



Hamilton

FINANCIAL REPORT

2019

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

City of Hamilton
Financial Report
2019

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Accommodations for Readers with Disabilities

In accordance with the Ontario Human Rights Code, Ontario Human Rights Act, 2001 (OHRA) 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 2019

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenue					
Taxation	\$ 917,126	\$ 888,229	\$ 876,880	\$ 854,709	\$ 831,645
Government grants and contributions	447,833	454,774	394,785	385,447	384,363
User charges	372,145	347,637	334,974	332,601	315,340
Development charges and subdivider contributions	60,646	119,703	50,313	82,025	25,611
Donated tangible capital assets	21,715	46,862	18,217	16,646	43,571
Investment and dividend income	37,598	31,101	28,070	27,067	30,284
Net income from Government Business Enterprises	11,262	24,285	134,914	22,857	18,758
Other	128,764	137,476	131,383	116,549	114,019
	<u>1,997,089</u>	<u>2,050,067</u>	<u>1,969,536</u>	<u>1,837,901</u>	<u>1,763,591</u>
Operating Expenses by Function					
General government	\$ 66,626	\$ 80,025	\$ 70,733	\$ 72,550	\$ 57,664
Protection services	330,258	324,227	312,564	306,629	300,362
Transportation services	337,719	320,005	326,274	310,190	318,605
Environmental services	252,778	284,271	239,488	238,553	219,339
Health services	106,057	102,868	99,125	98,443	105,377
Social and family services	309,361	316,819	315,218	302,830	294,343
Social housing	97,131	105,893	105,141	111,113	120,898
Recreation and cultural services	176,949	172,965	169,029	165,214	155,720
Planning and development	52,263	56,785	53,455	51,514	54,882
	<u>1,729,142</u>	<u>1,763,858</u>	<u>1,691,027</u>	<u>1,657,036</u>	<u>1,627,190</u>
Net Operating Revenue or Annual Surplus from Operations	<u>267,947</u>	<u>286,209</u>	<u>278,509</u>	<u>180,865</u>	<u>136,401</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2019 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Taxation					
Taxation from real property	\$ 1,102,694	\$ 1,071,092	\$ 1,056,723	\$ 1,032,999	\$ 1,010,050
Taxation from other governments/payments in lieu of taxes	\$ 16,551	\$ 16,256	\$ 17,042	16,469	15,367
Taxation collected on behalf of school boards	(202,119)	(199,119)	(196,885)	(194,759)	(193,772)
Net taxes available for municipal purposes	917,126	888,229	876,880	854,709	831,645
Tax Levies					
City portion	\$ 886,787	\$ 857,981	\$ 845,392	\$ 827,668	\$ 797,619
School Board portion	198,980	196,082	193,714	191,734	188,861
	1,085,767	1,054,063	1,039,106	1,019,402	986,480
Tax arrears					
Taxes receivable	\$ 86,309	\$ 80,972	\$ 77,918	\$ 83,730	\$ 85,429
Taxes receivable per capita	149	145	140	155	155
Taxes receivable as a percentage of current years' levies	7.9%	7.7%	7.5%	8.2%	8.7%
Unweighted Taxable Assessment					
Residential	\$ 66,000,132	\$ 61,518,082	\$ 57,306,633	\$ 53,366,322	\$ 50,882,588
Non-Residential	9,069,880	8,442,007	7,908,588	7,571,212	7,262,270
	75,070,012	69,960,089	65,215,221	60,937,534	58,144,858
Weighted Taxable Assessment					
Residential	\$ 69,119,831	\$ 61,745,624	\$ 61,208,842	\$ 57,357,959	\$ 54,721,738
Non-Residential	19,641,077	18,379,207	17,376,301	16,428,325	15,809,651
	88,760,908	80,124,831	78,585,143	73,786,284	70,531,389
Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment					
Residential	78%	78%	78%	78%	78%
Non-Residential	22%	22%	22%	22%	22%
Taxable Assessment Growth (weighted)	1.2%	1.4%	1.4%	0.7%	1.6%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2019 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Expenses by Object					
Salaries, wages and employee benefits	\$ 797,631	\$ 780,052	\$ 755,403	\$ 741,847	\$ 723,337
Interest on long term liabilities	13,767	12,677	13,442	12,934	14,297
Materials	203,308	207,682	218,037	221,520	223,349
Contracted services	309,634	341,931	275,361	276,159	248,843
Rents and financial expenses	31,084	34,550	42,421	34,297	36,435
External transfers	168,471	190,538	194,241	184,546	202,881
Amortization of tangible capital assets	205,247	196,428	192,122	185,733	178,048
	<u>1,729,142</u>	<u>1,763,858</u>	<u>1,691,027</u>	<u>1,657,036</u>	<u>1,627,190</u>
Operating Expenses as Percentage of Total					
Salaries, wages and employee benefits	46.1%	44.2%	44.7%	44.8%	44.6%
Interest on long term liabilities	0.8%	0.7%	0.8%	0.8%	0.9%
Materials	11.8%	11.8%	12.9%	13.4%	13.7%
Contracted services	18.0%	19.5%	16.3%	16.7%	15.3%
Rents and financial expenses	1.8%	2.0%	2.5%	2.1%	2.2%
External transfers	9.7%	10.8%	11.5%	11.1%	12.5%
Amortization of tangible capital assets	11.8%	11.0%	11.3%	11.1%	10.8%
	<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	\$ 432,709	\$ 494,891	\$ 418,145	\$ 472,805	\$ 394,295
Long Term Debt incurred by the City for which other entities have assumed responsibility	-	-	-	-	(3,239)
	<u>432,709</u>	<u>494,891</u>	<u>418,145</u>	<u>472,805</u>	<u>391,056</u>
Long Term Liabilities					
Housing operations	\$ 46,967	\$ 52,803	\$ 58,508	\$ 64,070	\$ 69,466
City operations	385,742	432,088	359,637	408,735	321,590
	<u>432,709</u>	<u>484,891</u>	<u>418,145</u>	<u>472,805</u>	<u>391,056</u>
Long term liabilities as a % of Reserves and Capital Surplus					
	51.60%	57.30%	58.60%	62.20%	62.30%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2019 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tangible Capital Assets					
General					
Land	\$ 387,321	\$ 357,211	\$ 333,818	\$ 315,467	\$ 304,977
Land improvements	167,237	157,312	152,325	150,337	135,252
Buildings	815,472	817,598	756,160	761,396	735,926
Vehicles	148,259	137,501	128,600	133,786	107,241
Computer hardware and software	19,499	13,572	11,821	11,058	7,876
Other	93,335	95,871	99,540	103,490	92,098
Infrastructure					
Roads	1,310,342	1,293,193	1,261,223	1,253,561	1,248,288
Bridges and structures	181,896	184,387	183,422	184,213	184,794
Water and wastewater facilities	395,495	398,743	403,647	396,884	385,404
Underground and other networks	1,986,865	1,861,011	1,789,334	1,761,542	1,713,019
Net Book Value	<u>5,505,721</u>	<u>5,316,399</u>	<u>5,119,890</u>	<u>5,071,734</u>	<u>4,914,875</u>
Assets under construction	425,067	360,182	309,974	199,680	235,413
	<u>5,930,788</u>	<u>5,676,581</u>	<u>5,429,864</u>	<u>5,271,414</u>	<u>5,150,288</u>
Accumulated Surplus or Municipal Financial Position					
Reserves and reserve funds					
Reserves	\$ 612,513	\$ 660,380	\$ 697,931	\$ 647,278	\$ 660,757
Hamilton Future Fund	52,963	48,635	44,322	43,079	37,711
	<u>665,476</u>	<u>709,015</u>	<u>742,253</u>	<u>690,357</u>	<u>698,468</u>
Capital surplus	\$ 173,857	\$ 136,894	\$ (28,137)	\$ 70,021	\$ (70,758)
Operating surplus	74,118	88,433	1,498	2,020	2,305
Investment in Government Business Enterprises	323,851	329,237	356,098	247,386	232,811
Investment in tangible capital assets	5,393,649	5,102,640	4,995,441	4,780,723	4,740,652
Unfunded liabilities - Employee future benefits	(348,328)	(348,832)	(343,679)	(333,787)	(326,627)
Unfunded liabilities - Solid waste landfill sites	(71,420)	(71,559)	(24,174)	(24,466)	(25,769)
	<u>6,211,203</u>	<u>5,945,828</u>	<u>5,699,300</u>	<u>5,432,254</u>	<u>5,251,082</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2019 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statistical Information					
Population	579,000	572,575	563,480	558,397	550,700
Households	237,200	234,655	227,641	222,918	223,000
Area in hectares	112,775	112,775	112,775	112,775	112,775
Building Permit Values	\$1,408,521,764	\$1,264,757,129	\$1,364,145,419	\$1,056,237,746	\$1,108,192,846
Housing Starts	1,438	1,135	1,340	1,436	1,415
Residential Units - Building Permits	5,012	5,808	6,053	5,835	4,142
Average Monthly Social Assistance Case Load	11,248	11,884	12,807	12,753	12,946
Continuous Full Time Employees	6,841	6,724	6,664	6,670	6,597

