



Hamilton

FINANCIAL REPORT

2015

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

**City of Hamilton
Financial Report
2015**

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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 2015

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>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Operating Revenue | | | | | |
| Taxation | \$ 831,645 | \$ 792,317 | \$ 764,684 | \$ 739,264 | \$ 720,324 |
| Government grants and contributions | 384,363 | 418,772 | 341,258 | 349,212 | 427,151 |
| User charges | 315,340 | 298,888 | 280,712 | 282,271 | 288,965 |
| Development charges and subdivider contributions | 25,611 | 47,102 | 22,031 | 54,840 | 71,270 |
| Donated tangible capital assets | 43,571 | 36,584 | 29,821 | 30,460 | 57,332 |
| Investment and dividend income | 30,284 | 35,452 | 32,268 | 32,513 | 38,770 |
| Net income from Government Business Enterprises | 18,758 | 3,622 | 15,449 | 22,062 | 19,697 |
| Other | 114,019 | 98,716 | 97,371 | 90,245 | 89,228 |
| | <u>1,763,591</u> | <u>1,731,453</u> | <u>1,583,594</u> | <u>1,600,867</u> | <u>1,712,737</u> |
| Operating Expenses by Function | | | | | |
| General government | \$ 57,664 | \$ 50,906 | \$ 57,987 | \$ 59,788 | \$ 48,916 |
| Protection services | 300,362 | 283,934 | 278,774 | 272,712 | 262,501 |
| Transportation services | 318,605 | 323,253 | 282,486 | 280,967 | 286,587 |
| Environmental services | 219,339 | 206,052 | 198,720 | 196,748 | 197,094 |
| Health services | 105,377 | 91,846 | 91,564 | 85,434 | 80,443 |
| Social and family services | 294,343 | 284,733 | 276,984 | 280,279 | 279,342 |
| Social housing | 120,898 | 111,650 | 100,098 | 110,383 | 117,740 |
| Recreation and cultural services | 155,720 | 142,383 | 145,064 | 140,234 | 141,508 |
| Planning and development | 54,882 | 46,933 | 41,890 | 42,747 | 40,104 |
| | <u>1,627,190</u> | <u>1,541,690</u> | <u>1,473,567</u> | <u>1,469,292</u> | <u>1,454,235</u> |
| Net Operating Revenue or Annual Surplus from Operations | | | | | |
| | <u>136,401</u> | <u>189,763</u> | <u>110,027</u> | <u>131,575</u> | <u>258,502</u> |

Note: Amounts reported may have been restated from previous amounts presented to conform to 2015 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>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Taxation | | | | | |
| Taxation from real property | \$ 1,010,050 | \$ 967,719 | \$ 940,090 | \$ 914,365 | \$ 893,209 |
| Taxation from other governments/payments in lieu of taxes | 15,367 | 15,367 | 15,080 | 15,060 | 15,267 |
| Taxation collected on behalf of school boards | (193,772) | (190,769) | (190,486) | (190,161) | (188,152) |
| Net taxes available for municipal purposes | <u>831,645</u> | <u>792,317</u> | <u>764,684</u> | <u>739,264</u> | <u>720,324</u> |
| Tax Levies | | | | | |
| City portion | \$ 797,619 | \$ 761,745 | \$ 737,350 | \$ 711,785 | \$ 692,391 |
| School Board portion | 188,861 | 186,846 | 187,274 | 186,936 | 185,066 |
| | <u>986,480</u> | <u>948,591</u> | <u>924,624</u> | <u>898,721</u> | <u>877,457</u> |
| Tax arrears | | | | | |
| Taxes receivable | \$ 85,429 | \$ 82,976 | \$ 80,067 | \$ 78,078 | \$ 78,728 |
| Taxes receivable per capita | 155 | 152 | 148 | 146 | 148 |
| Taxes receivable as a percentage of current years' levies | 8.7% | 8.7% | 8.7% | 8.7% | 9.0% |
| Unweighted Taxable Assessment | | | | | |
| Residential | \$ 50,882,588 | \$ 48,734,517 | \$ 46,565,889 | \$ 44,555,379 | \$ 41,781,277 |
| Non-Residential | 7,262,270 | 6,937,908 | 6,791,790 | 6,668,514 | 6,277,837 |
| | <u>58,144,858</u> | <u>55,672,425</u> | <u>53,357,679</u> | <u>51,223,893</u> | <u>48,059,114</u> |
| Weighted Taxable Assessment | | | | | |
| Residential | \$ 54,721,738 | \$ 52,506,258 | \$ 50,094,712 | \$ 47,986,529 | \$ 45,123,128 |
| Non-Residential | 15,809,651 | 15,125,118 | 14,946,695 | 14,705,148 | 13,912,554 |
| | <u>70,531,389</u> | <u>67,631,376</u> | <u>65,041,407</u> | <u>62,691,677</u> | <u>59,035,682</u> |
| Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment | | | | | |
| Residential | 78% | 78% | 77% | 77% | 76% |
| Non-Residential | 22% | 22% | 23% | 23% | 24% |
| Taxable Assessment Growth (weighted) | | | | | |
| | 1.6% | 1.3% | 0.8% | 0.8% | 1.1% |

Note: Amounts reported may have been restated from previous amounts presented to conform to 2015 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>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Operating Expenses by Object | | | | | |
| Salaries, wages and employee benefits | \$ 723,337 | \$ 693,067 | \$ 667,736 | \$ 650,956 | \$ 627,410 |
| Interest on long term liabilities | 14,297 | 13,176 | 14,717 | 16,405 | 16,815 |
| Materials | 223,349 | 212,112 | 199,596 | 217,473 | 234,738 |
| Contracted services | 248,843 | 238,005 | 213,569 | 207,422 | 181,547 |
| Rents and financial expenses | 36,435 | 32,821 | 28,845 | 26,841 | 26,410 |
| External transfers | 202,881 | 177,383 | 176,435 | 181,552 | 197,479 |
| Amortization of tangible capital assets | 178,048 | 175,126 | 172,669 | 168,643 | 169,836 |
| | 1,627,190 | 1,541,690 | 1,473,567 | 1,469,292 | 1,454,235 |
| Operating Expenses as Percentage of Total | | | | | |
| Salaries, wages and employee benefits | 44.6% | 45.0% | 45.3% | 44.3% | 43.1% |
| Interest on long term liabilities | 0.9% | 0.9% | 1.0% | 1.1% | 1.2% |
| Materials | 13.7% | 13.8% | 13.5% | 14.8% | 16.1% |
| Contracted services | 15.3% | 15.4% | 14.5% | 14.1% | 12.5% |
| Rents and financial expenses | 2.2% | 2.1% | 2.0% | 1.8% | 1.8% |
| External transfers | 12.5% | 11.5% | 12.0% | 12.4% | 13.6% |
| Amortization of tangible capital assets | 10.8% | 11.3% | 11.7% | 11.5% | 11.7% |
| | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Long Term Liabilities | | | | | |
| Long Term Liabilities incurred by the City | \$ 394,295 | \$ 444,766 | \$ 388,663 | \$ 430,905 | \$ 368,683 |
| Long Term Debt incurred by the City for which other entities have assumed responsibility | (3,239) | (6,280) | (9,136) | (11,818) | (14,336) |
| | 391,056 | 438,486 | 379,527 | 419,087 | 354,347 |
| Long Term Liabilities | | | | | |
| Housing operations | \$ 69,466 | \$ 74,675 | \$ 79,650 | \$ 84,449 | \$ 84,908 |
| City operations | 321,590 | 363,811 | 299,877 | 334,638 | 269,439 |
| | 391,056 | 438,486 | 379,527 | 419,087 | 354,347 |
| Long term liabilities as a % of Reserves and Capital Surplus | 62.30% | 60.50% | 56.80% | 58.70% | 52.50% |

Note: Amounts reported may have been restated from previous amounts presented to conform to 2015 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>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Tangible Capital Assets | | | | | |
| General | | | | | |
| Land | \$ 304,977 | \$ 287,316 | \$ 265,406 | \$ 252,555 | \$ 235,428 |
| Land improvements | 135,252 | 137,563 | 142,054 | 138,912 | 121,377 |
| Buildings | 735,926 | 583,083 | 570,509 | 564,989 | 474,152 |
| Vehicles | 107,241 | 100,547 | 109,191 | 118,460 | 118,843 |
| Computer hardware and software | 7,876 | 6,701 | 4,928 | 5,503 | 4,335 |
| Other | 92,098 | 88,164 | 90,596 | 65,122 | 66,925 |
| Infrastructure | | | | | |
| Roads | 1,248,288 | 1,188,995 | 1,183,951 | 1,201,843 | 1,196,811 |
| Bridges and structures | 184,794 | 183,252 | 176,442 | 169,941 | 171,716 |
| Water and wastewater facilities | 385,404 | 391,440 | 388,850 | 323,503 | 215,272 |
| Underground and other networks | 1,713,019 | 1,631,570 | 1,585,462 | 1,544,543 | 1,508,056 |
| Net Book Value | <u>4,914,875</u> | <u>4,598,631</u> | <u>4,517,389</u> | <u>4,385,371</u> | <u>4,112,915</u> |
| Assets under construction | 235,413 | 359,541 | 223,286 | 236,220 | 341,441 |
| | <u>5,150,288</u> | <u>4,958,172</u> | <u>4,740,675</u> | <u>4,621,591</u> | <u>4,454,356</u> |
| Accumulated Surplus or Municipal Financial Position | | | | | |
| Position | | | | | |
| Reserves and reserve funds | | | | | |
| Reserves | \$ 660,757 | \$ 636,625 | \$ 606,664 | \$ 599,756 | \$ 583,063 |
| Hamilton Future Fund | 37,711 | 46,436 | 61,116 | 76,949 | 73,506 |
| | <u>698,468</u> | <u>683,061</u> | <u>667,780</u> | <u>676,705</u> | <u>656,569</u> |
| Capital surplus | \$ (70,758) | \$ 41,550 | \$ 44 | \$ 36,662 | \$ 18,286 |
| Operating surplus | 2,305 | (1,862) | (71) | (267) | (260) |
| Investment in Government Business Enterprises | 232,811 | 223,724 | 235,392 | 230,610 | 222,001 |
| Investment in tangible capital assets | 4,740,652 | 4,507,349 | 4,351,854 | 4,193,036 | 4,092,973 |
| Unfunded liabilities - Employee future benefits | (326,627) | (313,254) | (297,989) | (287,476) | (269,461) |
| Unfunded liabilities - Solid waste landfill sites | (25,769) | (26,084) | (28,655) | (31,967) | (33,357) |
| | <u>5,251,082</u> | <u>5,114,484</u> | <u>4,928,355</u> | <u>4,817,303</u> | <u>4,686,751</u> |

Note: Amounts reported may have been restated from previous amounts presented to conform to 2015 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>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---|-----------------|-----------------|-----------------|-----------------|----------------|
| Statistical Information | | | | | |
| Population | 550,700 | 545,850 | 540,000 | 535,234 | 531,057 |
| Households | 223,000 | 221,000 | 218,500 | 215,733 | 212,262 |
| Area in hectares | 112,775 | 112,775 | 112,775 | 112,775 | 112,775 |
| Building Permit Values | \$1,108,192,846 | \$1,143,192,706 | \$1,025,785,758 | \$1,499,627,394 | \$ 731,019,287 |
| Housing Starts | 1,415 | 1,203 | 1,250 | 1,499 | 1,058 |
| Residential Units - Building Permits | 4,142 | 3,379 | 3,112 | 3,302 | 3,373 |
| Average Monthly Social Assistance Case Load | 12,946 | 12,388 | 12,619 | 13,288 | 13,807 |
| Continuous Full Time Employees | 6,597 | 6,405 | 6,411 | 6,392 | 6,296 |

Note: Amounts reported may have been restated from previous amounts presented to conform to 2015 Public Sector Accounting Board (PSAB) standards.

