



Hamilton

FINANCIAL REPORT

2014

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

City of Hamilton
Financial Report
2014

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Section 1

City of Hamilton Five Year Financial and Statistical Review 2014

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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenue					
Taxation	\$ 792,317	\$ 764,684	\$ 739,264	\$ 720,324	\$ 700,257
Government grants and contributions	418,772	341,258	349,212	427,151	520,947
User charges	298,888	280,712	282,271	288,965	267,210
Development charges and subdivider contributions	47,102	22,031	54,840	71,270	16,378
Donated tangible capital assets	36,584	29,821	30,460	57,332	41,193
Investment and dividend income	35,452	32,268	32,513	38,770	39,936
Net income from Government Business Enterprises	3,622	15,449	22,062	19,697	11,907
Other	98,716	97,371	90,245	89,228	92,518
	<u>1,731,453</u>	<u>1,583,594</u>	<u>1,600,867</u>	<u>1,712,737</u>	<u>1,690,346</u>
Operating Expenses by Function					
General government	\$ 50,906	\$ 57,987	\$ 59,788	\$ 48,916	\$ 46,543
Protection services	283,934	278,774	272,712	262,501	247,282
Transportation services	323,253	282,486	280,967	286,587	272,423
Environmental services	206,052	198,720	196,748	197,094	173,108
Health services	91,846	91,564	85,434	80,443	77,353
Social and family services	284,733	276,984	280,279	279,342	297,831
Social housing	111,650	100,098	110,383	117,740	116,833
Recreation and cultural services	142,383	145,064	140,234	141,508	147,000
Planning and development	46,863	41,825	42,684	40,044	41,081
	<u>1,541,620</u>	<u>1,473,502</u>	<u>1,469,229</u>	<u>1,454,175</u>	<u>1,419,454</u>
Net Operating Revenue or Annual Surplus from Operations	<u>189,833</u>	<u>110,092</u>	<u>131,638</u>	<u>258,562</u>	<u>270,892</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2014 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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Taxation					
Taxation from real property	\$ 967,719	\$ 940,090	\$ 914,365	\$ 893,209	\$ 871,170
Taxation from other governments/payments in lieu of taxes	15,367	15,080	15,060	15,267	14,835
Taxation collected on behalf of school boards	(190,769)	(190,486)	(190,161)	(188,152)	(185,748)
Net taxes available for municipal purposes	<u>792,317</u>	<u>764,684</u>	<u>739,264</u>	<u>720,324</u>	<u>700,257</u>
Tax Levies					
City portion	\$ 761,745	\$ 737,350	\$ 711,785	\$ 692,391	\$ 673,013
School Board portion	186,846	187,274	186,936	185,066	181,510
	<u>948,591</u>	<u>924,624</u>	<u>898,721</u>	<u>877,457</u>	<u>854,523</u>
Tax arrears					
Taxes receivable	\$ 82,976	\$ 80,067	\$ 78,078	\$ 78,728	\$ 71,937
Taxes receivable per capita	152	148	146	148	136
Taxes receivable as a percentage of current years' levies	8.7%	8.7%	8.7%	9.0%	8.4%
Unweighted Taxable Assessment					
Residential	\$ 50,132,183	\$ 46,565,889	\$ 44,555,379	\$ 41,781,277	\$ 39,268,260
Non-Residential	8,012,675	6,791,790	6,668,514	6,277,837	5,760,437
	<u>58,144,858</u>	<u>53,357,679</u>	<u>51,223,893</u>	<u>48,059,114</u>	<u>45,028,697</u>
Weighted Taxable Assessment					
Residential	\$ 54,976,796	\$ 50,094,712	\$ 47,986,529	\$ 45,123,128	\$ 42,509,064
Non-Residential	15,554,593	14,946,695	14,705,148	13,912,554	12,828,948
	<u>70,531,389</u>	<u>65,041,407</u>	<u>62,691,677</u>	<u>59,035,682</u>	<u>55,338,012</u>
Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment					
Residential	78%	77%	77%	76%	77%
Non-Residential	22%	23%	23%	24%	23%
Taxable Assessment Growth (weighted)	1.3%	0.8%	0.8%	1.1%	1.3%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2014 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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Expenses by Object					
Salaries, wages and employee benefits	\$ 693,067	\$ 667,736	\$ 650,956	\$ 627,410	\$ 608,943
Interest on long term liabilities	13,176	14,717	16,405	16,815	17,871
Materials	212,112	199,596	217,473	234,738	183,589
Contracted services	237,935	213,504	207,359	181,487	197,609
Rents and financial expenses	32,821	28,845	26,841	26,410	19,852
External transfers	177,383	176,435	181,552	197,479	225,421
Amortization of tangible capital assets	175,126	172,669	168,643	169,836	166,169
	<u>1,541,620</u>	<u>1,473,502</u>	<u>1,469,229</u>	<u>1,454,175</u>	<u>1,419,454</u>
Operating Expenses as Percentage of Total					
Salaries, wages and employee benefits	45.0%	45.3%	44.3%	43.1%	42.9%
Interest on long term liabilities	0.9%	1.0%	1.1%	1.2%	1.3%
Materials	13.8%	13.5%	14.8%	16.1%	12.9%
Contracted services	15.4%	14.5%	14.1%	12.5%	13.9%
Rents and financial expenses	2.1%	2.0%	1.8%	1.8%	1.4%
External transfers	11.5%	12.0%	12.4%	13.6%	15.9%
Amortization of tangible capital assets	11.3%	11.7%	11.5%	11.7%	11.7%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Long Term Liabilities					
Long Term Liabilities incurred by the City	\$ 444,766	\$ 388,663	\$ 430,905	\$ 368,683	\$ 420,352
Long Term Debt incurred by the City for which other entities have assumed responsibility	(6,280)	(9,136)	(11,818)	(14,336)	(23,371)
	<u>438,486</u>	<u>379,527</u>	<u>419,087</u>	<u>354,347</u>	<u>396,981</u>
Long Term Liabilities					
Housing operations	\$ 74,675	\$ 79,650	\$ 84,449	\$ 84,908	\$ 89,195
City operations	363,811	299,877	334,638	269,439	307,786
	<u>438,486</u>	<u>379,527</u>	<u>419,087</u>	<u>354,347</u>	<u>396,981</u>
Long term liabilities as a % of Reserves and Capital Surplus					
	60.40%	56.70%	58.60%	52.40%	55.80%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2014 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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tangible Capital Assets					
General					
Land	\$ 287,316	\$ 265,406	\$ 252,555	\$ 235,428	\$ 218,869
Land improvements	137,563	142,054	138,912	121,377	118,593
Buildings	583,083	570,509	564,989	474,152	400,065
Vehicles	100,547	109,191	118,460	118,843	129,356
Computer hardware and software	6,701	4,928	5,503	4,335	5,008
Other	88,164	90,596	65,122	66,925	63,075
Infrastructure					
Roads	1,188,995	1,183,951	1,201,843	1,196,811	1,212,293
Bridges and structures	183,252	176,442	169,941	171,716	159,286
Water and wastewater facilities	391,440	388,850	323,503	215,272	160,327
Underground and other networks	1,631,570	1,585,462	1,544,543	1,508,056	1,443,408
Net Book Value	4,598,631	4,517,389	4,385,371	4,112,915	3,910,280
Assets under construction	359,541	223,286	236,220	341,441	283,547
	4,958,172	4,740,675	4,621,591	4,454,356	4,193,827
Accumulated Surplus or Municipal Financial Position					
Reserves and reserve funds					
Reserves	\$ 636,625	\$ 606,664	\$ 599,756	\$ 583,063	\$ 530,213
Hamilton Future Fund	46,436	61,116	76,949	73,506	72,990
	683,061	667,780	676,705	656,569	603,203
Capital surplus	\$ 43,318	\$ 1,742	\$ 38,296	\$ 19,858	\$ 107,836
Operating surplus	(1,862)	(71)	(267)	(260)	(610)
Investment in Government Business Enterprises	223,724	235,392	230,610	222,001	212,388
Investment in tangible capital assets	4,507,349	4,351,854	4,193,036	4,092,973	3,789,590
Unfunded liabilities - Employee future benefits	(313,254)	(297,989)	(287,476)	(269,461)	(253,988)
Unfunded liabilities - Solid waste landfill sites	(26,084)	(28,655)	(31,967)	(33,357)	(26,611)
	5,116,252	4,930,053	4,818,937	4,688,323	4,431,808

Note: Amounts reported may have been restated from previous amounts presented to conform to 2014 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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statistical Information					
Population	545,850	540,000	535,234	531,057	528,502
Households	221,000	218,500	215,733	212,262	209,965
Area in hectares	112,775	112,775	112,775	112,775	112,775
Building Permit Values	\$1,143,192,706	\$1,025,785,758	\$1,499,627,394	\$ 731,019,287	\$1,096,299,091
Housing Starts	1,203	1,250	1,499	1,058	1,513
Residential Units - Building Permits	3,379	3,112	3,302	3,373	5,137
Average Monthly Social Assistance Case Load	12,428	12,619	13,288	13,807	13,330
Continuous Full Time Employees	6,405	6,411	6,392	6,296	6,259

Note: Amounts reported may have been restated from previous amounts presented to conform to 2014 Public Sector Accounting Board (PSAB) standards.