Note: Amounts reported may have been restated from previous amounts presented to conform to 2019 Public Sector Accounting Board (PSAB) standards.

Section 2

City of Hamilton Consolidated Financial Statements 2019

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Independent Auditors' Report

<<NOTE: The Independent Auditors' Report will be inserted after the Financial Report is approved by the Audit, Finance and Administration Committee. >>

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City of Hamilton Consolidated Statement of Financial Position

For the year ended December 31, 2019 (all numbers are in thousands of dollars)

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents (Note 3)	\$ 187,704	\$ 130,292
Taxes receivable	86,309	80,972
Accounts receivable	131,232	119,048
Other assets	1,473	1,418
Long term receivables (Note 4)	47,379	63,573
Portfolio investments (Note 3)	1,069,908	1,056,507
Investment in Government Business Enterprises (Note 5)	323,851	329,237
Total financial assets	\$ 1,847,856	\$ 1,781,047
Liabilities		
Accounts payable and accrued liabilities	\$ 339,830	\$ 323,521
Deferred revenue - general	42,542	45,196
Deferred revenue - obligatory reserve funds (Note 6 & 7)	331,278	237,055
Long term liabilities – municipal operations (Note 8)	385,742	432,088
Long term liabilities – housing corporation (Note 9)	46,967	52,803
Employee future benefits and other obligations (Note 10 & 11)	372,695	373,177
Solid waste landfill liabilities (Note 12)	71,420	71,559
Total liabilities	1,590,474	1,535,399
Net financial assets	\$ 257,382	\$ 245,648
Non-financial assets		
Tangible capital assets (Note 21)	\$ 5,930,788	\$ 5,676,581
Inventories	15,672	15,174
Prepaid expenses	7,361	8,425
Total non-financial assets	5,953,821	5,700,180
Accumulated surplus (Note 13)	\$ 6,211,203	\$ 5,945,828

Contractual obligations (Note 17)

Contractual rights (Note 18)

Contingent liabilities (Note 20)

Subsequent event (Note 25)

See accompanying notes to the consolidated financial statements.

City of Hamilton Consolidated Statement of Operations

For the year ended December 31, 2019 (all numbers are in thousands of dollars)

	Budget <u>2019</u> (Note 24)	Actual <u>2019</u>	Actual <u>2018</u>
Revenue			
Taxation (Note 15)	\$ 915,412	\$ 917,126	\$ 888,229
Government grants and contributions (Note 16)	441,934	447,833	454,774
User charges, licences and fines	350,781	372,145	347,637
Developer contributions earned	62,359	60,646	119,703
Donated tangible capital assets	21,715	21,715	46,862
Investment and dividend income	43,610	37,598	31,101
Net income from Government			
Business Enterprises (Note 5)	-	11,262	24,285
Other	105,020	128,764	137,476
Total revenue	<u>1,940,831</u>	<u>1,997,089</u>	<u>2,050,067</u>
Expenses			
General government	\$ 70,503	\$ 66,626	\$ 80,025
Protection services	325,029	330,258	324,227
Transportation services	344,165	337,719	320,005
Environmental services	257,790	252,778	284,271
Health services	105,749	106,057	102,868
Social and family services	320,347	309,361	316,819
Social housing	118,229	97,131	105,893
Recreation and cultural services	172,605	176,949	172,965
Planning and development	57,510	52,263	56,785
Total expenses	<u>1,771,927</u>	<u>1,729,142</u>	<u>1,763,858</u>
Annual Surplus	\$ 168,904	\$ 267,947	\$ 286,209
Accumulated surplus			
Beginning of year	\$ 5,945,828	\$ 5,945,828	\$ 5,699,300
Other comprehensive loss and other			
Government Business Enterprises (Note 5)	-	(2,572)	(39,681)
End of year	<u>\$ 6,114,732</u>	<u>\$ 6,211,203</u>	<u>\$ 5,945,828</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, 2019 (all numbers are in thousands of dollars)

	Budget <u>2019</u> (Note 24)	Actual <u>2019</u>	Actual <u>2018</u>
Operating activities			
Annual surplus	\$ 168,904	\$ 267,947	\$ 286,209
Other comprehensive loss of			
Government Business Enterprises	-	(2,572)	(39,681)
Acquisition of tangible capital assets	(454,795)	(445,146)	(408,325)
Loss on disposition of tangible capital assets	7,407	7,407	12,039
Amortization of tangible capital assets	205,247	205,247	196,431
Donated tangible capital assets	(21,715)	(21,715)	(46,862)
Decrease in inventories	-	(498)	(2,618)
Increase in prepaid expenses	-	1,064	2,284
Net increase (decrease) in financial assets	<u>(94,954)</u>	<u>11,734</u>	<u>(523)</u>
Net financial assets			
Beginning of year	<u>245,648</u>	<u>245,648</u>	<u>246,171</u>
 End of year	 <u>\$ 150,694</u>	 <u>\$ 257,382</u>	 <u>\$ 245,648</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton Consolidated Statement of Cash Flows

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

	<u>2019</u>	<u>2018</u>
Operating activities		
Annual surplus	\$ 267,947	\$ 286,209
Increase in taxes receivable	(5,337)	(3,054)
(Increase) decrease in accounts receivable	(12,184)	1,357
Increase in other assets	(53)	(91)
Increase in accounts payable and accrued liabilities	16,308	4,334
Decrease in deferred revenue - general	(2,654)	(22,471)
Increase (decrease) in deferred revenue - obligatory reserve fund	94,223	(15,101)
Increase in inventories	(498)	(2,618)
Decrease in prepaid expenses	1,064	2,284
Non-cash activities		
Amortization of tangible capital assets	205,247	196,431
Donated tangible capital assets	(21,715)	(46,862)
Loss on disposition of tangible capital assets	7,407	12,039
Net income from Government Business Enterprises	(11,262)	(24,285)
Change in employee future benefits and other obligations	(482)	5,590
Change in solid waste landfill liabilities	(139)	47,385
	<u>537,872</u>	<u>441,147</u>
Investing activities		
Increase in portfolio investments	(13,401)	(108,579)
Decrease (increase) in long term receivables	16,194	(11,449)
Dividends received from Government Business Enterprises	14,076	11,464
	<u>16,869</u>	<u>(108,564)</u>
Financing activities		
Long term debt issued – municipal operations	-	110,820
Debt principal repayment – municipal operations	(45,728)	(37,749)
Lease obligation payment – municipal operations	(619)	(619)
Debt principal repayment – housing corporation	(5,836)	(5,705)
	<u>(52,183)</u>	<u>66,747</u>
Capital activities		
Purchase of tangible capital assets	<u>(445,146)</u>	<u>(408,325)</u>
Net increase (decrease) in cash and cash equivalents	57,412	(8,995)
Cash and cash equivalents		
Beginning of year	<u>130,292</u>	<u>139,287</u>
End of year	<u>\$ 187,704</u>	<u>\$ 130,292</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (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.

