



AUDIT, FINANCE & ADMINISTRATION COMMITTEE REPORT 16-009

**9:30 a.m.
Monday, June 6, 2016
Council Chambers
Hamilton City Hall
71 Main Street West**

Present: Councillors A. Johnson (Chair), D. Skelly (Vice Chair), M. Pearson, C. Collins, L. Ferguson, A. VanderBeek, and B. Johnson

THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE PRESENTS REPORT 16-009 AND RESPECTFULLY RECOMMENDS:

1. Tax Appeals under Sections 357 and 358 of the *Municipal Act* (2001) (FCS16038(a)) (City Wide) (Item 5.1)

- (a) That Appendix "A" to Report 16-009, respecting the Tax Appeals processed under Section 357 of the *Municipal Act 2001*, in the amount of \$21,286, be approved; and,
- (b) That Appendix "B" to Report 16-009, respecting the Tax Appeals, due to a Gross or Manifest Clerical Error, pursuant to Section 358 of the *Municipal Act, 2001*, in the amount of \$8,453, be approved.

2. 2016 First Quarter Request for Tenders and Proposals Report (FCS16044) (City Wide) (Item 5.2)

That Report FCS16044 respecting 2016 First Quarter Request for Tenders and Proposals, be received.

3. 2016 First Quarter Emergency and Non-Competitive Procurements Report (FCS16045) (City Wide) (Item 5.3)

That Report FCS16045 respecting 2016 First Quarter Emergency and Non-Competitive Procurements, be received.

Council – June 8, 2016

4. 2016 First Quarter Non-Compliance with the Procurement Policy Report (FCS16046) (City Wide) (Item 5.4)

That Report FCS16046 respecting 2016 First Quarter Non-Compliance with the Procurement Policy, be received.

5. 2015 City of Hamilton Financial Report and Audited Financial Statements (FCS16051) (City Wide) (Item 5.5)

- (a) That the 2015 City of Hamilton Financial Report and Audited Financial Statements, attached as Appendix "C" to Report 16-009 be approved; and,
- (b) That the 2015 Hamilton Police Services Audited Schedule of Operations attached as Appendix "D" to Report FCS16051, be received for information.

6. Professional and Consultant Services Roster 2015-2016 PW16045/PED16130/FCS16054) (City Wide) (Item 5.6)

That Report PW16045/PED16130/FCS16054 respecting Professional and Consultant Services Roster 2015-2016, be received.

7. 2015 Annual Energy Report on Commodity Price Hedging (FCS16025/PW16016) (City Wide) (Item 8.1)

That Report FCS16025/PW16016 respecting the 2015 Annual Energy Report on Commodity Price Hedging, be received.

8. Commercial Relationship between the City of Hamilton and Mary Claire Brennan-Galoni, and John Gaspare Galoni o/a Ontario Dental Works (LS16007/FCS16057) (City Wide) (Item 12.1)

- (a) That, due to the impairment of the commercial relationship between the City of Hamilton and Mary Claire Brennan-Galoni and John Gaspare Galoni o/a Ontario Dental Works, staff be directed to reject any current and future bids, proposals or quotations received from Mary Claire Brennan-Galoni and John Gaspare Galoni o/a Ontario Dental Works or any of their related corporate or individual entities, until June 6, 2026;
- (b) That the City of Hamilton not enter into any contract with Mary Claire Brennan-Galoni and John Gaspare Galoni o/a Ontario Dental Works or

any of their related corporate or individual entities until and including June 6, 2026; and,

- (c) That the contents of Report LS16007/FCS16057, Commercial Relationship between the City of Hamilton and Mary Claire Brennan-Galoni, and John Gaspare Galoni o/a Ontario Dental Works remain confidential.

CARRIED

FOR THE INFORMATION OF COUNCIL:

(a) CHANGES TO THE AGENDA (Item 1)

The Committee Clerk advised of the following changes to the Agenda:

1. DELEGATION REQUESTS (Item 4)

- (i) John Galoni respecting Item 12.1, the Commercial Relationship between the City of Hamilton and Mary Claire Brennan-Galoni and John Gaspare Galoni operating as Ontario Dental Works (Item 4.1)

The Agenda for the June 6, 2016 meeting of the Audit, Finance & Administration Committee was approved, as amended.