Section 2

City of Hamilton Consolidated Financial Statements 2014

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Independent Auditor's Report

<<NOTE: The Independent Auditor's Report will be inserted after the Financial Report is approved by the Audit, Finance and Administration Committee. >>

Independent Auditor's Report

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City of Hamilton Consolidated Statement of Financial Position

For the year ended December 31, 2014 (all numbers are in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Financial assets		
Cash and cash equivalents (Note 2)	\$ 183,476	\$ 100,255
Taxes receivable	82,976	80,067
Accounts receivable	117,395	101,465
Other assets	617	475
Long term receivables (Note 3)	48,995	49,383
Portfolio investments (Note 2)	830,513	816,219
Investment in Government Business Enterprises (Note 4)	<u>223,724</u>	<u>235,392</u>
Total financial assets	<u>\$1,487,696</u>	<u>\$1,383,256</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 315,925	\$ 247,375
Deferred revenue - general	37,203	44,155
Deferred revenue - obligatory reserve funds (Note 5 & 6)	194,868	196,705
Long term liabilities – Municipal Operations (Note 7)	363,811	299,877
Long term liabilities – Housing Corporation (Note 8)	74,675	79,650
Employee future benefits and other obligations (Note 9)	334,709	318,645
Solid waste landfill liabilities (Note 11)	<u>26,084</u>	<u>28,655</u>
Total liabilities	<u>1,347,275</u>	<u>1,215,062</u>
Net financial assets	<u>\$ 140,421</u>	<u>\$ 168,194</u>
Non-financial assets		
Tangible capital assets (Note 19)	\$4,958,172	\$4,740,675
Inventories	10,711	9,928
Prepaid expenses	<u>6,948</u>	<u>11,256</u>
Total non-financial assets	<u>4,975,831</u>	<u>4,761,859</u>
Accumulated surplus (Note 12)	<u>\$5,116,252</u>	<u>\$4,930,053</u>

Contractual obligations (Note 16)

Contingent liabilities (Note 18)

See accompanying notes to the consolidated financial statements.

City of Hamilton Consolidated Statement of Operations

For the year ended December 31, 2014 (all numbers are in thousands of dollars)

	Budget 2014 (Note 22)	Actual 2014	Actual 2013
Revenue			
Taxation (Note 14)	\$ 788,754	\$ 792,317	\$ 764,684
Government grants and contributions	371,680	418,772	341,258
User charges	293,583	298,888	280,712
Development charges and subdivider contributions	45,252	47,102	22,031
Donated tangible capital assets	29,800	36,584	29,821
Investment and dividend income	31,613	35,452	32,268
Net income from Government Business Enterprises (Note 4)	-	3,622	15,449
Other	128,606	98,716	97,371
Total revenue	1,689,288	1,731,453	1,583,594
Expenses			
General government	\$ 51,065	\$ 50,906	\$ 57,987
Protection services	281,588	283,934	278,774
Transportation services	300,608	323,253	282,486
Environmental services	206,537	206,052	198,720
Health services	99,874	91,846	91,564
Social and family services	281,372	284,733	276,984
Social housing	96,567	111,650	100,098
Recreation and cultural services	150,111	142,383	145,064
Planning and development	44,731	46,863	41,825
Total expenses	1,512,453	1,541,620	1,473,502
Annual Surplus	\$ 176,835	\$ 189,833	\$ 110,092
Accumulated surplus			
Beginning of year	\$ 4,930,053	\$ 4,930,053	\$ 4,818,939
Other comprehensive income (loss) of Government Business Enterprises	-	(3,634)	1,022
End of year	\$ 5,106,888	\$ 5,116,252	\$ 4,930,053

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, 2014 (all numbers are in thousands of dollars)

	Budget <u>2014</u> (Note 22)	Actual <u>2014</u>	Actual <u>2013</u>
Operating activities			
Annual surplus	\$ 176,835	\$ 189,833	\$ 110,092
Other comprehensive income (loss) of Government Business Enterprises	-	(3,634)	1,022
Acquisition of tangible capital assets	(404,197)	(364,154)	(272,326)
Loss on disposition of tangible capital assets	-	8,114	9,886
Amortization of tangible capital assets	173,179	175,127	173,179
Donated tangible capital assets	(29,800)	(36,584)	(29,821)
Increase in inventories	-	(783)	(1,246)
Decrease (increase) in prepaid expenses	-	4,308	(801)
Net increase (decrease) in net financial assets	<u>(83,983)</u>	<u>(27,773)</u>	<u>(10,015)</u>
Net financial assets			
Beginning of year	<u>168,194</u>	<u>168,194</u>	<u>178,209</u>
End of year	<u>\$ 84,211</u>	<u>\$ 140,421</u>	<u>\$ 168,194</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton Consolidated Statement of Cash Flows

For the year ended December 31, 2014 (all numbers are in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Operating activities		
Annual surplus	\$ 189,833	\$ 110,092
Increase in taxes receivable	(2,909)	(1,989)
Decrease (increase) in accounts receivable	(15,930)	567
Decrease (increase) in other assets	(142)	341
Increase in accounts payable and accrued liabilities	68,550	25,850
Increase (decrease) in deferred revenue - general	(6,952)	6,943
Increase (decrease) in deferred revenue – obligatory reserve fund	(1,837)	48,138
Increase in inventories	(783)	(1,246)
Decrease (increase) in prepaid expenses	4,308	(801)
Non-cash activities		
Amortization of tangible capital assets	175,127	173,179
Donated tangible capital assets	(36,584)	(29,821)
Loss on disposition of tangible capital assets	8,114	9,886
Net income from Government Business Enterprises	(3,622)	(15,449)
Change in employee future benefits and other obligations	16,064	11,131
Change in solid waste landfill liabilities	(2,571)	(3,312)
	<u>390,666</u>	<u>333,509</u>
Investing activities		
Decrease (increase) in portfolio investments	(14,294)	915
Decrease (increase) in long term receivables	388	(166)
Dividends received from Government Business Enterprises	11,656	11,690
	<u>(2,250)</u>	<u>12,439</u>
Financing activities		
Long term debt issued – Municipal Operations	99,000	-
Debt principal repayment – Municipal Operations	(33,936)	(32,764)
Lease obligation payment – Municipal Operations	(1,130)	(1,997)
Debt principal repayment – Housing Corporation	(4,975)	(4,799)
	<u>58,959</u>	<u>(39,560)</u>
Capital activities		
Purchase of tangible capital assets	(364,154)	(272,326)
Net increase in cash and cash equivalents	83,221	34,062
Cash and cash equivalents		
Beginning of year	<u>100,255</u>	<u>66,193</u>
End of year	<u>\$ 183,476</u>	<u>\$ 100,255</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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 \$18,774,000 (2013 - \$18,155,000) 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 \$459,000 (2013 - \$549,000) 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, 2014 (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
Prenatal Nutrition & Support
Remedial Measures
Young Offenders Assessment

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

(b) Basis of accounting

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

(c) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating provisions for allowance for doubtful accounts, donated tangible capital assets, solid waste landfill liabilities, and in performing actuarial valuations of employee future 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, 2014 (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, 2014 (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) Correction of an immaterial prior period error

Confederation Park and Westfield Heritage Village were determined to be controlled by the City but were previously not included in the reporting entity or in the consolidated financial statements. The impact of the correction has been recorded retrospectively and the cumulative effect up to December 31, 2014 has been recorded as an increase to assets of \$6,237,000, a decrease in liabilities of \$321,000, and an increase accumulated surplus of \$6,558,000.

