



Hamilton

FINANCIAL REPORT

2017

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

City of Hamilton Financial Report 2017

Contents

2017 City of Hamilton Five Year Financial and Statistical Review	Section 1
2017 City of Hamilton Consolidated Financial Statements	Section 2
2017 Financial Statements for the City Trust Funds (Cemetery and General Trusts)	Section 3
2017 Financial Statements for the Trust Funds for the Homes for the Aged	Section 4

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 2017

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenue					
Taxation	\$ 876,880	\$ 854,709	\$ 831,645	\$ 792,317	\$ 764,684
Government grants and contributions	394,785	385,447	384,363	418,772	341,258
User charges	334,974	332,601	315,340	298,888	280,712
Development charges and subdivider contributions	50,313	82,025	25,611	47,102	22,031
Donated tangible capital assets	18,217	16,646	43,571	36,584	29,821
Investment and dividend income	28,070	27,067	30,284	35,452	32,268
Net income from Government Business Enterprises	134,914	22,857	18,758	3,622	15,449
Other	131,383	116,549	114,019	98,716	97,371
	<u>1,969,536</u>	<u>1,837,901</u>	<u>1,763,591</u>	<u>1,731,453</u>	<u>1,583,594</u>
Operating Expenses by Function					
General government	\$ 70,733	\$ 72,550	\$ 57,664	\$ 50,906	\$ 57,987
Protection services	312,564	306,629	300,362	283,934	278,774
Transportation services	326,274	310,190	318,605	323,253	282,486
Environmental services	239,488	238,553	219,339	206,052	198,720
Health services	99,125	98,443	105,377	91,846	91,564
Social and family services	315,218	302,830	294,343	284,733	276,984
Social housing	105,141	111,113	120,898	111,650	100,098
Recreation and cultural services	169,029	165,214	155,720	142,383	145,064
Planning and development	53,455	51,514	54,882	46,933	41,890
	<u>1,691,027</u>	<u>1,657,036</u>	<u>1,627,190</u>	<u>1,541,690</u>	<u>1,473,567</u>
Net Operating Revenue					
or Annual Surplus from Operations	<u>278,509</u>	<u>180,865</u>	<u>136,401</u>	<u>189,763</u>	<u>110,027</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2017 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Taxation					
Taxation from real property	\$ 1,056,723	\$ 1,032,999	\$ 1,010,050	\$ 967,719	\$ 940,090
Taxation from other governments/payments in lieu of taxes	\$ 17,042	\$ 16,469	15,367	15,367	15,080
Taxation collected on behalf of school boards	(196,885)	(194,759)	(193,772)	(190,769)	(190,486)
Net taxes available for municipal purposes	876,880	854,709	831,645	792,317	764,684
Tax Levies					
City portion	\$ 845,392	\$ 827,668	\$ 797,619	\$ 761,745	\$ 737,350
School Board portion	193,714	191,734	188,861	186,846	187,274
	1,039,106	1,019,402	986,480	948,591	924,624
Tax arrears					
Taxes receivable	\$ 77,918	\$ 83,730	\$ 85,429	\$ 82,976	\$ 80,067
Taxes receivable per capita	140	155	155	152	148
Taxes receivable as a percentage of current years' levies	7.5%	8.2%	8.7%	8.7%	8.7%
Unweighted Taxable Assessment					
Residential	\$ 57,306,633	\$ 53,366,322	\$ 50,882,588	\$ 48,734,517	\$ 46,565,889
Non-Residential	7,908,588	7,571,212	7,262,270	6,937,908	6,791,790
	65,215,221	60,937,534	58,144,858	55,672,425	53,357,679
Weighted Taxable Assessment					
Residential	\$ 61,208,842	\$ 57,357,959	\$ 54,721,738	\$ 52,506,258	\$ 50,094,712
Non-Residential	17,376,301	16,428,325	15,809,651	15,125,118	14,946,695
	78,585,143	73,786,284	70,531,389	67,631,376	65,041,407
Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment					
Residential	78%	78%	78%	78%	77%
Non-Residential	22%	22%	22%	22%	23%
Taxable Assessment Growth (weighted)	1.4%	0.7%	1.6%	1.3%	0.8%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2017 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Expenses by Object					
Salaries, wages and employee benefits	\$ 755,403	\$ 741,847	\$ 723,337	\$ 693,067	\$ 667,736
Interest on long term liabilities	13,442	12,934	14,297	13,176	14,717
Materials	218,037	221,520	223,349	212,112	199,596
Contracted services	275,361	276,159	248,843	238,005	213,569
Rents and financial expenses	42,421	34,297	36,435	32,821	28,845
External transfers	194,241	184,546	202,881	177,383	176,435
Amortization of tangible capital assets	192,122	185,733	178,048	175,126	172,669
	<u>1,691,027</u>	<u>1,657,036</u>	<u>1,627,190</u>	<u>1,541,690</u>	<u>1,473,567</u>
Operating Expenses as Percentage of Total					
Salaries, wages and employee benefits	44.7%	44.8%	44.6%	45.0%	45.3%
Interest on long term liabilities	0.8%	0.8%	0.9%	0.9%	1.0%
Materials	12.9%	13.4%	13.7%	13.8%	13.5%
Contracted services	16.3%	16.7%	15.3%	15.4%	14.5%
Rents and financial expenses	2.5%	2.1%	2.2%	2.1%	2.0%
External transfers	11.5%	11.1%	12.5%	11.5%	12.0%
Amortization of tangible capital assets	11.3%	11.1%	10.8%	11.3%	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	\$ 418,145	\$ 472,805	\$ 394,295	\$ 444,766	\$ 388,663
Long Term Debt incurred by the City for which other entities have assumed responsibility	-	-	(3,239)	(6,280)	(9,136)
	<u>418,145</u>	<u>472,805</u>	<u>391,056</u>	<u>438,486</u>	<u>379,527</u>
Long Term Liabilities					
Housing operations	\$ 58,508	\$ 64,070	\$ 69,466	\$ 74,675	\$ 79,650
City operations	359,637	408,735	321,590	363,811	299,877
	<u>418,145</u>	<u>472,805</u>	<u>391,056</u>	<u>438,486</u>	<u>379,527</u>
Long term liabilities as a % of Reserves and Capital Surplus					
	58.60%	62.20%	62.30%	60.50%	56.80%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2017 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tangible Capital Assets					
General					
Land	\$ 333,818	\$ 315,467	\$ 304,977	\$ 287,316	\$ 265,406
Land improvements	152,325	150,337	135,252	137,563	142,054
Buildings	756,160	761,396	735,926	583,083	570,509
Vehicles	128,600	133,786	107,241	100,547	109,191
Computer hardware and software	11,821	11,058	7,876	6,701	4,928
Other	99,540	103,490	92,098	88,164	90,596
Infrastructure	-	-			
Roads	1,261,223	1,253,561	1,248,288	1,188,995	1,183,951
Bridges and structures	183,422	184,213	184,794	183,252	176,442
Water and wastewater facilities	403,647	396,884	385,404	391,440	388,850
Underground and other networks	1,789,334	1,761,542	1,713,019	1,631,570	1,585,462
Net Book Value	5,119,890	5,071,734	4,914,875	4,598,631	4,517,389
Assets under construction	309,974	199,680	235,413	359,541	223,286
	5,429,864	5,271,414	5,150,288	4,958,172	4,740,675
Accumulated Surplus or Municipal Financial Position					
Reserves and reserve funds					
Reserves	\$ 697,931	\$ 647,278	\$ 660,757	\$ 636,625	\$ 606,664
Hamilton Future Fund	44,322	43,079	37,711	46,436	61,116
	742,253	690,357	698,468	683,061	667,780
Capital surplus	\$ (28,137)	\$ 70,021	\$ (70,758)	\$ 41,550	\$ 44
Operating surplus	1,498	2,020	2,305	(1,862)	(71)
Investment in Government Business Enterprises	356,098	247,386	232,811	223,724	235,392
Investment in tangible capital assets	4,995,441	4,780,723	4,740,652	4,507,349	4,351,854
Unfunded liabilities - Employee future benefits	(343,679)	(333,787)	(326,627)	(313,254)	(297,989)
Unfunded liabilities - Solid waste landfill sites	(24,174)	(24,466)	(25,769)	(26,084)	(28,655)
	5,699,300	5,432,254	5,251,082	5,114,484	4,928,355

Note: Amounts reported may have been restated from previous amounts presented to conform to 2017 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statistical Information					
Population	558,397	558,397	550,700	545,850	540,000
Households	222,918	222,918	223,000	221,000	218,500
Area in hectares	112,775	112,775	112,775	112,775	112,775
Building Permit Values	\$1,364,145,419	\$1,056,237,746	\$1,108,192,846	\$1,143,192,706	\$1,025,785,758
Housing Starts	1,340	1,436	1,415	1,203	1,250
Residential Units - Building Permits	6,053	5,835	4,142	3,379	3,112
Average Monthly Social Assistance Case Load	12,807	12,753	12,946	12,388	12,619
Continuous Full Time Employees	6,664	6,670	6,597	6,405	6,411

Note: Amounts reported may have been restated from previous amounts presented to conform to 2017 Public Sector Accounting Board (PSAB) standards.