During 2018, Hamilton Utilities Corporation, underwent a corporate restructuring whereby it transferred the subsidiaries controlled by it, to a new entity; Hamilton Enterprises Holding Corporation ("H.E.H.C.O."). H.E.H.C.O. is owned 100% by the City.

Hamilton Utilities Corporation ("H.U.C."), Hamilton Enterprises Holdings Corporation ("H.E.H.C.O") 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 5). 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.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

Cemetery trust, and general trust funds administered by the City amounting to \$20,060,000 (2018 - \$18,788,000) 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 \$404,000 (2018 - \$383,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

- (i) 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

- (ii) 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.

(d) Cash, cash equivalents

Cash and cash equivalents include cash on hand, cash held in financial institutions and temporary investments with maturities of 365 days or less. Investments are valued at cost and are written down when there is a decrease in value.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(e) Portfolio investments

Portfolio investments mainly comprise of federal, provincial and municipal government bonds and deposit notes and short term instruments of financial institutions. 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 and/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. 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 2 years to 100 years as follows:

General - Land improvements	20 to 75 years
General - Buildings	20 to 50 years
General - Vehicles	3 to 20 years
General – Computer hardware and software	3 to 5 years
General – Other – Machinery and equipment	2 to 100 years
Infrastructure – Bridges and other structures	40 to 75 years
Infrastructure – Water and wastewater facilities	20 to 40 years
Infrastructure – Water, wastewater, storm and road linear	18 to 100 years

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.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(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 4.

(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.

(m) Landfill Liability

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

(n) Contaminated Sites

Contamination is a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- (i) an environmental standard exists
- (ii) contamination exceeds the environmental standard
- (iii) the City is directly responsible or accepts responsibility
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is estimated based upon information that is available when the financial statements are prepared. It is based upon the costs directly attributable to the remediation activities required using a present value measurement technique.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(o) Related parties disclosure

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. Related party transactions are disclosed if they occurred at a value different from that which would have been arrived at if parties were unrelated and the transaction has material effect on the consolidated financial statements. As at December 31, 2019, there are no such related party transactions to disclose.

(p) Contingent assets

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty which will be ultimately resolved when one of more future events occur that are not within the government's control. Disclosure of a contingent asset is required under this standard when the occurrence of a confirming future event is likely. As at December 31, 2019, there are no such contingent assets to disclose.

(q) Contractual rights

Contractual rights requires the disclosure of information in regards to future rights to economic resources arising from contracts or agreements that will result in a future economic benefit. Such disclosure includes the nature, extent and timing of contractual rights. The City is involved with various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources. Contractual rights are reported in note 18.

(r) Assets

The assets standard provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events and from which future economic benefits are to be obtained. For the year ended December 31, 2019, all material assets have been disclosed and reported within this definition.

(s) Inter-Entity transactions

Inter-entity transactions standard provides guidance on how to account for and report transactions between public sector entities that comprises a governments reporting entity. This section provides guidance for the measurement of these transactions. All City transactions are recorded at the exchange amount, being the amount agreed to by both parties. For the year ended December 31, 2019, there were no material inter-entity transactions to disclose.

2. Adoption of New Accounting standards

The following standard issued by PSAB was effective January 1, 2019. The implementation of this standard had no impact on the annual surplus, net debt or accounting surplus, but resulted in an additional note disclosure.

(a) PS 3430 Restructuring transactions

Restructuring transactions establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. Financial statement presentation and disclosure is required. For the year ended December 31, 2019 there is no restructuring transaction to be disclosed.

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

3. Cash and cash equivalents and portfolio investments

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 157	\$ 141
Cash held in banks	181,331	123,968
Temporary investments	6,216	6,183
	<u>\$ 187,704</u>	<u>\$ 130,292</u>
Portfolio investments are comprised of:		
Unrestricted investments	\$ 685,667	\$ 770,817
Designated investments (obligatory reserve funds)	331,278	237,055
Designated investments (Hamilton Future Fund)	52,963	48,635
	<u>\$ 1,069,908</u>	<u>\$ 1,056,507</u>

Portfolio investments have a market value of \$1,094,050,000 (2018 - \$1,054,605,000). The City has purchased \$3,057,000 (2018 - \$3,056,000) of its own debentures which have not been cancelled. This investment in its own debenture is included in portfolio investments on the consolidated statement of financial position. The gross amounts of these debentures is \$383,001,000 (2018 - \$428,728,000)

4. Long term receivables

The City has long -term receivables in the amount of \$47,379,000 (2018 - \$63,573,000.) The long-term receivables are comprised of:

	<u>2019</u>	<u>2018</u>
Development charge deferral agreements	\$ 30,012	\$ 37,253
Mortgages receivable:		
Downtown convert to rent program	5,425	13,043
Hamilton Utilities Corporation	6,480	6,804
Hamilton Renewable Power Inc.	-	278
Sheraton Hotel loan	755	868
Other City loan programs	3,764	3,987
Loans to other agencies and organizations	3,632	4,211
Less: Provision for loans with concessionary terms	(2,689)	(2,871)
	<u>\$ 47,379</u>	<u>\$ 63,573</u>

Development charge deferral agreements and mortgage receivables are loans which are secured by property, with interest rates varying from 0% to 5.61% and terms of one year to thirty years.

Loans to other agencies and organizations included loans to 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.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises

Hamilton Utilities Corporation, Hamilton Enterprises Holdings 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."). On December 18, 2017 Hamilton Enterprises Holdings Corporation ("H.E.H.C.O.") was incorporated.

The amounts related to government business enterprises as reported in the Consolidated Statement of Operations for 2019 and 2018 is as reported by the Hamilton Utilities Corporation, Hamilton Enterprises Corporation and Hamilton Renewable Power Inc.

	<u>2019</u>	<u>2018</u>
Net income from H.U.C.	\$ 12,899	\$ 25,517
Net loss from H.E.H.C.O.	(1,815)	(1,366)
Net income from H.R.P.I.	178	134
	<u>\$ 11,262</u>	<u>\$ 24,285</u>

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

	<u>2019</u>	<u>2018</u>
Investment in H.U.C.	\$ 327,254	\$ 330,896
Investment in H.E.H.C.O.	(3,172)	(1,357)
Investment in H.R.P.I.	(231)	(302)
	<u>\$ 323,851</u>	<u>\$ 329,237</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Utilities Corporation reported by H.U.C. at December 31, 2019 and December 31, 2018 respectively.