The impact on 2014 revenue is an increase of \$2,337,000 and the impact on 2014 expenses is an increase of \$2,655,000.

The impact of the correction as at January 1, 2013 was a \$6,408,000 increase in assets, and an increase in accumulated surplus of \$7,118,000 as of that date.

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (all numbers in columns are in thousands of dollars)

2. Cash and portfolio investments

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 166	\$ 168
Cash held in banks	177,196	94,360
Temporary investments	6,114	5,727
	<u>\$ 183,476</u>	<u>\$ 100,255</u>

Portfolio investments are comprised of:

Unrestricted investments	\$ 589,209	\$ 558,398
Designated investments (obligatory reserve funds)	194,868	196,705
Designated investments (Hamilton Future Fund)	46,436	61,116
	<u>\$ 830,513</u>	<u>\$ 816,219</u>

Portfolio investments have a market value of \$864,665,000 (2013 - \$819,382,000) and include investments in the City's own debentures - unrestricted investments of \$14,896,000 (2013 - \$14,942,000).

3. Long term receivables

The City has long-term receivables in the amount of \$48,995,000 (2013 - \$49,383,000). The long term receivables are comprised of:

	<u>2014</u>	<u>2013</u>
Development charge deferral agreements	\$ 18,990	\$ 21,482
Mortgages receivable:		
Downtown convert to rent program	19,250	15,026
Hamilton Renewable Power Inc.	2,649	3,460
Sheraton Hotel loan	1,296	1,308
Other City loan programs	5,656	6,398
Loans to other agencies and organizations	5,469	5,759
Less: Provision for loans with concessionary terms	(4,315)	(4,050)
	<u>\$ 48,995</u>	<u>\$ 49,383</u>

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

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

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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 2014 and 2013 is as reported by the Hamilton Utilities Corporation and Hamilton Renewable Power Inc.

	<u>2014</u>	<u>2013</u>
Net income from H.U.C.	\$ 3,342	\$ 15,143
Net income from H.R.P.I.	<u>280</u>	<u>306</u>
Net income from Government Business Enterprises	<u>\$ 3,622</u>	<u>\$ 15,449</u>

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

	<u>2014</u>	<u>2013</u>
Investment in H.U.C.	\$ 223,966	\$ 235,618
Investment in H.R.P.I.	<u>(242)</u>	<u>(226)</u>
	<u>\$ 223,724</u>	<u>\$ 235,392</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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, 2014 and December 31, 2013 respectively.

	<u>2014</u>	<u>2013</u>
Financial Position		
Current assets	\$ 149,099	\$ 172,879
Capital assets	428,423	409,263
Intangible assets	17,689	15,374
Goodwill	18,923	18,923
Future payments in lieu of taxes	17,609	13,768
Total assets	<u>631,743</u>	<u>630,207</u>
Current liabilities (including current portion of long term debt)	105,990	102,194
Non-current liabilities	254,122	241,795
Total liabilities	<u>360,112</u>	<u>343,989</u>
Minority Interest	47,665	50,600
Net assets	<u>\$ 223,966</u>	<u>\$ 235,618</u>
Results of operations		
Revenues	\$ 635,073	\$ 610,605
Operating expenses	(621,031)	(577,778)
Financing expenses	(7,161)	(7,031)
Investing expenses	(1,498)	(1,707)
Other income	905	1,219
Equity earnings from operations	<u>6,288</u>	<u>25,308</u>
Payment in lieu of taxes	(2,047)	(6,435)
Minority Interest	(899)	(3,730)
Net Income before other comprehensive income	3,342	15,143
Other comprehensive income (loss)	(3,634)	1,022
Net income (loss)	<u>\$ (292)</u>	<u>\$ 16,165</u>
Dividends paid	\$ 11,360	\$ 11,384

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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, 2014 and December 31, 2013 respectively.

	<u>2014</u>	<u>2013</u>
Financial Position		
Current assets	\$ 1,503	\$ 1,465
Capital assets	8,440	9,040
Other assets	<u>32</u>	<u>32</u>
Total assets	<u>9,975</u>	<u>10,537</u>
Current liabilities (including current portion of long term debt)	1,788	1,600
Future payment in lieu of taxes	508	514
Long term debt	<u>1,921</u>	<u>2,649</u>
Total liabilities	4,217	4,763
Shareholder's equity	<u>6,000</u>	6,000
Net assets	<u>\$ (242)</u>	<u>\$ (226)</u>
Results of operations		
Revenues	\$ 3,564	\$ 3,685
Expenses	<u>(3,284)</u>	<u>(3,379)</u>
Net income	<u>\$ 280</u>	<u>\$ 306</u>
Dividends paid	\$ 296	\$ 306

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

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

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

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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>2014</u>	<u>2013</u>
Revenue		
Dividend revenue from H.U.C.	\$ 11,360	\$ 11,384
Property and other taxes received by the City from H.U.C.	561	543
Sale of Methane to H.R.P.I.	927	934
Expenditures		
Hydro purchased by the City from H.U.C.	29,212	28,330
Water and sewer billing contracted service with H.U.C.	4,354	4,130
Thermal and Electrical Energy purchased from H.U.C.	2,246	1,897
Thermal Energy purchased from H.R.P.I.	452	457
Assets		
Water user charges receivable from H.U.C.	13,657	12,141
Accounts receivable from H.R.P.I.	707	689
Long term receivable from H.R.P.I.	2,649	3,330
Liabilities		
Accounts Payable – H.U.C.	490	430

5. Deferred revenue – obligatory reserve funds

	<u>2014</u>	<u>2013</u>
Development charge reserve funds	\$ 98,267	\$ 81,990
Subdivider contributions	54	52
Recreational land dedicated under the Planning Act	24,115	21,293
Gasoline tax revenue: Provincial	26,522	27,618
Federal	29,743	29,563
Building Permit Revenue	16,140	14,918
Other (Ivor Wynne)	27	21,271
	<u>\$ 194,868</u>	<u>\$ 196,705</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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>2014</u>	<u>2013</u>
Balance at the beginning of the year	\$ 196,705	\$ 148,567
Add:		
Developer and other contributions	66,371	57,685
Interest earned	2,934	3,204
Provincial and Federal Funding	41,312	10,441
	<u>110,617</u>	<u>71,330</u>
Less:		
Contributions used in operating and capital funds	<u>(112,454)</u>	<u>(23,192)</u>
Balance at the end of the year	<u>\$ 194,868</u>	<u>\$ 196,705</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 6.70% and obligations for leased tangible capital assets with payments from 2015 to 2050 at a discount rate of 5%. The balance of long term liabilities consists of the following:

	<u>2014</u>	<u>2013</u>
Long term liabilities incurred by the City	\$ 365,301	\$ 303,093
Long term liabilities incurred by the City for which other entities have assumed responsibility	<u>(6,280)</u>	<u>(9,136)</u>
Net long term debt	\$ 359,021	\$ 293,957
Long term liabilities for leased tangible capital assets incurred by the City	<u>4,790</u>	<u>5,920</u>
Net long term liabilities	<u>\$ 363,811</u>	<u>\$ 299,877</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, 2014 is \$6,280,000 (2013 - \$9,136,000).