Section 2

City of Hamilton Consolidated Financial Statements 2017

Contents

	<u>Section - Page</u>
Independent Auditor’s Report	2-1 to 2-2
Consolidated Statement of Financial Position	2-3
Consolidated Statement of Operations	2-4
Consolidated Statement of Changes in Net Financial Assets	2-5
Consolidated Statement of Cash Flow	2-6
Notes to the Consolidated Financial Statements	2-7 to 2-38

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, 2017 (all numbers are in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Financial assets		
Cash and cash equivalents (Note 2)	\$ 139,287	\$ 148,185
Taxes receivable	77,918	83,730
Accounts receivable	120,405	107,965
Other assets	1,327	651
Long term receivables (Note 3)	52,124	48,312
Portfolio investments (Note 2)	947,928	900,035
Investment in Government Business Enterprises (Note 4)	356,098	247,386
Total financial assets	\$ 1,695,087	\$ 1,536,264
Liabilities		
Accounts payable and accrued liabilities	\$ 319,187	\$ 268,174
Deferred revenue - general	67,667	59,618
Deferred revenue - obligatory reserve funds (Note 5 & 6)	252,156	213,247
Long term liabilities – Municipal Operations (Note 7)	359,637	408,735
Long term liabilities – Housing Corporation (Note 8)	58,508	64,070
Employee future benefits and other obligations (Note 9)	367,587	356,762
Solid waste landfill liabilities (Note 11)	24,174	24,466
Total liabilities	1,448,916	1,395,072
Net financial assets	\$ 246,171	\$ 141,192
Non-financial assets		
Tangible capital assets (Note 19)	\$ 5,429,864	\$ 5,271,414
Inventories	12,556	11,733
Prepaid expenses	10,709	7,915
Total non-financial assets	5,453,129	5,291,062
Accumulated surplus (Note 12)	\$ 5,699,300	\$ 5,432,254

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, 2017 (all numbers are in thousands of dollars)

	Budget <u>2017</u> (Note 22)	Actual <u>2017</u>	Actual <u>2016</u>
Revenue			
Taxation (Note 14)	\$ 874,187	\$ 876,880	\$ 854,709
Government grants and contributions (Note 15)	458,101	394,785	385,447
User charges	323,788	334,974	332,601
Development charges and subdivider contributions	53,200	50,313	82,025
Donated tangible capital assets	18,217	18,217	16,646
Investment and dividend income	33,897	28,070	27,067
Net income from Government Business Enterprises (Note 4)	-	134,914	22,857
Other	101,811	131,383	116,549
Total revenue	<u>1,863,201</u>	<u>1,969,536</u>	<u>1,837,901</u>
Expenses			
General government	\$ 69,600	\$ 70,733	\$ 72,550
Protection services	305,708	312,564	306,629
Transportation services	333,690	326,274	310,190
Environmental services	249,241	239,488	238,553
Health services	99,932	99,125	98,443
Social and family services	326,323	315,218	302,830
Social housing	99,017	105,141	111,113
Recreation and cultural services	171,480	169,029	165,214
Planning and development	64,067	53,455	51,514
Total expenses	<u>1,719,059</u>	<u>1,691,027</u>	<u>1,657,036</u>
Annual Surplus	\$ 144,142	\$ 278,509	\$ 180,865
Accumulated surplus			
Beginning of year	\$ 5,432,254	\$ 5,432,254	\$ 5,251,082
Other comprehensive income of Government Business Enterprises (Note 4)	-	(11,463)	307
End of year	<u>\$ 5,576,396</u>	<u>\$ 5,699,300</u>	<u>\$ 5,432,254</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, 2017 (all numbers are in thousands of dollars)

	Budget <u>2017</u> (Note 22)	Actual <u>2017</u>	Actual <u>2016</u>
Operating activities			
Annual surplus	\$ 144,142	\$ 278,509	\$ 180,865
Other comprehensive income (loss) of			
Government Business Enterprises	-	(11,463)	307
Acquisition of tangible capital assets	(410,891)	(350,916)	(301,133)
Loss on disposition of tangible capital assets	18,561	18,561	10,921
Amortization of tangible capital assets	192,122	192,122	185,732
Donated tangible capital assets	(18,217)	(18,217)	(16,646)
Increase (decrease) in inventories	-	(823)	(1,432)
Decrease in prepaid expenses	-	(2,794)	(1,382)
Net increase (decrease) in net financial assets	<u>(74,282)</u>	<u>104,979</u>	<u>57,232</u>
Net financial assets			
Beginning of year	<u>141,192</u>	<u>141,192</u>	<u>83,960</u>
 End of year	 <u>\$ 66,910</u>	 <u>\$ 246,171</u>	 <u>\$ 141,192</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Cash Flows

For the year ended December 31, 2017 (all numbers are in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Operating activities		
Annual surplus	\$ 278,509	\$ 180,865
Decrease (increase) in taxes receivable	5,812	1,699
Decrease (increase) in accounts receivable	(12,440)	9,718
Decrease (increase) in other assets	(676)	23
Increase (decrease) in accounts payable and accrued liabilities	51,013	16,240
Increase in deferred revenue - general	8,049	14,025
Increase (decrease) in deferred revenue – obligatory reserve fund	38,909	(13,498)
Decrease (increase) in inventories	(823)	(1,432)
Decrease (increase) in prepaid expenses	(2,794)	(1,382)
Non-cash activities		
Amortization of tangible capital assets	192,122	185,732
Donated tangible capital assets	(18,217)	(16,646)
Loss on disposition of tangible capital assets	18,561	10,921
Net income from Government Business Enterprises	(134,914)	(22,857)
Change in employee future benefits and other obligations	10,825	7,755
Change in solid waste landfill liabilities	(292)	(1,303)
	<u>433,644</u>	<u>369,860</u>
Investing activities		
Decrease (increase) in portfolio investments	(47,893)	(109,315)
Decrease (increase) in long term receivables	(3,812)	5,425
Dividends received from Government Business Enterprises	14,740	8,590
	<u>(36,965)</u>	<u>(95,300)</u>
Financing activities		
Long term debt issued – Municipal Operations	-	129,901
Debt principal repayment – Municipal Operations	(48,480)	(42,208)
Lease obligation payment – Municipal Operations	(619)	(548)
Debt principal repayment – Housing Corporation	(5,562)	(5,396)
	<u>(54,661)</u>	<u>81,749</u>
Capital activities		
Purchase of tangible capital assets	<u>(350,916)</u>	<u>(301,133)</u>
Net increase (decrease) in cash and cash equivalents	(8,898)	55,176
Cash and cash equivalents		
Beginning of year	<u>148,185</u>	<u>93,009</u>
End of year	<u>\$ 139,287</u>	<u>\$ 148,185</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (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
CityHousing 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
Hamilton Farmers Market

Interdepartmental and organizational transactions and balances are eliminated.

CityHousing 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 CityHousing 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.

CityHousing 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, and general trust funds administered by the City amounting to \$17,663,000 (2016 - \$16,579,000) 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 \$452,000 (2016 - \$438,000) 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, 2017 (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:

Anonymous Testing Program
IDU Outreach Program
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

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

(b) Basis of accounting

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

(c) Use of estimates

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(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. Temporary investments are recorded at cost and are written down to fair value when there has been a decline in value.

(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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

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. Works of art and historic treasures are not recorded as assets in these financial statements.

(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.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

2. Cash and portfolio investments

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 174	\$ 166
Cash held in banks	132,957	141,879
Temporary investments	6,156	6,140
	<u>\$ 139,287</u>	<u>\$ 148,185</u>
Portfolio investments are comprised of:		
Unrestricted investments	\$ 651,451	\$ 643,709
Designated investments (obligatory reserve funds)	252,155	213,247
Designated investments (Hamilton Future Fund)	44,322	43,079
	<u>\$ 947,928</u>	<u>\$ 900,035</u>

Portfolio investments have a market value of \$955,877,000 (2016 - \$927,573,000). The City has purchased \$7,426,000 (2016 - \$10,024,000) of its own debentures which have not been cancelled. This investment in own debentures is included in investments on the consolidated statement of financial position. The gross outstanding amount of these debentures is \$355,658,000 (2016 - \$404,138,000).

