



CITY OF HAMILTON
CORPORATE SERVICES
Financial Services and Taxation

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 18, 2020
SUBJECT/REPORT NO:	2019 City of Hamilton Financial Report and Audited Financial Statements (FCS20052) (City Wide))
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Shelley Hesmer (905) 546-2424 Ext. 3020
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

That the 2019 City of Hamilton Financial Report and Audited Financial Statements, attached as Appendix "B" to Report FCS20052 be approved;

EXECUTIVE SUMMARY

Each year, the Treasurer of the Municipality must prepare and present the audited financial statements to Council for approval as prescribed by the *Municipal Act, (2001)*. The financial statements, attached as Appendix "B" to Report FCS20052, present the consolidated statement of financial position of the Municipality as at December 31, 2019, the consolidated statement of operations for the year ended December 31, 2019, the consolidated statement of changes in net financial assets and the consolidated statement of cash flow.

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KPMG LLP, the City of Hamilton's (City) external auditors, performed the statutory audit function and expressed an opinion, free of qualification, that these financial statements present fairly, in all material respects, the financial position of the City of Hamilton as at December 31, 2019. The Audit Findings Report of KPMG for the year ended December 31, 2019, is attached as Appendix "C" to Report FCS20052.

KPMG's report provides: the status of the audit, a summary of significant audit, accounting and reporting matters; a summary of audit adjustment; and updates to technical accounting and auditing standards. The report from KPMG indicates that there were no significant internal control deficiencies during the 2019 audit, nor were there any adjustments or differences identified.

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

Effective January 1, 2018, the City adopted five new accounting standards in their Consolidated Financial Statements. These new standards include PS2200 Related Party Disclosure, PS3320 Contingent Assets, PS3380 Contractual Rights, PS3210 Assets and PS3420 Inter-Entity Transactions. The adoption of these new standards had no financial impact on the City's Consolidated Financial Statements but did result in additional note disclosures. Effective January 1, 2019, the City adopted PS3430 Restructuring Transactions in their Consolidated Financial Statements. The adoption of this new standard had no financial impact on the City's Consolidated Financial Statements but did result in an additional note disclosure.

Appendix "A" to Report FCS20052 provides an overview of management's analysis of the 2019 Consolidated Financial Statements for the City of Hamilton. The 2019 Financial Report (Appendix "B" to Report FCS20052) contains the following information:

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

OUR Vision: To be the best place to raise a child and age successfully.

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

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

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

Alternatives for Consideration - Not Applicable

FINANCIAL - STAFFING - LEGAL IMPLICATIONS .

Financial: Appendix "A" to Report FCS20052 provides an overview of management's analysis of the 2019 Consolidated Financial Statements of the City of Hamilton.

Staffing: There are no associated staffing implications.

Legal: There are no associated legal implications.

HISTORICAL BACKGROUND

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

Effective January 1, 2009, the City adopted CPA Public Sector Accounting Handbook Section PS1201 Financial Statement Presentation and Section PS3150 Tangible Capital Assets. As a result of the changes to full accrual accounting, the City began to record tangible capital assets in the 2009 consolidated financial statements. Other changes include standardization of the presentation of the financial assets, liabilities, non-financial assets and accumulated surplus in the financial statements of governments.

Expenses replace expenditures in the statement of operations in the full accrual accounting approach. Expenditures were outlays of assets to purchase goods and services. Expenses represent the consumption of assets to provide goods, services and intangibles. Expenses include the amortization of tangible capital assets over the useful life of the assets, the change in liabilities for post-employment, retirement and pension benefits and the change in liabilities for solid waste landfill closure and post closure care costs.

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PSAB changes are applied in the years they come into effect in legislation and will include any required note disclosure. PSAB 3260, Liability of Contaminated Sites, came into effect January 1, 2015 and was shown for the first time in our 2015 Financial Statements, applied retroactively as prescribed. For this new requirement, the City includes this risk-based estimate for remediation of various lands with past industrial uses as part of our liabilities. Details of the liability for 2019 can be found in the financial statements in Appendix "B" to Report FCS20052, Note 23.

Effective January 1, 2018, the City adopted five new accounting standards in their Consolidated Financial Statements. These new standards include PS2200 Related Party Disclosure, PS3320 Contingent Assets, PS3380 Contractual Rights, PS3210 Assets and PS3420 Inter-Entity Transactions. The adoption of these new standards had no financial impact on the City's Consolidated Financial Statements but did result in additional note disclosures. Details of these new standards can be found in Appendix "B" to Report FCS20052, Note 1. The Audit Findings Report provided by KPMG in Appendix "C" to Report FCS20052 includes, in its current developments section, the upcoming changes to PSAB summarized with notes on implications.

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

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not Applicable

RELEVANT CONSULTATION

KPMG LLP, our external auditors, performed the annual audit for the City of Hamilton financial statements for 2019 and provided the related Appendix "C" Audit Findings Report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Each year, the Treasurer of the Municipality must prepare and present the audited financial statements to Council for the approval as prescribed by the *Municipal Act, (2001)*. The 2019 City of Hamilton Financial Report and Audited Financial Statements are included in Appendix "B" to Report FCS20052.

ALTERNATIVES FOR CONSIDERATION

Not Applicable.

ALIGNMENT TO THE 2016 -2025 STRATEGIC PLAN

Our People and Performance

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

Community Engagement & Participation

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

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS20052 - Management's Analysis - 2019 City of Hamilton Consolidated Financial Statements

Appendix "B" to Report FCS20052 - 2019 City of Hamilton Financial Report

Appendix "C" to Report FCS20052 - KPMG's Audit Findings Report for the year ended December 31, 2019

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