9,349	39	141	571	1,726	505	\$ 33,545
Income from Government Business Enterprises	10,726	-	-	-	-	-	-	-	-	\$ 10,726
Other	18,870	25,926	11,366	629	578	245	51,858	8,593	2,461	\$ 120,526
Total	\$ 1,019,713	\$ 48,482	\$ 118,593	\$ 318,539	\$ 83,423	\$ 279,659	\$ 88,391	\$ 41,451	\$ 17,093	\$ 2,015,344
Expenses										
Salaries and benefits	\$ 70,150	\$ 287,039	\$ 114,554	\$ 47,076	\$ 100,088	\$ 85,748	\$ 17,139	\$ 66,052	\$ 31,342	\$ 819,188
Interest on long term debt	608	1,310	2,937	4,478	386	230	1,194	1,198	75	\$ 12,416
Materials supplies services	47,739	19,196	37,920	41,955	7,737	7,903	15,738	21,005	3,852	\$ 203,045
Contracted services	21,549	3,896	48,469	75,270	5,116	84,290	27,823	4,403	11,352	\$ 282,168
Rents and financial expenses	2,952	2,163	6,039	5,072	2,256	3,015	4,251	9,995	337	\$ 36,080
External transfers	121	9,723	-	1,073	40	141,292	35,661	5,196	561	\$ 193,667
Amortization	9,880	9,188	86,598	63,148	3,319	2,406	7,384	29,230	2,914	\$ 214,067
Interfunctional transfers	(84,920)	8,728	26,134	13,756	7,988	8,639	873	12,853	5,949	-
Total	\$ 68,079	\$ 341,243	\$ 322,651	\$ 251,828	\$ 126,930	\$ 333,523	\$ 110,063	\$ 149,932	\$ 56,382	\$ 1,760,631
Annual surplus (deficit)	\$ 951,634	\$ (292,761)	\$ (204,058)	\$ 66,711	\$ (43,507)	\$ (53,864)	\$ (21,672)	\$ (108,481)	\$ (39,289)	\$ 254,713

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2020 (all numbers in columns are in thousands of dollars)

2019 Schedule of Operations for Business Segments

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

Section 3

**City of Hamilton
Consolidated Financial Statements for the
Trust Funds
Cemetery and General Trusts
December 31, 2020**

Contents

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The City of Hamilton Trust Funds – Cemetery and General Trust as at December 31, 2020, 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 report.

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

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

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

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

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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



A handwritten signature in black ink that reads "KPMG LLP". The signature is fluid and cursive, with "KPMG" on top and "LLP" on the line below it. A thin horizontal line extends from the end of the "P" in "KPMG" towards the right.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
May 6, 2021

City of Hamilton

Trust Funds – Consolidated

As at December 31, 2020

Statement of Financial Position

As at December 31, 2020

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 4,268,815	\$ 2,486,026
Investments (Note 2)	16,420,085	16,800,084
Due from City of Hamilton - Cemetery (Note 3)	1,227,777	1,238,993
Due from City of Hamilton - Other Trust Funds (Note 3)	35,571	42,071
Total financial assets	<u>\$ 21,952,248</u>	<u>\$ 20,567,174</u>
Liabilities		
Deposits	\$ 578,570	\$ 507,160
Accumulated surplus and net financial assets	<u>\$ 21,373,678</u>	<u>\$ 20,060,014</u>

Statement of Operations

Year ended December 31, 2020

	<u>2020</u>	<u>2019</u>
Revenues		
Cemetery lots and interments	\$ 915,158	\$ 818,379
Investment income	590,205	596,006
Other revenue	-	-
Total revenue	<u>\$ 1,505,363</u>	<u>\$ 1,414,385</u>
Expenses		
Transfer to other trust funds	\$ 176,423	\$ 124,143
Other	15,276	18,659
Total expenses	<u>\$ 191,699</u>	<u>\$ 142,802</u>
Annual surplus	<u>\$ 1,313,664</u>	<u>\$ 1,271,583</u>
Accumulated surplus at the beginning of the year	<u>20,060,014</u>	<u>18,788,431</u>
Accumulated surplus at the end of the year (Note 4)	<u>\$ 21,373,678</u>	<u>\$ 20,060,014</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes to The Financial Statements

As at December 31, 2020

1. Significant accounting policies

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

(a) Basis of consolidation

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

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

(b) Basis of accounting

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

2. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$16,420,085 (2019 - \$16,800,084). These investments have a market value of \$18,555,153 (2019 - \$17,946,604) 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.

4. Deposits

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

City of Hamilton

Trust Funds

Notes to The Financial Statements

As at December 31, 2020

5. Accumulated surplus

	<u>2020</u>	<u>2019</u>
The accumulated surplus consists of:		
Cemeteries	<u>\$ 20,722,605</u>	<u>\$ 19,408,095</u>
Other		
Fieldcote Farmer (Ancaster)	332,966	334,070
Knowles Bequest (Dundas)	248,669	249,692
F. Walden Dundurn Castle (Hamilton)	6,742	6,586
Ellen Grafton (Dundas)	8,103	8,007
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election (Hamilton)	36,868	36,011
Balfour Estate Chedoke (Hamilton)	<u>7,415</u>	<u>7,243</u>
	<u>\$ 651,073</u>	<u>\$ 652,544</u>
	<u>\$ 21,373,678</u>	<u>\$ 18,788,431</u>

6. COVID-19

During fiscal 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Trust's operating results and financial position in the future. As it relates to fiscal 2020, there have not been adverse changes to the Trust's operating results and financial position due to COVID-19. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on business in the future is not known at this time.