3. Long term receivables

The City has long-term receivables in the amount of \$52,124,000 (2016 - \$48,312,000). The long term receivables are comprised of:

	<u>2017</u>	<u>2016</u>
Development charge deferral agreements	\$ 26,987	\$ 22,117
Mortgages receivable:		
Downtown convert to rent program	11,422	10,470
Hamilton Utilities Corporation	7,128	8,100
Hamilton Renewable Power Inc.	808	1,304
Sheraton Hotel loan	977	1,086
Other City loan programs	3,802	3,719
Loans to other agencies and organizations	3,997	4,357
Less: Provision for loans with concessionary terms	(2,997)	(2,841)
	<u>\$ 52,124</u>	<u>\$ 48,312</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, 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. □

4. Investment in Government Business Enterprises

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

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 2017 and 2016 is as reported by the Hamilton Utilities Corporation and Hamilton Renewable Power Inc.

	<u>2017</u>	<u>2016</u>
Net income from H.U.C.	\$ 134,786	\$ 22,774
Net income from H.R.P.I.	<u>128</u>	<u>83</u>
Net income from Government Business Enterprises	<u>\$ 134,914</u>	<u>\$ 22,857</u>

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

	<u>2017</u>	<u>2016</u>
Investment in H.U.C.	\$ 356,430	\$ 247,785
Investment in H.R.P.I.	<u>(332)</u>	<u>(399)</u>
	<u>\$ 356,098</u>	<u>\$ 247,386</u>

4. Investment in Government Business Enterprises (continued)

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

The following table provides condensed supplementary financial information for Hamilton Utilities Corporation reported by H.U.C. at December 31, 2017 and December 31, 2016 respectively.

	<u>2017</u>	<u>2016</u>
Financial Position		
Current assets	\$ 18,699	\$ 148,001
Capital assets	39,239	497,484
Intangible assets	2,400	20,005
Goodwill	582	18,923
Future payments in lieu of taxes	1,883	8,409
Investments in Alectra Inc.	347,238	-
Total assets	<u>410,041</u>	<u>692,822</u>
Current liabilities		
(including current portion of long term debt)	5,350	126,687
Non-current liabilities	48,149	263,267
Total liabilities	53,499	389,954
Minority Interest	112	55,083
Shareholders' equity	<u>\$ 356,430</u>	<u>\$ 247,785</u>
Results of operations		
Revenues	\$ 67,940	\$ 765,053
Operating expenses	(71,489)	(714,369)
Equity income in Alectra Holdings Inc.	13,659	-
Financing expenses	(1,097)	(7,745)
Investing expenses	(49)	(2,115)
Other income	159,544	605
Equity earnings from operations	168,508	41,429
Payment in lieu of taxes	(33,705)	(11,786)
Minority Interest	(17)	(6,869)
Net Income before other comprehensive income	134,786	22,774
Other comprehensive income	(11,463)	307
Net income	<u>\$ 123,323</u>	<u>\$ 23,081</u>
Dividends paid	\$ 14,678	\$ 8,529

4. Investment in Government Business Enterprises (continued)

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

The following table provides condensed supplementary financial information for Hamilton Renewable Power Inc. reported at December 31, 2017 and December 31, 2016 respectively.

	<u>2017</u>	<u>2016</u>
Financial Position		
Current assets	\$ 758	\$ 717
Capital assets	6,735	7,300
Other assets	<u>32</u>	<u>32</u>
Total assets	<u>7,525</u>	<u>8,049</u>
Current liabilities		
(including current portion of long term debt)	1,160	1,183
Future payment in lieu of taxes	419	457
Long term debt	<u>278</u>	<u>808</u>
Total liabilities	1,857	2,448
Common shares	<u>6,000</u>	6,000
Net deficit	<u>\$ (332)</u>	<u>\$ (399)</u>
Results of operations		
Revenues	\$ 3,182	\$ 3,264
Expenses	<u>(3,054)</u>	<u>(3,181)</u>
Net income	<u>\$ 128</u>	<u>\$ 83</u>

Dividends paid \$ 62 \$ 61

Hamilton Utilities Corporations' non-current liabilities include long term debt owing to the City of Hamilton for secured borrowings of \$7,128,000 (2016 - \$8,100,000) bearing interest at 4.06% due 1 January 2020.

Hamilton Renewable Power Incorporated Capital Loan:

The City of Hamilton, the sole shareholder, has provided a capital loan in the amount of \$808,000 (2016 - \$1,304,000), bearing interest at 6.75% compounded semi-annually, due in semi-annual payments of \$287,698 principal and interest maturing in 2019.

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.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

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>2017</u>	<u>2016</u>
Revenue		
Dividend revenue from H.U.C.	\$ 14,678	\$ 8,529
Dividend revenue from H.R.P.I.	62	61
Property and other taxes received by the City from H.U.C.	640	593
Sale of Methane to H.R.P.I.	872	920
Expenditures		
Hydro purchased by the City from H.U.C.	38,100	40,170
Water and sewer billing contracted service with H.U.C.	419	5,072
Thermal and Electrical Energy purchased from H.U.C.	2,378	1,916
Thermal Energy purchased from H.R.P.I.	360	428
Fibre Services purchased by the City from H.U.C.	1,077	780
Cooling changes related to Central Utilities Plant	1,802	1,788
Assets		
Accounts receivable from H.U.C.	1,363	1,285
Water user charges receivable from H.U.C.	-	14,480
Accounts receivable from H.R.P.I.	446	371
Long term receivable from H.U.C.	7,128	7,452
Long term receivable from H.R.P.I.	808	1,304
Liabilities		
Accounts Payable – H.U.C.	1,005	3,348

5. Deferred revenue – obligatory reserve funds

	<u>2017</u>	<u>2016</u>
Development charge reserve funds	\$ 158,996	\$ 127,959
Subdivider contributions	-	56
Recreational land dedicated under the Planning Act	35,235	32,493
Gasoline tax revenue: Provincial	16,692	18,774
Federal	21,919	16,265
Building Permit Revenue	19,285	17,671
Other (Ivor Wynne)	29	29
	<u>\$ 252,156</u>	<u>\$ 213,247</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (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>2017</u>	<u>2016</u>
Balance at the beginning of the year	\$ 213,247	\$ 226,745
Add:		
Developer and other contributions	90,155	84,994
Interest earned	4,706	3,775
Provincial and Federal Funding	43,238	42,297
	<u>138,099</u>	<u>131,066</u>
Less:		
Contributions used in operating and capital funds	<u>(99,190)</u>	<u>(144,564)</u>
Balance at the end of the year	<u>\$ 252,156</u>	<u>\$ 213,247</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 2018 to 2044 with interest rates varying between 1.61% and 6.75% and obligations for leased tangible capital assets with payments from 2018 to 2051 at a discount rate of 5%. The balance of long term liabilities consists of the following:

	<u>2017</u>	<u>2016</u>
Long term liabilities incurred by the City	\$ 355,658	\$ 404,138
Long term liabilities incurred by the City for which other entities have assumed responsibility	<u>-</u>	<u>-</u>
Net long term debt	355,658	404,138
Long term liabilities for leased tangible capital assets incurred by the City	<u>3,979</u>	<u>4,597</u>
Net long term liabilities	<u>\$ 359,637</u>	<u>\$ 408,735</u>

- (b) Of the \$355,658,000 long term debt (2016 - \$404,138,000) 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>2017</u>	<u>2016</u>
General revenues	\$ 233,406	\$ 275,662
Water & Wastewater user charges	122,252	128,475
Non-consolidated entities	<u>-</u>	<u>1</u>
	<u>\$ 355,658</u>	<u>\$ 404,138</u>

7. Long term liabilities – municipal operations (continued)

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

- (c) 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	Total 2017
2018	27,466	10,284	\$ 37,750
2019	28,052	10,288	38,340
2020	23,849	10,293	34,142
2021	23,980	10,298	34,278
2022	24,397	10,303	34,700
2023 and thereafter	105,662	70,786	176,448
Total	<u>\$ 233,406</u>	<u>\$ 122,252</u>	<u>\$ 355,658</u>

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

	<u>2017</u>
2018	\$ 619
2019	619
2020	619
2021	335
2022	62
2023 and thereafter	1,725
Total	<u>\$ 3,979</u>

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

	<u>2017</u>	<u>2016</u>
Principal repayments	\$ 48,480	\$ 42,208
Interest expense	11,716	11,059
	<u>\$ 60,196</u>	<u>\$ 53,267</u>

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

	<u>2017</u>	<u>2016</u>
Principal repayments	\$ 619	\$ 548
Interest expense	238	177
	<u>\$ 857</u>	<u>\$ 725</u>

8. Long term liabilities – housing corporation

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

(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 2018 to 2027 with interest rates varying between 0.96% and 5.83%. The mortgage obligations for CityHousing Hamilton are \$58,508,000 (2016 - \$64,070,000).