Section 2

City of Hamilton Consolidated Financial Statements 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of Hamilton ("the entity"), which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Hamilton as at December 31, 2015, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants,

June 8, 2016
Hamilton, Canada

City of Hamilton

Consolidated Statement of Financial Position

For the year ended December 31, 2015 (all numbers are in thousands of dollars)

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| | (Restated Note 1m) | |
| Financial assets | | |
| Cash and cash equivalents (Note 2) | \$ 93,009 | \$ 183,476 |
| Taxes receivable | 85,429 | 82,976 |
| Accounts receivable | 117,683 | 117,395 |
| Other assets | 674 | 617 |
| Long term receivables (Note 3) | 53,737 | 48,995 |
| Portfolio investments (Note 2) | 790,720 | 830,513 |
| Investment in Government Business Enterprises (Note 4) | 232,811 | 223,724 |
| Total financial assets | <u>\$ 1,374,063</u> | <u>\$ 1,487,696</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 251,933 | \$ 317,693 |
| Deferred revenue - general | 45,593 | 37,203 |
| Deferred revenue - obligatory reserve funds (Note 5 & 6) | 226,745 | 194,868 |
| Long term liabilities – Municipal Operations (Note 7) | 321,590 | 363,811 |
| Long term liabilities – Housing Corporation (Note 8) | 69,466 | 74,675 |
| Employee future benefits and other obligations (Note 9) | 349,007 | 334,709 |
| Solid waste landfill liabilities (Note 11) | 25,769 | 26,084 |
| Total liabilities | <u>1,290,103</u> | <u>1,349,043</u> |
| Net financial assets | <u>\$ 83,960</u> | <u>\$ 138,653</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 19) | \$ 5,150,288 | \$ 4,958,172 |
| Inventories | 10,301 | 10,711 |
| Prepaid expenses | 6,533 | 6,948 |
| Total non-financial assets | <u>5,167,122</u> | <u>4,975,831</u> |
| Accumulated surplus (Note 12) | <u>\$ 5,251,082</u> | <u>\$ 5,114,484</u> |

Contractual obligations (Note 16)

Contingent liabilities (Note 18)

City of Hamilton

Consolidated Statement of Operations

For the year ended December 31, 2015 (all numbers are in thousands of dollars)

| | Budget <u>2015</u> (Note 22) | Actual <u>2015</u> | Actual <u>2014</u> (Restated Note 1m) |
|--|------------------------------------|-----------------------|---|
| Revenue | | | |
| Taxation (Note 14) | \$ 825,038 | \$ 831,645 | \$ 792,317 |
| Government grants and contributions | 356,347 | 384,363 | 418,772 |
| User charges | 300,911 | 315,340 | 298,888 |
| Development charges and subdivider contributions | 48,544 | 25,611 | 47,102 |
| Donated tangible capital assets | 43,571 | 43,571 | 36,584 |
| Investment and dividend income | 30,937 | 30,284 | 35,452 |
| Net income from Government Business Enterprises (Note 4) | - | 18,758 | 3,622 |
| Other | <u>101,224</u> | 114,019 | 98,716 |
| Total revenue | <u>1,706,572</u> | 1,763,591 | 1,731,453 |
| Expenses | | | |
| General government | \$ 54,251 | \$ 57,664 | \$ 50,906 |
| Protection services | 294,095 | 300,362 | 283,934 |
| Transportation services | 321,954 | 318,605 | 323,253 |
| Environmental services | 230,934 | 219,339 | 206,052 |
| Health services | 96,086 | 105,377 | 91,846 |
| Social and family services | 292,420 | 294,343 | 284,733 |
| Social housing | 103,981 | 120,898 | 111,650 |
| Recreation and cultural services | 163,254 | 155,720 | 142,383 |
| Planning and development | <u>48,454</u> | 54,882 | 46,933 |
| Total expenses | <u>1,605,430</u> | 1,627,190 | 1,541,690 |
| Annual Surplus | <u>\$ 101,142</u> | \$ 136,401 | \$ 189,763 |
| Accumulated surplus | | | |
| Beginning of year | <u>\$ 5,114,484</u> | \$ 5,114,484 | \$ 4,928,355 |
| Other comprehensive income (loss) of Government Business Enterprises | <u>-</u> | 197 | (3,634) |
| End of year | <u>\$ 5,215,626</u> | \$ 5,251,082 | \$ 5,114,484 |

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, 2015 (all numbers are in thousands of dollars)

| | Budget <u>2015</u> (Note 22) | Actual <u>2015</u> | Actual <u>2014</u> (Restated Note 1m) |
|---|------------------------------------|-----------------------|---|
| Operating activities | | | |
| Annual surplus | \$ 101,142 | \$ 136,401 | \$ 189,763 |
| Other comprehensive income (loss) of Government Business Enterprises | - | 197 | (3,634) |
| Acquisition of tangible capital assets | (343,546) | (341,553) | (364,154) |
| Loss on disposition of tangible capital assets | 14,961 | 14,961 | 8,114 |
| Amortization of tangible capital assets | 178,047 | 178,047 | 175,127 |
| Donated tangible capital assets | (43,571) | (43,571) | (36,584) |
| Increase (decrease) in inventories | - | 410 | (783) |
| Decrease in prepaid expenses | - | 415 | 4,308 |
| Net decrease in net financial assets | (92,967) | (54,693) | (27,843) |
| Net financial assets | | | |
| Beginning of year | 138,653 | 138,653 | 166,496 |
| End of year | \$ 45,686 | \$ 83,960 | \$ 138,653 |

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Cash Flows

For the year ended December 31, 2015 (all numbers are in thousands of dollars)

| | <u>2015</u> | <u>2014</u> |
|---|--------------------|-------------------|
| | (Restated Note 1m) | |
| Operating activities | | |
| Annual surplus | \$ 136,401 | \$ 189,763 |
| Increase in taxes receivable | (2,453) | (2,909) |
| Increase in accounts receivable | (288) | (15,930) |
| Increase in other assets | (57) | (142) |
| Increase (decrease) in accounts payable and accrued liabilities | (65,760) | 68,620 |
| Increase (decrease) in deferred revenue - general | 8,390 | (6,952) |
| Increase (decrease) in deferred revenue – obligatory reserve fund | 31,877 | (1,837) |
| Decrease (increase) in inventories | 410 | (783) |
| Decrease in prepaid expenses | 415 | 4,308 |
| Non-cash activities | | |
| Amortization of tangible capital assets | 178,047 | 175,127 |
| Donated tangible capital assets | (43,571) | (36,584) |
| Loss on disposition of tangible capital assets | 14,961 | 8,114 |
| Net income from Government Business Enterprises | (18,758) | (3,622) |
| Change in employee future benefits and other obligations | 14,298 | 16,064 |
| Change in solid waste landfill liabilities | (315) | (2,571) |
| | <u>253,597</u> | <u>390,666</u> |
| Investing activities | | |
| Decrease (increase) in portfolio investments | 39,793 | (14,294) |
| Decrease (increase) in long term receivables | (4,742) | 388 |
| Dividends received from Government Business Enterprises | 9,868 | 11,656 |
| | <u>44,919</u> | <u>(2,250)</u> |
| Financing activities | | |
| Long term debt issued – Municipal Operations | - | 99,000 |
| Debt principal repayment – Municipal Operations | (41,091) | (33,936) |
| Lease obligation payment – Municipal Operations | (1,130) | (1,130) |
| Debt principal repayment – Housing Corporation | (5,209) | (4,975) |
| | <u>(47,430)</u> | <u>58,959</u> |
| Capital activities | | |
| Purchase of tangible capital assets | (341,553) | (364,154) |
| Net increase (decrease) in cash and cash equivalents | (90,467) | 83,221 |
| Cash and cash equivalents | | |
| Beginning of year | 183,476 | 100,255 |
| End of year | \$ 93,009 | \$ 183,476 |

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (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
City Housing Hamilton Corporation
Hamilton Business Improvement Areas including Ancaster BIA, Barton Street Village BIA, Concession Street BIA, Downtown Hamilton BIA, Dundas BIA, International Village BIA, King Street West BIA, Locke Street BIA, Main Street West Esplanade BIA, Downtown Stoney Creek BIA, Ottawa Street BIA, Waterdown BIA, and Westdale BIA
Flamborough Recreation Sub-Committees
Confederation Park
Westfield Heritage Village

Interdepartmental and organizational transactions and balances are eliminated.

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

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

Hamilton Utilities Corporation ("H.U.C.") and Hamilton Renewable Power Inc. ("H.R.P.I.") are subsidiary corporations of the City and are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 4). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City and inter-organizational transactions and balances are not eliminated.

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

Cemetery trust, library trust and general trust funds administered by the City amounting to \$19,568,000 (2014 - \$18,774,000) 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 \$445,000 (2014 - \$459,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

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

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

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

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

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

(b) Basis of accounting

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

(c) Use of estimates

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

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

(d) Cash and cash equivalents

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(e) Portfolio investments

Portfolio investments are comprised of fixed income securities primarily federal, provincial and municipal government bonds and federal government treasury bills. Portfolio investments are valued at cost less any amounts written off to reflect an other than temporary decline in value.

(f) Deferred revenue – obligatory reserve funds

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

(g) Employee future benefits and other obligations

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

(h) Tangible capital assets

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

Amortization for road linear assets is calculated on a consumption basis using road deterioration curves. The City's open landfill site is amortized based on units of production (capacity used during the year). All other tangible capital assets are amortized on a straight-line basis over their estimated useful lives. One half of the annual amortization is recorded as amortization expense in the year of acquisition or construction and in the year of disposal. Estimated useful lives range from 3 years to 100 years as follows:

| | |
|---|-----------------|
| General - Land improvements | 20 to 75 years |
| General - Buildings | 20 to 50 years |
| General - Vehicles | 4 to 20 years |
| General – Computer hardware and software | 3 to 5 years |
| General – Other – Machinery and equipment | 3 to 100 years |
| Infrastructure – Roads | 10 to 50 years |
| Infrastructure – Bridges and other structures | 40 to 75 years |
| Infrastructure – Water and wastewater facilities | 20 to 40 years |
| Infrastructure – Water, wastewater, stormwater linear network | 18 to 100 years |

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

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.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(i) Inventories

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

(j) Government transfers

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

(k) Long term receivables

Long term receivables are valued at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability has been impaired. Long term receivables are written off when they are no longer recoverable. Recoveries of long term receivables previously written off are recognized in the year received. Interest revenue is recognized as it is earned. Long term receivables with significant concessionary terms are reported as an expense on the Consolidated Statement of Operations. Long term receivables are reported in Note 3.

(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) Accounting Policy Change – Liability for Contaminated Sites

Effective January 1, 2015, the City of Hamilton adopted Public Sector Accounting Board Standard PS 3260 Liability for Contaminated Sites. Contamination is the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

Under PS 3260, a liability for remediation of a contaminated site is recognized, net of any recoveries, when all of the following criteria are met:

- An environmental standard exists;
- Contamination exceeds the environmental standard;
- The City is responsible or accepts responsibility for the liability;
- Future economic benefits are expected to be given up; and
- A reasonable estimate of the liability can be made.

This change in accounting policy has been applied retroactively with restatement of prior periods.

The impact of the change in accounting policy has resulted in an increase in liabilities and a decrease in accumulated surplus as at December 31, 2015 of \$1,839,000 (2014 - 1,768,000).

The impact on 2015 expenses is an increase of \$71,000 (2014 - \$70,000).