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, 2014 (all numbers in columns are in thousands of dollars)

7. Long term liabilities – municipal operations (continued)

- (c) Of the \$359,021,000 long term debt (2013 - \$293,957,000) 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>2014</u>	<u>2013</u>
General revenues	\$ 274,907	\$ 243,135
Water & Wastewater user charges	84,110	50,818
Non-consolidated entities	4	4
	<u>\$ 359,021</u>	<u>\$ 293,957</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 2014
2015	\$ 34,874	\$ 6,215	\$ 1	\$ 41,090
2016	35,989	6,218	1	42,208
2017	33,695	6,223	1	39,919
2018	22,963	6,226	1	29,190
2019	23,548	6,231		29,779
2020 and thereafter	123,838	52,997		176,835
Total	<u>\$ 274,907</u>	<u>\$ 84,110</u>	<u>\$ 4</u>	<u>\$ 359,021</u>

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

	<u>2014</u>
2015	\$ 1,130
2016	524
2017	321
2018	321
2019	321
2020 and thereafter	2,173
Total	<u>\$ 4,790</u>

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

	<u>2014</u>	<u>2013</u>
Principal repayments	\$ 33,936	\$ 32,764
Interest expense	11,695	11,975
	<u>\$ 45,631</u>	<u>\$ 44,739</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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>2014</u>	<u>2013</u>
Principal repayments	\$ 1,130	\$ 1,997
Interest expense	201	206
	<u>\$ 1,331</u>	<u>\$ 2,203</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 2015 to 2027 with interest rates varying between 1.65% and 5.83%. The mortgage obligations for CityHousing Hamilton are \$74,675,000 (2013 - \$79,650,000).

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

	<u>2014</u>
2015	\$ 9,704
2016	11,660
2017	13,346
2018	4,709
2019	22,582
2020 and thereafter	12,674
	<u>\$ 74,675</u>

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

	<u>2014</u>	<u>2013</u>
Principal repayments	\$ 4,975	\$ 4,799
Interest expense	1,280	2,536
	<u>\$ 6,255</u>	<u>\$ 7,335</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 \$24,359,000 (2013 - \$27,978,000), 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, 2014 (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>2014</u>	<u>2013</u>
Accrued Benefit Obligation		
Sick leave benefit plan	\$ 54,263	\$ 51,144
Long term disability	20,970	19,362
Workplace safety and insurance board liabilities (WSIB)	71,022	70,086
Retirement benefits	132,528	127,236
Vacation benefits	25,012	24,572
Pension benefit plans (Note 9f)	<u>103,051</u>	<u>107,393</u>
	406,846	399,793
Net unamortized actuarial loss	<u>(72,137)</u>	<u>(81,148)</u>
Accrued Liability	<u>\$ 334,709</u>	<u>\$ 318,645</u>

The City has established reserves for some of these liabilities totalling \$68,370,000 (2013 - \$66,360,000) as described in the following notes.

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

	<u>2014</u>	<u>2013</u>
Liability for Employee Future Benefits and Other Obligations		
balance at beginning of the year	\$ 318,645	\$ 307,514
Benefit expense	20,052	18,063
Interest expense	13,184	12,382
Amortization of actuarial loss on accrued benefit obligations	12,666	8,221
Amortization of actuarial gain on earnings on pension assets	(2,881)	(394)
Benefit payments	<u>(26,957)</u>	<u>(27,141)</u>
Liability for Employee Future Benefits and Other Obligations		
balance at end of the year	<u>\$ 334,709</u>	<u>\$ 318,645</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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>2014</u>	<u>2013</u>
Benefit expense	20,052	18,063
Interest expense	13,184	12,382
Amortization of net actuarial loss	12,666	8,221
	<u>\$ 45,902</u>	<u>\$ 38,666</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)	4.0%	5.75%	2.25%	NA (2)	NA	8.0 to 10.1

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, 2014 has estimated the accrued benefit obligation at \$54,263,000 (2013 - \$51,144,000). Changes in valuation assumptions have resulted in an increase in the liability to \$54,263,000 from the expected liability of \$43,534,000. The actuarial loss as at December 31, 2014 of \$10,729,000 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 \$7,707,000 (2013 - \$8,052,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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, 2014 has estimated the accrued benefit obligation at \$20,970,000 (2013 - \$19,362,000). Changes in valuation assumptions have resulted in an increase in the liability to \$20,970,000 from the expected liability of \$20,968,000. The actuarial loss as at December 31, 2014 of \$2,000 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 \$16,747,000 (2013 - \$15,748,000).

(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, 2014 estimated the accrued benefit obligation for workplace safety & insurance existing claims and future pension awards at \$71,022,000 (2013 - \$70,086,000). Changes in valuation assumptions have resulted in an increase in the liability to \$71,022,000 from the expected liability of \$67,756,000. The actuarial loss of \$3,266,000 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 \$42,511,000 (2013 - \$41,187,000).

(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, 2014 estimated the accrued benefit obligation at \$132,528,000 (2013 - \$127,236,000). Changes in valuation assumptions have resulted in an increase in the liability to \$132,528,000 from the expected liability of \$102,918,000. The actuarial loss of \$29,610,000 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, 2014 has been estimated at \$25,012,000 (2013 - \$24,572,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,406,000 (2013 - \$1,373,000).

(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, 2014 estimated the combined accrued benefit obligation of the pension plans at \$103,051,000 (2013 - \$107,393,000). Changes in valuation resulted in an increase in the liability to \$103,051,000 from an expected liability of \$74,521,000. The actuarial loss of \$28,530,000 is being amortized over 8.0 to 10.1 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, 2014 (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 6,811 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, 2014 indicates a "going concern" Actuarial Deficit based on the plan's current member and employer contribution rates. Contributions were made in the 2014 calendar year at rates ranging from 9.0% to 15.9% depending on the member's designated retirement age and level of earnings. As a result \$50,632,000 (2013 - \$49,036,000) 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 430 employees of the City are members of three defined benefit pension plans and will be future beneficiaries under their terms and conditions. Actuarial valuations of the pension plans for funding purposes are required under the Pension Benefits Act every three years. The actuarial valuations of the pension plans for accounting purposes provide different results than the valuations for funding purposes. For funding purposes, one of the pension plans is in a net asset position and two of the pension plans are in a net liability position.

The actuarial valuation of the Hamilton Wentworth Retirement Fund ("HWRF") pension plan as at December 31, 2014 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 ten 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>2014</u>	<u>2013</u>
Accrued pension benefit obligation - HWRF	\$ 81,323	\$ 83,101
Pension plan assets:		
Marketable securities (Market value)	<u>(62,563)</u>	<u>(61,167)</u>
	18,760	21,934
Unamortized actuarial loss	<u>(4,855)</u>	<u>(7,694)</u>
Accrued pension liability - HWRF	<u>\$ 13,905</u>	<u>\$ 14,240</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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>2014</u>	<u>2013</u>
Expected pension fund assets at end of year	\$ 58,325	\$ 57,071
Actual pension fund assets at end of year	<u>62,563</u>	<u>61,167</u>
Actuarial gain on pension fund assets - HWRF	<u>\$ 4,238</u>	<u>\$ 4,096</u>
Expected accrued pension benefit obligation at end of year	\$ 79,291	\$ 75,233
Actual accrued pension benefit obligation at end of year	<u>81,323</u>	<u>83,101</u>
Actuarial loss on accrued pension benefit obligation – HWRF	<u>\$ (2,032)</u>	<u>\$ (7,868)</u>

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

	<u>2014</u>	<u>2013</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ 1,244	\$ 34
Amortization of net actuarial gain (loss) on pension plan assets	<u>(611)</u>	<u>19</u>
Net Amortization	<u>633</u>	<u>53</u>
Interest on average accrued pension benefit obligation	\$ 3,573	\$ 3,404
Expected return on average pension plan assets	<u>(3,198)</u>	<u>(3,130)</u>
Net Interest	<u>375</u>	<u>274</u>
Total expenses	<u>\$ 1,008</u>	<u>\$ 327</u>

Payments of \$1,343,000 (2013 - \$2,346,000) 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, 2014 will be funded by the City with payments as follows:

2015	\$ 2,741
2016	1,724
2017	1,724
2018	1,724
2019	1,724
2020 and thereafter	<u>5,036</u>
Total	<u>\$ 14,673</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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, 2014 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 eight 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>2014</u>	<u>2013</u>
Accrued pension benefit obligation - HMRF	\$ 90,787	\$ 88,819
Pension plan assets:		
Marketable securities (Market value)	<u>(82,150)</u>	<u>(80,342)</u>
	8,637	8,477
Unamortized actuarial loss	<u>(7,205)</u>	<u>(7,695)</u>
Accrued pension liability - HMRF	<u>\$ 1,432</u>	<u>\$ 782</u>