(b) DECLARATIONS OF INTEREST (Item 2)

There were no changes to the agenda.

(c) APPROVAL OF MINUTES (Item 3)

(a) May 19, 2016

The Minutes of the May 19, 2016 Audit, Finance & Administration Committee meeting were approved, as presented.

(d) DELEGATION REQUESTS (Item 4)

- (i) John Galoni respecting Item 12.1, the commercial relationship between the City of Hamilton and Mary Claire Brennan-Galoni and John Gaspare Galoni operating as Ontario Dental Works (Item 4.1)**

The delegation request submitted by John Galoni, respecting Item 12.1, the Commercial Relationship between the City of Hamilton and Mary Claire Brennan-Galoni and John Gaspare Galoni operating as Ontario Dental Works, was approved to appear before the Audit, Finance & Administration Committee on June 6, 2016.

(e) DELEGATIONS / PUBLIC HEARINGS (Item 6)

- (i) John Galoni respecting Item 12.1, the commercial relationship between the City of Hamilton and Mary Claire Brennan-Galoni and John Gaspare Galoni operating as Ontario Dental Works (Item 6.1)**

Mr. Galoni addressed Committee respecting Item 12.1, the Commercial Relationship between the City of Hamilton and Mary Claire Brennan-Galoni and John Gaspare Galoni operating as Ontario Dental Works. Mr. Galoni's presentation included, but was not limited to, the following:

- Staff is recommending that my company prohibited from bidding on or entering into contracts with the City of Hamilton for a ten year period.
- Born and raised in Hamilton, I am an outstanding citizen and entrepreneur who has contributed in many ways, including creating well paying jobs and fundraising. I was the co-founder with my brother and the Radical Ride; raising over \$500,000 for breast support services.
- My wife's business was wrongfully halted from doing business with the City of Hamilton. My wife is a Registered Dental Hygienist that had an impeccable record for 23 years of professional practice prior to opening her own business.

The presentation provided by John Galoni respecting Item 12.1, the Commercial Relationship between the City of Hamilton and Mary Claire Brennan-Galoni and John Gaspare Galoni operating as Ontario Dental Works was received.

(f) ADJOURNMENT

There being no further business, the Audit, Finance & Administration Committee adjourned at 10:23 a.m.

Respectfully submitted,

Councillor A. Johnson
Chair, Audit, Finance & Administration Committee

Stephanie Paparella
Legislative Coordinator
Office of the City Clerk

Appendix "A" to Item 1 of AF&A Report 16-009
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357-15-157	793 Main St E	Tax Class Conversion 2 nd & 3 rd floor now residential	2015	-1,183.82
357-15-214	80 Brant St	Exempt owned by the City the tenants have vacated	2015	-11,452.06
357-15-247	9 Lake Ave S	Demolition of two storey non-residential building	2015	-214.13
357-15-254	127 Gateshead Dr	Demolition of standalone portables not \$\$ value	2015	0.00
357-15-255	330 Governors Rd	Demolition of standalone portables not \$\$ value	2015	0.00
357-15-256	35 Pumpkin Pass	Demolition of standalone portables not \$\$ value	2015	0.00
357-15-260	107 James St N	Demolition of two storey commercial building	2015	-776.30
357-15-267	1289-1305 Highway 5 W	Demolition of one storey storage building	2015	-100.24
357-15-282	775 King St E	Tax Class Conversion new owner has 100% residential	2015	-556.89
357-15-290	1960 Main St W	Tax Class Conversion 2 nd floor converted to residential	2015	-3,271.47
357-15-296	38 Bigwin Rd Unit 1	Tax Class Conversion new tenant is commercial no longer industrial	2015	-690.64
357-15-301	544 Barton St E	Gross or Manifest Error incorrect square footage	2015	-1,674.66
357-15-338	475 Ontario St	Demolition 2 storey single family dwelling	2015	-841.84
357-15-345	2506-2520 Regional Rd 56	Demolition of house not carried forward from 2014	2015	-524.05
			TOTAL	-21,286.10