The impact on the opening accumulated surplus of 2014 was a decrease of \$1,698,000.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

2. Cash and portfolio investments

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Cash and cash equivalents are comprised of: | | |
| Cash on hand | \$ 165 | \$ 166 |
| Cash held in banks | 86,716 | 177,196 |
| Temporary investments | 6,128 | 6,114 |
| | <u>\$ 93,009</u> | <u>\$ 183,476</u> |
| Portfolio investments are comprised of: | | |
| Unrestricted investments | \$ 526,265 | \$ 589,209 |
| Designated investments (obligatory reserve funds) | 226,744 | 194,868 |
| Designated investments (Hamilton Future Fund) | 37,711 | 46,436 |
| | <u>\$ 790,720</u> | <u>\$ 830,513</u> |

Portfolio investments have a market value of \$827,987,000 (2014 - \$864,665,000) and include investments in the City's own debentures - unrestricted investments of \$11,629,000 (2014 - \$14,896,000).

3. Long term receivables

The City has long-term receivables in the amount of \$53,737,000 (2013 - \$48,995,000). The long term receivables are comprised of:

| | <u>2015</u> | <u>2014</u> |
|---|------------------|------------------|
| Development charge deferral agreements | \$ 17,847 | \$ 18,990 |
| Mortgages receivable: | | |
| Downtown convert to rent program | 18,428 | 19,250 |
| Hamilton Utilities Corporation | 7,776 | - |
| Hamilton Renewable Power Inc. | 2,649 | 2,649 |
| Sheraton Hotel loan | 1,192 | 1,296 |
| Other City loan programs | 4,836 | 5,656 |
| Loans to other agencies and organizations | 4,931 | 5,469 |
| Less: Provision for loans with concessionary terms | (3,922) | (4,315) |
| | <u>\$ 53,737</u> | <u>\$ 48,995</u> |

Development charge deferral agreements and mortgage receivables are loans which are secured by property, with interest rates varying from 0% to 4.75% and terms of one year to thirty years.

Loans to other agencies and organizations include loans to the Hamilton Conservation Authority, Wentworth Minor Football Association, Catholic Children's Aid Society, Winona Peach Festival, Redeemer University College, the Bob Kemp Hospice, 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, 2015 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises

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

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

The amounts related to government business enterprises as reported in the Consolidated Statement of Operations for 2015 and 2014 is as reported by the Hamilton Utilities Corporation and Hamilton Renewable Power Inc.

| | <u>2015</u> | <u>2014</u> |
|--|------------------|-----------------|
| Net income from H.U.C. | \$ 18,689 | \$ 3,342 |
| Net income from H.R.P.I. | <u>69</u> | <u>280</u> |
| Net income from Government Business Enterprises | <u>\$ 18,758</u> | <u>\$ 3,622</u> |

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

| | <u>2015</u> | <u>2014</u> |
|------------------------|-------------------|-------------------|
| Investment in H.U.C. | \$ 233,233 | \$ 223,966 |
| Investment in H.R.P.I. | <u>(422)</u> | <u>(242)</u> |
| | <u>\$ 232,811</u> | <u>\$ 223,724</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Utilities Corporation reported by H.U.C. at December 31, 2015 and December 31, 2014 respectively.

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Financial Position | | |
| Current assets | \$ 155,413 | \$ 149,099 |
| Capital assets | 463,326 | 428,423 |
| Intangible assets | 23,386 | 17,689 |
| Goodwill | 18,923 | 18,923 |
| Future payments in lieu of taxes | <u>14,816</u> | <u>17,609</u> |
| Total assets | <u>675,864</u> | <u>631,743</u> |
| | | |
| Current liabilities | | |
| (including current portion of long term debt) | 135,425 | 105,990 |
| Non-current liabilities | <u>256,681</u> | <u>254,122</u> |
| Total liabilities | <u>392,106</u> | <u>360,112</u> |
| Minority Interest | <u>50,525</u> | <u>47,665</u> |
| Net assets | <u>\$ 233,233</u> | <u>\$ 223,966</u> |
| | | |
| Results of operations | | |
| Revenues | \$ 696,802 | \$ 635,073 |
| Operating expenses | (657,587) | (621,031) |
| Financing expenses | (7,851) | (7,161) |
| Investing expenses | (1,502) | (1,498) |
| Other income | <u>1,137</u> | <u>905</u> |
| Equity earnings from operations | <u>30,999</u> | <u>6,288</u> |
| | | |
| Payment in lieu of taxes | (6,930) | (2,047) |
| Minority Interest | <u>(5,380)</u> | <u>(899)</u> |
| | | |
| Net Income before other comprehensive income | 18,689 | 3,342 |
| Other comprehensive income (loss) | 197 | (3,634) |
| Net income (loss) | <u>\$ 18,886</u> | <u>\$ (292)</u> |
| | | |
| Dividends paid | \$ 9,619 | \$ 11,360 |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Renewable Power Inc. reported at December 31, 2015 and December 31, 2014 respectively.

| | 2015 | 2014 |
|---|------------------------|------------------------|
| Financial Position | | |
| Current assets | \$ 2,303 | \$ 1,503 |
| Capital assets | 7,855 | 8,440 |
| Other assets | <u>32</u> | <u>32</u> |
| Total assets | <u>10,190</u> | <u>9,975</u> |
| | | |
| Current liabilities | | |
| (including current portion of long term debt) | 2,817 | 1,788 |
| Future payment in lieu of taxes | 491 | 508 |
| Long term debt | <u>1,304</u> | <u>1,921</u> |
| Total liabilities | <u>4,612</u> | 4,217 |
| Shareholder's equity | | |
| Net assets | <u>\$ (422)</u> | <u>\$ (242)</u> |
| | | |
| Results of operations | | |
| Revenues | \$ 3,320 | \$ 3,564 |
| Expenses | <u>(3,251)</u> | <u>(3,284)</u> |
| Net income | <u>\$ 69</u> | <u>\$ 280</u> |
| Dividends paid | <u>\$ 249</u> | <u>\$ 296</u> |

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

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

Hamilton Utilities Corporation's non-current liabilities include long term debt owing to the City of Hamilton for secured borrowings of \$7,776,000 bearing interest at 4.06% due January 1, 2040.

The notes to Hamilton Utilities Corporation's consolidated financial statements include commitments that are disclosed in the City's notes to the consolidated financial statements as contractual obligations (Note 16).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

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

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

| | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
| Revenue | | |
| Dividend revenue from H.U.C. | \$ 9,619 | \$ 11,360 |
| Property and other taxes received by the City from H.U.C. | 582 | 561 |
| Sale of Methane to H.R.P.I. | 912 | 927 |
| Expenditures | | |
| Hydro purchased by the City from H.U.C. | 33,546 | 29,212 |
| Water and sewer billing contracted service with H.U.C. | 4,496 | 4,354 |
| Thermal and Electrical Energy purchased from H.U.C. | 1,934 | 2,246 |
| Thermal Energy purchased from H.R.P.I. | 403 | 452 |
| Fibre Services purchased by the City from H.U.C. | 327 | - |
| Assets | | |
| Accounts receivable from H.U.C. | 3,053 | - |
| Water user charges receivable from H.U.C. | 13,623 | 13,657 |
| Accounts receivable from H.R.P.I. | 516 | 707 |
| Long term receivable from H.U.C. | 7,776 | - |
| Long term receivable from H.R.P.I. | 2,649 | 2,649 |
| Liabilities | | |
| Accounts Payable – H.U.C. | 590 | 490 |

5. Deferred revenue – obligatory reserve funds

| | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
| Development charge reserve funds | \$ 131,527 | \$ 98,267 |
| Subdivider contributions | 55 | 54 |
| Recreational land dedicated under the Planning Act | 31,357 | 24,115 |
| Gasoline tax revenue: Provincial | 22,389 | 26,522 |
| Federal | 24,066 | 29,743 |
| Building Permit Revenue | 17,323 | 16,140 |
| Other (Ivor Wynne) | 28 | 27 |
| | <hr/> | <hr/> |
| | \$ 226,745 | \$ 194,868 |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (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>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Balance at the beginning of the year | \$ 194,868 | \$ 196,705 |
| Add: | | |
| Developer and other contributions | 66,849 | 66,371 |
| Interest earned | 2,695 | 2,934 |
| Provincial and Federal Funding | <u>40,677</u> | <u>41,312</u> |
| | <u>110,221</u> | <u>110,617</u> |
| Less: | | |
| Contributions used in operating and capital funds | <u>(78,344)</u> | <u>(112,454)</u> |
| Balance at the end of the year | <u>\$ 226,745</u> | <u>\$ 194,868</u> |

7. Long term liabilities – municipal operations

- (a) The long term liabilities – municipal operations consists of long term debt for serial debentures and loans that mature in the years 2016 to 2044 with interest rates varying between 1.61% and 6.75% and obligations for leased tangible capital assets with payments from 2016 to 2050 at a discount rate of 5%. The balance of long term liabilities consists of the following:

| | <u>2015</u> | <u>2014</u> |
|--|--------------------------|--------------------------|
| Long term liabilities incurred by the City | \$ 321,170 | \$ 365,301 |
| Long term liabilities incurred by the City for which other entities have assumed responsibility | <u>(3,239)</u> | <u>(6,280)</u> |
| Net long term debt | <u>\$ 317,931</u> | <u>\$ 359,021</u> |
| Long term liabilities for leased tangible capital assets incurred by the City | <u>3,659</u> | <u>4,790</u> |
| Net long term liabilities | <u><u>\$ 321,590</u></u> | <u><u>\$ 363,811</u></u> |

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

The City also incurs long term debt on behalf of school boards and other non-consolidated boards. The responsibility for raising the amounts required to service this debt lies with these respective bodies. The City is contingently liable for the long term debt with respect to the tile drainage and shoreline property assistance loans for debentures for which the responsibility for repayment of principal and interest has been assumed by school boards and non-consolidated boards. The total amount of this contingent liability outstanding at December 31, 2015 is \$3,239,000 (2014 - \$6,280,000).

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

7. Long term liabilities – municipal operations (continued)

- (c) Of the \$317,931,000 long term debt (2014 - \$359,021,000) 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>2015</u> | <u>2014</u> |
|---------------------------------|-------------------|-------------------|
| General revenues | \$ 240,034 | \$ 274,907 |
| Water & Wastewater user charges | 77,895 | 84,110 |
| Non-consolidated entities | 2 | 4 |
| | <u>\$ 317,931</u> | <u>\$ 359,021</u> |

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

| | General Revenues | Water & Wastewater User Charges | Non- consolidated Entities | Total 2015 |
|---------------------|---------------------|--|----------------------------------|-----------------------|
| 2016 | \$ 35,989 | \$ 6,219 | \$ 1 | \$ 42,209 |
| 2017 | 33,697 | 6,223 | 1 | 39,921 |
| 2018 | 22,962 | 6,227 | | 29,189 |
| 2019 | 23,548 | 6,231 | | 29,779 |
| 2020 | 19,345 | 6,236 | | 25,581 |
| 2021 and thereafter | 104,493 | 46,759 | | 151,252 |
| Total | \$ 240,034 | \$ 77,895 | \$ 2 | \$ 317,931 |

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

| | <u>2015</u> |
|---------------------|-----------------|
| 2016 | \$ 524 |
| 2017 | 321 |
| 2018 | 321 |
| 2019 | 321 |
| 2020 | 321 |
| 2021 and thereafter | 1,851 |
| Total | \$ 3,659 |

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

| | <u>2015</u> | <u>2014</u> |
|----------------------|------------------|------------------|
| Principal repayments | \$ 41,091 | \$ 33,936 |
| Interest expense | 12,145 | 11,695 |
| | <u>\$ 53,236</u> | <u>\$ 45,631</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

7. Long term liabilities – municipal operations (continued)

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

| | <u>2015</u> | <u>2014</u> |
|----------------------|-----------------|-----------------|
| Principal repayments | \$ 1,130 | \$ 1,130 |
| Interest expense | 214 | 201 |
| | <u>\$ 1,344</u> | <u>\$ 1,331</u> |

8. Long term liabilities – 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 2016 to 2027 with interest rates varying between 1.39% and 5.83%. The mortgage obligations for CityHousing Hamilton are \$69,466,000 (2014 - \$74,675,000).