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

	<u>2014</u>	<u>2013</u>
Expected pension fund assets at end of year	\$ 77,131	\$ 74,944
Actual pension fund assets at end of year	<u>82,150</u>	<u>80,342</u>
Actuarial gain on pension fund assets - HMRF	<u>\$ 5,019</u>	<u>\$ 5,398</u>
Expected accrued pension benefit obligation at end of year	\$ 85,511	\$ 78,538
Actual accrued pension benefit obligation at end of year	<u>90,787</u>	<u>88,819</u>
Actuarial loss on accrued pension benefit obligation – HMRF	<u>\$ (5,276)</u>	<u>\$ (10,281)</u>

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

	<u>2014</u>	<u>2013</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ 1,381	\$ 238
Amortization of net actuarial gain (loss) on pension plan assets	<u>(359)</u>	<u>211</u>
Net Amortization	<u>1,022</u>	<u>449</u>
Interest on average accrued pension benefit obligation	\$ 3,836	\$ 3,542
Expected return on average pension plan assets	<u>(4,207)</u>	<u>(4,100)</u>
Net Interest	<u>(371)</u>	<u>(558)</u>
Total expenses	<u>\$ 651</u>	<u>\$ (109)</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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, 2014 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 ten 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>2014</u>	<u>2013</u>
Accrued pension benefit obligation - HSR	\$ 261,077	\$ 251,970
Pension plan assets:		
Marketable securities (Market value)	<u>(185,423)</u>	<u>(174,989)</u>
	75,654	76,981
Unamortized actuarial loss	<u>(16,470)</u>	<u>(19,969)</u>
Accrued pension liability - HSR	<u>\$ 59,184</u>	<u>\$ 57,012</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>2014</u>	<u>2013</u>
Expected pension fund assets at end of year	\$ 175,016	\$ 163,204
Actual pension fund assets at end of year	<u>185,423</u>	<u>174,989</u>
Actuarial gain on pension fund assets - HSR	<u>\$ 10,407</u>	<u>\$ 11,785</u>
Expected accrued pension benefit obligation at end of year	\$ 252,336	\$ 230,598
Actual accrued pension benefit obligation at end of year	<u>261,077</u>	<u>251,970</u>
Actuarial loss on accrued pension benefit obligation – HSR	<u>\$ (8,741)</u>	<u>\$ (21,372)</u>

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

	<u>2014</u>	<u>2013</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ 3,745	\$ 1,409
Amortization of net actuarial loss on pension plan assets	<u>(1,911)</u>	<u>(623)</u>
Net Amortization	1,834	786
Interest on average accrued pension benefit obligation	\$ 11,097	\$ 10,144
Expected return on average pension plan assets	<u>(9,368)</u>	<u>(8,728)</u>
Net Interest	1,729	1,416
Total expenses	<u>\$ 3,563</u>	<u>\$ 2,202</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

Payments of \$1,388,000 (2013 – \$1,524,000) 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, 2014 will be funded by the City with payments as follows:

2015	\$ 5,020
2016	4,925
2017	4,925
2018	4,925
2019	4,925
2020 and thereafter	16,432
Total	<u>\$ 41,152</u>

There were \$3,000 (2013 - \$325,000) 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, 2014 the remaining capacity of Phase 1 is estimated to be 664,000 cubic metres, representing 8% 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, 2014 has yet to begin accepting fill. Phase 2 is estimated to reach its capacity and close in 2043.

In 2014 approximately 50% of waste generated was diverted from landfills (2013 – 50%).

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, 2014 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 \$32,774,000 (2013 - \$37,866,000). The expenses remaining to be recognized are \$6,690,000 (2013 - \$9,211,000). The liability of \$26,084,000 (2013 - \$28,655,000) 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 \$925,000 (2013 - \$903,000) 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, 2014 (all numbers in columns are in thousands of dollars)

12. Accumulated Surplus

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

	<u>2014</u>	<u>2013</u>
Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:		
Working funds	\$ 75,362	\$ 69,059
Contingencies	888	867
Replacement of equipment	70,796	66,034
Sick leave (Note 9)	7,707	8,052
Workplace Safety and Insurance Board (WSIB)(Note 9)	42,511	41,187
Pension Plans	6,139	4,884
Operating programs	96,644	87,635
Tangible capital assets	<u>336,578</u>	<u>328,946</u>
Total reserves	636,625	606,664
Hamilton Future Fund (Note 13)	<u>46,436</u>	<u>61,116</u>
Total reserves and discretionary reserve funds	<u>\$ 683,061</u>	<u>\$ 667,780</u>
Operating surplus		
Flamborough recreation sub-committees	\$ 600	\$ 588
Business improvement areas	278	268
Housing Operations	(1,194)	630
Confederation Park Operations	(2,100)	(2,185)
Westfield Heritage Village Operations	554	628
Total operating surplus	<u>\$ (1,862)</u>	<u>\$ (71)</u>
Capital surplus		
Municipal Operations	\$ 39,802	\$ (7,709)
Housing Operations	3,516	9,451
Total capital surplus	<u>\$ 43,318</u>	<u>\$ 1,742</u>
Unfunded liabilities		
Employee benefit obligations	\$ (313,254)	\$ (297,989)
Solid Waste Landfill Liabilities	(26,084)	(28,655)
Total unfunded liabilities	<u>\$ (339,338)</u>	<u>\$ (326,644)</u>
Investment in Government Business Enterprises (Note 4)	<u>\$ 223,724</u>	<u>\$ 235,392</u>
Investment in tangible capital assets	<u>\$4,507,349</u>	<u>\$4,351,854</u>
Accumulated surplus	<u>\$5,116,252</u>	<u>\$4,930,053</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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>2014</u>	<u>2013</u>
Balance at the beginning of the year	\$ 61,116	\$ 76,949
Current Operations		
Investment Income	1,312	1,661
Repayment of Waste Management Projects	7,398	7,101
Waste Management Projects	(564)	(638)
Roads and Bridges	(112)	(53)
Urban Development Bank	(150)	(47)
McMaster Health Campus	(4,500)	-
Other	(307)	(531)
	<u>\$ 3,077</u>	<u>\$ 7,493</u>
Tangible capital assets		
Waste Management Projects	(4,664)	(2,982)
Roads and Bridges	(55)	-
2015 Pan Am Games	(9,840)	(19,680)
Parkland - Stadium Precinct	(2,000)	-
Other	(1,198)	(664)
	<u>\$ (17,757)</u>	<u>\$ (23,326)</u>
Balance at the end of the year	<u>\$ 46,436</u>	<u>\$ 61,116</u>

14. Taxation

	Budget <u>2014</u>	Actual <u>2014</u>	Actual <u>2013</u>
Taxation from real property	\$ 960,554	\$ 967,719	\$ 940,090
Taxation from other governments payments in lieu of taxes	<u>15,046</u>	<u>15,367</u>	<u>15,080</u>
	975,600	983,086	955,170
Less: Taxation collected on behalf of school boards	<u>(186,846)</u>	<u>(190,769)</u>	<u>(190,486)</u>
Net taxes available for municipal purposes	<u>\$ 788,754</u>	<u>\$ 792,317</u>	<u>\$ 764,684</u>

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

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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 2014 the City recognized revenue from the provincial and federal governments in the amount of \$418,772,000 (2013 - \$341,258,000) as follows:

	<u>2014</u>	<u>2013</u>
Government of the Province of Ontario	\$ 316,989	\$ 276,277
Government of Canada	<u>101,783</u>	<u>64,981</u>
Total	<u>\$ 418,772</u>	<u>\$ 341,258</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 2014, the City issued payments as government transfers in the amount of \$205,804,000 (2013 - \$197,332,000) as follows:

	<u>2014</u>	<u>2013</u>
Payments for social assistance entitlements	\$ 124,264	\$ 124,827
Payments for housing subsidies	59,075	57,080
Grants to agencies and institutions	<u>22,465</u>	<u>15,425</u>
Total	<u>\$ 205,804</u>	<u>\$ 197,332</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (all numbers in columns are in thousands of dollars)

16. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$307,651,000 at December 31, 2014 for capital works (2013 - \$309,631,000). 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, 2014 amounting to \$3,970,000 (2013 - \$4,214,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$244,000 in 2014 (2013 - \$140,000) are reported in the Consolidated Statement of Operations.
- (c) The City is legislated under the Development Charges Act to fund Government of Ontario ("GO") Transit's Growth and Capital Expansion Plan for 2005 to 2014. The obligation at December 31, 2014 of \$3,460,000 (2013 - \$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 \$368,000 in 2014 (2013 - \$332,000) 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, 2014 amounting to \$8,606,000 (2013 - \$8,583,000) 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 \$361,000 in 2014 (2013 - \$365,000) are reported in the Consolidated Statement of Operations.
- (e) The City has a contract with BFI for the transfer, hauling and disposal of the City's solid waste. The term of the agreement is ten years and two months for the period of January 1, 2010 to February 29, 2020. The contract fees amounting to \$6,873,000 for 2014 (2013 - \$6,726,000) are reported in the Consolidated Statement of Operations.
- (f) The City has an agreement 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 and bin waste collection for the entire City. The agreement ends on March 28, 2020. Contract fees amounting to \$ 17,061,000 for 2014 (2013 - \$16,666,000) 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 \$14,599,000 (2013 - \$12,811,000) are reported in the Consolidated Statement of Operations.

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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 \$342,000 (2013 - \$326,000) 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 \$66,672,000 (2013 - \$32,384,000). The minimum lease payments for these leases over the next five years and thereafter are:

2015	\$ 7,607
2016	7,401
2017	7,246
2018	7,175
2019	6,576
2020 and thereafter	30,667
Total	<u>\$ 66,672</u>

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

On May 8, 2012, the City took a drawdown of \$38,000,000 and \$14,740,000 from the two non-revolving term facilities, by undertaking two term loans. No other amounts have been drawn from the Credit Facility Agreement and therefore, as at December 31, 2014, 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, 2014, the remaining principal balance is 8,844,000 (2013 - \$11,792,000) for the first term loan and \$32,934,000 (2013 - \$35,467,000) 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 \$9,100,000 letter of credit in favour of the Independent Electricity System Operator ("IESO") as security for Horizon Utilities purchase of electricity through the IESO. At year-end, no amounts were drawn on the letters of credit (2013 - Nil).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (all numbers in columns are in thousands of dollars)

17. Public liability insurance

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

The City has reported liabilities for insurance claims on the Consolidated Statement of Financial Position in the amount of \$21,803,000 (2013 - \$21,853,000). Claim expenses for the year in the amount of \$7,854,000 (2013 - \$9,074,000) 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, 2014 is \$6,280,000 (2013 - \$9,136,000).
 - (b) The City has outstanding contractual obligations with its unionized employee groups as of December 31, 2014. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund these settlements. Subsequent to December 31, 2014, there were no settlements for these unionized employee groups.
-

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2014 (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 \$7,674,038,000 (2013 - \$7,307,884,000) and a net book value of \$4,958,172,000 (2013 - \$4,740,675,000). The net book value of the tangible capital assets valued as at December 31, 2014 is as follows:

	<u>2014</u>	<u>2013</u>
General		
Land	\$ 287,316	\$ 265,406
Land improvements	137,563	142,054
Buildings	583,083	570,509
Vehicles	100,547	109,191
Computer hardware and software	6,701	4,928
Other	88,164	90,596
Infrastructure		
Roads	1,188,995	1,183,951
Bridges and structures	183,252	176,442
Water and wastewater facilities	391,440	388,850
Underground and other networks	<u>1,631,570</u>	<u>1,585,462</u>
Net Book Value	4,598,631	4,517,389
Assets under construction	359,541	223,286
Balance at the end of the year	<u>\$4,958,172</u>	<u>\$4,740,675</u>

Included are leased tangible capital assets with a net book value of \$4,790,000 (2013 - \$5,920,000). 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, 2014 (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. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

22. Budget figures

The 2014 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on December 12, 2013. The 2014 operating budget and capital financing for municipal operations was approved by City Council at a meeting on April 9, 2014.

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, 2014 (all numbers in columns are in thousands of dollars)

22. Budget figures (continued)

	<u>2014</u>
Revenue	
Council Approved Gross Revenue Operating Budget - Municipal	\$ 1,473,423
Council Approved Gross Revenue Capital Budget - Municipal	<u>444,782</u>
	1,918,205
Board Approved Gross Revenue Operating Budget - Housing Corporation	59,593
Board Approved Gross Revenue Capital Budget - Housing Corporation	<u>7,938</u>
	67,531
Adjustments to Revenues	
Less: Transfers from reserves and reserve funds Operating Budget Municipal Operations	(12,763)
Less: Transfers from reserves and reserve funds Capital Budget Municipal Operations	(143,469)
Less: Transfers from current fund to capital fund - Municipal Operations	(129,424)
Less: Transfers from current fund to capital fund - Housing Corporation	(7,938)
Less: Long term debt financing Capital Budget	(29,223)
Add: Donated tangible capital assets	29,800
Less: Reclassification - Municipal Operations	(149)
Add: Reserve & reserve funds	18,900
Add: Confederation Park and Westfield Heritage Village Consolidation	2,661
Less: Elimination for consolidation of Housing Corporation	<u>(24,843)</u>
	(296,448)
Consolidated	<u>\$ 1,689,288</u>
Expenses	
Council Approved Gross Expenditure Operating Budget - Municipal	\$ 1,473,423
Council Approved Gross Expenditure Capital Budget - Municipal	<u>444,782</u>
	1,918,205
Board Approved Gross Expenditure Operating Budget - Housing Corporation	59,593
Board Approved Gross Expenditure Capital Budget - Housing Corporation	<u>7,938</u>
	67,531
Adjustments to Expenditures	
Less: Debt principal repayment - Municipal Operations	(33,936)
Less: Debt principal repayment - Housing Corporation	(4,975)
Less: Transfers to reserves and reserve funds - Municipal Operations	(56,579)
Less: Transfers to capital from current funds - Municipal Operations	(129,424)
Less: Tangible capital assets - Municipal Operations	(395,874)
Less: Tangible capital assets - Housing Corporation	(7,938)
Less: Reclassification - Municipal Operations	(149)
Add: Change in employee future benefits and other obligations	15,265
Less: Change in solid waste landfill liability	(2,571)
Add: Amortization expense for tangible capital assets	173,179
Add: Confederation Park and Westfield Heritage Village Consolidation	2,501
Less: Elimination for consolidation of Housing Corporation	<u>(32,782)</u>
	(473,283)
Consolidated	<u>\$ 1,512,453</u>

City of Hamilton
Notes to Consolidated Financial Statements

As at December 31, 2014 (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	55,431	4,120	18,774	55,161	234,110	459,707
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	-	-	-	-	11,342	5,900	-	18,343	-	36,585
WIP Transfers to Service in 2014	-	-	-	-	-	-	-	-	-	-	(95,554)	(95,554)
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, 2014 (all numbers in columns are in thousands of dollars)