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

	<u>2017</u>
2018	\$ 14,492
2019	16,771
2020	6,188
2021	4,054
2022	10,369
2023 and thereafter	6,634
	<u>\$ 58,508</u>

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

	<u>2017</u>	<u>2016</u>
Principal repayments	\$ 5,562	\$ 5,396
Interest expense	1,489	1,697
	<u>\$ 7,051</u>	<u>\$ 7,093</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 \$14,035,000 (2016 - \$17,016,000), 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.

9. Employee future benefits and other obligations

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

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>2017</u>	<u>2016</u>
Accrued Benefit Obligation		
Sick leave benefit plan	\$ 55,982	\$ 55,108
Long term disability	26,687	23,819
Workplace safety and insurance board liabilities (WSIB)	88,537	78,297
Retirement benefits	146,547	142,509
Vacation benefits	27,478	26,291
Pension benefit plans (Note 9f)	<u>9,132</u>	<u>32,634</u>
	354,363	358,658
 Net unamortized actuarial (loss) gain	 <u>13,224</u>	 <u>(1,896)</u>
 Accrued Liability	 <u>\$ 367,587</u>	 <u>\$ 356,762</u>

The City has established reserves for some of these liabilities totalling \$66,022,000 (2016 - \$66,142,000) as described in the following notes.

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

	<u>2017</u>	<u>2016</u>
Liability for Employee Future Benefits and Other Obligations		
balance at beginning of the year	\$ 356,762	\$ 349,007
Plan amendment per actuarial valuation	-	861
Benefit expense	26,394	25,156
Interest expense	13,735	13,443
Amortization of actuarial loss on accrued benefit obligations	7,417	7,487
Amortization of actuarial gain on earnings on pension assets	(1,271)	(2,380)
Benefit payments	<u>(35,450)</u>	<u>(36,812)</u>
 Liability for Employee Future Benefits and Other Obligations		
balance at end of the year	<u>\$ 367,587</u>	<u>\$ 356,762</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (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>2017</u>	<u>2016</u>
Plan amendment	\$ -	\$ 861
Benefit expense	26,394	24,941
Interest expense	13,735	13,443
Amortization of net actuarial loss	6,146	5,107
	<u>\$ 46,275</u>	<u>\$ 44,352</u>

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

	Discount Rate	Return on Assets	Inflation Rate	Payroll Increases	Dental Increases	Life Expectancy (Years)
Vested sick leave	3.50%	NA	2.0%	3.0%	NA	11.8 to 12.4
Long term disability	3.50%	NA	2.0%	3.0%	NA	8.0
Workplace safety and insurance	4.25%	NA	2.0%	3.0%	NA	10.0
Retirement Benefits Health and Dental	3.80%	NA	2.0%	3.0%	4	14.3 to 16.0
Pensions Benefits (non-OMERS)	4.90%	4.90%	2.25%	NA (2)	NA	7.9 to 10.0

Notes: (1) Drug costs increased by 8.2% in 2017 reducing by 0.20% each year to 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, 2017 has estimated the accrued benefit obligation at \$55,982,000 (2016 - \$55,108,000). Changes in valuation assumptions have resulted in an increase in the liability to \$55,982,000 from the expected liability of \$49,867,000. The actuarial loss as at December 31, 2017 of \$6,115,000 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 \$7,955,000 (2016 - \$6,806,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (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 \$26,687,000 (2016 - \$23,819,000). Changes in valuation assumptions have resulted in an increase in the liability to \$26,687,000 from the expected liability of \$24,960,000. The actuarial loss as at December 31, 2017 of \$1,727,000 is being amortized over 8.0 years, which is the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$16,394,000 (2016 - \$16,629,000).

(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 \$88,537,000 (2016 - \$78,297,000). Changes in valuation assumptions have resulted in an increase in the liability to \$88,537,000 from the expected liability of \$82,178,000. The actuarial loss of \$6,359,000 is being amortized over 10.0 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 \$40,172,000 (2016 - \$41,240,000).

(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, 2017 estimated the accrued benefit obligation at \$146,547,000 (2016 - \$142,509,000). Changes in valuation assumptions have resulted in an increase in the liability to \$146,547,000 from the expected liability of \$127,397,000. The actuarial loss of \$19,150,000 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, 2017 but not taken until a later date. The liability as at December 31, 2017 has been estimated at \$27,478,000 (2016 - \$26,291,000), of which \$17,096,000 is funded by City departments' budgets (2016 - \$16,708,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,500,000 (2016 - \$1,467,000), and the remaining liability of \$8,882,000 is unfunded (2016 - \$8,116,000).

(f) Liability for pensions plans

In addition to the Ontario Municipal Employees Retirement System (OMERS) described in Note 10 the City also provides pension benefits under three other plans. The actuarial valuations at December 31, 2017 estimated the combined accrued benefit obligation of the pension plans at \$9,132,000 (2016 - \$32,634,000). Changes in valuation resulted in a decrease in the liability to \$9,132,000 from an expected liability of \$55,706,000. The actuarial gain of \$46,575,000 is being amortized over 7.9 to 10.0 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, 2017 (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 7,096 members of City staff and councillors. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by employees, based on the length of credited service and average earnings.

The latest actuarial valuation as at December 31, 2016 (with projections to December 31, 2017) indicates a "going concern" Actuarial Deficit based on the plan's current member and employer contribution rates. Contributions were made in the 2017 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 \$56,454,000 (2016 - \$54,369,000) was contributed to the OMERS plan 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 360 employees and 1011 former employees of the City are members of three defined benefit plans and are current or future beneficiaries under their terms and conditions. Actuarial valuations of the pension plans for funding purposes are required under the Pension Benefits Act every three years. The actuarial valuations of the pension plans for accounting purposes provide different results than the valuations for funding purposes. For funding purposes, one of the pension plans is in a surplus position and the other two of the pension plans are in a deficit position.

The actuarial valuation for these pension plans are based on a number of assumptions about future events including mortality, inflation and interest rates. The two plans with deficits are paying a number of amortization schedules that will be completed over a period ranging from two to fifteen years. The accrued pension liability reported in the Consolidated Statements of Financial Position is comprised as follows:

	<u>2017</u>	<u>2016</u>
Accrued pension benefit obligation - HWRF	\$ 60,494	\$ 66,463
Pension plan assets:		
Marketable securities (Market value)	<u>(59,418)</u>	<u>(59,443)</u>
	1,076	7,020
Unamortized actuarial gain	<u>8,594</u>	<u>2,498</u>
Accrued pension liability - HWRF	<u>\$ 9,670</u>	<u>\$ 9,518</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (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>2017</u>	<u>2016</u>
Expected pension fund assets at end of year	\$ 57,132	\$ 57,735
Actual pension fund assets at end of year	<u>59,418</u>	<u>59,443</u>
Actuarial gain (loss) on pension fund assets - HWRF	<u>\$ 2,286</u>	<u>\$ 1,708</u>
Expected accrued pension benefit obligation at end of year	\$ 63,375	\$ 64,162
Actual accrued pension benefit obligation at end of year	<u>60,494</u>	<u>66,463</u>
Actuarial (loss) gain on accrued pension benefit obligation – HWRF	<u>\$ 2,880</u>	<u>\$ (2,301)</u>

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

	<u>2017</u>	<u>2016</u>
Amortization of net actuarial gain on accrued pension benefit obligation	\$ 532	\$ 347
Amortization of net actuarial loss on pension plan assets	<u>398</u>	<u>(811)</u>
Net Amortization	<u>930</u>	<u>(464)</u>
Interest on average accrued pension benefit obligation	\$ 3,229	\$ 3,672
Expected return on average pension plan assets	<u>(2,899)</u>	<u>(3,278)</u>
Net Interest	<u>330</u>	<u>394</u>
Total expenses	<u>\$ 1,260</u>	<u>\$ (70)</u>

Payments of \$1,107,200 (2016 - \$1,631,000) 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, 2017 will be funded by the City with payments as follows:

2018	\$ 1,294
2019	1,466
2020	109
2021	109
2022 and thereafter	109
Total	<u>\$ 3,087</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

The actuarial valuation of the Hamilton Municipal Retirement Fund ("HMRF") pension plan as at December 31, 2014 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The unamortized actuarial gains and losses on plan assets and accrued benefit obligation are being amortized over 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>2017</u>	<u>2016</u>
Accrued pension benefit obligation - HMRF	\$ 71,064	\$ 72,825
Pension plan assets:		
Marketable securities (Market value)	<u>(77,680)</u>	<u>(77,162)</u>
	<u>(6,616)</u>	<u>(4,337)</u>
Unamortized actuarial gain	<u>9,245</u>	<u>5,885</u>
Accrued pension liability - HMRF	<u>\$ 2,629</u>	<u>\$ 1,548</u>