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

| | <u>2015</u> |
|---------------------|------------------|
| 2016 | \$ 12,037 |
| 2017 | 13,729 |
| 2018 | 5,102 |
| 2019 | 22,965 |
| 2020 | 4,519 |
| 2021 and thereafter | <u>11,114</u> |
| | <u>\$ 69,466</u> |

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

| | <u>2015</u> | <u>2014</u> |
|----------------------|-----------------|-----------------|
| Principal repayments | \$ 5,209 | \$ 4,975 |
| Interest expense | 1,938 | 1,280 |
| | <u>\$ 7,147</u> | <u>\$ 6,255</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 \$20,680,000 (2014 - \$24,359,000), 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, 2015 (all numbers in columns are in thousands of dollars)

9. Employee future benefits and other obligations

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

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Accrued Benefit Obligation | | |
| Sick leave benefit plan | \$ 55,029 | \$ 54,263 |
| Long term disability | 22,729 | 20,970 |
| Workplace safety and insurance board liabilities (WSIB) | 75,572 | 71,022 |
| Retirement benefits | 138,789 | 132,528 |
| Vacation benefits | 26,077 | 25,012 |
| Pension benefit plans (Note 9f) | <u>26,268</u> | <u>103,051</u> |
| | 344,464 | 406,846 |
| Net unamortized actuarial gain (loss) | <u>4,543</u> | <u>(72,137)</u> |
| Accrued Liability | <u>\$ 349,007</u> | <u>\$ 334,709</u> |

The City has established reserves for some of these liabilities totalling \$69,093,000 (2014 - \$68,370,000) as described in the following notes.

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

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Liability for Employee Future Benefits and Other Obligations | | |
| balance at beginning of the year | \$ 334,709 | \$ 318,645 |
| Plan amendment | 2,467 | - |
| Benefit expense | 25,692 | 20,052 |
| Interest expense | 9,356 | 13,184 |
| Amortization of actuarial loss on accrued benefit obligations | 14,502 | 12,666 |
| Amortization of actuarial gain on earnings on pension assets | (4,985) | (2,881) |
| Benefit payments | <u>(32,734)</u> | <u>(26,957)</u> |
| Liability for Employee Future Benefits and Other Obligations | | |
| balance at end of the year | <u>\$ 349,007</u> | <u>\$ 334,709</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

9. Employee future benefits and other obligations (continued)

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

| | <u>2015</u> | <u>2014</u> |
|------------------------------------|------------------|------------------|
| Plan amendment | \$ 2,467 | \$ - |
| Benefit expense | 25,692 | 20,052 |
| Interest expense | 9,356 | 13,184 |
| Amortization of net actuarial loss | 9,517 | 9,785 |
| | <u>\$ 47,032</u> | <u>\$ 43,021</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 | 3.75% | NA | 2.0% | 3.5% | NA | 11.8 to 12.4 |
| Long term disability | 4.0% | NA | 2.0% | 3.0% | NA | 8.0 |
| Workplace safety and insurance | 4.0% | NA | 2.0% | 3.0% | NA | 11.0 |
| Retirement Benefits Health and Dental | 4.0% | NA | 2.0% | 3.5% | 3.5% (1) | 14.3 to 16.0 |
| Pensions Benefits (non-OMERS) | 5.75% | 5.75% | 2.25% | NA (2) | NA | 8.9 to 11.0 |

Notes: (1) Drug costs are assumed to increase at a rate of 8% in 2014, with future annual increases grading down linearly by 0.25% to an ultimate rate of 4.0%. Hospital and other medical services costs are assumed to increase by 4.0% per year.

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

(a) Liability for sick leave benefit plans

The City provides a sick leave benefit plan for certain employee groups. Under the sick leave benefit plan of the City, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the City's employment. An actuarial valuation as at December 31, 2015 has estimated the accrued benefit obligation at \$55,029,000 (2014 - \$54,263,000). Changes in valuation assumptions have resulted in an increase in the liability to \$55,029,000 from the expected liability of \$45,622,200. The actuarial loss as at December 31, 2015 of \$9,407,000 is being amortized over 11.8 to 12.4 years, which is the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$7,550,000 (2014 - \$7,707,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

9. Employee future benefits and other obligations (continued)

(b) Liability for long term disability

The City provides benefits in the event of total disability for certain employee groups. An actuarial valuation of the City's self-insured long term disability program as at December 31, 2015 has estimated the accrued benefit obligation at \$22,729,000 (2014 - \$20,970,000). Changes in valuation assumptions have resulted in an increase in the liability to \$22,729,000 from the expected liability of \$22,486,000. The actuarial loss as at December 31, 2015 of \$243,000 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 \$17,169,000 (2014 - \$16,747,000).

(c) Liability for workplace safety and insurance

The City is liable for compensation related to workplace injuries as stipulated by the Workplace Safety & Insurance Act. An actuarial valuation as at December 31, 2015 estimated the accrued benefit obligation for workplace safety & insurance existing claims and future pension awards at \$75,572,000 (2014 - \$71,022,000). Changes in valuation assumptions have resulted in an increase in the liability to \$75,572,000 from the expected liability of \$73,714,000. The actuarial loss of \$1,858,000 is being amortized over 11.0 years, which is the expected average remaining life expectancy of the plan members in various groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$42,936,000 (2014 - \$42,511,000).

(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, 2015 estimated the accrued benefit obligation at \$138,789,000 (2014 - \$132,528,000). Changes in valuation assumptions have resulted in an increase in the liability to \$138,789,000 from the expected liability of \$113,694,000. The actuarial loss of \$25,095,000 is being amortized over 14.3 to 16.0 years, which is the expected average remaining life expectancy of the plan members in various groups.

(e) Liability for vacation benefits

The City is liable for vacation days earned by its employees as at December 31 but not taken until a later date. The liability as at December 31, 2015 has been estimated at \$26,077,000 (2014 - \$25,012,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,438,000 (2014 - \$1,406,000).

(f) Liability for pensions plans

The City provides pension plans other than the Ontario Municipal Employees Retirement System (OMERS) as described in Note 10. The actuarial valuations at December 31, 2015 estimated the combined accrued benefit obligation of the pension plans at \$26,268,000 (2014 - \$103,051,000). Changes in valuation resulted in a decrease in the liability to \$26,268,000 from an expected liability of \$67,414,000. The actuarial gain of \$41,146,000 is being amortized over 8.9 to 11.0 years, which is the expected average remaining life expectancy of the plan members.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

10. Pension agreements

(a) Ontario Municipal Employees Retirement System

The City makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of approximately 6,965 members of City staff and councillors. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees, based on the length of credited service and average earnings.

The latest actuarial valuation as at December 31, 2015 indicates a "going concern" Actuarial Deficit based on the plan's current member and employer contribution rates. Contributions were made in the 2015 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 \$55,490,000 (2014 - \$50,632,000) was contributed to OMERS for current service.

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

(b) Other pension plans

Approximately 411 active employees and 1,012 former employees of the City are members of three defined benefit plans and have pension entitlements under their respective plan texts. Actuarial valuations of the pension plans for funding purposes are required under the Pension Benefits Act every three years. The actuarial valuations of the pension plans for accounting purposes provide different results than the valuations for funding purposes. For funding purposes, one of the pension plans is in a net asset position and two of the pension plans are in a net liability position.

The actuarial valuation of the Hamilton Wentworth Retirement Fund ("HWRF") pension plan as at December 31, 2015 is based on a number of assumptions about future events including mortality, inflation rates, and interest rates. The unamortized actuarial gains and losses on plan assets and the accrued benefit obligation are being amortized over nine years representing the expected average remaining life expectancy of the plan members. The accrued pension liability reported in the Consolidated Statement of Financial Position is comprised as follows:

| | <u>2015</u> | <u>2014</u> |
|---|------------------|------------------|
| Accrued pension benefit obligation - HWRF | \$ 67,232 | \$ 81,323 |
| Pension plan assets: | | |
| Marketable securities (Market value) | <u>(59,568)</u> | <u>(62,563)</u> |
| | 7,664 | 18,760 |
| Unamortized actuarial gain (loss) | <u>3,554</u> | <u>(4,855)</u> |
| Accrued pension liability - HWRF | <u>\$ 11,218</u> | <u>\$ 13,905</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

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

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------|
| Expected pension fund assets at end of year | \$ 61,567 | \$ 58,325 |
| Actual pension fund assets at end of year | <u>59,568</u> | 62,563 |
| Actuarial gain (loss) on pension fund assets - HWRF | <u>\$ (1,999)</u> | \$ 4,238 |
| | | |
| Expected accrued pension benefit obligation at end of year | \$ 77,226 | \$ 79,291 |
| Actual accrued pension benefit obligation at end of year | <u>67,232</u> | 81,323 |
| Actuarial gain (loss) on accrued pension benefit obligation – HWRF | <u>\$ 9,994</u> | \$ (2,032) |

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

| | <u>2015</u> | <u>2014</u> |
|---|----------------|-------------|
| Amortization of net actuarial loss on accrued pension benefit obligation | \$ 1,446 | \$ 1,244 |
| Amortization of net actuarial loss on pension plan assets | <u>(1,031)</u> | (611) |
| Net Amortization | <u>415</u> | 633 |
| | | |
| Interest on average accrued pension benefit obligation | \$ 3,109 | \$ 3,573 |
| Expected return on average pension plan assets | <u>(3,469)</u> | (3,198) |
| Net Interest | <u>(360)</u> | 375 |
| | | |
| Total expenses | <u>\$ 55</u> | \$ 1,008 |

Payments of \$2,741,000 (2014 - \$1,343,000) have been applied to reduce the HWRF pension plan deficit as actuarially determined for funding purposes. The pension deficit for the HWRF pension plan as at December 31, 2015 will be funded by the City with payments as follows:

| | |
|---------------------|------------------|
| 2016 | \$ 1,631 |
| 2017 | 1,631 |
| 2018 | 1,631 |
| 2019 | 1,631 |
| 2020 | 542 |
| 2021 and thereafter | 3,658 |
| Total | <u>\$ 10,724</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

The actuarial valuation of the Hamilton Municipal Retirement Fund ("HMRF") pension plan as at December 31, 2015 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The unamortized actuarial gains and losses on plan assets and accrued benefit obligation are being amortized over eleven years representing the expected average remaining life expectancy of the plan members. The accrued pension liability reported in the Consolidated Statement of Financial Position is comprised as follows:

| | <u>2015</u> | <u>2014</u> |
|---|-----------------|-----------------|
| Accrued pension benefit obligation - HMRF | \$ 72,193 | \$ 90,787 |
| Pension plan assets: | | |
| Marketable securities (Market value) | <u>(77,234)</u> | <u>(82,150)</u> |
| | <u>(5,041)</u> | <u>8,637</u> |
| Unamortized actuarial gain (loss) | <u>5,677</u> | <u>(7,205)</u> |
| Accrued pension liability - HMRF | <u>\$ 636</u> | <u>\$ 1,432</u> |

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

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Expected pension fund assets at end of year | \$ 79,835 | \$ 77,131 |
| Actual pension fund assets at end of year | <u>77,234</u> | <u>82,150</u> |
| Actuarial gain (loss) on pension fund assets - HMRF | <u>\$ (2,601)</u> | <u>\$ 5,019</u> |
| Expected accrued pension benefit obligation at end of year | \$ 82,279 | \$ 85,511 |
| Actual accrued pension benefit obligation at end of year | <u>72,193</u> | <u>90,787</u> |
| Actuarial gain (loss) on accrued pension benefit obligation – HMRF | <u>\$ 10,086</u> | <u>\$ (5,276)</u> |