City of Hamilton
 Corporate Services Department
 Taxation Division
 Section 358 Tax Appeals of the *Municipal Act, (2001)*

358-15-086	1960 Main St W	Gross or Manifest Error 2 nd and 3 rd floor have been residential since 2012	2014	-2,946.24
358-16-087	1960 Main St W	Gross or Manifest Error 2 nd and 3 rd floor have been residential since 2012	2013	-2,635.67
358-15-094	544 Barton St E	Gross or Manifest Error incorrect square footage recorded on the roll	2014	-1,356.30
358-15-095	544 Barton St E	Gross or Manifest Error incorrect square footage recorded on the roll	2013	-1,041.85
358-16-008	0 Rd Allow btwn lots 12&13	Exempt – road allowance	2015	-240.02
358-16-009	0 Rd Allow btwn lots 12&13	Exempt – road allowance	2014	-233.18
			TOTAL	-8,453.26



Hamilton

FINANCIAL REPORT

2015

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

City of Hamilton
Financial Report
2015

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Accommodations for Readers with Disabilities

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

Section 1

City of Hamilton Five Year Financial and Statistical Review 2015

City of Hamilton
Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

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

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

City of Hamilton Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

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

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

City of Hamilton Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

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

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

City of Hamilton Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

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

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

City of Hamilton Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

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

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

Section 2

City of Hamilton Consolidated Financial Statements 2015

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Independent 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 Consolidated Statement of Financial Position

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

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

Contractual obligations (Note 16)

Contingent liabilities (Note 18)

See accompanying notes to the consolidated financial statements.

City of Hamilton Consolidated Statement of Operations

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

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

See accompanying notes to the consolidated financial statements.

City of Hamilton Consolidated Statement of Changes in Net Financial Assets

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

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

See accompanying notes to the consolidated financial statements.

City of Hamilton Consolidated Statement of Cash Flows

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

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

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

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

1. Significant accounting policies

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

Significant accounting policies adopted by the City are as follows:

(a) Reporting entity

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

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

Interdepartmental and organizational transactions and balances are eliminated.

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

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

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

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

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

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

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

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

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

(b) Basis of accounting

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

(c) Use of estimates

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

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

(d) Cash and cash equivalents

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

City of Hamilton

Notes to Consolidated Financial Statements

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

1. Significant accounting policies (continued)

(e) Portfolio investments

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

(f) Deferred revenue – obligatory reserve funds

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

(g) Employee future benefits and other obligations

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

(h) Tangible capital assets

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

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

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

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

Assets under construction are not amortized until the asset is ready for use. All interest on debt incurred during construction of related tangible capital assets is expensed in operations in the year incurred.

City of Hamilton

Notes to Consolidated Financial Statements

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

1. Significant accounting policies (continued)

(i) Inventories

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

(j) Government transfers

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

(k) Long term receivables

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

(l) Tax revenue

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

(m) Accounting Policy Change – Liability for Contaminated Sites

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

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

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

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

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

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

2. Cash and portfolio investments

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 165	\$ 166
Cash held in banks	86,716	177,196
Temporary investments	6,128	6,114
	<u>\$ 93,009</u>	<u>\$ 183,476</u>

Portfolio investments are comprised of:		
Unrestricted investments	\$ 526,265	\$ 589,209
Designated investments (obligatory reserve funds)	226,744	194,868
Designated investments (Hamilton Future Fund)	37,711	46,436
	<u>\$ 790,720</u>	<u>\$ 830,513</u>

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

3. Long term receivables

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

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

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

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

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City of Hamilton Notes to Consolidated Financial Statements