	<u>2019</u>	<u>2018</u>
Financial Position		
Current assets	\$ 388	\$ 1,714
Notes receivable from Corporation	51,772	51,772
Long term receivables	6,156	6,480
Due from related parties	2,130	-
Future payments in lieu of income taxes	461	-
Investment in Alectra Holdings Inc.	351,550	356,595
Total assets	<u>\$ 412,457</u>	<u>\$ 416,561</u>
Current liabilities		
(including current portion of long term debt)	324	1,910
Non-current liabilities	74,100	72,976
Total liabilities	<u>74,424</u>	<u>74,886</u>
Change in equity on restructuring	10,779	10,779
Shareholder's equity	<u>\$ 327,254</u>	<u>\$ 330,896</u>
Results of operations		
Revenues	\$ 353	\$ 386
Operating expenses	(816)	(3,150)
Equity income in Alectra Holdings Inc.	10,541	19,272
Financing expenses	(248)	(282)
Other income	248	442
Gain on dilution of investment in Alectra Holdings Inc.	979	-
Equity earnings from operations	<u>11,057</u>	<u>16,668</u>
Recovery of taxes	1,842	8,849
Net income before other comprehensive income	<u>12,899</u>	<u>25,517</u>
Other comprehensive (loss) income	(2,572)	816
Refundable dividend tax on hand	-	(40,506)
Net income (loss)	<u>\$ 10,327</u>	<u>\$ (14,173)</u>
Dividends paid	13,969	11,361

Hamilton Utilities Corporation long term receivables and borrowings:

Included in non-current liabilities is a loan payable to the City in the amount of \$6,480,000. The loan payable and the long term receivable relate to the acquisition of the City of Hamilton's Central Utilities Plant. Included in receivables is receivable from H.E.H.C.O. The loan payable and the long term receivable bear interest at 4.06% per annum and are repayable \$324 annually principal plus interest and are due January 1, 2019 with four 5 year renewal terms. At December 31, 2019, the City has not given notice that it will not renew the loan agreement as such, the loan remains in non-current liabilities.

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Enterprises Holding Corporation reported by H.E.H.C.O. at December 31, 2019 and December 31, 2018 respectively.

	<u>2019</u>	<u>2018</u>
Financial Position		
Current assets	\$ 8,376	\$ 5,169
Capital assets	53,086	53,858
Intangible Assets	1,617	2,003
Right-of-use assets	4,028	-
Goodwill	571	571
Future payments in lieu of income taxes	4,514	31
Total assets	<u>72,192</u>	<u>61,632</u>
Current liabilities		
(including current portion of long term debt)	7,678	2,433
Non-current liabilities	78,762	71,624
Total liabilities	<u>86,440</u>	<u>74,057</u>
Shareholder's deficit		
Non-controlling interest	83	91
Opening equity	(11,159)	(11,159)
Total shareholder's deficit	<u>\$ (3,172)</u>	<u>\$ (1,357)</u>
Results of operations		
Revenues	\$ 14,307	\$ 11,138
Operating expenses	(15,686)	(11,896)
Financing expense	(1,187)	(750)
Other income	199	135
Equity earnings from operations	<u>(2,367)</u>	<u>(1,373)</u>
Recovery of taxes	<u>(544)</u>	<u>(7)</u>
Net loss before dividends	(1,823)	(1,366)
Other comprehensive income	-	4
Non-controlling interest	8	5
Net loss	<u>\$ (1,815)</u>	<u>\$ (1,357)</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

5. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Renewable Power Incorporated reported by H.R.P.I. at December 31, 2019 and December 31, 2018 respectively.

	<u>2019</u>	<u>2018</u>
Financial Position		
Current assets	\$ 1,132	\$ 850
Capital assets	5,602	6,187
Other assets	32	32
Total assets	<u>6,766</u>	<u>7,069</u>
Current liabilities		
(Including current portion of long term debt)	685	996
Future payment in lieu of taxes	312	375
Total liabilities	<u>997</u>	<u>1,371</u>
Shareholder's equity	6,000	6,000
Net deficit	<u>\$ (231)</u>	<u>\$ (302)</u>
Results of operations		
Revenues	\$ 3,199	\$ 3,041
Expenses	(3,021)	(2,907)
Net income	<u>\$ 178</u>	<u>\$ 134</u>
Dividends paid	107	103

Government Business Enterprises - related party transactions

The following summarizes the Corporations related party transactions with Government Business Enterprises for the year ended December 31.

	<u>2019</u>	<u>2018</u>
Revenue		
Dividend revenue from H.U.C.	\$ 13,969	\$ 11,361
Dividend revenue from H.R.P.I.	107	103
Property and other taxes received by the City from H.U.C.	529	632
Sale of Methane to H.R.P.I.	814	771
Expenditures		
Hydro purchased by the City from H.E.H.C.O.	37,874	34,447
Thermal Energy purchased from H.R.P.I.	284	224
Assets		
Accounts receivable from H.R.P.I.	415	392
Long term receivable from H.U.C.	6,480	6,804

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (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>2019</u>	<u>2018</u>
Development charge reserve funds	\$ 186,994	\$ 128,146
Recreational land dedicated under the Planning Act	56,154	42,763
Gasoline tax revenue: Provincial	9,699	17,332
Federal	54,846	27,604
Building Permit Revenue	23,493	20,700
Other (Main Street Revitalization)	92	510
	<u>\$ 331,278</u>	<u>\$ 237,055</u>

7. 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>2019</u>	<u>2018</u>
Balance at the beginning of the year	\$ 237,055	\$ 252,156
Add:		
Developer and other contributions	134,567	94,686
Interest earned	6,516	6,219
Provincial and Federal Funding	69,166	44,474
	<u>210,249</u>	<u>145,379</u>
Less:		
Contributions used in operating and capital funds	116,026	160,480
Balance at the end of the year	<u>\$ 331,278</u>	<u>\$ 237,055</u>

8. 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 2020 to 2044 with interest rates varying between 1.61% and 5.05% and obligations for leased tangible capital assets with payments from 2020 to 2051 at a discount rate of 5%. The balance of long term liabilities consists of the following:

	<u>2019</u>	<u>2018</u>
Long term liabilities incurred by the City	\$ 383,001	\$ 428,728
Long term liabilities for leased tangible capital assets incurred by the City	2,741	3,360
Net long term liabilities	<u>\$ 385,742</u>	<u>\$ 432,088</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

8. Long term liabilities – municipal operations (continued)

- (b) Of the \$383,001,000 long term debt (2018 - \$428,728,000) 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>2019</u>	<u>2018</u>
General Revenue	\$ 255,373	\$ 290,812
Water & Wastewater user charges	127,628	137,916
	<u>\$ 383,001</u>	<u>\$ 428,728</u>

- (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	<u>Total 2019</u>
2020	\$ 29,384	\$ 12,146	\$ 41,530
2021	29,514	12,151	\$ 41,665
2022	29,932	12,156	\$ 42,088
2023	24,710	12,103	\$ 36,813
2024	22,548	12,046	\$ 34,594
2025 and thereafter	119,285	67,026	\$ 186,311
Total	<u>\$ 255,373</u>	<u>\$ 127,628</u>	<u>\$ 383,001</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>2019</u>
2020	\$ 619
2021	335
2022	62
2023	62
2024	62
2025 and thereafter	1,601
Total	<u>\$ 2,741</u>

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

	<u>2019</u>	<u>2018</u>
Principal repayments	\$ 45,728	\$ 37,749
Interest expense	12,161	10,967
	<u>\$ 57,889</u>	<u>\$ 48,716</u>

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

	<u>2019</u>	<u>2018</u>
Principal repayments	\$ 619	\$ 619
Interest expense	257	247
	<u>\$ 876</u>	<u>\$ 866</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

9. Long term debt – housing corporation

(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 2020 to 2030 with interest rates varying between 0.96% and 5.83%. The mortgage obligations for CityHousing Hamilton are \$46,967,000 (2018 - \$52,803,000).