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

| | <u>2015</u> | <u>2014</u> |
|--|-----------------|----------------|
| Amortization of net actuarial loss on accrued pension benefit obligation | \$ 1,420 | \$ 1,381 |
| Amortization of net actuarial loss on pension plan assets | <u>(986)</u> | <u>(359)</u> |
| Net Amortization | <u>434</u> | <u>1,022</u> |
| Interest on average accrued pension benefit obligation | \$ 3,296 | \$ 3,836 |
| Expected return on average pension plan assets | <u>(4,527)</u> | <u>(4,207)</u> |
| Net Interest | <u>(1,231)</u> | <u>(371)</u> |
| Total expenses | <u>\$ (797)</u> | <u>\$ 651</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

The actuarial valuation of the HSR pension plan as at December 31, 2015 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The unamortized actuarial gains and losses on plan assets and accrued benefit obligation are being amortized over nine years representing the expected average remaining life expectancy of the plan members. The accrued pension liability reported in the Consolidated Statement of Financial Position is comprised as follows:

| | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|
| Accrued pension benefit obligation - HSR | \$ 207,583 | \$ 261,077 |
| Pension plan assets: | | |
| Marketable securities (Market value) | (183,938) | (185,423) |
| | <u>23,645</u> | <u>75,654</u> |
| Unamortized actuarial gain (loss) | 31,915 | (16,470) |
| Accrued pension liability - HSR | <u>\$ 55,560</u> | <u>\$ 59,184</u> |

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

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Expected pension fund assets at end of year | \$ 190,125 | \$ 175,016 |
| Actual pension fund assets at end of year | <u>183,938</u> | <u>185,423</u> |
| Actuarial gain (loss) on pension fund assets - HSR | <u>\$ (6,187)</u> | <u>\$ 10,407</u> |
| | | |
| Expected accrued pension benefit obligation at end of year | \$ 260,490 | \$ 252,336 |
| Actual accrued pension benefit obligation at end of year | <u>207,583</u> | <u>261,077</u> |
| Actuarial gain (loss) on accrued pension benefit obligation – HSR | <u>\$ 52,907</u> | <u>\$ (8,741)</u> |

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

| | <u>2015</u> | <u>2014</u> |
|--|-----------------|-----------------|
| Amortization of net actuarial loss on accrued pension benefit obligation | \$ 4,632 | \$ 3,745 |
| Amortization of net actuarial loss on pension plan assets | <u>(2,968)</u> | <u>(1,911)</u> |
| Net Amortization | <u>1,664</u> | <u>1,834</u> |
| | | |
| Interest on average accrued pension benefit obligation | \$ 10,227 | \$ 11,097 |
| Expected return on average pension plan assets | <u>(10,495)</u> | <u>(9,368)</u> |
| Net Interest | <u>(268)</u> | <u>1,729</u> |
| | | |
| Total expenses | <u>\$ 1,396</u> | <u>\$ 3,563</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

Payments of \$5,020,000 (2014 – \$1,388,000) have been applied to reduce the HSR pension plan deficit as actuarially determined for funding purposes. The pension deficit for the HSR pension plan as at December 31, 2015 will be funded by the City with payments as follows:

| | |
|---------------------|------------------|
| 2016 | \$ 4,874 |
| 2017 | 4,874 |
| 2018 | 4,874 |
| 2019 | 4,874 |
| 2020 | 2,148 |
| 2021 and thereafter | 13,773 |
| Total | <u>\$ 35,417</u> |

There were \$0 (2014 - \$3,000) in employee contributions to the HSR pension plan during the year.

11. Solid waste landfill liabilities

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

The active landfill site in the Glanbrook community was opened in 1980 covering 220 hectares over two phases with a capacity of 13,258,000 cubic metres of waste. Phase 1 has a capacity of 8,403,000 cubic metres. As at December 31, 2015 the remaining capacity of Phase 1 is estimated to be 480,000 cubic metres, representing 6% of its capacity. Phase 1 is expected to reach its capacity and close in 2018. Phase 2 has a capacity of 4,855,000 cubic metres and as at December 31, 2015 has yet to begin accepting fill. Phase 2 is estimated to reach its capacity and close in 2043.

In 2015 approximately 45% of waste generated was diverted from landfills (2014 – 48%).

The closure costs for the open Glanbrook landfill site and post closure care costs for the closed sites were based upon management estimates, adjusted by 3% inflation. These costs were then discounted back to December 31, 2015 using a discount factor of 4.5%. Post closure care for the Glanbrook site is estimated to be required for 50 years from the date of closure of each phase. Studies continue to be undertaken to assess the liability associated with the City's closed landfill sites and the estimates will be updated as new information arises.

Estimated expenses for closure and post-closure care are \$32,884,000 (2014 - \$32,774,000). The expenses remaining to be recognized are \$7,115,000 (2014 - \$6,690,000). The liability of \$25,769,000 (2014 - \$26,084,000) 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 \$1,006,000 (2014 - \$925,000) 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, 2015 (all numbers in columns are in thousands of dollars)

12. Accumulated Surplus

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

| | 2015 | 2014 |
|---|----------------------------|----------------------------|
| (Restated note 1m) | | |
| Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following: | | |
| Working funds | \$ 84,149 | \$ 75,362 |
| Contingencies | 908 | 888 |
| Replacement of equipment | 70,106 | 70,796 |
| Sick leave (Note 9) | 7,550 | 7,707 |
| Workplace Safety and Insurance Board (WSIB)(Note 9) | 42,936 | 42,511 |
| Pension Plans | 3,540 | 6,139 |
| Tax Stabilization | 12,135 | 13,012 |
| General Government | 18,697 | 12,181 |
| Protection Services | 3,297 | 1,816 |
| Transportation Services | 33,916 | 33,952 |
| Environmental Services | 239,037 | 224,272 |
| Health and Social Services | 9,931 | 11,825 |
| Recreation and Cultural Services | 22,467 | 22,957 |
| Planning and Development | 13,019 | 10,266 |
| Other Unallocated | 99,069 | 102,941 |
| Hamilton Future Fund (Note 13) | <u>37,711</u> | <u>46,436</u> |
| Total reserves and discretionary reserve funds | \$ 698,468 | \$ 683,061 |
| Operating surplus | | |
| Flamborough recreation sub-committees | 287 | 278 |
| Business improvement areas | 759 | 600 |
| Housing Operations | 203 | (1,194) |
| Confederation Park Operations | 442 | (2,100) |
| Westfield Heritage Village Operations | 614 | 554 |
| Total operating surplus | <u>\$ 2,305</u> | <u>\$ (1,862)</u> |
| Capital surplus | | |
| Municipal Operations | \$ (71,909) | \$ 38,034 |
| Housing Operations | <u>1,151</u> | <u>3,516</u> |
| Total capital surplus | <u>\$ (70,758)</u> | <u>\$ 41,550</u> |
| Unfunded liabilities | | |
| Employee benefit obligations | \$ (326,627) | \$ (313,254) |
| Solid Waste Landfill Liabilities | <u>(25,769)</u> | <u>(26,084)</u> |
| Total unfunded liabilities | <u>\$ (352,396)</u> | <u>\$ (339,338)</u> |
| Investment in Government Business Enterprises (Note 4) | <u>\$ 232,811</u> | <u>\$ 223,724</u> |
| Investment in tangible capital assets | <u>\$ 4,740,652</u> | <u>\$ 4,507,349</u> |
| Accumulated surplus | <u>\$ 5,251,082</u> | <u>\$ 5,114,484</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

13. Hamilton Future Fund

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

The continuity of the Hamilton Future Fund is as follows:

| | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|
| Balance at the beginning of the year | \$ 46,436 | \$ 61,116 |
| Current Operations | | |
| Investment Income | 990 | 1,312 |
| Repayment of Waste Management Projects | 7,812 | 7,398 |
| Waste Management Projects | (732) | (564) |
| Roads and Bridges | (36) | (112) |
| Urban Development Bank | (77) | (150) |
| McMaster Health Campus | (5,500) | (4,500) |
| Other | (200) | (307) |
| | <u>\$ 2,257</u> | <u>\$ 3,077</u> |
| Tangible capital assets | | |
| Waste Management Projects | (1,492) | (4,664) |
| Roads and Bridges | (110) | (55) |
| 2015 Pan Am Games | (9,102) | (9,840) |
| Parkland - Stadium Precinct | - | (2,000) |
| Other | (278) | (1,198) |
| | <u>\$ (10,982)</u> | <u>\$ (17,757)</u> |
| Balance at the end of the year | <u>\$ 37,711</u> | <u>\$ 46,436</u> |

14. Taxation

| | <u>Budget 2015</u> | <u>Actual 2015</u> | <u>Actual 2014</u> |
|--|------------------------|------------------------|------------------------|
| Taxation from real property | \$ 998,533 | \$ 1,010,050 | \$ 967,719 |
| Taxation from other governments payments in lieu of taxes | 15,366 | 15,367 | 15,367 |
| | 1,013,899 | 1,025,417 | 983,086 |
| Less: Taxation collected on behalf of school boards | (188,861) | (193,772) | (190,769) |
| Net taxes available for municipal purposes | \$ 825,038 | \$ 831,645 | \$ 792,317 |

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, 2015 (all numbers in columns are in thousands of dollars)

15. Government transfers

(a) Government transfers - grants, subsidies and contributions

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

During 2015 the City recognized revenue from the provincial and federal governments in the amount of \$384,363,000 (2014 - \$418,772,000) as follows:

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|-------------------|-------------------|
| Government of the Province of Ontario | \$ 313,921 | \$ 316,989 |
| Government of Canada | <u>70,442</u> | <u>101,783</u> |
| Total | <u>\$ 384,363</u> | <u>\$ 418,772</u> |

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

The City makes discretionary and non-discretionary disbursements to individuals, institutions and agencies. These payments are recorded as expenditures in the Consolidated Statement of Operations to the extent that the payments meet the accrual basis of accounting. Amounts paid for Canada Pension Plan and investments in government debentures are not reported as government transfers. During 2015, the City issued payments as government transfers in the amount of \$222,059,000 (2014 - \$205,804,000) as follows:

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Payments for social assistance entitlements | \$ 126,222 | \$ 124,264 |
| Payments for housing subsidies | 62,910 | 59,075 |
| Grants to agencies and institutions | <u>32,927</u> | <u>22,465</u> |
| Total | <u>\$ 222,059</u> | <u>\$ 205,804</u> |

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

16. Contractual obligations

- (a)** The City has outstanding contractual obligations of approximately \$307,430,000 at December 31, 2015 for capital works (2014 - \$307,651,000). 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, 2015 amounting to \$3,878,000 (2014 - \$3,970,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$92,500 in 2015 (2014 - \$244,000) 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, 2015 of \$3,460,000 (2014 - \$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 \$348,000 in 2015 (2014 - \$368,000) are reported in the Consolidated Statement of Operations.
- (d)** The City has an agreement with a developer to design and install services in the Dundas and Waterdown community of the City of Hamilton. The City is committed to repaying the developer \$8,524,000 plus interest on the outstanding balance. Payments under the terms of the agreement are due by 2017 with an option to extend the term until 2022. The outstanding future obligation at December 31, 2015 amounting to \$8,886,000 (2014 - \$8,606,000) is not reflected in the Consolidated Financial Statements. Payments are collected by a special area charge and remitted to the developer. Payments made to the developer amounting to \$70,000 in 2015 (2014 - \$361,000) are reported in the Consolidated Statement of Operations.
- (e)** The City has a contract with Progressive Waste Services (PWS) for the transfer, hauling and disposal of the City's solid waste, including the operations of the City's Transfer Stations and Community Recycling Centre. The term of the agreement is ten years and two months for the period of January 1, 2010 to February 29, 2020. The contract fees amounting to \$6,941,000 for 2015 (2014 - \$6,873,000) are reported in the Consolidated Statement of Operations.
- (f)** The City has a contract with GFL Environmental Inc. for the provision of curbside/roadside collection of organics, garbage, leaf and yard, bulk waste for one-half of the City, including curbside/roadside recycling, automated recycling and bin waste collection for the entire City. The agreement ends on March 28, 2020 (with an option of one year extension). Contract fees amounting to \$16,928,000 for 2015 (2014 - \$17,061,000) are reported in the Consolidated Statement of Operations.
- (g)** The City has lease agreements with Disabled and Aged Regional Transit System (D.A.R.T.S.) for the delivery of specialized transportation services. The term of the existing agreement is five years for the period of July 1, 2012 to June 30, 2017 with an option to renew for a further term up to five years. The annual contract fees amounting to \$15,621,000 (2014 - \$14,599,000) are reported in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

16. Contractual obligations (continued)

- (h) The City has lease agreements with Tradeport International Corporation for the management and operation of the City's airport. The term of the agreement is forty years for the period July 1, 1996 to June 30, 2036. Under the terms of the agreement, Tradeport is responsible for capital management and all operating costs. Revenue in the amount of \$369,000 (2014 - \$342,000) is reported on the Consolidated Statement of Operations.
- (i) 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 \$63,955,000 (2014 - \$66,672,000). The minimum lease payments for these leases over the next five years and thereafter are:

| | |
|---------------------|-----------|
| 2016 | \$ 7,958 |
| 2017 | 7,770 |
| 2018 | 7,637 |
| 2019 | 6,956 |
| 2020 | 4,557 |
| 2021 and thereafter | 29,077 |
| Total | \$ 63,955 |

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

On May 8, 2012, the City took a drawdown of \$38,000,000 and \$14,740,000 from the two non-revolving term facilities, by undertaking two term loans. No other amounts have been drawn from the Credit Facility Agreement and therefore, as at December 31, 2015, the City has \$65,000,000 in a revolving demand facility.

