



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
*Financial Services Division*

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	June 11, 2018
<b>SUBJECT/REPORT NO:</b>	2017 City of Hamilton Financial Report and Audited Financial Statements (FCS18059) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Shelley Hesmer (905) 546-2424 Ext. 3020
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager Finance and Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That the 2017 City of Hamilton Financial Report and Audited Financial Statements, attached as Appendix "B" to Report FCS18059 be approved;

**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 FCS18059, present the consolidated statement of financial position of the Municipality as at December 31, 2017, the consolidated statement of operations for the year ended December 31, 2017, 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, 2017. The Audit Findings Report of KPMG for the year ended December 31, 2017, is attached as Appendix "C" to Report FCS18059. 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 auditing standards. The report from KPMG indicates that there were no significant

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*OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

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internal control deficiencies during the 2017 audit. One reclassification adjustment was communicated to management and was subsequently corrected in the financial statements.

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 FCS18059 provides an overview of management’s analysis of the 2017 Consolidated Financial Statements for the City of Hamilton. The 2017 Financial Report (Appendix “B” to Report FCS18059) 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 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.

### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: Appendix “A” to Report FCS18059 provides an overview of management’s analysis of the 2017 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

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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 2017 can be found in the financial statements in Appendix “B” to Report FCS18059, Note 21. For 2017 year-end financial statements there were no new PSAB accounting policy changes. The Audit Findings Report provided by KPMG in Appendix “C” to Report FCS18059 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.

## **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 2017 and provided the related Appendix “C” Audit Findings Report.

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## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

Each year, the Treasurer of the Municipality must prepare and present the audited financial statements to Council for the approval as prescribed by the *Municipal Act, (2001)*. The 2017 City of Hamilton Financial Report and Audited Financial Statements are included in Appendix “B” to Report FCS18059.

## **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” to Report FCS18059 – Management’s Analysis – 2017 City of Hamilton Consolidated Financial Statements

Appendix “B” to Report FCS18059 – 2017 City of Hamilton Financial Report

Appendix “C” to Report FCS18059 – KPMG’s Audit Findings Report for the year ended December 31, 2017

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