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

4. Investment in Government Business Enterprises

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

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

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

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

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

4. Investment in Government Business Enterprises (continued)

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

4. Investment in Government Business Enterprises (continued)

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

	<u>2015</u>	<u>2014</u>
Financial Position		
Current assets	\$ 2,303	\$ 1,503
Capital assets	7,855	8,440
Other assets	<u>32</u>	<u>32</u>
Total assets	<u>10,190</u>	<u>9,975</u>
Current liabilities (including current portion of long term debt)	2,817	1,788
Future payment in lieu of taxes	491	508
Long term debt	<u>1,304</u>	<u>1,921</u>
Total liabilities	4,612	4,217
Shareholder's equity	<u>6,000</u>	6,000
Net assets	<u>\$ (422)</u>	<u>\$ (242)</u>
Results of operations		
Revenues	\$ 3,320	\$ 3,564
Expenses	<u>(3,251)</u>	<u>(3,284)</u>
Net income	<u>\$ 69</u>	<u>\$ 280</u>
Dividends paid	\$ 249	\$ 296

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

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

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

4. Investment in Government Business Enterprises (continued)

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

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

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

5. Deferred revenue – obligatory reserve funds

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

City of Hamilton Notes to Consolidated Financial Statements

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

6. Deferred revenue – obligatory reserve funds

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

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

7. Long term liabilities – municipal operations

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

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

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

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

7. Long term liabilities – municipal operations (continued)

- (c) Of the \$317,931,000 long term debt (2014 - \$359,021,000) certain principal payments do not represent a burden on general City revenue, as they are to be recovered in future years from other sources.

The total long term debt is to be recovered from the following:

	<u>2015</u>	<u>2014</u>
General revenues	\$ 240,034	\$ 274,907
Water & Wastewater user charges	77,895	84,110
Non-consolidated entities	<u>2</u>	<u>4</u>
	<u>\$ 317,931</u>	<u>\$ 359,021</u>

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

	General Revenues	Water & Wastewater User Charges	Non- consolidated Entities		Total 2015
2016	\$ 35,989	\$ 6,219	\$ 1	1	\$ 42,209
2017	33,697	6,223	1	1	39,921
2018	22,962	6,227			29,189
2019	23,548	6,231			29,779
2020	19,345	6,236			25,581
2021 and thereafter	104,493	46,759			151,252
Total	<u>\$ 240,034</u>	<u>\$ 77,895</u>	<u>\$ 2</u>	<u>2</u>	<u>\$ 317,931</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>2015</u>
2016	\$ 524
2017	321
2018	321
2019	321
2020	321
2021 and thereafter	1,851
Total	<u>\$ 3,659</u>

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

7. Long term liabilities – municipal operations (continued)

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

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

8. Long term liabilities – housing corporation

(a) The balance of long term debt – housing corporations reported on the Consolidated Statement of Financial Position represents capital assets of the CityHousing Hamilton that are financed by mortgages. The mortgages mature in the years 2016 to 2027 with interest rates varying between 1.39% and 5.83%. The mortgage obligations for CityHousing Hamilton are \$69,466,000 (2014 - \$74,675,000).

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

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

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

	<u>2015</u>	<u>2014</u>
Principal repayments	\$ 5,209	\$ 4,975
Interest expense	<u>1,938</u>	<u>1,280</u>
	<u>\$ 7,147</u>	<u>\$ 6,255</u>

(d) Other long term debt incurred by the City of Hamilton's housing corporations, representing capital assets financed by debentures issued by the Ontario Housing Corporation of \$20,680,000 (2014 - \$24,359,000), is not included in the Consolidated Statement of Financial Position. The Social Housing Reform Act, 2000 transferred the ownership and responsibility for the administration of Province of Ontario public housing to the City of Hamilton as a local housing corporation. The transfer, effective January 1, 2001, included land and buildings at no cost. The servicing of long term debt remains the obligation of the Province of Ontario.

