



CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT *Financial Services Division*

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 06, 2016
SUBJECT/REPORT NO:	2015 City of Hamilton Financial Report and Audited Financial Statements (FCS16051) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Tony Del Monaco (905) 546-2424 Ext. 3020
SUBMITTED BY:	Mike Zegarac General Manager Finance and Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

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

EXECUTIVE SUMMARY

Each year, the Treasurer of the municipality must prepare and present the audited financial statements to Council for approval as prescribed by the *Municipal Act*. The financial statements, attached as Appendix “B” to Report FCS16051, present the consolidated statement of the financial position of the municipality as at December 31, 2015, the consolidated statement of operations for the year ended December 31, 2015, the consolidated statement of changes in net financial assets and consolidated statement of cash flow.

KPMG LLP, Licensed Public Accountants, the City of Hamilton’s (City) external auditors, performed the statutory audit function and expressed an opinion, free of qualification, that these financial statements present fairly, in all material respects, the financial position of the City of Hamilton as at December 31, 2015. The Audit Finds Report of KPMG for the year ended December 31, 2015, is attached as Appendix “C” to Report FCS16051. KPMG’s Report provides the status of the audit; a summary of significant audit, accounting, and reporting matters; a summary of audit adjustments; and updates

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to technical accounting and auditing standards. The Report from KPMG indicates that there were no findings of significant internal control deficiencies during the 2015 audit.

The financial statements have been prepared by staff in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA). Full accrual accounting was implemented with the changes to the CPA Public Sector Accounting Handbook, Section PS1201 Financial Statement Presentation and Section PS3150 Tangible Capital Assets, effective January 1, 2009. The changes were illustrated with the presentation of the 2009 Consolidated Financial Statements (FCS10042) to the Audit, Finance and Administration Committee in June 2010. The most significant change is the reporting of tangible capital assets in the consolidated financial statements.

Appendix "A" to Report FCS16051 provides an overview of management's analysis of the 2015 Consolidated Financial Statements for the City of Hamilton. The 2015 Financial Report (Appendix "B" to Report FCS16051) contains the following financial information:

- City of Hamilton 5 Year Financial and Statistical Review (unaudited);
- City of Hamilton Consolidated Financial Statements;
- City of Hamilton Trust Fund Financial Statements (Cemetery, Library and General Trust Funds); and,
- City of Hamilton Homes for the Aged Trust Fund Financial Statements.

Financial statements for the Hamilton Public Library Board, the City's Housing Corporation and Business Improvement Areas are presented to their respective Boards or Oversight Bodies for approval.

In 2015, as part of Report FCS15081, the General Issues Committee approved a new annual external audit of the Hamilton Police Services Schedule of Operations. The Draft Audited Schedule of Operations is included as Appendix "D" to Report FCS16051. The Hamilton Police Services Audit Findings Report of KPMG for the year ended December 31, 2015, is attached as Appendix "E" to Report FCS16051.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Appendix "A" to Report FCS16051 provides an overview of management's analysis of the 2015 Consolidated Financial Statements for the City of Hamilton.

Staffing: There are no associated staffing implications.

Legal: There are no associated legal implications.

HISTORICAL BACKGROUND

The Consolidated Financial Statements of the City of Hamilton are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA).

Effective January 1, 2009, the City adopted CPA Public Sector Accounting Handbook, Section PS1201 Financial Statement Presentation and Section PS3150 Tangible Capital Assets. As a result of the changes to full accrual accounting, the City began to record tangible capital assets in the 2009 consolidated financial statements. Other changes include standardization of the presentation of financial assets, liabilities, non-financial assets and accumulated surplus in the financial statements of governments. Expenses replace expenditures in the statement of operations in the full accrual accounting approach. Expenditures were outlays of assets to purchase goods and services. Expenses represent the consumption of assets to provide goods, services and intangibles. Expenses include the amortization of tangible capital assets over the useful life of the assets, the change in liabilities for post-employment, retirement and pension benefits and the change in liabilities for solid waste landfill closure and post closure care costs.

The Operating and Capital Budgets continue to be reported on the modified accrual basis of accounting. In addition to the accrual of the usual operating revenues and expenses, the Operating and Capital Budgets include expenditures for principal payments on debt, payments of retiree benefits and payments of landfill costs and revenues from the proceeds from the issuance of debentures or loans.

In 2015, as part of Report FCS15081, the General Issues Committee approved an annual external audit of the Hamilton Police Services Schedule of Operations. The Draft Audited Schedule of Operations, is included as Appendix "D" to Report FCS16051. The Hamilton Police Services Audit Findings Report of KPMG for the year ended December 31, 2015, is attached as Appendix "E" to Report FCS16051. There were no audit issues identified.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not Applicable

RELEVANT CONSULTATION

KPMG LLP, Chartered Accountants, our external auditors.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Each year, the Treasurer of the municipality must prepare and present the audited financial statements to Council for approval as prescribed by the *Municipal Act*. The 2015 City of Hamilton Financial Report and Audited Financial Statements are included as Appendix “B” to Report FCS16051.

ALTERNATIVES FOR CONSIDERATION

Not Applicable

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS16051: Management’s Analysis - 2015 City of Hamilton Consolidated Financial Statements

Appendix “B” to Report FCS16051: 2015 City of Hamilton Financial Report

Appendix “C” to Report FCS16051: KPMG’s Audit Finds Report for the year ended December 31, 2015

Appendix “D” to Report FCS16051: 2015 Hamilton Police Services Schedule of Operations

Appendix “E” to Report FCS16051: KPMG’s Hamilton Police Services Audit Finds Report for the year ended December 31, 2015

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