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

	<u>2019</u>
2020	\$ 8,461
2021	6,308
2022	12,727
2023	3,473
2024	7,550
2025 and thereafter	8,448
	<u>\$ 46,967</u>

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

	<u>2019</u>	<u>2018</u>
Principal repayments	\$ 5,836	\$ 5,705
Interest expense	1,349	1,463
	<u>\$ 7,185</u>	<u>\$ 7,168</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 \$8,340,000 (2018 - \$11,000,000), 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.

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

10. Employee future benefits and other obligations

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>2019</u>	<u>2018</u>
Accrued Benefit Obligation		
Sick leave benefit plan	\$ 58,789	\$ 57,470
Long term disability	33,431	27,869
Workplace safety and insurance board liabilities (WSIB)	97,787	93,436
Retirement benefits	153,571	151,311
Vacation benefits	26,806	26,906
Pension benefit plans (Note 10 (f))	<u>(2,196)</u>	<u>9,917</u>
	368,188	366,909
Net unamortized actuarial gain	1,513	5,762
Valuation Allowance	<u>2,994</u>	<u>506</u>
Accrued Liability	<u>\$ 372,695</u>	<u>\$ 373,177</u>

The City has established reserves for some of these liabilities totalling \$67,885,000 (2018 - \$66,073,000) as described in the following notes.

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

	<u>2019</u>	<u>2018</u>
Liability for Employee Future Benefits and Other Obligations		
balance at beginning of the year	\$ 373,177	\$ 367,587
Plan amendment per actuarial valuation	2,488	2,940
Benefit expense	32,101	28,033
Interest expense	13,420	12,255
Amortization of actuarial loss on accrued benefit obligations	3,220	2,873
Amortization of actuarial gain on earnings on pension assets	(3,261)	(1,802)
Benefit payments	<u>(48,450)</u>	<u>(38,709)</u>
Liability for Employee Future Benefits and Other Obligations		
balance at end of the year	<u>\$ 372,695</u>	<u>\$ 373,177</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

10. 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>2019</u>	<u>2018</u>
Plan amendment per actuarial valuation	\$ 2,488	\$ 2,940
Benefit expense	32,101	28,033
Interest expense	13,420	12,255
Amortization of net actuarial loss	(41)	1,071
	<u>\$ 47,968</u>	<u>\$ 44,299</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	Return	Inflation	Payroll	Dental	Life
	Rate	on Assets	Rate	Increases	Increases	Expectancy (Years)
Vested sick leave	3.50%	NA	2.0%	3.0%	NA	15
Long term disability	3.00%	NA	2.0%	3.0%	NA	8.0
Workplace safety and insurance	3.50%	NA	2.0%	3.0%	NA	10.0
Retirement Benefits Health and Dental	3.75%	NA	2.0%	3.0%	4.0%	19
Pensions Benefits (non-OMERS)	4.40 to 4.90%	4.40 to 4.90%	2.0%	NA (1)	NA	7.44 to 9.3

Notes:

(1) 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 \$58,789,000 (2018 – \$57,470,000). Changes in valuation assumptions have resulted in an increase in the liability to \$58,789,000 from the expected liability of \$55,214,000. The actuarial loss as at December 31, 2019 of \$3,575,000 is being amortized over 15 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 \$9,586,000 (2018 - \$8,069,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

10. 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, 2019 has estimated the accrued benefit obligation at \$33,431,000 (2018- \$27,869,000). Changes in valuation assumptions have resulted in an increase in the liability of \$33,431,000 from the expected liability of \$27,550,000. The actuarial loss as at December 31, 2019 of \$5,881,000 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 \$15,612,000 (2018 - \$15,814,000)

(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, 2019 estimated the accrued benefit obligation for workplace safety & insurance existing claims and future pension awards at \$97,787,000 (2018 - \$93,436,000). Changes in valuation assumptions have resulted in an increase in the liability to \$97,787,000 from the expected liability of \$89,286,000. The actuarial loss of \$8,501,000 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 \$41,110,000 (2018 - \$40,652,000).

(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, 2018 estimated the accrued benefit obligation at \$153,571,000 (2018 - \$151,311,000). Changes in valuation assumptions have resulted in an increase in liability to \$153,571,000 from the expected liability of \$140,027,000. The actuarial loss of \$13,544,000 is being amortized over 19 years, which is the expected average remaining life expectancy of the plan members in various groups. The City has \$7,430,000 (2018 - \$7,122,000) set aside in the Consolidated Statements of Financial Position to assist with this liability.

(e) Liability for vacation benefits

The City is liable for vacation days earned by its employees as at December 31, 2019 but not taken until a later date. The liability as at December 31, 2019 has been estimated at \$26,806,000 (2018 - \$26,906,000), of which \$16,938,000 is funded by City departments' budgets (2018 - \$17,223,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,577,000 (2018 - \$1,538,000), and the remaining liability of \$8,291,000 is unfunded (2018 - \$8,145,000)

(f) Liability for pensions plans

In addition to the Ontario Municipal Employees Retirement System (OMERS) described in Note 11, the City also provides pension benefits under three other plans. The actuarial valuations for Hamilton-Wentworth Retirement Fund and Hamilton Street Railway Retirement Fund at December 31, 2016 and Hamilton Municipal Retirement Fund at December 31, 2017 estimated the combined accrued benefit asset of the pension plans at \$2,196,000 from an obligation of \$9,917,000 in 2018. Changes in valuation resulted in an asset of \$2,196,000 from an expected liability of \$33,812,000. The actuarial gain of \$36,008,000 is being amortized over 7.4 to 9.3 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, 2019 (all numbers in columns are in thousands of dollars)

11. 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 7,226 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, 2019 indicates a "going concern" Actuarial Deficit based on the plan's current member and employer contribution rates. Contributions were made in the 2019 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 \$60,176,000 (2018 - \$59,519,000) 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 – Hamilton-Wentworth Retirement Fund, Hamilton Municipal Retirement Fund, and Hamilton Street Railway Retirement Fund.

Approximately 317 current employees and 955 former employees of the City are members of three defined benefit plans; Hamilton-Wentworth, Hamilton Municipal and the Hamilton Street Railway Retirement Funds 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 plans are in a deficit position.

The actuarial valuations 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 statement of Financial Position is comprised as follows:

	<u>2019</u>	<u>2018</u>
Accrued pension benefit obligation	\$ 335,238	\$ 321,429
Pension plan assets		
Marketable securities (Market Value)	<u>(337,434)</u>	<u>(311,512)</u>
Other assets	(2,196)	9,917
Unamortized actuarial gain	<u>33,014</u>	<u>33,363</u>
Accrued pension liability	<u>30,818</u>	43,280
Valuation allowance	2,994	506
Adjusted accrued pension liability	<u>\$ 33,812</u>	<u>\$ 43,786</u>

City of Hamilton Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

11. Pension agreements (continued)

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

	<u>2019</u>	<u>2018</u>
Expected pension fund assets at the end of year	\$ 312,488	\$ 342,517
Actual pension fund assets at end of year	<u>337,434</u>	<u>311,512</u>
Actuarial gain (loss) on pension fund assets	<u>24,946</u>	<u>(31,005)</u>
Expected accrued pension benefit obligation at end of year		
Actual accrued pension benefit obligation at end of year	314,820	337,402
Accrued pension benefit obligation	<u>335,238</u>	<u>321,429</u>
Actuarial (loss) gain on accrued pension benefit obligation	<u>\$ (20,418)</u>	<u>\$ 15,973</u>

The expense related to the pension plans are comprised as follows:

	<u>2019</u>	<u>2018</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ (2,198)	\$ (81)
Amortization of net actuarial loss on pension plan assets	<u>(2,680)</u>	<u>(4,599)</u>
Net amortization	<u>(4,878)</u>	<u>(4,680)</u>
Interest on average accrued pension benefit obligation	\$ 16,727	\$ 16,305
Expected return on average pension plan assets	<u>(16,405)</u>	<u>(16,364)</u>
Net interest	<u>322</u>	<u>(59)</u>
Change in valuation allowance	<u>2,488</u>	<u>506</u>
Total expenses	<u>\$ (2,068)</u>	<u>\$ (4,233)</u>