2013 Schedule of Tangible Capital Assets

	General						Infrastructure				Assets Under Construction	TOTAL
	Land	Land Improvements	Buildings	Vehicles	Computer	Other	Roads	Bridges & Other Structures	W/WW Facilities	W/WW/SW Linear Network		
Cost												
Balance, Jan 1, 2013	\$ 252,555	\$ 259,951	\$ 1,027,913	\$ 262,518	\$ 9,627	\$ 97,817	\$ 2,079,803	\$ 214,694	\$ 613,353	\$ 2,001,437	\$ 236,220	\$ 7,055,888
Additions, Betterments & Transfers in 2013	12,121	12,524	31,700	12,620	2,278	34,976	35,364	11,060	80,522	46,333	146,669	426,167
Disposals & Writedowns in 2013	(207)	(1,840)	(3,933)	(25,350)	(1,548)	(2,927)	(5,429)	(21)	(235)	(2,897)	(5,764)	(50,151)
Donations & Contributions in 2013	937	101	-	-	-	-	7,935	-	-	20,847	-	29,820
WIP Transfers to Service in 2013	-	-	-	-	-	-	-	-	-	-	(153,839)	(153,839)
Balance, Dec 31, 2013	\$ 265,406	\$ 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
Accumulated Amortization												
Balance, Jan 1, 2013	\$ -	\$ 121,038	\$ 462,924	\$ 144,058	\$ 4,124	\$ 32,695	\$ 877,960	\$ 44,753	\$ 289,850	\$ 456,894	\$ -	\$ 2,434,296
Amortization in 2013	-	8,809	24,503	21,576	2,853	9,502	60,150	4,547	14,978	26,261	-	173,179
Acc'd Amortization Transfers in 2013	-	-	(179)	-	-	-	-	-	179	-	-	-
Amortization on Disposals in 2013	-	(1,165)	(2,077)	(25,037)	(1,548)	(2,927)	(4,388)	(9)	(217)	(2,897)	-	(40,265)
Balance, Dec 31, 2013	\$ -	\$ 128,682	\$ 485,171	\$ 140,597	\$ 5,429	\$ 39,270	\$ 933,722	\$ 49,291	\$ 304,790	\$ 480,258	\$ -	\$ 2,567,210
Net Book Value Dec 31, 2013	\$ 265,406	\$ 142,054	\$ 570,509	\$ 109,191	\$ 4,928	\$ 90,596	\$ 1,183,951	\$ 176,442	\$ 388,850	\$ 1,585,462	\$ 223,286	\$ 4,740,675
Assets Under Construction	\$ -	\$ 12,159	\$ 78,839	\$ 20	\$ 4,650	\$ 6,388	\$ 29,189	\$ 5,764	\$ 42,934	\$ 43,343	\$ 223,286	
Total	\$ 265,406	\$ 154,213	\$ 649,348	\$ 109,211	\$ 9,578	\$ 96,984	\$ 1,213,140	\$ 182,206	\$ 431,784	\$ 1,628,805		\$ 4,740,675

City of Hamilton
Notes to Consolidated Financial Statements

As at December 31, 2014 (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	6,536	237,935
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	\$ 46,863	\$ 1,541,620
Annual Surplus	\$ 803,546	\$ (246,063)	\$ (193,376)	\$ 49,099	\$ (36,103)	\$ (60,124)	\$ (35,377)	\$ (54,244)	\$ (37,525)	\$ 189,833

City of Hamilton Notes to Consolidated Financial Statements

As at December 31, 2014 (all numbers in columns are in thousands of dollars)

2013 Schedule of Operations for Business Segments

	General Government	Protection Services	Transportation services	Environmental services	Health services	Social and family services	Social housing	Recreation and cultural services	Planning and development	TOTAL 2013
Revenue										
Taxation	\$ 764,684	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 764,684
Government grants and contributions	6,308	5,475	31,491	6,990	50,829	196,288	26,125	17,548	204	341,258
User charges	3,714	6,477	52,267	173,418	3,010	12,128	207	21,894	7,597	280,712
Development charges and subdivider contributions	1,206	8,905	(2,710)	10,094	-	-	-	(147)	4,683	22,031
Donations of tangible capital assets	-	-	7,935	21,394	-	-	-	492	-	29,821
Investment income	19,616	1,463	1,378	6,125	(158)	340	1,245	1,625	634	32,268
Income from Government Business Entreprises	15,449	-	-	-	-	-	-	-	-	15,449
Other	18,299	20,850	10,961	5,243	233	70	36,527	3,080	2,108	97,371
Total	\$ 829,276	\$ 43,170	\$ 101,322	\$ 223,264	\$ 53,914	\$ 208,826	\$ 64,104	\$ 44,492	\$ 15,226	\$ 1,583,594
Expenses										
Salaries and benefits	\$ 49,659	\$ 238,902	\$ 90,464	\$ 38,388	\$ 67,001	\$ 76,128	\$ 12,176	\$ 70,645	\$ 24,373	\$ 667,736
Interest on long term debt	105	868	6,986	2,670	-	796	2,547	604	141	14,717
Materials supplies services	42,847	15,508	43,297	26,048	8,079	9,101	29,158	20,865	4,693	199,596
Contracted services	11,382	3,704	36,344	67,331	7,748	55,042	15,424	12,647	3,882	213,504
Rents and financial expenses	2,332	2,307	1,279	8,359	1,640	2,480	446	8,442	1,560	28,845
External transfers	614	6,509	6	2,404	175	126,688	35,322	4,182	535	176,435
Amortization	7,372	6,720	82,986	46,211	2,064	1,946	4,581	17,906	2,883	172,669
Interfunctional transfers	(56,324)	4,256	21,124	7,309	4,857	4,803	444	9,773	3,758	-
Total	\$ 57,987	\$ 278,774	\$ 282,486	\$ 198,720	\$ 91,564	\$ 276,984	\$ 100,098	\$ 145,064	\$ 41,825	\$ 1,473,502
Annual Surplus (Deficit)	\$ 771,289	\$ (235,604)	\$ (181,164)	\$ 24,544	\$ (37,650)	\$ (68,158)	\$ (35,994)	\$ (100,572)	\$ (26,599)	\$ 110,092

Section 3

City of Hamilton Financial Statements for the Trust Funds Cemetery, Library and General Trusts December 31, 2014

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Independent Auditor's Report

<<NOTE: The Independent Auditor's Report will be inserted after the Financial Report is approved by the Audit, Finance and Administration Committee. >>

Independent Auditor's Report

<<NOTE: The Independent Auditor's Report will be inserted after the Financial Report is approved by the Audit, Finance and Administration Committee. >>

City of Hamilton Trust Funds – Consolidated

As at December 31, 2014

Statement of Financial Position

As at December 31, 2014

	<u>2014</u>	<u>2013</u>
Financial Assets		
Cash	\$ 1,303,504	\$ 2,086,647
Investments (Note 2)	13,649,753	12,371,228
Deposits Hamilton Community Foundation (Note 3)	2,808,980	2,607,010
Due From City of Hamilton - Cemetery	883,704	825,558
Due From City of Hamilton - Library Trust Funds	368,732	367,691
Due From City of Hamilton - Other Trust Funds	<u>68,144</u>	<u>99,650</u>
Total Financial Assets	<u>\$ 19,082,817</u>	<u>\$ 18,357,784</u>
Liabilities		
Deposits	<u>\$ 309,132</u>	<u>\$ 201,872</u>
Accumulated surplus	<u>\$ 18,773,685</u>	<u>\$ 18,155,912</u>

Statement of Operations

Year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Revenues		
Cemetery lots and interments	\$ 639,727	\$ 607,612
Investment income	713,855	941,145
Other revenue	<u>-</u>	<u>7,000</u>
Total revenue	<u>\$ 1,353,582</u>	<u>\$ 1,555,757</u>
Expenses		
Other	\$ 116,902	\$ 58,443
Transfer to other trust funds	<u>618,907</u>	<u>641,769</u>
Total expenses	<u>\$ 735,809</u>	<u>\$ 700,212</u>
Annual surplus	<u>\$ 617,773</u>	<u>\$ 855,545</u>
Accumulated surplus at the beginning of the year	<u>18,155,912</u>	<u>17,300,367</u>
Accumulated surplus at the end of the year	<u>\$ 18,773,685</u>	<u>\$ 18,155,912</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2014

1. Significant accounting policies

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

(a) Basis of Consolidation

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

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

(b) Basis of Accounting

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

2. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$13,649,753 (2013 - \$12,371,228). These investments have a market value of \$14,788,638 (2013 - \$12,799,103) at the end of the year.