City of Hamilton Notes to Consolidated Financial Statements

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

9. Employee future benefits and other obligations

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

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

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

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

9. Employee future benefits and other obligations (continued)

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

	<u>2015</u>	<u>2014</u>
Plan amendment	\$ 2,467	\$ -
Benefit expense	25,692	20,052
Interest expense	9,356	13,184
Amortization of net actuarial loss	9,517	9,785
	<u>\$ 47,032</u>	<u>\$ 43,021</u>

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

	Discount	Return	Inflation	Payroll	Dental	Life
	Rate	on Assets	Rate	Increases	Increases	Expectancy
						(Years)
Vested sick leave	3.75%	NA	2.0%	3.5%	NA	11.8 to 12.4
Long term disability	4.0%	NA	2.0%	3.0%	NA	8.0
Workplace safety and insurance	4.0%	NA	2.0%	3.0%	NA	11.0
Retirement Benefits Health and Dental	4.0%	NA	2.0%	3.5%	3.5% (1)	14.3 to 16.0
Pensions Benefits (non-OMERS)	5.75%	5.75%	2.25%	NA (2)	NA	8.9 to 11.0

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

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

(a) Liability for sick leave benefit plans

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

City of Hamilton

Notes to Consolidated Financial Statements

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

9. Employee future benefits and other obligations (continued)

(b) Liability for long term disability

The City provides benefits in the event of total disability for certain employee groups. An actuarial valuation of the City's self-insured long term disability program as at December 31, 2015 has estimated the accrued benefit obligation at \$22,729,000 (2014 - \$20,970,000). Changes in valuation assumptions have resulted in an increase in the liability to \$22,729,000 from the expected liability of \$22,486,000. The actuarial loss as at December 31, 2015 of \$243,000 is being amortized over 8.0 years, which is the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$17,169,000 (2014 - \$16,747,000).

(c) Liability for workplace safety and insurance

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

(d) Liability for retirement benefits

The City provides certain health, dental and life insurance benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS) or the normal retirement age and up to the age of 65 years. An actuarial valuation at December 31, 2015 estimated the accrued benefit obligation at \$138,789,000 (2014 - \$132,528,000). Changes in valuation assumptions have resulted in an increase in the liability to \$138,789,000 from the expected liability of \$113,694,000. The actuarial loss of \$25,095,000 is being amortized over 14.3 to 16.0 years, which is the expected average remaining life expectancy of the plan members in various groups.

(e) Liability for vacation benefits

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

(f) Liability for pensions plans

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

City of Hamilton Notes to Consolidated Financial Statements

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

10. Pension agreements

(a) Ontario Municipal Employees Retirement System

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

The latest actuarial valuation as at December 31, 2015 indicates a "going concern" Actuarial Deficit based on the plan's current member and employer contribution rates. Contributions were made in the 2015 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. As a result \$55,490,000 (2014 - \$50,632,000) was contributed to OMERS for current service.

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

(b) Other pension plans

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

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

10. Pension agreements (continued)

(b) Other pension plans (continued)

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

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

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

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

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

10. Pension agreements (continued)

(b) Other pension plans (continued)

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

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

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

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

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

10. Pension agreements (continued)

(b) Other pension plans (continued)

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

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

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

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

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

10. Pension agreements (continued)

(b) Other pension plans (continued)

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

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

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

11. Solid waste landfill liabilities

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

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

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

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

Estimated expenses for closure and post-closure care are \$32,884,000 (2014 - \$32,774,000). The expenses remaining to be recognized are \$7,115,000 (2014 - \$6,690,000). The liability of \$25,769,000 (2014 - \$26,084,000) for closure of the operational site and post closure care of the closed sites has been reported on the Consolidated Statement of Financial Position. A reserve of \$1,006,000 (2014 - \$925,000) was established to finance the future cost for closed landfill sites.

City of Hamilton Notes to Consolidated Financial Statements

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

12. Accumulated Surplus

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

13. Hamilton Future Fund

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

The continuity of the Hamilton Future Fund is as follows:

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

14. Taxation

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

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

City of Hamilton Notes to Consolidated Financial Statements

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

15. Government transfers

(a) Government transfers - grants, subsidies and contributions

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

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

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

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

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

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

City of Hamilton

Notes to Consolidated Financial Statements

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

16. Contractual obligations

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

City of Hamilton Notes to Consolidated Financial Statements

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

16. Contractual obligations (continued)

(h) The City has lease agreements with Tradeport International Corporation for the management and operation of the City's airport. The term of the agreement is forty years for the period July 1, 1996 to June 30, 2036. Under the terms of the agreement, Tradeport is responsible for capital management and all operating costs. Revenue in the amount of \$369,000 (2014 - \$342,000) is reported on the Consolidated Statement of Operations.

