



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Services Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 12, 2017
SUBJECT/REPORT NO:	2016 City of Hamilton Financial Report and Audited Financial Statements (FCS17053) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Stephanie Nagel (905) 546-2424 Ext.3020
SUBMITTED BY:	Mike Zegarac General Manager Finance and Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the 2016 City of Hamilton Financial Report and Audited Financial Statements, attached as Appendix “B” to Report FCS17053 be approved;
- (b) That the 2016 Hamilton Police Services Draft Audited Schedule of Operations, attached as Appendix “D” to Report FCS17053, 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, (2001)*. The financial statements, attached as Appendix “B” to Report FCS17053, present the consolidated statement of financial position of the Municipality as at December 31, 2016, the consolidated statement of operations for the year ended December 31, 2016, the consolidated statement of changes in net financial assets and the consolidated statement of cash flow.

KPMG LLP, 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, 2016. The Audit Findings Report of KPMG for the year ended December 31, 2016, is attached as Appendix “C” to Report FCS17053. KPMG’s report provides the status of the audit, a summary of significant audit, accounting, and reporting matters; a summary of audit adjustment; and updates to technical accounting and

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auditing standards. The report from KPMG indicates that there were no significant internal control deficiencies during the 2016 audit, nor were there any adjustments or differences identified.

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 was the reporting of tangible capital assets in the consolidated financial statements.

Appendix “A” to Report FCS17053 provides an overview of management’s analysis of the 2016 Consolidated Financial Statements for the City of Hamilton. The 2016 Financial Report (Appendix “B” to Report FCS17053) contains the following 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 in Appendix “D” to Report FCS17053 and is set to be presented to and approved by the Police Services Board at their June 8, 2017 meeting.

Alternatives or Consideration –Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Appendix “A” to Report FCS17053 provides an overview of management’s analysis of the 2016 Consolidated Financial Statements of 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 the 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 the 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.

PSAB changes are applied in the years' they come into effect in legislation and will include any required note disclosure. PSAB 3260 – Liability of Contaminated Sites came into effect January 1, 2015 and was shown for the first time in our 2015 Financial Statements, applied retroactively as prescribed. For this new requirement, the City includes this risk-based estimate for remediation of various lands with past industrial uses as part of our liabilities. Details of the liability for 2016 can be found in the financial statements in Appendix “B” to Report FCS17053, Note 21. For 2016 year-end financial statements there were no new PSAB accounting policy changes. The Audit Findings Report provided by KPMG in Appendix “C” to Report FCS17053 includes in its current developments section the upcoming changes to PSAB summarized with notes on implications.

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 on the issuance of debentures or loans.

In 2015, as part of the 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 the Report FCS17053.

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The Hamilton Police Services Board will review and approve the draft schedule at their next scheduled meeting of June 12, 2017. There were no audit issues identified.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not Applicable.

RELEVANT CONSULTATION

KPMG LLP, our external auditors performed the annual audit for the City of Hamilton financial statements for 2016 and provided the related Appendix "C" Audit Findings Report.

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, (2001)*. The 2016 City of Hamilton Financial Report and Audited Financial Statements are included in Appendix "B" to Report FCS17053.

ALTERNATIVES FOR CONSIDERATION

Not applicable.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement & Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" - Management's Analysis- 2016 City of Hamilton Consolidated Financial Statements

Appendix "B" - 2016 City of Hamilton Financial Report

Appendix "C" - KPMG's Audit Findings Report for the year ended December 31, 2016

Appendix "D" - 2016 Hamilton Police Services Draft Audited Schedule of Operations

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