The first term loan has an original principal of \$14,740,000, a term of 5 years, and an annual principal repayment of \$2,948,000. The second term loan has an original principal of \$38,000,000, a term of 15 years, and an annual principal repayment of \$2,533,000. As at December 31, 2015, the remaining principal balance is \$5,896,000 (2014 - \$8,844,000) for the first term loan and \$30,401,000 (2014 - \$32,934,000) for the second term loan. The interest cost for the City for both loans is based on the 30-day Banker's Acceptance rate. These loans are included in Long term liabilities – Municipal Operations on the Statement of Financial Position.

- (k) Hamilton Utilities Corporation (H.U.C.) has a Credit Facility Agreement ("Credit Facility") dated June 30, 2013 with a Canadian chartered bank to borrow up to \$100,000,000 to finance general corporate requirements, capital investment, and working capital requirements. Borrowings may be in the form of Bankers' Acceptances ("BAs"), prime rate loans, letters of credit, and/or current account overdrafts. The Credit Facility matures on June 30, 2016. Interest rates payable on the Credit Facility are based on a margin relative to the prime or the BA rate, as the case may be, determined by reference to HUC's debt rating. A standby fee is paid on any unutilized portion of the Credit Facility. HUC has issued a \$6,845,000 letter of credit in favour of the Independent Electricity System Operator ("IESO") as security for Horizon Utilities purchase of electricity through the IESO. At year-end, no amounts were drawn on the letters of credit (2014 - Nil).
-

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

17. Public liability insurance

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

The City has reported liabilities for insurance claims on the Consolidated Statement of Financial position in the amount of \$19,848,000 (2014 - \$21,803,000). Claim expenses for the year in the amount of \$9,264,000 (2014 - \$7,854,000) are reported as expenses in the Consolidated Statement of Operations.

18. Contingent liabilities

- (a)** The City is contingently liable for the repayment of principal and interest on long term debt issued on behalf of school boards and other unconsolidated boards (Note 7(b)). The responsibility for raising the amounts required to service this debt lies with these respective bodies. The total amount of this contingent liability outstanding at December 31, 2015 is \$3,239,000 (2014 - \$6,280,000).
 - (b)** The City has outstanding contractual obligations with its unionized employee groups as of December 31, 2015. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund these settlements. Subsequent to December 31, 2015, there were two settlements with two of the unionized employee groups.
-

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2015 (all numbers in columns are in thousands of dollars)

19. Tangible Capital Assets

Details of the tangible capital assets are included in the Schedule of Tangible Capital Assets (pages 2-36 and 2-37). The City has tangible capital assets valued at cost in the amount of \$8,008,700,000 (2014 - \$7,674,038,000) and a net book value of \$5,150,288,000 (2014 - \$4,958,172,000). The net book value of the tangible capital assets valued as at December 31, 2015 is as follows:

| | <u>2015</u> | <u>2014</u> |
|---------------------------------|--------------------|--------------------|
| General | | |
| Land | \$ 304,977 | \$ 287,316 |
| Land improvements | 135,252 | 137,563 |
| Buildings | 735,926 | 583,083 |
| Vehicles | 107,241 | 100,547 |
| Computer hardware and software | 7,876 | 6,701 |
| Other | 92,098 | 88,164 |
| Infrastructure | | |
| Roads | 1,248,288 | 1,188,995 |
| Bridges and structures | 184,794 | 183,252 |
| Water and wastewater facilities | 385,404 | 391,440 |
| Underground and other networks | <u>1,713,019</u> | <u>1,631,570</u> |
| Net Book Value | 4,914,875 | 4,598,631 |
| Assets under construction | 235,413 | 359,541 |
| Balance at the end of the year | <u>\$5,150,288</u> | <u>\$4,958,172</u> |

Included are leased tangible capital assets with a net book value of \$3,659,000 (2014 - \$4,790,000). 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, 2015 (all numbers in columns are in thousands of dollars)

20. Reporting by Business Segment

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

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

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

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

21. Liability for Contaminated Sites

The City of Hamilton estimates liabilities for remediation of various lands as at December 31, 2015 of \$12,810,000 (2014 - \$12,570,000). The liabilities result from past industrial uses. The liabilities have been estimated using a risk-based approach. Future expenditures are based on agreements with third parties, where available, as well as estimates. Future expenditures have been discounted using a 4% discount rate. The amount of estimated recoveries is nil (2014 – nil).

22. Budget figures

The 2015 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on December 9, 2014. The 2015 operating budget and capital financing for municipal operations was approved by City Council at a meeting on April 8, 2015.

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, 2015 (all numbers in columns are in thousands of dollars)

22. Budget figures (continued)

| | <u>2015</u> |
|--|---------------------|
| Revenue | |
| Council Approved Gross Revenue Operating Budget - Municipal | 1,546,428 |
| Council Approved Gross Revenue Capital Budget - Municipal | <u>408,802</u> |
| | <u>1,955,230</u> |
| Board Approved Gross Revenue Operating Budget - Housing Corporation | 54,987 |
| Board Approved Gross Revenue Capital Budget - Housing Corporation | <u>8,185</u> |
| | <u>63,172</u> |
| Adjustments to Revenues | |
| Less: Transfers from reserves and reserve funds Operating Budget Municipal Operations | (31,249) |
| Less: Transfers from reserves and reserve funds Capital Budget Municipal Operations | <u>(177,005)</u> |
| Less: Transfers from current fund to capital fund - Municipal Operations | (127,230) |
| Less: Transfers from current fund to capital fund - Housing Corporation | (8,185) |
| Less: Long term debt financing Capital Budget | (14,191) |
| Add: Donated tangible capital assets | 43,571 |
| Less: Reclassification - Municipal Operations | (149) |
| Add: Reserve & reserve funds | 18,300 |
| Add: Confederation Park and Westfield Heritage Village Consolidation | 2,550 |
| Less: Elimination for consolidation of Housing Corporation | <u>(18,242)</u> |
| | <u>(311,830)</u> |
| Consolidated | <u>\$ 1,706,572</u> |
| Expenses | |
| Council Approved Gross Expenditure Operating Budget - Municipal | \$ 1,546,428 |
| Council Approved Gross Expenditure Capital Budget - Municipal | <u>408,802</u> |
| | <u>1,955,230</u> |
| Board Approved Gross Expenditure Operating Budget - Housing Corporation | 54,987 |
| Board Approved Gross Expenditure Capital Budget - Housing Corporation | <u>8,185</u> |
| | <u>63,172</u> |
| Adjustments to Expenditures | |
| Less: Debt principal repayment - Municipal Operations | (41,090) |
| Less: Debt principal repayment - Housing Corporation | (5,209) |
| Less: Transfers to reserves and reserve funds - Municipal Operations | (78,298) |
| Less: Transfers to capital from current funds - Municipal Operations | (127,230) |
| Less: Tangible capital assets - Municipal Operations | (335,000) |
| Less: Tangible capital assets - Housing Corporation | (8,185) |
| Less: Reclassification - Municipal Operations | (149) |
| Add: Change in employee future benefits and other obligations | 13,373 |
| Less: Change in solid waste landfill liability | (315) |
| Add: Amortization expense for tangible capital assets | 178,047 |
| Add: Confederation Park and Westfield Heritage Village Consolidation | 2,550 |
| Less: Elimination for consolidation of Housing Corporation | <u>(26,427)</u> |
| Less: Loss on disposition of tangible capital assets | 14,961 |
| | <u>(412,972)</u> |
| Consolidated | <u>\$ 1,605,430</u> |

City of Hamilton
Notes to Consolidated Financial Statements

As at December 31, 2015 (all numbers in columns are in thousands of dollars)

2015 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, 2015 | \$ 287,316 | \$ 275,347 | \$ 1,091,698 | \$ 255,552 | \$ 13,292 | \$ 134,305 | \$ 2,172,683 | \$ 235,342 | \$ 711,980 | \$ 2,136,982 | \$ 359,541 | \$ 7,674,038 | | |
| Additions, Betterments & Transfers in 2015 | 14,218 | 7,030 | 184,172 | 28,164 | 4,629 | 16,383 | 103,136 | 4,833 | 10,494 | 90,778 | (122,284) | 341,553 | | |
| Disposals & Writedowns in 2015 | (788) | (304) | (14,486) | (4,748) | (5,193) | (4,799) | (15,206) | (213) | (89) | (2,792) | (1,844) | (50,462) | | |
| Donations & Contributions in 2015 | 4,231 | - | 6,783 | - | - | - | 12,954 | - | - | 19,603 | - | 43,571 | | |
| Balance, Dec 31, 2015 | \$ 304,977 | \$ 282,073 | \$ 1,268,167 | \$ 278,968 | \$ 12,728 | \$ 145,889 | \$ 2,273,567 | \$ 239,962 | \$ 722,385 | \$ 2,244,571 | \$ 235,413 | \$ 8,008,700 | | |
| Accumulated Amortization | | | | | | | | | | | | | | |
| Balance, Jan 1, 2015 | \$ - | \$ 137,784 | \$ 508,615 | \$ 155,005 | \$ 6,591 | \$ 46,141 | \$ 983,688 | \$ 52,090 | \$ 320,540 | \$ 505,412 | \$ - | \$ 2,715,866 | | |
| Amortization in 2015 | - | 9,250 | 28,125 | 21,112 | 3,448 | 11,979 | 55,504 | 3,165 | 16,530 | 28,934 | - | 178,047 | | |
| Acc'd Amortization Transfers in 2015 | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Amortization on Disposals in 2015 | - | (213) | (4,499) | (4,390) | (5,187) | (4,329) | (13,913) | (87) | (89) | (2,794) | - | (35,501) | | |
| Balance, Dec 31, 2015 | \$ - | \$ 146,821 | \$ 532,241 | \$ 171,727 | \$ 4,852 | \$ 53,791 | \$ 1,025,279 | \$ 55,168 | \$ 336,981 | \$ 531,552 | \$ - | \$ 2,858,412 | | |
| Net Book Value Dec 31, 2015 | \$ 304,977 | \$ 135,252 | \$ 735,926 | \$ 107,241 | \$ 7,876 | \$ 92,098 | \$ 1,248,288 | \$ 184,794 | \$ 385,404 | \$ 1,713,019 | \$ 235,413 | \$ 5,150,288 | | |
| Assets Under Construction | \$ - | \$ 25,116 | \$ 54,716 | \$ 7,235 | \$ 5,864 | \$ 7,143 | \$ 12,759 | \$ 4,279 | \$ 61,580 | \$ 56,721 | \$ 235,413 | | | |
| Total | \$ 304,977 | \$ 160,368 | \$ 790,642 | \$ 114,476 | \$ 13,740 | \$ 99,241 | \$ 1,261,047 | \$ 189,073 | \$ 446,984 | \$ 1,769,740 | \$ - | \$ 5,150,288 | | |