(i) The City has executed lease agreements for administrative office space, parking lots and other land leases requiring annual payments in future years as they become due and payable in the amount of \$63,955,000 (2014 - \$66,672,000). The minimum lease payments for these leases over the next five years and thereafter are:

2016	\$ 7,958
2017	7,770
2018	7,637
2019	6,956
2020	4,557
2021 and thereafter	29,077
Total	<u>\$ 63,955</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, 2015, the City has \$65,000,000 in a revolving demand facility.

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

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

City of Hamilton

Notes to Consolidated Financial Statements

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

17. Public liability insurance

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

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

18. Contingent liabilities

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

City of Hamilton Notes to Consolidated Financial Statements

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

19. Tangible Capital Assets

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

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

Included are leased tangible capital assets with a net book value of \$3,659,000 (2014 - \$4,790,000). In addition, the City has works of arts and historical treasures including sculptures, fine art, murals, cemetery crosses, cenotaphs, cannons and artillery that are preserved by the City but are not recorded as tangible capital assets.

City of Hamilton

Notes to Consolidated Financial Statements

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

20. Reporting by Business Segment

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

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

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

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

21. Liability for Contaminated Sites

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

22. Budget figures

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

The budget figures conform to the accounting standards adopted in CPA Canada Public Sector Accounting Handbook section *PS1200 Financial Statement Presentation*. As such, the budget figures presented in the consolidated financial statements differ from the presentation approved by City Council. A summary reconciliation follows:

City of Hamilton

Notes to Consolidated Financial Statements

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

22. Budget figures (continued)

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

City of Hamilton
Notes to Consolidated Financial Statements

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

2015 Schedule of Tangible Capital Assets

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

City of Hamilton
Notes to Consolidated Financial Statements

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

2014 Schedule of Tangible Capital Assets

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

City of Hamilton
Notes to Consolidated Financial Statements

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

2015 Schedule of Operations for Business Segments

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

City of Hamilton
Notes to Consolidated Financial Statements

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

2014 Schedule of Operations for Business Segments

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

Section 3

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

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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, 2015

Statement of Financial Position

As at December 31, 2015

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

Statement of Operations

Year ended December 31, 2015

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

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2015

1. Significant accounting policies

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

(a) Basis of Consolidation

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

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

(b) Basis of Accounting

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

2. Investments

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

3. Investments in Hamilton Community Foundation

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

City of Hamilton
Trust Funds
Notes To The Financial Statements

As at December 31, 2015

4. Accumulated Surplus

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

City of Hamilton
Trust Funds – Cemetery

As at December 31, 2015

Statement of Financial Position

As at December 31, 2015

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

Statement of Operations

Year ended December 31, 2015

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

City of Hamilton
Trust Funds – Library

As at December 31, 2015

Statement of Financial Position

As at December 31, 2015

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

Statement of Operations

Year ended December 31, 2015

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

City of Hamilton
Trust Funds – Other

As at December 31, 2015

Statement of Financial Position

As at December 31, 2015

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

Statement of Operations

Year ended December 31, 2015

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

Section 4

City of Hamilton
Financial Statements for the
Trust Funds – Homes for the Aged
December 31, 2015

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Independent 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 – Homes for the Aged

As at December 31, 2015

Statement of Financial Position

As at December 31, 2015

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

Statement of Operations

Year ended December 31, 2015

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

See accompanying notes to the financial statements.

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

As at December 31, 2015

1. Purpose of Trust Funds

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

Macassa and Wentworth Lodge Resident Trusts

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

Macassa and Wentworth Lodge Other Trusts

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

2. Significant accounting policies

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

Basis of accounting

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

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

3. Investments

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