Payment of \$7,907,303 (2018 - \$7,633,836) have been applied to reduce the Hamilton - Wentworth and Hamilton Street Railway plans' deficit as actuarially determined for funding purposes. The pension deficit for the pension plans as at December 31, 2019 will be funded by the City with payments as follows:

2020	\$ 4,267
2021	3,722
2022	3,722
2023	2,471
2024 and thereafter	<u>10,535</u>
Total	<u>\$ 24,717</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

12. 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 three phases with a capacity of 14,824,000 cubic metres of waste. The total capacity has been broken into three Phases, with Phase 1 having a capacity of 8,403,000, Phase 2 having a capacity of 4,855,000 cubic metres and Phase 3 having a capacity of 1,566,000 cubic metres. As at December 31, 2018 landfilling has ceased in Phase 1, and is occurring in Phase 2. Filling was initiated at Phase 2 in mid-December and therefore as of December 31, 2019 still retained an estimated 4,855,000 cubic meters of capacity. It is estimated Phase 2 will reach its capacity and close in 2046. Construction of Phase 3 has not been initiated. It is estimated that the site will reach full capacity and close in 2055.

In 2019 approximately 41% of waste generated was diverted from landfills (2018 - 30%).

The closure costs for the open Glanbrook landfill site and post closure care costs for the closed sites are based upon management estimates, adjusted by 3.0% inflation. These costs are then discounted back to December 31, 2019 using a discount factor of 4.0%. 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 \$80,076,000 (2018 - \$78,973,000). The expenses remaining to be recognized are \$8,656,000 (2018 - \$7,414,000). The liability of \$71,420,000 (2018 - \$71,559,000) 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 \$1,189,000 (2018 - \$1,134,000) 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, 2019 (all numbers in columns are in thousands of dollars)

13. 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>2019</u>	<u>2018</u>
Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:		
Working funds	\$ 84,933	\$ 84,867
Contingencies	996	971
Replacement of equipment	51,225	61,433
Sick leave (Note 10)	9,586	8,069
Workplace Safety and Insurance Board (WSIB) (Note 10)	41,110	40,652
Pension plans	3,341	3,258
Tax stabilization	20,760	23,215
General government	16,785	8,848
Protection services	1,184	642
Transportation services	25,396	23,319
Environmental services	224,625	259,368
Health and social services	5,478	8,945
Recreation and cultural services	23,848	26,019
Planning and development	8,046	13,190
Other unallocated	95,200	97,584
Hamilton Future Fund (Note 14)	52,963	48,635
Total reserves and discretionary reserve funds	\$ 665,476	\$ 709,015
Operating surplus		
Flamborough recreation sub-committees	\$ 227	\$ 267
Business improvement areas	1,268	1,221
Housing operations	72,343	86,500
Confederation Park operations	280	445
Total operating surplus	\$ 74,118	\$ 88,433
Capital surplus		
Municipal operations	\$ 113,897	\$ 119,822
Housing operations	59,960	17,072
Total capital surplus	\$ 173,857	\$ 136,894
Unfunded liabilities		
Employee benefit obligations	\$ (348,328)	\$ (348,832)
Solid Waste landfill liabilities	(71,420)	(71,559)
Total unfunded liabilities	\$ (419,748)	\$ (420,391)
Investment in Government Business Enterprises (Note 5)	\$ 323,851	\$ 329,237
Investment in tangible capital assets	\$ 5,393,649	\$ 5,102,640
Accumulated surplus	\$ 6,211,203	\$ 5,945,828

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

14. 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>2019</u>	<u>2018</u>
Balance at the beginning of the year	\$ 48,635	\$ 44,322
Current operations		
Investment income	1,203	1,232
Repayment of Waste Management Projects	8,440	8,648
St Joseph's Healthcare Hamilton Foundation	-	(675)
Westdale Cinema Group	-	(250)
Other	(1,142)	(586)
	<u>8,501</u>	<u>8,369</u>
Tangible capital assets		
Waste Management Projects	(173)	(13)
Parkland	(4,000)	(43)
Other	-	(4,000)
	<u>(4,173)</u>	<u>(4,056)</u>
Balance at the end of the year	\$ 52,963	\$ 48,635

15. Taxation

	Budget <u>2019</u>	Actual <u>2019</u>	Actual <u>2018</u>
Taxation from real property	\$ 1,098,165	\$ 1,102,694	\$ 1,071,092
Taxation from other governments payments in lieu of taxes	16,227	16,551	16,256
	<u>1,114,392</u>	<u>1,119,245</u>	<u>1,087,348</u>
Less: Taxation collected on behalf of school boards	(198,980)	(202,119)	(199,119)
Net taxes available for municipal purposes	<u>\$ 915,412</u>	<u>\$ 917,126</u>	<u>\$ 888,229</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, 2019 (all numbers in columns are in thousands of dollars)

16. Government transfers

	<u>2019</u>	<u>2018</u>
Government transfers received:		
Policing	\$ 4,447	\$ 4,518
Court security	4,947	4,201
Transit	5,019	4,300
Waste diversion	5,095	5,093
Public Health	33,218	33,381
Ambulance services	25,300	24,517
Social assistance	133,015	137,819
Long term care homes	22,783	22,157
Child care	78,758	84,389
Housing	23,672	30,000
Federal and provincial gas tax	51,241	39,212
Other	4,126	3,855
Infrastructure	56,212	61,332
	<u>\$ 447,833</u>	<u>\$ 454,774</u>
	<u>2019</u>	<u>2018</u>
Government transfers paid:		
Social assistance	\$ 124,549	\$ 131,160
Social housing	53,050	55,788
Grants	22,221	22,538
	<u>\$ 199,820</u>	<u>\$ 209,486</u>

17. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$556,293,000 at December 31, 2019 for capital works (2018 - \$488,067,000). 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, 2019 amounting to \$2,810,000 (2018 - \$3,307,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$497,000 in 2019 (2018 - \$158,000) 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, 2019 of \$3,460,000 (2018 - \$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 \$500,000 in 2019 (2018 - \$367,000) are reported in the Consolidated Statement of Operations.
- (d) The City has a contract with Waste Connections (formerly known as Progressive Waste Services) 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 \$7,883,000 for 2019 (2018 - \$7,969,000) are reported in the Consolidated Statement of Operations.

City of Hamilton
Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

17. Contractual obligations (continued)

- (e) 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 \$17,602,000 for 2019 (2018 - \$18,393,000) are reported in the Consolidated Statement of Operations.
- (f) 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 duration of this agreement is for a term, commencing on the 1st day of July, 2017, and ending on the 30th day of June, 2020 (the "Term"). Should extension or other form of renewal not be approved by City Council prior to the expiry of the Agreement at the end of the term, the Agreement will continue on a monthly basis until a new contract is signed or until cancelled on one hundred and twenty (120) calendar days' notice by either party. The annual contract fees amounting to \$22,545,000 for 2019 (2018 - \$20,622,000) are reported in the Consolidated Statement of Operations.
- (g) 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 \$47,735,000 (2018 - \$37,332,000). The minimum lease payments for these leases over the next five years and thereafter are:

2020	\$	6,716
2021		4,859
2022		3,289
2023		3,082
2024		2,869
2025 and thereafter		26,920
Total	<u>\$</u>	<u>47,735</u>

- (h) 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, 2019, 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, 2019, the remaining principal balance for the second term loan is \$20,269,000 (2018 - \$22,802,000). 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."