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

	<u>2017</u>	<u>2016</u>
Expected pension fund assets at end of year	\$ 74,683	\$ 74,946
Actual pension fund assets at end of year	<u>77,680</u>	<u>77,162</u>
Actuarial gain (loss) on pension fund assets - HMRF	<u>\$ 2,997</u>	<u>\$ 2,216</u>
Expected accrued pension benefit obligation at end of year	\$ 70,126	\$ 69,614
Actual accrued pension benefit obligation at end of year	<u>71,064</u>	<u>72,825</u>
Actuarial gain (loss) on accrued pension benefit obligation – HMRF	<u>\$ (938)</u>	<u>\$ (3,211)</u>

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

	<u>2017</u>	<u>2016</u>
Amortization of net actuarial gain on accrued pension benefit obligation	\$ 824	\$ 503
Amortization of net actuarial gain (loss) on pension plan assets	<u>479</u>	<u>700</u>
Net Amortization	<u>1,303</u>	<u>1,203</u>
Interest on average accrued pension benefit obligation	\$ 3,555	\$ 3,963
Expected return on average pension plan assets	<u>(3,776)</u>	<u>(4,253)</u>
Net Interest	<u>(221)</u>	<u>(290)</u>
Total expenses	<u>\$ 1,082</u>	<u>\$ 913</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (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 January 1, 2017 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>2017</u>	<u>2016</u>
Accrued pension benefit obligation - HSR	\$ 219,330	\$ 223,442
Pension plan assets:		
Marketable securities (Market value)	<u>(204,658)</u>	<u>(193,491)</u>
	14,672	29,951
Unamortized actuarial gain	<u>28,736</u>	<u>18,341</u>
Accrued pension liability - HSR	<u>\$ 43,408</u>	<u>\$ 48,292</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>2017</u>	<u>2016</u>
Expected pension fund assets at end of year	\$ 196,874	\$ 187,923
Actual pension fund assets at end of year	<u>204,658</u>	<u>193,491</u>
Actuarial gain (loss) on pension fund assets - HSR	<u>\$ 7,784</u>	<u>\$ 5,568</u>
Expected accrued pension benefit obligation at end of year	\$ 223,456	\$ 207,914
Actual accrued pension benefit obligation at end of year	<u>219,330</u>	<u>223,442</u>
Actuarial (loss) gain on accrued pension benefit obligation – HSR	<u>\$ 4,126</u>	<u>\$ (15,528)</u>

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

	<u>2017</u>	<u>2016</u>
Amortization of net actuarial (loss) gain on accrued pension benefit obligation	\$ 632	\$ (1,346)
Amortization of net actuarial loss on pension plan assets	<u>(2,147)</u>	<u>(2,268)</u>
Net Amortization	<u>(1,515)</u>	<u>(3,614)</u>
Interest on average accrued pension benefit obligation	\$ 11,113	\$ 11,612
Expected return on average pension plan assets	<u>(9,707)</u>	<u>(10,392)</u>
Net Interest	<u>1,406</u>	<u>1,220</u>
Total expenses	<u>\$ (109)</u>	<u>\$ (2,394)</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

Payments of \$4,774,800 (2016 – \$4,874,000) 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, 2017 will be funded by the City with payments as follows:

2018	\$ 6,394
2019	6,501
2020	3,613
2021	3,613
2022 and thereafter	16,619
Total	<u>\$ 36,740</u>

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, 2017 the remaining capacity of Phase 1 is estimated to be 143,000 cubic metres, representing 2% 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, 2017 has yet to begin accepting fill. Phase 2 is estimated to reach its capacity and close in 2043.

In 2017 approximately 43% of waste generated was diverted from landfills (2016 – 45%).

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, 2017 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 \$31,173,000 (2016 - \$31,725,000). The expenses remaining to be recognized are \$7,000,000 (2016 - \$7,259,000). The liability of \$24,174,000 (2016 - \$24,466,000) 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 \$1,080,000 (2016 - \$1,041,000) 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, 2017 (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>2017</u>	<u>2016</u>
Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:		
Working funds	\$ 89,987	\$ 88,143
Contingencies	947	927
Replacement of equipment	59,658	58,083
Sick leave (Note 9)	7,955	6,806
Workplace Safety and Insurance Board (WSIB) (Note 9)	40,172	41,240
Pension Plans	3,178	2,977
Tax Stabilization	35,686	16,646
General Government	12,459	15,763
Protection Services	7,915	7,739
Transportation Services	28,973	28,579
Environmental Services	263,884	243,555
Health and Social Services	9,672	8,126
Recreation and Cultural Services	29,108	25,280
Planning and Development	13,261	10,917
Other Unallocated	95,076	92,497
Hamilton Future Fund (Note 13)	44,322	43,079
Total reserves and discretionary reserve funds	\$ 742,253	\$ 690,357
Operating surplus		
Flamborough recreation sub-committees	\$ 271	\$ 286
Business improvement areas	1,127	965
Housing Operations	(154)	(394)
Confederation Park Operations	254	1,163
Westfield Heritage Village Operations	-	-
Total operating surplus	\$ 1,498	\$ 2,020
Capital surplus		
Municipal Operations	\$ (37,423)	\$ 65,205
Housing Operations	9,286	4,816
Total capital surplus	\$ (28,137)	\$ 70,021
Unfunded liabilities		
Employee benefit obligations	\$ (343,679)	\$ (333,787)
Solid Waste Landfill Liabilities	(24,174)	(24,466)
Total unfunded liabilities	\$ (367,853)	\$ (358,253)
Investment in Government Business Enterprises (Note 4)	\$ 356,098	\$ 247,386
Investment in tangible capital assets	\$4,995,441	\$ 4,780,723
Accumulated surplus	\$5,699,300	\$ 5,432,254

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (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>2017</u>	<u>2016</u>
Balance at the beginning of the year	\$ 43,079	\$ 37,711
Current Operations		
Investment Income	1,097	929
Repayment of Waste Management Projects	7,991	7,991
Waste Management Projects	(46)	(15)
Urban Development Bank	-	261
Other	(228)	(704)
	<u>8,814</u>	<u>8,462</u>
Tangible capital assets		
Waste Management Projects	(2,776)	(1,954)
Roads and Bridges	(335)	(865)
2015 Pan Am Games	(80)	-
Other	(4,380)	(275)
	<u>(7,571)</u>	<u>(3,094)</u>
Balance at the end of the year	<u>\$ 44,322</u>	<u>\$ 43,079</u>

14. Taxation

	Budget <u>2017</u>	Actual <u>2017</u>	Actual <u>2016</u>
Taxation from real property	\$1,051,407	\$ 1,056,723	\$1,032,999
Taxation from other governments			
payments in lieu of taxes	16,494	17,042	16,469
	<u>1,067,901</u>	<u>1,073,765</u>	<u>1,049,468</u>
Less: Taxation collected on behalf of			
school boards	(193,714)	(196,885)	(194,759)
Net taxes available for			
municipal purposes	<u>\$ 874,187</u>	<u>\$ 876,880</u>	<u>\$ 854,709</u>

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

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (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 for a specific purpose 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 2017, the City recognized revenue from the provincial and federal governments in the amount of \$394,785,000 (2016 - \$385,447,000) as follows:

	<u>2017</u>	<u>2016</u>
Government of the Province of Ontario	\$ 343,483	\$ 311,790
Government of Canada	<u>51,302</u>	<u>73,657</u>
Total	<u>\$ 394,785</u>	<u>\$ 385,447</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 2017, the City issued payments as government transfers in the amount of \$211,374,000 (2016 - \$217,735,000) as follows:

	<u>2017</u>	<u>2016</u>
Payments for social assistance entitlements	\$ 129,089	\$ 122,225
Payments for housing subsidies	61,548	71,280
Grants to agencies and institutions	<u>20,737</u>	<u>24,230</u>
Total	<u>\$ 211,374</u>	<u>\$ 217,735</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

16. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$538,980,000 at December 31, 2017 for capital works (2016 - \$369,310,000). 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, 2017 amounting to \$3,465,000 (2016 - \$3,702,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$237,000 in 2017 (2016 - \$176,000) 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, 2017 of \$3,460,000 (2016 - \$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 \$383,000 in 2017 (2016 - \$366,000) 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, 2017 amounting to \$0 (2016 - \$8,384,000) 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 \$8,730,000 in 2017 (2016 - \$861,000) 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 \$7,407,000 for 2017 (2016 - \$7,128,000) 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 \$17,418,000 for 2017 (2016 - \$16,710,000) 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 \$17,031,000 (2016 - \$16,563,000) are reported in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

16. Contractual obligations (continued)

- (h) 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 \$50,676,000 (2016 - \$58,742,000). The minimum lease payments for these leases over the next five years and thereafter are:

2018	\$ 8,205
2019	7,315
2020	4,888
2021	2,936
2022	1,802
2023 and thereafter	25,530
Total	\$ 50,676

- (i) 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, 2017, the City has \$65,000,000 in a revolving demand facility.