City of Hamilton

Trust Funds - Cemetery

As at December 31, 2020

Statement of Financial Position

As at December 31, 2020

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 3,904,559	\$ 2,162,423
Investments	16,168,839	16,513,839
Due from City of Hamilton	<u>1,227,777</u>	<u>1,238,993</u>
Total financial assets	\$ 21,301,175	\$ 19,915,255
Liabilities		
Deposits	\$ 578,570	\$ 507,160
Accumulated surplus	\$ 20,722,605	\$ 19,408,095

Statement of Operations

Year ended December 31, 2020

	<u>2020</u>	<u>2019</u>
Revenues		
Cemetery lots and interments	\$ 915,158	\$ 818,379
Investment income	<u>578,117</u>	<u>580,939</u>
Total revenue	\$ 1,493,275	\$ 1,399,318
Expenses		
Transfer to other trust funds	\$ 168,594	\$ 115,088
Other	<u>10,171</u>	<u>12,022</u>
Total expenses	\$ 178,765	\$ 127,110
Annual surplus	\$ 1,314,510	\$ 1,272,208
Accumulated surplus at the beginning of the year	\$ 19,408,095	\$ 18,135,887
Accumulated surplus at the end of the year	\$ 20,722,605	\$ 19,408,095

City of Hamilton

Trust Funds – Other

As at December 31, 2020

Statement of Financial Position

As at December 31, 2020

	2020	2019
Financial assets		
Cash	\$ 364,256	\$ 323,602
Investments	251,246	286,246
Due from City of Hamilton	<u>35,571</u>	<u>42,071</u>
Total financial assets	<u>\$ 651,073</u>	<u>\$ 651,919</u>
Accumulated surplus	<u>\$ 651,073</u>	<u>\$ 651,919</u>

Statement of Operations

Year ended December 31, 2020

	2020	2019
Revenues		
Investment income	<u>\$ 12,088</u>	<u>\$ 15,067</u>
Total revenue	<u>\$ 12,088</u>	<u>\$ 15,067</u>
Expenses		
Transfer to other trust funds	<u>\$ 7,829</u>	<u>\$ 9,055</u>
Other	<u>5,105</u>	<u>6,637</u>
Total expenses	<u>\$ 12,934</u>	<u>\$ 15,692</u>
Annual deficit	<u>\$ (846)</u>	<u>\$ (625)</u>
Accumulated surplus at the beginning of the year	<u>651,919</u>	<u>652,544</u>
Accumulated surplus at the end of the year	<u>\$ 651,073</u>	<u>\$ 651,919</u>

See accompanying notes to the financial statements

Section 4

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

December 31, 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2020
- the statement of operations and accumulated surplus 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 City of Hamilton Trust Funds – Homes for the Aged as at December 31, 2020, 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 report.

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

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

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

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

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive style with a long horizontal underline underneath the "LLP" portion.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 27, 2021

City of Hamilton

Trust Funds – Homes for the Aged

As at December 31, 2020 with comparative information for 2019

Statement of Financial Position

As at December 31, 2020

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total <u>2020</u>	Total <u>2019</u>
Financial assets						
Cash	\$ 22,356	\$ 33,013	\$ 26,878	\$ 330,574	\$ 412,821	\$ 123,823
Investments	-	-	-	-	-	280,523
Total financial assets	22,356	33,013	26,878	330,574	412,821	404,346
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated surplus	\$ 22,356	\$ 33,013	\$ 26,878	\$ 330,574	\$ 412,821	\$ 404,346

Statement of Operations

Year ended December 31, 2020

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total <u>2020</u>	Total <u>2019</u>
Revenue						
Residents' deposits	\$ 89,937	\$ 32,908	\$ 1,063	\$ 8,342	\$ 132,250	\$ 276,887
Investment income	-	-	283	7,941	8,224	11,431
Donations	-	-	2,457	-	2,457	857
	89,937	32,908	3,803	16,283	142,931	289,175
Expenses						
Maintenance payments	\$ 4,090	\$ 9,581	\$ -	\$ -	\$ 13,671	\$ 25,033
Residents' charges	83,085	12,509	126	10,000	105,720	218,673
Payments to estates	9,140	5,925	-	-	15,065	23,948
Renovation expense	-	-	-	-	-	-
	96,315	28,015	126	10,000	134,456	267,654
Annual surplus (deficit)	(6,378)	4,893	3,677	6,283	8,475	21,521
Accumulated surplus at the beginning of the year	28,734	28,120	23,201	324,291	404,346	382,825
Accumulated surplus at the end of the year	\$ 22,356	\$ 33,013	\$ 26,878	\$ 330,574	\$ 412,821	\$ 404,346

See accompanying notes to the financial statements.

City of Hamilton

Trust Funds – Homes for the Aged

Notes to the Financial Statements

As at December 31, 2020

1. Purpose of Trust Funds

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

Macassa and Wentworth Lodge Resident Trusts

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

Macassa and Wentworth Lodge Other Trusts

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

2. Significant accounting policies

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

Basis of accounting

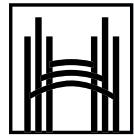
The Trust Funds follow the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as result of receipt of goods and services and/or the creation of a legal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

3. Investments

During 2020, Wentworth Lodge's investments were sold. The fair market value at the time of sale was \$287,978 which is now part of the Cash balance as at December 31, 2020. In 2019, the total investments recorded at the lower of cost or market value in the Statement of Financial Position amounted to \$280,523, and these investments had a market value of \$285,598.

4. COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. With respect to the Trust Funds, the safety restrictions caused many social programs to be cancelled for prolonged periods of time, resulting in a decrease in monies deposited and withdrawn by the residents. The outbreak restrictions also paused the admission of new residents, resulting in decreased deposits to resident trusts. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Fund's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on business is not known at this time.



Hamilton



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