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

18. Contractual Rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The City has entered into an agreement with the Ontario Lottery and Gaming Corporation (OLG) whereby quarterly contributions are received based on a percentage of gaming revenues estimated at \$5,200,000 per year.

19. 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 \$18,315,000 (2018 - \$20,292,000). Claim expenses for the year in the amount of \$8,423,000 (2018 - \$7,930,000) are reported as expenses in the Consolidated Statement of Operations.

20. Contingent liabilities

The City has outstanding contractual obligations with its unionized employee groups as of December 31, 2019. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund the six outstanding settlements. In December 2019 two of these unionized groups reached a settlement and subsequent to December 31, 2019 both were paid the outstanding retroactive payments.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

21. Tangible Capital Assets

Details of the tangible capital assets are included in the Schedule of Tangible Capital Assets (pages 2-37 and 2-38). The City has tangible capital assets valued at cost in the amount of \$9,372,722,000 (2018 - \$8,982,686,000) and a net book value of \$5,930,788,000 (2018 - \$5,676,581,000). The net book value of the tangible capital assets valued as at December 31, 2019 is as follows:

	<u>2019</u>	<u>2018</u>
General		
Land	\$ 387,321	\$ 357,211
Land improvements	167,237	157,312
Buildings	815,472	817,598
Vehicles	148,259	137,501
Computer hardware and software	19,499	13,572
Other	93,335	95,871
Infrastructure		
Roads	1,310,342	1,293,193
Bridges and structures	181,896	184,387
Water and wastewater facilities	395,495	398,743
Underground and other networks	<u>1,986,865</u>	<u>1,861,011</u>
Net Book Value	5,505,721	5,316,399
Assets under construction	<u>425,067</u>	<u>360,182</u>
Balance at the end of the year	<u>\$ 5,930,788</u>	<u>\$ 5,676,581</u>

Included are leased tangible capital assets with a net book value of \$2,741,000 (2018 - \$3,360,000). 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, 2019 (all numbers in columns are in thousands of dollars)

22. 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 2-39 and 2-40).

23. Liability for Contaminated Sites

The City of Hamilton estimates liabilities of \$8,993,000 as at December 31, 2019 for remediation of various lands using a risk-based approach (2018 - \$9,308,000). Total future undiscounted expenditures are estimated at \$11,889,000. 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 (2018 – nil).

24. Budget figures

The 2019 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on December 20, 2018. The 2019 operating budget and capital financing for municipal operations was approved by City Council at a meeting on March 27, 2019.

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, 2019 (all numbers in columns are in thousands of dollars)

24. Budget figures (continued)

	<u>2019</u>
Revenue	
Council Approved Gross Revenue Operating Budget - Municipal	\$ 1,739,888
Council Approved Gross Revenue Capital Budget - Municipal	510,948
	<u>2,250,836</u>
Board Approved Gross Revenue Operating Budget - Housing Corporation	60,069
Board Approved Gross Revenue Capital Budget - Housing Corporation	8,688
	<u>68,757</u>
Adjustments to Revenues	
Less: Transfers from reserves and reserve funds Operating Budget Municipal Operations	(25,397)
Less: Transfers from reserves and reserve funds Capital Budget Municipal Operations	(171,720)
Less: Transfers from capital fund to current fund - Municipal Operations	(179,587)
Less: Transfers from capital fund to current fund - Housing Corporation	(8,688)
Less: Long term debt financing Capital Budget	(20,529)
Add: Donated tangible capital assets	21,715
Less: Reclassification - Municipal Operations	(30)
Add: Reserve & reserve funds	23,157
Add: Confederation Park and Westfield Heritage Village Consolidation	2,860
Less: Elimination for consolidation of Housing Corporation	(20,543)
	<u>(378,762)</u>
Consolidated	<u>\$ 1,940,831</u>
Expenses	
Council Approved Gross Expenditure Operating Budget - Municipal	\$ 1,739,888
Council Approved Gross Expenditure Capital Budget - Municipal	510,948
	<u>2,250,836</u>
Board Approved Gross Expenditure Operating Budget - Housing Corporation	60,069
Board Approved Gross Expenditure Capital Budget - Housing Corporation	8,688
	<u>68,757</u>
Adjustments to Expenditures	
Less: Debt principal repayment - Municipal Operations	(45,728)
Less: Debt principal repayment - Housing Corporation	(5,836)
Less: Transfers to reserves and reserve funds - Municipal Operations	(70,044)
Less: Transfers to capital from current funds - Municipal Operations	(179,587)
Less: Tangible capital assets - Municipal Operations	(430,585)
Less: Tangible capital assets - Housing Corporation	(8,688)
Less: Reclassification - Municipal Operations	(30)
Add: Change in employee future benefits and other obligations	(504)
Less: Change in solid waste landfill liability	(139)
Add: Amortization expense for tangible capital assets	205,247
Add: Confederation Park and Westfield Heritage Village Consolidation	2,410
Less: Elimination for consolidation of Housing Corporation	(21,590)
Add: Loss on disposition of tangible capital assets	7,409
	<u>(547,666)</u>
Consolidated	<u>\$ 1,771,927</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2019 (all numbers in columns are in thousands of dollars)

25. Subsequent event

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable

The Corporation declared a state of emergency under the Emergency Management Act Ontario, on March 17, 2020. The declaration of a state of emergency provides the Mayor with the ability to take action and make orders, as necessary, to protect the health, safety and welfare of residents.

The current challenging economic climate may lead to adverse changes in cash flows, reduction of service levels and budgetary constraints, which may also have a direct impact on the Corporation's revenues, annual surplus or deficit and reserve and reserve funds in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the Corporation, surrounding economy and services are not known at this time.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

City of Hamilton
Notes to Consolidated Financial Statements

As at December 31, 2019 (all numbers in columns are in thousands of dollars)

2019 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, 2019	\$ 357,211	\$ 332,290	\$ 1,435,768	\$ 313,398	\$ 24,304	\$ 172,915	\$ 2,460,975	\$ 249,145	\$ 791,180	\$ 2,485,318	\$ 360,182	\$ 8,982,686
Additions, betterments & transfers in 2019	31,156	21,959	35,034	35,115	11,756	11,183	64,019	836	17,487	148,539	68,062	445,146
Disposals & writedowns in 2019	(1,971)	(179)	(3,588)	(13,706)	(368)	(13,320)	(20,055)	(22)	(229)	(20,210)	(3,177)	(76,825)
Donations & contributions in 2019	925	25	-	-	-	-	7,840	-	-	12,925	-	21,715
Balance, Dec 31, 2019	\$ 387,321	\$ 354,095	\$ 1,467,214	\$ 334,807	\$ 35,692	\$ 170,778	\$ 2,512,779	\$ 249,959	\$ 808,438	\$ 2,626,572	\$ 425,067	\$ 9,372,722
Accumulated amortization												
Balance, Jan 1, 2019	\$ -	\$ 174,978	\$ 618,170	\$ 175,897	\$ 10,732	\$ 77,044	\$ 1,167,782	\$ 64,758	\$ 392,437	\$ 624,307	\$ -	\$ 3,306,105
Amortization in 2019	-	11,945	36,346	24,066	5,823	13,717	54,117	3,327	20,529	35,377	-	205,247
Disposals in 2019	-	(65)	(2,774)	(13,415)	(362)	(13,318)	(19,462)	(22)	(23)	(19,977)	-	(69,418)
Balance, Dec 31, 2019	\$ -	\$ 186,858	\$ 651,742	\$ 186,548	\$ 16,193	\$ 77,443	\$ 1,202,437	\$ 68,063	\$ 412,943	\$ 639,707	\$ -	\$ 3,441,934
Net book value Dec 31, 2019	\$ 387,321	\$ 167,237	\$ 815,472	\$ 148,259	\$ 19,499	\$ 93,335	\$ 1,310,342	\$ 181,896	\$ 395,495	\$ 1,986,865	\$ 425,067	\$ 5,930,788
Assets under construction	\$ 14	\$ 49,403	\$ 5,056	\$ 3,247	\$ 3,665	\$ 1,132	\$ 28,820	\$ 79,596	\$ 220,281	\$ 33,853	\$ (425,067)	
Total	\$ 387,335	\$ 216,640	\$ 820,528	\$ 151,506	\$ 23,164	\$ 94,467	\$ 1,339,162	\$ 261,492	\$ 615,776	\$ 2,020,718	\$ -	\$ 5,930,788