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2015 (all numbers in columns are in thousands of dollars)

2014 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, 2014 | \$ 265,406 | \$ 270,736 | \$ 1,055,680 | \$ 249,788 | \$ 10,357 | \$ 129,866 | \$ 2,117,673 | \$ 225,733 | \$ 693,640 | \$ 2,065,720 | \$ 223,286 | \$ 7,307,885 | |
| Additions, Betterments & Transfers in 2014 | 21,065 | 4,582 | 38,819 | 14,001 | 5,057 | 8,587 | 55,432 | 4,120 | 18,774 | 55,161 | 138,556 | 364,154 | |
| Disposals & Writedowns in 2014 | (49) | (77) | (2,801) | (8,237) | (2,122) | (4,148) | (11,763) | (411) | (434) | (2,242) | (2,301) | (34,585) | |
| Donations & Contributions in 2014 | 894 | 106 | - | - | - | - | 11,341 | 5,900 | - | 18,343 | - | 36,584 | |
| Balance, Dec 31, 2014 | \$ 287,316 | \$ 275,347 | \$ 1,091,698 | \$ 255,552 | \$ 13,292 | \$ 134,305 | \$ 2,172,683 | \$ 235,342 | \$ 711,980 | \$ 2,136,982 | \$ 359,541 | \$ 7,674,038 | |
| Accumulated Amortization | | | | | | | | | | | | | |
| Balance, Jan 1, 2014 | \$ - | \$ 128,682 | \$ 485,171 | \$ 140,597 | \$ 5,429 | \$ 39,270 | \$ 933,722 | \$ 49,291 | \$ 304,790 | \$ 480,258 | \$ - | \$ 2,567,210 | |
| Amortization in 2014 | - | 9,064 | 25,678 | 21,908 | 3,283 | 11,020 | 57,524 | 3,070 | 16,184 | 27,396 | - | 175,127 | |
| Acc'd Amortization Transfers in 2014 | - | 89 | - | - | 1 | (1) | - | (89) | - | - | - | - | |
| Amortization on Disposals in 2014 | - | (51) | (2,234) | (7,500) | (2,122) | (4,148) | (7,558) | (182) | (434) | (2,242) | - | (26,471) | |
| Balance, Dec 31, 2014 | \$ - | \$ 137,784 | \$ 508,615 | \$ 155,005 | \$ 6,591 | \$ 46,141 | \$ 983,688 | \$ 52,090 | \$ 320,540 | \$ 505,412 | \$ - | \$ 2,715,866 | |
| Net Book Value Dec 31, 2014 | \$ 287,316 | \$ 137,563 | \$ 583,083 | \$ 100,547 | \$ 6,701 | \$ 88,164 | \$ 1,188,995 | \$ 183,252 | \$ 391,440 | \$ 1,631,570 | \$ 359,541 | \$ 4,958,172 | |
| Assets Under Construction | \$ - | \$ 17,171 | \$ 182,056 | \$ 354 | \$ 5,245 | \$ 6,537 | \$ 32,102 | \$ 2,499 | \$ 53,031 | \$ 60,546 | \$ 359,541 | | |
| Total | \$ 287,316 | \$ 154,734 | \$ 765,139 | \$ 100,901 | \$ 11,946 | \$ 94,701 | \$ 1,221,097 | \$ 185,751 | \$ 444,471 | \$ 1,692,116 | \$ - | \$ 4,958,172 | |

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2015 (all numbers in columns are in thousands of dollars)

2015 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 2015 |
|--|-----------------------|------------------------|----------------------------|---------------------------|--------------------|----------------------------------|--------------------|--|-----------------------------|---------------------|
| Revenue | | | | | | | | | | |
| Taxation | \$ 831,645 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 831,645 |
| Government grants and contributions | 1,380 | 9,450 | 53,247 | 4,667 | 56,164 | 218,203 | 31,029 | 9,278 | 945 | 384,363 |
| User charges | 4,059 | 5,933 | 59,434 | 195,129 | 3,088 | 13,069 | 383 | 23,055 | 11,190 | 315,340 |
| Development charges and subdivider contributions | 289 | 1,512 | 12,591 | 1,956 | - | - | - | 4,359 | 4,904 | 25,611 |
| Donations of tangible capital assets | - | - | 12,954 | 19,603 | - | - | - | 11,014 | - | 43,571 |
| Investment income | 17,396 | 1,259 | 1,361 | 7,676 | 41 | 183 | 1,037 | 1,142 | 189 | 30,284 |
| Income from Government Business Enterprises | 18,758 | - | - | - | - | - | - | - | - | 18,758 |
| Other | 36,304 | 22,575 | 10,788 | 1,480 | 182 | 14 | 39,160 | 2,175 | 1,341 | 114,019 |
| Total | \$ 909,831 | \$ 40,729 | \$ 150,375 | \$ 230,511 | \$ 59,475 | \$ 231,469 | \$ 71,609 | \$ 51,023 | \$ 18,569 | \$ 1,763,591 |
| Expenses | | | | | | | | | | |
| Salaries and benefits | \$ 58,537 | \$ 254,740 | \$ 101,358 | \$ 42,844 | \$ 73,749 | \$ 78,900 | \$ 14,914 | \$ 71,538 | \$ 26,757 | \$ 723,337 |
| Interest on long term debt | 734 | 1,083 | 5,219 | 3,277 | 383 | 644 | 1,945 | 914 | 98 | 14,297 |
| Materials supplies services | 39,098 | 17,331 | 46,317 | 38,447 | 7,914 | 8,448 | 32,746 | 26,288 | 6,760 | 223,349 |
| Contracted services | 13,571 | 2,437 | 57,768 | 68,896 | 3,527 | 64,848 | 14,223 | 12,781 | 10,792 | 248,843 |
| Rents and financial expenses | 12,006 | 2,117 | 5,066 | 2,625 | 1,858 | 2,541 | 6,101 | 3,301 | 820 | 36,435 |
| External transfers | 614 | 7,546 | 3 | 3,138 | 9,071 | 131,024 | 44,712 | 4,966 | 1,807 | 202,881 |
| Amortization | 7,365 | 7,731 | 77,450 | 50,551 | 2,397 | 1,921 | 5,625 | 22,017 | 2,991 | 178,048 |
| Interfunctional transfers | (74,261) | 7,377 | 25,424 | 9,561 | 6,478 | 6,017 | 632 | 13,915 | 4,857 | - |
| Total | \$ 57,664 | \$ 300,362 | \$ 318,605 | \$ 219,339 | \$ 105,377 | \$ 294,343 | \$ 120,898 | \$ 155,720 | \$ 54,882 | \$ 1,627,190 |
| Annual Surplus | \$ 852,167 | \$ (259,633) | \$ (168,230) | \$ 11,172 | \$ (45,902) | \$ (62,874) | \$ (49,289) | \$ (104,697) | \$ (36,313) | \$ 136,401 |

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2015 (all numbers in columns are in thousands of dollars)

2014 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 2014 |
|--|-----------------------|------------------------|----------------------------|---------------------------|--------------------|----------------------------------|--------------------|--|-----------------------------|---------------------|
| Revenue | | | | | | | | | | |
| Taxation | \$ 792,317 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 792,317 |
| Government grants and contributions | 994 | 7,039 | 50,986 | 5,053 | 52,351 | 211,876 | 35,176 | 54,006 | 1,291 | 418,772 |
| User charges | 4,033 | 5,933 | 55,930 | 186,709 | 3,084 | 12,505 | 1,540 | 20,666 | 8,488 | 298,888 |
| Development charges and subdivider contributions | 7,588 | 1,701 | (4,389) | 36,131 | - | - | - | 8,889 | (2,818) | 47,102 |
| Donations of tangible capital assets | - | - | 17,242 | 18,693 | - | - | - | 649 | - | 36,584 |
| Investment income | 23,116 | 1,143 | 611 | 7,693 | 105 | 190 | 1,168 | 1,208 | 218 | 35,452 |
| Income from Government Business Enterprises | 3,622 | - | - | - | - | - | - | - | - | 3,622 |
| Other | 22,782 | 22,055 | 9,497 | 872 | 203 | 38 | 38,389 | 2,721 | 2,159 | 98,716 |
| Total | \$ 854,452 | \$ 37,871 | \$ 129,877 | \$ 255,151 | \$ 55,743 | \$ 224,609 | \$ 76,273 | \$ 88,139 | \$ 9,338 | \$ 1,731,453 |
| Expenses | | | | | | | | | | |
| Salaries and benefits | \$ 54,498 | \$ 243,341 | \$ 98,377 | \$ 40,534 | \$ 69,797 | \$ 78,259 | \$ 13,385 | \$ 70,007 | \$ 24,869 | \$ 693,067 |
| Interest on long term debt | 313 | 908 | 6,119 | 2,797 | 228 | 722 | 1,290 | 679 | 120 | 13,176 |
| Materials supplies services | 33,576 | 16,322 | 50,874 | 35,576 | 8,026 | 9,503 | 28,260 | 23,872 | 6,103 | 212,112 |
| Contracted services | 11,503 | 2,878 | 57,921 | 65,793 | 3,754 | 60,153 | 19,546 | 9,851 | 6,606 | 238,005 |
| Rents and financial expenses | 2,448 | 1,848 | 7,839 | 4,434 | 1,770 | 2,318 | 7,144 | 3,870 | 1,150 | 32,821 |
| External transfers | 506 | 6,453 | 13 | 1,783 | 234 | 126,340 | 36,305 | 4,746 | 1,003 | 177,383 |
| Amortization | 7,913 | 7,455 | 80,179 | 48,046 | 2,274 | 1,988 | 5,227 | 19,120 | 2,924 | 175,126 |
| Interfunctional transfers | (59,851) | 4,729 | 21,931 | 7,089 | 5,763 | 5,450 | 493 | 10,238 | 4,158 | - |
| Total | \$ 50,906 | \$ 283,934 | \$ 323,253 | \$ 206,052 | \$ 91,846 | \$ 284,733 | \$ 111,650 | \$ 142,383 | \$ 46,933 | \$ 1,541,690 |
| Annual Surplus (Deficit) | \$ 803,546 | \$ (246,063) | \$ (193,376) | \$ 49,099 | \$ (36,103) | \$ (60,124) | \$ (35,377) | \$ (54,244) | \$ (37,595) | \$ 189,763 |

Section 3

**City of Hamilton
Financial Statements for the
Trust Funds
Cemetery, Library and General Trusts
December 31, 2015**

Contents

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Trust Funds of the City of Hamilton, which comprise the statement of financial position as at December 31, 2015, the statement of operations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of the City of Hamilton as at December 31, 2015, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 8, 2016
Hamilton, Ontario

City of Hamilton

Trust Funds – Consolidated

As at December 31, 2015

Statement of Financial Position

As at December 31, 2015

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------------|-----------------------------|
| Financial Assets | | |
| Cash | \$ 1,552,388 | \$ 1,303,504 |
| Investments (Note 2) | 13,976,865 | 13,649,753 |
| Investment in Hamilton Community Foundation (Note 3) | 3,017,983 | 2,808,980 |
| Due From City of Hamilton - Cemetery | 963,127 | 883,704 |
| Due From City of Hamilton - Library Trust Funds | 369,749 | 368,732 |
| Due From City of Hamilton - Other Trust Funds | <u>56,507</u> | <u>68,144</u> |
| Total Financial Assets | \$ 19,936,619 | \$ 19,082,817 |
| Liabilities | | |
| Deposits | <u>\$ 368,888</u> | <u>\$ 309,132</u> |
| Accumulated surplus | <u>\$ 19,567,731</u> | <u>\$ 18,773,685</u> |