3. Deposits – Hamilton Community Foundation

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

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2014

4. Accumulated Surplus

	<u>2014</u>	<u>2013</u>
The accumulated surplus consists of:		
Cemeteries	<u>\$ 14,620,209</u>	<u>\$ 14,151,775</u>
Library		
M. Walden Thompson Estate	21,007	20,557
Special Gift Fund Central	2,554,464	2,406,469
Permanent Endowment Fund	765,678	712,535
Keetha McLaren Memorial Fund	40,405	36,803
F. Walden Library Bequest	64,732	63,910
Waterdown Library Fundraising	<u>44,520</u>	<u>43,479</u>
	<u>\$ 3,490,806</u>	<u>\$ 3,283,753</u>
Other		
Fieldcote Farmer (Ancaster)	341,061	342,588
Knowles Bequest (Dundas)	245,233	267,369
F. Walden Dundurn Castle (Hamilton)	5,874	5,740
Ellen Grafton (Dundas)	7,439	7,343
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election (Hamilton)	5,766	5,631
Balfour Estate Chedoke (Hamilton)	<u>46,987</u>	<u>81,403</u>
	<u>\$ 662,670</u>	<u>\$ 720,384</u>
	<u>\$ 18,773,685</u>	<u>\$ 18,155,912</u>

5. Comparative Information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

City of Hamilton
Trust Funds – Cemetery

As at December 31, 2014

Statement of Financial Position

As at December 31, 2014

	<u>2014</u>	<u>2013</u>
Financial Assets		
Cash	\$ 631,893	\$ 1,409,020
Due From City of Hamilton	883,704	825,558
Investments	<u>13,413,744</u>	<u>12,119,069</u>
Total Financial Assets	<u>\$ 14,929,341</u>	<u>\$ 14,353,647</u>
Liabilities		
Deposits	<u>\$ 309,132</u>	<u>\$ 201,872</u>
Accumulated surplus	<u>\$ 14,620,209</u>	<u>\$ 14,151,775</u>

Statement of Operations

Year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Revenues		
Cemetery lots and interments	\$ 639,727	\$ 607,612
Investment income	<u>449,713</u>	<u>469,563</u>
Total revenue	<u>\$ 1,089,440</u>	<u>\$ 1,077,175</u>
Expenses		
Other	\$ 10,978	\$ 10,992
Transfer to other trust funds	<u>610,028</u>	<u>614,733</u>
Total expenses	<u>\$ 621,006</u>	<u>\$ 625,725</u>
Annual surplus	<u>\$ 468,434</u>	<u>\$ 451,450</u>
Accumulated surplus at the beginning of the year	<u>14,151,775</u>	<u>13,700,325</u>
Accumulated surplus at the end of the year	<u>\$ 14,620,209</u>	<u>\$ 14,151,775</u>

See accompanying notes to the financial statements

City of Hamilton
Trust Funds – Library

As at December 31, 2014

Statement of Financial Position

As at December 31, 2014

	<u>2014</u>	<u>2013</u>
Financial Assets		
Cash	\$ 313,094	\$ 309,052
Investment in the Hamilton Community Foundation	2,808,980	2,607,010
Due From City of Hamilton	<u>368,732</u>	<u>367,691</u>
Total Financial Assets	<u>\$ 3,490,806</u>	<u>\$ 3,283,753</u>
Accumulated surplus	<u>\$ 3,490,806</u>	<u>\$ 3,283,753</u>

Statement of Operations

Year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Revenues		
Investment income	<u>\$ 249,544</u>	<u>\$ 454,455</u>
Total revenue	<u>\$ 249,544</u>	<u>\$ 454,455</u>
Expenses		
Other	<u>\$ 42,491</u>	<u>\$ 33,965</u>
Total expenses	<u>\$ 42,491</u>	<u>\$ 33,965</u>
Annual surplus	<u>\$ 207,053</u>	<u>\$ 420,490</u>
Accumulated surplus at the beginning of the year	<u>3,283,753</u>	<u>2,863,263</u>
Accumulated surplus at the end of the year	<u>\$ 3,490,806</u>	<u>\$ 3,283,753</u>

See accompanying notes to the financial statements

City of Hamilton
Trust Funds – Other

As at December 31, 2014

Statement of Financial Position

As at December 31, 2014

	<u>2014</u>	<u>2013</u>
Financial Assets		
Cash	\$ 358,517	\$ 368,575
Investments	236,009	252,159
Due From City of Hamilton	<u>68,144</u>	<u>99,650</u>
Total Financial Assets	<u>\$ 662,670</u>	<u>\$ 720,384</u>
Accumulated surplus	<u>\$ 662,670</u>	<u>\$ 720,384</u>

Statement of Operations

Year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Revenues		
Investment income	\$ 14,598	\$ 17,127
Other revenue	<u>-</u>	<u>7,000</u>
Total revenue	<u>\$ 14,598</u>	<u>\$ 24,127</u>
Expenses		
Transfer to other trust funds	\$ 8,879	\$ 27,036
Other	<u>63,433</u>	<u>13,486</u>
Total expenses	<u>\$ 72,312</u>	<u>\$ 40,522</u>
Annual deficit	<u>\$ (57,714)</u>	<u>\$ (16,395)</u>
Accumulated surplus at the beginning of the year	<u>720,384</u>	<u>736,779</u>
Accumulated surplus at the end of the year	<u>\$ 662,670</u>	<u>\$ 720,384</u>

See accompanying notes to the financial statements

Section 4

City of Hamilton Financial Statements for the Trust Funds – Homes for the Aged December 31, 2014

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Independent Auditor's Report

<<NOTE: The Independent Auditor's Report will be inserted after the Financial Report is approved by the Audit, Finance and Administration Committee. >>

Independent Auditor's Report

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City of Hamilton
Trust Funds – Homes for the Aged

As at December 31, 2014

Statement of Financial Position
As at December 31, 2014

	Macassa Lodge Resident <u>Trusts</u>	Wentworth Lodge Resident <u>Trusts</u>	Macassa Lodge Other <u>Trusts</u>	Wentworth Lodge Other <u>Trusts</u>	Total 2014	Total 2013
Financial assets						
Cash	\$ 39,725	\$ 21,700	\$ 15,114	\$ 144,616	\$ 221,155	\$ 299,404
Investments	-	-	-	250,900	250,900	250,000
Liabilities						
Due to City of Hamilton	\$ -	\$ -	\$ -	\$ 12,844	\$ 12,844	\$ 397
Accumulated surplus	\$ 39,725	\$ 21,700	\$ 15,114	\$ 382,672	\$ 459,211	\$ 549,007

Statement of Operations
Year ended December 31, 2014

	Macassa Lodge Resident <u>Trusts</u>	Wentworth Lodge Resident <u>Trusts</u>	Macassa Lodge Other <u>Trusts</u>	Wentworth Lodge Other <u>Trusts</u>	Total 2014	Total 2013
Revenue						
Residents' deposits	\$ 133,623	\$ 100,843	\$ 6,278	\$ 21,495	\$ 262,239	\$ 263,972
Investment income	-	-	227	3,604	3,831	5,755
Donations	-	-	3,488	5,072	\$ 8,560	6,788
	<u>133,623</u>	<u>100,843</u>	<u>9,993</u>	<u>30,171</u>	<u>274,630</u>	<u>276,515</u>
Expenses						
Maintenance payments	16,940	21,706	-	-	38,646	47,214
Residents' charges	103,664	81,722	9,853	30,639	225,878	236,864
Payments to estates	8,028	8,056	-	-	16,084	18,855
Payments on discharge	-	211	-	-	211	678
Renovation Expense	-	-	-	75,456	75,456	52,000
Program purchases	-	-	-	8,151	8,151	17,371
	<u>128,632</u>	<u>111,695</u>	<u>9,853</u>	<u>114,246</u>	<u>364,426</u>	<u>372,982</u>
Annual surplus (deficit)	4,991	(10,852)	140	(84,075)	(89,796)	(96,467)
Accumulated surplus at the beginning of the year	<u>34,734</u>	<u>32,552</u>	<u>14,974</u>	<u>466,747</u>	<u>549,007</u>	<u>645,474</u>
Accumulated surplus at the end of the year	\$ 39,725	\$ 21,700	\$ 15,114	\$ 382,672	\$ 459,211	\$ 549,007

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, 2014

1. Purpose of Trust Funds

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

Macassa and Wentworth Lodge Resident Trusts

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

Macassa and Wentworth Lodge Other Trusts

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

2. Significant accounting policies

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

Basis of accounting

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

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

3. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$250,900 (2013 - \$250,000). These investments have a market value of \$257,772 (2013 - \$251,938) at the end of the year.