The first term loan of \$14,740,000 was paid in full on May 8, 2017. 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, 2017, the remaining principal balance is \$0 (2016 - \$2,948,000) for the first term loan and \$25,335,000 (2016 - \$27,868,000) for the second term loan. The interest cost for the City 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.

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 \$20,512,000 (2016 - \$20,394,000). Claim expenses for the year in the amount of \$10,062,000 (2016 - \$10,733,000) are reported as expenses in the Consolidated Statement of Operations.

18. Contingent liabilities

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2017 (all numbers in columns are in thousands of dollars)

The City has outstanding contractual obligations with its unionized employee groups as of December 31, 2017. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund the two outstanding settlements. In December 2017 both of these unionized groups reached an arbitrated settlement and subsequent to December 31, 2017 both were paid the outstanding retroactive payments.

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 \$8,558,913,000 (2016 - \$8,252,566,000) and a net book value of \$5,429,864,000 (2016 - \$5,271,414,000). The net book value of the tangible capital assets valued as at December 31, 2017 is as follows:

	<u>2017</u>	<u>2016</u>
General		
Land	\$ 333,818	\$ 315,467
Land improvements	152,325	150,337
Buildings	756,160	761,396
Vehicles	128,600	133,786
Computer hardware and software	11,821	11,058
Other	99,540	103,490
Infrastructure		
Roads	1,261,223	1,253,561
Bridges and structures	183,422	184,213
Water and wastewater facilities	403,647	396,884
Underground and other networks	<u>1,789,334</u>	<u>1,761,542</u>
Net Book Value	5,119,890	5,071,734
Assets under construction	309,974	199,680
Balance at the end of the year	<u>\$ 5,429,864</u>	<u>\$5,271,414</u>

Included are leased tangible capital assets with a net book value of \$3,979,000 (2016 - \$4,597,000). 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, 2017 (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).

Certain allocation methodologies are employed in the preparation of segmented financial information. Services are funded primarily by taxation and user fees. Taxation revenue is allocated to the general government segment. Certain government grants, user charges and other revenues have been allocated based upon the same allocation as the related expenses. User fees are allocated based upon the segment that generated the fee.

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 2-37 and 2-38).

21. Liability for Contaminated Sites

The City of Hamilton estimates liabilities of \$5,701,000 as at December 31, 2017 for remediation of various lands using a risk-based approach (2016 - \$13,400,000). Total future undiscounted expenditures are estimated at \$6,043,000. The liabilities result from past industrial uses. 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 (2016 – \$Nil).

22. Budget figures

The 2017 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on December 8, 2016. The 2017 operating budget and capital financing for municipal operations was approved by City Council at a meeting on April 12, 2017.

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, 2017 (all numbers in columns are in thousands of dollars)

22. Budget figures (continued)

	<u>2017</u>
Revenue	
Council Approved Gross Revenue Operating Budget - Municipal	\$ 1,648,564
Council Approved Gross Revenue Capital Budget - Municipal	476,086
	<u>2,124,650</u>
Board Approved Gross Revenue Operating Budget - Housing Corporation	49,763
Board Approved Gross Revenue Capital Budget - Housing Corporation	8,300
	<u>58,063</u>
Adjustments to Revenues	
Less: Transfers from reserves and reserve funds Operating Budget Municipal Operations	(11,648)
Less: Transfers from reserves and reserve funds Capital Budget Municipal Operations	(108,248)
Less: Transfers from capital fund to current fund - Municipal Operations	(141,079)
Less: Transfers from capital fund to current fund - Housing Corporation	(8,300)
Less: Long term debt financing Capital Budget	(78,228)
Add: Donated tangible capital assets	18,217
Less: Reclassification - Municipal Operations	(100)
Add: Reserve & reserve funds	20,357
Add: Confederation Park and Westfield Heritage Village Consolidation	2,511
Less: Elimination for consolidation of Housing Corporation	(12,994)
	<u>(319,512)</u>
Consolidated	<u>\$ 1,863,201</u>
Expenses	
Council Approved Gross Expenditure Operating Budget - Municipal	\$ 1,648,564
Council Approved Gross Expenditure Capital Budget - Municipal	476,086
	<u>2,124,650</u>
Board Approved Gross Expenditure Operating Budget - Housing Corporation	49,763
Board Approved Gross Expenditure Capital Budget - Housing Corporation	8,300
	<u>58,063</u>
Adjustments to Expenditures	
Less: Debt principal repayment - Municipal Operations	(48,480)
Less: Debt principal repayment - Housing Corporation	(5,562)
Less: Transfers to reserves and reserve funds - Municipal Operations	(58,786)
Less: Transfers to capital from current funds - Municipal Operations	(141,079)
Less: Tangible capital assets - Municipal Operations	(402,591)
Less: Tangible capital assets - Housing Corporation	(8,300)
Less: Reclassification - Municipal Operations	(100)
Add: Change in employee future benefits and other obligations	9,892
Less: Change in solid waste landfill liability	(474)
Add: Amortization expense for tangible capital assets	192,122
Add: Confederation Park and Westfield Heritage Village Consolidation	2,511
Less: Elimination for consolidation of Housing Corporation	(21,368)
Add: Loss on disposition of tangible capital assets	18,561
	<u>(463,654)</u>
Consolidated	<u>\$ 1,719,059</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2017 (all numbers in columns are in thousands of dollars)

2017 Schedule of Tangible Capital Assets

	General						Infrastructure					
	Land	Land Improvements	Buildings	Vehicles	Computer	Other	Roads	Bridges & Other Structures	W/WW Facilities	W/WW/SW Linear Network	Assets Under Construction	TOTAL
Cost												
Balance, Jan 1, 2017	\$ 315,467	\$ 304,272	\$ 1,321,748	\$ 296,495	\$ 17,461	\$ 156,733	\$ 2,324,278	\$ 242,556	\$ 751,248	\$ 2,322,628	\$ 199,680	\$ 8,252,566
Additions, Betterments & Transfers in 2017	25,610	11,965	35,844	19,036	4,952	11,842	52,063	2,468	25,778	49,175	112,183	350,916
Disposals & Writedowns in 2017	(7,259)	(227)	(14,796)	(26,450)	(2,551)	(6,127)	(1,966)	(43)	(521)	(959)	(1,889)	(62,788)
Donations & Contributions in 2017	-	650	-	-	-	-	7,079	-	-	10,488	-	18,217
Balance, Dec 31, 2017	\$ 333,818	\$ 316,660	\$ 1,342,796	\$ 289,081	\$ 19,862	\$ 162,448	\$ 2,381,454	\$ 244,981	\$ 776,505	\$ 2,381,332	\$ 309,974	\$ 8,558,911
Accumulated Amortization												
Balance, Jan 1, 2017	\$ -	\$ 153,935	\$ 560,352	\$ 162,709	\$ 6,403	\$ 53,243	\$ 1,070,717	\$ 58,343	\$ 354,364	\$ 561,086	\$ -	\$ 2,981,152
Amortization in 2017	-	10,448	33,267	23,209	4,189	15,793	51,362	3,244	18,739	31,871	-	192,122
Acc'd Amortization Transfers in 2017	-	-	-	-	-	-	-	-	-	-	-	-
Amortization on Disposals in 2017	-	(48)	(6,983)	(25,437)	(2,551)	(6,128)	(1,848)	(28)	(245)	(959)	-	(44,227)
Balance, Dec 31, 2017	\$ -	\$ 164,335	\$ 586,636	\$ 160,481	\$ 8,041	\$ 62,908	\$ 1,120,231	\$ 61,559	\$ 372,858	\$ 591,998	\$ -	\$ 3,129,047
Net Book Value Dec 31, 2017	\$ 333,818	\$ 152,325	\$ 756,160	\$ 128,600	\$ 11,821	\$ 99,540	\$ 1,261,223	\$ 183,422	\$ 403,647	\$ 1,789,334	\$ 309,974	\$ 5,429,864
Assets Under Construction	\$ -	\$ 31,104	\$ 80,871	\$ 724	\$ 3,479	\$ 3,933	\$ 26,110	\$ 2,943	\$ 71,674	\$ 89,136	\$ 309,974	
Total	\$ 333,818	\$ 183,429	\$ 837,031	\$ 129,324	\$ 15,300	\$ 103,473	\$ 1,287,333	\$ 186,365	\$ 475,321	\$ 1,878,470	\$ -	\$ 5,429,864