Statement of Operations

Year ended December 31, 2015

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------------|-----------------------------|
| Revenues | | |
| Cemetery lots and interments | \$ 738,343 | \$ 639,727 |
| Investment income | 742,761 | 713,855 |
| Other revenue | <u>709</u> | - |
| Total revenue | <u>\$ 1,481,813</u> | <u>\$ 1,353,582</u> |
| Expenses | | |
| Other | \$ 73,500 | \$ 116,902 |
| Transfer to other trust funds | <u>614,267</u> | <u>618,907</u> |
| Total expenses | <u>\$ 687,767</u> | <u>\$ 735,809</u> |
| Annual surplus | <u>\$ 794,046</u> | <u>\$ 617,773</u> |
| Accumulated surplus at the beginning of the year | <u>\$ 18,773,685</u> | <u>\$ 18,155,912</u> |
| Accumulated surplus at the end of the year | <u>\$ 19,567,731</u> | <u>\$ 18,773,685</u> |

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2015

1. Significant accounting policies

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

(a) Basis of Consolidation

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

Fieldcote Farmer (Ancaster)
Dundas Knowles Bequest
Hamilton F. Waldon Dundurn Castle
Dundas Ellen Grafton
Ancaster Fieldcote Livingstone-Clarke
Ancaster Fieldcote Shaver
Hamilton Balfour Estate Chedoke
Cemetery Trust Funds
Municipal Election Surplus
Library - M. Waldon Thompson Bequest
Library - Central Library Special Gift Fund
Library - Permanent Endowment Fund
Library - Keetha McLaren Memorial Fund
Library - F. Waldon Library Bequest
Library - Waterdown Fundraising

(b) Basis of Accounting

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

2. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$13,976,865 (2014 - \$13,649,753). These investments have a market value of \$15,232,874 (2014 - \$14,788,638) at the end of the year.

3. Investments in Hamilton Community Foundation

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

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2015

4. Accumulated Surplus

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------------|-----------------------------|
| The accumulated surplus consists of: | | |
| Cemeteries | <u>\$ 15,213,661</u> | <u>\$ 14,620,209</u> |
| Library | | |
| M. Walden Thompson Estate | 21,398 | 21,007 |
| Special Gift Fund Central | 2,709,647 | 2,554,464 |
| Permanent Endowment Fund | 818,982 | 765,678 |
| Keetha McLaren Memorial Fund | 43,329 | 40,405 |
| F. Walden Library Bequest | 65,448 | 64,732 |
| Waterdown Library Fundraising | <u>45,537</u> | <u>44,520</u> |
| | <u>\$ 3,704,341</u> | <u>\$ 3,490,806</u> |
| Other | | |
| Fieldcote Farmer (Ancaster) | 339,555 | 341,061 |
| Knowles Bequest (Dundas) | 246,915 | 245,233 |
| F. Walden Dundurn Castle (Hamilton) | 6,008 | 5,874 |
| Ellen Grafton (Dundas) | 7,523 | 7,439 |
| Fieldcote Livingstone-Clarke (Ancaster) | 5,155 | 5,155 |
| Fieldcote Shaver (Ancaster) | 5,155 | 5,155 |
| Municipal Election (Hamilton) | 6,606 | 5,766 |
| Balfour Estate Chedoke (Hamilton) | <u>32,812</u> | <u>46,987</u> |
| | <u>\$ 649,729</u> | <u>\$ 662,670</u> |
| | <u>\$ 19,567,731</u> | <u>\$ 18,773,685</u> |

City of Hamilton
Trust Funds – Cemetery

As at December 31, 2015

Statement of Financial Position

As at December 31, 2015

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|----------------------|----------------------|
| Financial Assets | | |
| Cash | \$ 928,636 | \$ 631,893 |
| Due From City of Hamilton | 963,127 | 883,704 |
| Investments | <u>13,690,786</u> | <u>13,413,744</u> |
| Total Financial Assets | <u>\$ 15,582,549</u> | <u>\$ 14,929,341</u> |
| Liabilities | | |
| Deposits | \$ 368,888 | \$ 309,132 |
| Accumulated surplus | <u>\$ 15,213,661</u> | <u>\$ 14,620,209</u> |

Statement of Operations

Year ended December 31, 2015

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| Revenues | | |
| Cemetery lots and interments | \$ 738,343 | \$ 639,727 |
| Investment income | <u>473,140</u> | <u>449,713</u> |
| Total revenue | <u>\$ 1,211,483</u> | <u>\$ 1,089,440</u> |
| Expenses | | |
| Other | \$ 11,087 | \$ 10,978 |
| Transfer to other trust funds | <u>606,944</u> | <u>610,028</u> |
| Total expenses | <u>\$ 618,031</u> | <u>\$ 621,006</u> |
| Annual surplus | <u>\$ 593,452</u> | <u>\$ 468,434</u> |
| Accumulated surplus at the beginning of the year | <u>\$ 14,620,209</u> | <u>\$ 14,151,775</u> |
| Accumulated surplus at the end of the year | <u>\$ 15,213,661</u> | <u>\$ 14,620,209</u> |

See accompanying notes to the financial statements

City of Hamilton

Trust Funds – Library

As at December 31, 2015

Statement of Financial Position

As at December 31, 2015

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Financial Assets | | |
| Cash | \$ 316,609 | \$ 313,094 |
| Investment in Hamilton Community Foundation | 3,017,983 | 2,808,980 |
| Due From City of Hamilton | <u>369,749</u> | <u>368,732</u> |
| Total Financial Assets | <u>\$ 3,704,341</u> | <u>\$ 3,490,806</u> |
| Accumulated surplus | <u>\$ 3,704,341</u> | <u>\$ 3,490,806</u> |

Statement of Operations

Year ended December 31, 2015

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Revenues | | |
| Investment income | <u>\$ 258,027</u> | <u>\$ 249,544</u> |
| Total revenue | <u>\$ 258,027</u> | <u>\$ 249,544</u> |
| Expenses | | |
| Other | <u>\$ 44,492</u> | <u>\$ 42,491</u> |
| Total expenses | <u>\$ 44,492</u> | <u>\$ 42,491</u> |
| Annual surplus | <u>\$ 213,535</u> | <u>\$ 207,053</u> |
| Accumulated surplus at the beginning of the year | <u>3,490,806</u> | <u>3,283,753</u> |
| Accumulated surplus at the end of the year | <u>\$ 3,704,341</u> | <u>\$ 3,490,806</u> |

See accompanying notes to the financial statements

City of Hamilton
Trust Funds – Other

As at December 31, 2015

Statement of Financial Position

As at December 31, 2015

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|-------------------|-------------------|
| Financial Assets | | |
| Cash | \$ 307,143 | \$ 358,517 |
| Investments | 286,079 | 236,009 |
| Due From City of Hamilton | <u>56,507</u> | <u>68,144</u> |
| Total Financial Assets | <u>\$ 649,729</u> | <u>\$ 662,670</u> |
| Accumulated surplus | <u>\$ 649,729</u> | <u>\$ 662,670</u> |

Statement of Operations

Year ended December 31, 2015

| | <u>2015</u> | <u>2014</u> |
|---|--------------------|--------------------|
| Revenues | | |
| Investment income | \$ 11,594 | \$ 14,598 |
| Other revenue | <u>709</u> | - |
| Total revenue | <u>\$ 12,303</u> | <u>\$ 14,598</u> |
| Expenses | | |
| Transfer to other trust funds | \$ 7,323 | \$ 8,879 |
| Other | <u>17,921</u> | <u>63,433</u> |
| Total expenses | <u>\$ 25,244</u> | <u>\$ 72,312</u> |
| Annual deficit | <u>\$ (12,941)</u> | <u>\$ (57,714)</u> |
| Accumulated surplus at the beginning of the year | <u>662,670</u> | <u>720,384</u> |
| Accumulated surplus at the end of the year | <u>\$ 649,729</u> | <u>\$ 662,670</u> |

Section 4

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

December 31, 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Trust Funds – Homes for the Aged, City of Hamilton, which comprise the statement of financial position as at December 31, 2015, the statement of operations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds – Homes for the Aged, City of Hamilton as at December 31, 2015, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads "KPMG LLP". A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

June 8, 2016

Hamilton, Ontario

City of Hamilton
Trust Funds – Homes for the Aged

As at December 31, 2015

Statement of Financial Position

As at December 31, 2015

| | Macassa Lodge Resident Trusts | Wentworth Lodge Resident Trusts | Macassa Lodge Other Trusts | Wentworth Lodge Other Trusts | Total <u>2015</u> | Total <u>2014</u> |
|----------------------------|--|--|-------------------------------------|---------------------------------------|----------------------|----------------------|
| Financial assets | | | | | | |
| Cash | \$ 31,167 | \$ 23,011 | \$ 13,546 | \$ 127,657 | \$ 195,381 | \$ 221,155 |
| Investments | - | - | - | 253,028 | 253,028 | 250,900 |
| Liabilities | | | | | | |
| Accounts Payable | \$ 3,348 | \$ - | \$ - | \$ - | \$ 3,348 | |
| Due to City of Hamilton | - | - | - | - | - | 12,844 |
| Accumulated surplus | \$ 27,819 | \$ 23,011 | \$ 13,546 | \$ 380,685 | \$ 445,061 | \$ 459,211 |

Statement of Operations

Year ended December 31, 2015

| | Macassa Lodge Resident Trusts | Wentworth Lodge Resident Trusts | Macassa Lodge Other Trusts | Wentworth Lodge Other Trusts | Total <u>2015</u> | Total <u>2014</u> |
|---|--|--|-------------------------------------|---------------------------------------|----------------------|----------------------|
| Revenue | | | | | | |
| Residents' deposits | \$ 102,372 | \$ 121,536 | \$ 3,957 | \$ 15,778 | \$ 243,643 | \$ 262,239 |
| Investment income | - | - | 192 | 3,619 | 3,811 | 3,831 |
| Donations | - | - | 3,258 | 3,933 | 7,191 | 8,560 |
| | 102,372 | 121,536 | 7,407 | 23,330 | 254,645 | 274,630 |
| Expenses | | | | | | |
| Maintenance payments | \$ 9,633 | \$ 18,713 | \$ - | \$ - | \$ 28,346 | \$ 38,646 |
| Residents' charges | 95,334 | 86,929 | 8,975 | 23,488 | 214,726 | 225,878 |
| Payments to estates | 8,892 | 14,200 | - | - | 23,092 | 16,084 |
| Payments on discharge | 419 | 383 | - | - | 802 | 211 |
| Renovation Expense | - | - | - | 89 | 89 | 75,456 |
| Program purchases | - | - | - | 1,740 | 1,740 | 8,151 |
| | 114,278 | 120,225 | 8,975 | 25,317 | 268,795 | 364,426 |
| Annual surplus (deficit) | (11,906) | 1,311 | (1,568) | (1,987) | (14,150) | (89,796) |
| Accumulated surplus at the beginning of the year | 39,725 | 21,700 | 15,114 | 382,672 | 459,211 | 549,007 |
| Accumulated surplus at the end of the year | \$ 27,819 | \$ 23,011 | \$ 13,546 | \$ 380,685 | \$ 445,061 | \$ 459,211 |

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, 2015

1. Purpose of Trust Funds

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

Macassa and Wentworth Lodge Resident Trusts

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

Macassa and Wentworth Lodge Other Trusts

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

2. Significant accounting policies

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

Basis of accounting

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

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

3. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$253,028 (2014 - \$250,900). These investments have a market value of \$263,952 (2014 - \$257,772) at the end of the year.