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2017 (all numbers in columns are in thousands of dollars)

2016 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, 2016	\$ 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
Additions, Betterments & Transfers in 2016	10,487	29,718	59,654	49,542	6,848	25,617	55,096	2,637	28,904	67,194	(34,564)	301,133
Disposals & Writedowns in 2016	(643)	(7,825)	(6,073)	(32,015)	(2,115)	(14,773)	(8,044)	(43)	(41)	(1,172)	(1,169)	(73,913)
Donations & Contributions in 2016	646	306	-	-	-	-	3,659	-	-	12,035	-	16,646
Balance, Dec 31, 2016	\$ 315,467	\$ 304,272	\$ 1,321,748	\$ 296,495	\$ 17,461	\$ 156,733	\$ 2,324,278	\$ 242,556	\$ 751,248	\$ 2,322,628	\$ 199,680	\$ 8,252,566
Accumulated Amortization												
Balance, Jan 1, 2016	\$ -	\$ 146,821	\$ 532,241	\$ 171,727	\$ 4,852	\$ 53,791	\$ 1,025,279	\$ 55,168	\$ 336,981	\$ 531,552	\$ -	\$ 2,858,412
Amortization in 2016	-	9,801	31,765	22,576	3,666	14,225	52,506	3,210	17,421	30,562	-	185,732
Acc'd Amortization Transfers in 2016	-	-	-	-	-	-	-	-	-	-	-	-
Amortization on Disposals in 2016	-	(2,687)	(3,654)	(31,594)	(2,115)	(14,773)	(7,068)	(35)	(38)	(1,028)	-	(62,992)
Balance, Dec 31, 2016	\$ -	\$ 153,935	\$ 560,352	\$ 162,709	\$ 6,403	\$ 53,243	\$ 1,070,717	\$ 58,343	\$ 354,364	\$ 561,086	\$ -	\$ 2,981,152
Net Book Value Dec 31, 2016	\$ 315,467	\$ 150,337	\$ 761,396	\$ 133,786	\$ 11,058	\$ 103,490	\$ 1,253,561	\$ 184,213	\$ 396,884	\$ 1,761,542	\$ 199,680	\$ 5,271,414
Assets Under Construction	\$ -	\$ 16,839	\$ 40,077	\$ 386	\$ 3,325	\$ 614	\$ 16,330	\$ 2,487	\$ 59,088	\$ 60,534	\$ 199,680	
Total	\$ 315,467	\$ 167,176	\$ 801,473	\$ 134,172	\$ 14,383	\$ 104,104	\$ 1,269,891	\$ 186,700	\$ 455,972	\$ 1,822,076	\$ -	\$ 5,271,414

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2017 (all numbers in columns are in thousands of dollars)

2017 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 2017
Revenue										
Taxation	\$ 876,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 876,880
Government grants and contributions	3,735	7,990	43,248	5,845	56,550	242,234	31,910	1,398	1,875	394,785
User charges	5,888	5,493	58,278	212,157	3,030	16,123	646	22,235	11,124	334,974
Development charges and subdivider contributions	131	1,506	25,162	14,447	-	-	-	6,308	2,759	50,313
Donations of tangible capital assets	-	-	7,079	10,488	-	-	-	650	-	18,217
Investment income	12,860	1,774	1,981	8,818	40	159	1,157	871	410	28,070
Income from Government Business Enterprises	134,914	-	-	-	-	-	-	-	-	134,914
Other	24,783	25,772	12,207	1,473	72	31	47,647	17,082	2,316	131,383
Total	\$ 1,059,191	\$ 42,535	\$ 147,955	\$ 253,228	\$ 59,692	\$ 258,547	\$ 81,360	\$ 48,544	\$ 18,484	\$ 1,969,536
Expenses										
Salaries and benefits	\$ 63,037	\$ 265,325	\$ 108,156	\$ 41,524	\$ 77,895	\$ 82,205	\$ 14,766	\$ 74,066	\$ 28,429	\$ 755,403
Interest on long term debt	747	793	3,922	4,228	439	477	1,490	1,237	109	13,442
Materials supplies services	50,618	19,871	40,882	45,775	6,386	8,386	12,164	29,017	4,938	218,037
Contracted services	11,648	3,981	60,478	76,484	3,431	78,136	19,703	14,195	7,305	275,361
Rents and financial expenses	2,958	2,338	9,809	5,778	1,901	4,418	4,943	6,323	3,953	42,421
External transfers	466	5,766	-	1,618	11	133,583	45,290	5,938	1,569	194,241
Amortization	7,446	7,847	78,548	57,223	3,076	2,135	6,259	26,564	3,024	192,122
Interfunctional transfers	(66,187)	6,643	24,479	6,858	5,986	5,878	526	11,689	4,128	-
Total	\$ 70,733	\$ 312,564	\$ 326,274	\$ 239,488	\$ 99,125	\$ 315,218	\$ 105,141	\$ 169,029	\$ 53,455	\$ 1,691,027
Annual Surplus	\$ 988,458	\$ (270,029)	\$ (178,319)	\$ 13,740	\$ (39,433)	\$ (56,671)	\$ (23,781)	\$ (120,485)	\$ (34,971)	\$ 278,509

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2017 (all numbers in columns are in thousands of dollars)

2016 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 2016
Revenue										
Taxation	\$ 854,709	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	854,709
Government grants and contributions	3,979	7,538	54,143	5,092	54,518	227,690	26,659	3,789	2,039	385,447
User charges	5,703	5,656	54,824	214,655	3,385	13,089	357	24,947	9,985	332,601
Development charges and subdivider contributions	269	1,594	32,362	26,635	0	0	0	16,133	5,032	82,025
Donations of tangible capital assets	0	0	3,659	12,191	219	0	0	577	0	16,646
Investment income	13,131	1,201	1,946	7,319	45	160	1,063	1,273	929	27,067
Income from Government Business Enterprises	22,857	0	0	0	0	0	0	0	0	22,857
Other	26,978	24,154	9,960	1,513	118	27	38,296	12,114	3,389	116,549
Total	\$ 927,626	\$ 40,143	\$ 156,894	\$ 267,405	\$ 58,285	\$ 240,966	\$ 66,375	\$ 58,833	\$ 21,374	\$ 1,837,901
Expenses										
Salaries and benefits	\$ 61,928	\$ 259,331	\$ 103,419	\$ 43,164	\$ 75,990	\$ 81,381	\$ 15,057	\$ 73,878	\$ 27,699	741,847
Interest on long term debt	665	941	4,387	3,286	388	563	1,700	916	88	12,934
Materials supplies services	45,527	18,633	43,233	37,702	7,202	8,752	26,899	27,960	5,612	221,520
Contracted services	22,895	3,274	52,171	81,078	3,688	77,225	12,877	13,962	8,989	276,159
Rents and financial expenses	2,817	1,783	5,208	7,921	2,423	2,744	5,936	4,752	713	34,297
External transfers	190	8,008	3	2,993	7	124,490	42,211	5,720	924	184,546
Amortization	6,922	7,762	77,836	54,095	2,786	1,912	5,872	25,472	3,076	185,733
Interfunctional transfers	(68,394)	6,897	23,933	8,314	5,959	5,763	561	12,554	4,413	-
Total	\$ 72,550	\$ 306,629	\$ 310,190	\$ 238,553	\$ 98,443	\$ 302,830	\$ 111,113	\$ 165,214	\$ 51,514	\$ 1,657,036
Annual Surplus (Deficit)	\$ 855,076	\$ (266,486)	\$ (153,296)	\$ 28,852	\$ (40,158)	\$ (61,864)	\$ (44,738)	\$ (106,381)	\$ (30,140)	\$ 180,865

Section 3

City of Hamilton Financial Statements for the Trust Funds Cemetery and General Trusts December 31, 2017

Contents

	<u>Section - Page</u>
Independent Auditor's Report	3-1 to 3-2
Trust Funds - Consolidated Statement of Financial Position	3-3
Trusts Funds – Consolidated Statement of Operations	3-3
Notes to the Financial Statements	3-4 to 3-5
Trust Funds – Cemetery Statement of Financial Position	3-6
Trust Funds – Cemetery Statement of Operations	3-6
Trust Funds – Other Statement of Financial Position	3-7
Trust Funds – Other Statement of Operations	3-7

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, 2017

Statement of Financial Position

As at December 31, 2017

	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash	\$ 2,240,189	\$ 785,508
Investments (Note 3)	14,446,656	15,028,172
Due from City of Hamilton - Cemetery (Note 4)	1,336,704	1,097,184
Due from City of Hamilton - Other Trust Funds (Note 4)	48,471	56,692
Total Financial Assets	<u>\$ 18,072,020</u>	<u>\$ 16,967,556</u>
Liabilities		
Deposits	\$ 408,958	\$ 388,404
Accumulated surplus (Note 5)	<u>\$ 17,663,062</u>	<u>\$ 16,579,152</u>

Statement of Operations

Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Revenues		
Cemetery lots and interments	\$ 758,783	\$ 886,684
Investment income	529,940	504,299
Total revenue	<u>\$ 1,288,723</u>	<u>\$ 1,390,983</u>
Expenses		
Other	\$ 12,947	\$ 13,625
Transfers to the City of Hamilton	191,866	641,596
Total expenses	<u>\$ 204,813</u>	<u>\$ 655,221</u>
Annual surplus	<u>\$ 1,083,910</u>	<u>\$ 715,762</u>
Accumulated surplus at the beginning of the year	<u>16,579,152</u>	15,863,390
Accumulated surplus at the end of the year	<u>\$ 17,663,062</u>	<u>\$ 16,579,152</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2017

1. Significant accounting policies

The consolidated financial statements of the City of Hamilton Trust Funds (the "Trust Funds") are the representation of management prepared in accordance Canadian public sector accounting standards. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations.

(a) Basis of Consolidation

These consolidated 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

(b) Basis of Accounting

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

2. Correction of an immaterial prior period error:

In 2017, management of the Trusts Funds became aware that investments held with the Hamilton Community Foundation ("HCF") were incorrectly treated as trust funds and should have been reported within the financial records of the Hamilton Public Library Board. The impact of the correction has been recorded retrospectively and the cumulative effect up to December 31, 2015 has been recorded as a decrease to accumulated surplus of \$3,704,341 as at that date. As a result, the comparative information for the year ended December 31, 2016 has been restated. The cumulative impact of the correction up to December 31, 2016 is a decrease to cash of \$319,758, decrease to investments held with the HCF of \$1,654,122, decrease of accrued interest receivable of \$844,234 and a decrease of due from City of Hamilton – Library trust funds of \$370,664. Investment income of \$179,909 has been derecognized in the statement of operations as at December 31, 2016 along with a transfer to the City of Hamilton in the amount of \$650,000 and miscellaneous expenditures of \$45,471.

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2017

3. Investments

The total investments recorded at lower of cost or market value in the Statement of Financial Position are \$14,446,656 (2016 - \$15,028,172). These investments have a market value of \$15,389,152 (2016 - \$16,061,925) at the end of the year.

4. Due from City of Hamilton

The amount due from the City of Hamilton is non-interest bearing with no fixed repayment terms.

5. Accumulated Surplus

	<u>2017</u>	<u>2016</u>
The accumulated surplus consists of:		
Cemeteries	<u>\$ 17,010,339</u>	<u>\$ 15,928,506</u>
Other		
Fieldcote Farmer (Ancaster)	336,655	338,084
Knowles Bequest (Dundas)	250,666	248,293
F. Walden Dundurn Castle (Hamilton)	6,264	6,128
Ellen Grafton (Dundas)	7,686	7,598
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election (Hamilton)	6,889	6,737
Balfour Estate Chedoke (Hamilton)	<u>34,253</u>	<u>33,496</u>
	<u>\$ 652,723</u>	<u>\$ 650,646</u>
	<u>\$ 17,663,062</u>	<u>\$ 16,579,152</u>

City of Hamilton Trust Funds – Cemetery

As at December 31, 2017

Statement of Financial Position

As at December 31, 2017

	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash	\$ 1,967,119	\$ 522,736
Investments	14,115,474	14,696,990
Due from City of Hamilton (Note 4)	<u>1,336,704</u>	<u>1,097,184</u>
Total Financial Assets	<u>\$ 17,419,297</u>	<u>\$ 16,316,910</u>
Liabilities		
Deposits	<u>\$ 408,958</u>	<u>\$ 388,404</u>
Accumulated surplus	<u>\$ 17,010,339</u>	<u>\$ 15,928,506</u>

Statement of Operations

Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Revenues		
Cemetery lots and interments	\$ 758,783	\$ 866,684
Investment income	<u>516,646</u>	<u>492,417</u>
Total revenue	<u>\$ 1,275,429</u>	<u>\$ 1,359,101</u>
Expenses		
Other	\$ 11,019	\$ 11,053
Transfers to the City of Hamilton	<u>182,577</u>	<u>633,203</u>
Total expenses	<u>\$ 193,596</u>	<u>\$ 644,256</u>
Annual surplus	<u>\$ 1,081,833</u>	<u>\$ 714,845</u>
Accumulated surplus at the beginning of the year	<u>15,928,506</u>	<u>15,213,661</u>
Accumulated surplus at the end of the year	<u>\$ 17,010,339</u>	<u>\$ 15,928,506</u>

See accompanying notes to the financial statements

City of Hamilton Trust Funds – Other

As at December 31, 2017

Statement of Financial Position

As at December 31, 2017

	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash	\$ 273,070	\$ 262,772
Investments	331,182	331,182
Due from City of Hamilton (Note 4)	<u>48,471</u>	<u>56,692</u>
Total Financial Assets	<u>\$ 652,723</u>	<u>\$ 650,646</u>
Accumulated surplus	<u>\$ 652,723</u>	<u>\$ 650,646</u>

Statement of Operations

Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Revenues		
Investment income	<u>\$ 13,294</u>	<u>\$ 11,882</u>
Total revenue	<u>\$ 13,294</u>	<u>\$ 11,882</u>
Expenses		
Other	\$ 1,928	\$ 2,572
Transfers to the City of Hamilton	<u>9,289</u>	<u>8,393</u>
Total expenses	<u>\$ 11,217</u>	<u>\$ 10,965</u>
Annual surplus (deficit)	<u>\$ 2,077</u>	<u>\$ 917</u>
Accumulated surplus at the beginning of the year	<u>650,646</u>	<u>649,729</u>
Accumulated surplus at the end of the year	<u>\$ 652,723</u>	<u>\$ 650,646</u>

See accompanying notes to the financial statements

Section 4

City of Hamilton Financial Statements for the Trust Funds – Homes for the Aged December 31, 2017

Contents

	<u>Section - Page</u>
Independent Auditor’s Report	4-1 to 4-2
Statement of Financial Position	4-3
Statement of Operations	4-3
Notes to the Financial Statements	4-4

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, 2017 with comparative information for 2016

Statement of Financial Position

As at December 31, 2017

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2017	Total 2016
Financial assets						
Cash	\$ 26,681	\$ 25,753	\$ 17,229	\$ 120,488	\$ 190,151	\$ 181,061
Investments	-	-	-	262,244	262,244	256,503
Liabilities						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated surplus	<u>\$ 26,681</u>	<u>\$ 25,753</u>	<u>\$ 17,229</u>	<u>\$ 382,732</u>	<u>\$ 452,395</u>	<u>\$ 437,564</u>

Statement of Operations

Year ended December 31, 2017

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2017	Total 2016
Revenue						
Residents' deposits	\$ 113,502	\$ 115,365	\$ 4,132	\$ 19,434	\$ 252,433	\$ 233,283
Investment income	-	-	210	7,170	7,380	4,857
Donations	-	-	914	121	1,035	4,826
	<u>113,502</u>	<u>115,365</u>	<u>5,256</u>	<u>26,725</u>	<u>260,848</u>	<u>242,966</u>
Expenses						
Maintenance payments	\$ 1,363	\$ 16,972	\$ -	\$ -	\$ 18,335	\$ 23,017
Residents' charges	105,576	84,758	2,840	21,707	214,881	209,474
Payments to estates	9,260	3,541	-	-	12,801	14,824
Renovation expense	-	-	-	-	-	3,148
	<u>116,199</u>	<u>105,271</u>	<u>2,840</u>	<u>21,707</u>	<u>246,017</u>	<u>250,463</u>
Annual surplus (deficit)	(2,697)	10,094	2,416	5,018	14,831	(7,497)
Accumulated surplus at the beginning of the year	<u>29,378</u>	<u>15,659</u>	<u>14,813</u>	<u>377,714</u>	<u>437,564</u>	<u>445,061</u>
Accumulated surplus at the end of the year	<u>\$ 26,681</u>	<u>\$ 25,753</u>	<u>\$ 17,229</u>	<u>\$ 382,732</u>	<u>\$ 452,395</u>	<u>\$ 437,564</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, 2017

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

The Trust Funds follow the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as result of receipt of goods and services and/or the creation of a legal obligation to pay.

3. Investments

Investments are valued at cost less any amounts written off to reflect an other than temporary decline in value. The total investments recorded in the Statement of Financial Position are \$262,244 (2016 - \$256,503). These investments have a market value of \$275,518 (2016 - \$270,065) at the end of the year.