City of Hamilton
Notes to Consolidated Financial Statements

As at December 31, 2019 (all numbers in columns are in thousands of dollars)

2018 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, 2018	\$ 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
Additions, betterments & transfers in 2018	28,671	14,427	97,128	32,219	6,424	11,878	71,459	4,291	14,763	71,710	55,355	408,325
Disposals & writedowns in 2019	(5,278)	(606)	(4,156)	(7,902)	(1,982)	(1,431)	(3,715)	(127)	(88)	(979)	(5,147)	(31,411)
Donations & contributions in 2018	-	1,809	-	-	-	20	11,777	-	-	33,255	-	46,861
Balance, Dec 31, 2018	\$ 357,211	\$ 332,290	\$ 1,435,768	\$ 313,398	\$ 24,304	\$ 172,915	\$ 2,460,975	\$ 249,145	\$ 791,180	\$ 2,485,318	\$ 360,182	\$ 8,982,686
Accumulated amortization												
Balance, Jan 1, 2018	\$ -	\$ 164,335	\$ 586,636	\$ 160,481	\$ 8,041	\$ 62,908	\$ 1,120,231	\$ 61,559	\$ 372,858	\$ 591,998	\$ -	\$ 3,129,047
Amortization in 2018	-	11,128	35,558	23,216	4,673	14,910	50,782	3,288	19,588	33,288	-	196,431
Disposals in 2018	-	(485)	(4,024)	(7,800)	(1,982)	(774)	(3,231)	(89)	(9)	(979)	-	(19,373)
Balance, Dec 31, 2018	\$ -	\$ 174,978	\$ 618,170	\$ 175,897	\$ 10,732	\$ 77,044	\$ 1,167,782	\$ 64,758	\$ 392,437	\$ 624,307	\$ -	\$ 3,306,105
Net book value Dec 31, 2018	\$ 357,211	\$ 157,312	\$ 817,598	\$ 137,501	\$ 13,572	\$ 95,871	\$ 1,293,193	\$ 184,387	\$ 398,743	\$ 1,861,011	\$ 360,182	\$ 5,676,581
Assets under construction	\$ -	\$ 35,310	\$ 59,212	\$ 2,226	\$ 5,612	\$ 4,372	\$ 25,426	\$ 2,334	\$ 120,851	\$ 104,839	\$ (360,182)	
Total	\$ 357,211	\$ 192,622	\$ 876,810	\$ 139,727	\$ 19,184	\$ 100,243	\$ 1,318,619	\$ 186,721	\$ 519,594	\$ 1,965,850	\$ -	\$ 5,676,581

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2019 (all numbers in columns are in thousands of dollars)

2019 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 2019
Revenue										
Taxation	\$ 917,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 917,126
Government grants and contributions	1,696	9,751	52,898	40,645	58,785	234,556	40,356	4,768	4,378	447,833
User charges	5,542	6,158	66,033	238,185	3,291	16,994	949	24,239	10,754	372,145
Development charges and subdivider contributions	(1,164)	1,439	19,127	30,956	-	-	-	6,981	3,307	60,646
Donations of tangible capital assets	-	-	7,840	12,925	-	-	-	950	-	21,715
Investment income	19,277	1,289	3,473	10,485	63	147	471	1,860	533	37,598
Income from Government Business Enterprises	11,262	-	-	-	-	-	-	-	-	11,262
Other	27,504	28,562	10,591	3,205	228	88	45,410	9,278	3,898	128,764
Total	\$ 981,243	\$ 47,199	\$ 159,962	\$ 336,401	\$ 62,367	\$ 251,785	\$ 87,186	\$ 48,076	\$ 22,870	\$ 1,997,089
Expenses										
Salaries and benefits	\$ 70,975	\$ 276,170	\$ 118,028	\$ 47,208	\$ 82,100	\$ 80,184	\$ 13,789	\$ 78,269	\$ 30,908	\$ 797,631
Interest on long term debt	1,540	546	3,393	4,868	399	315	1,349	1,270	87	13,767
Materials supplies services	35,518	20,591	43,121	38,914	7,388	8,141	16,176	29,738	3,721	203,308
Contracted services	24,935	3,634	60,013	82,024	3,468	81,231	31,726	16,469	6,134	309,634
Rents and financial expenses	3,333	1,979	6,841	4,894	2,135	2,502	3,108	4,462	1,830	31,084
External transfers	280	9,406	-	1,296	14	127,009	23,341	5,655	1,470	168,471
Amortization	9,031	8,513	81,455	62,161	3,259	2,363	6,908	28,578	2,979	205,247
Interfunctional transfers	(78,986)	9,419	24,868	11,413	7,294	7,616	734	12,508	5,134	-
Total	\$ 66,626	\$ 330,258	\$ 337,719	\$ 252,778	\$ 106,057	\$ 309,361	\$ 97,131	\$ 176,949	\$ 52,263	\$ 1,729,142
Annual surplus (deficit)	\$ 914,617	\$ (283,059)	\$ (177,757)	\$ 83,623	\$ (43,690)	\$ (57,576)	\$ (9,945)	\$ (128,873)	\$ (29,393)	\$ 267,947

City of Hamilton
Notes to Consolidated Financial Statements

As at December 31, 2019 (all numbers in columns are in thousands of dollars)

2018 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 2018
Revenue										
Taxation	\$ 888,229	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 888,229
Government grants and contributions	2,062	8,743	58,980	27,356	57,898	245,885	48,728	3,397	1,725	454,774
User charges	6,474	5,855	59,377	220,704	3,236	16,262	270	23,272	12,187	347,637
Development charges and subdivider contributions	2,425	876	15,577	80,854	-	-	-	13,226	6,745	119,703
Donations of tangible capital assets	-	-	11,777	33,256	-	-	-	1,829	-	46,862
Investment income	14,179	1,495	2,502	10,128	61	186	512	1,564	474	31,101
Income from Government Business Enterprises	24,285	-	-	-	-	-	-	-	-	24,285
Other	26,971	26,304	12,758	3,975	62	29	54,154	7,725	5,498	137,476
Total	\$ 964,625	\$ 43,273	\$ 160,971	\$ 376,273	\$ 61,257	\$ 262,362	\$ 103,664	\$ 51,013	\$ 26,629	\$ 2,050,067
Expenses										
Salaries and benefits	\$ 68,567	\$ 276,046	\$ 112,122	\$ 45,102	\$ 79,509	\$ 77,282	\$ 15,808	\$ 75,922	\$ 29,694	\$ 780,052
Interest on long term debt	919	657	3,375	4,176	417	396	1,463	1,183	91	12,677
Materials supplies services	39,276	19,095	45,645	37,834	7,639	8,054	17,116	28,289	4,734	207,682
Contracted services	27,045	3,316	51,036	119,033	3,608	85,444	23,422	15,484	13,543	341,931
Rents and financial expenses	6,332	1,941	8,245	5,915	2,055	2,558	1,502	5,432	570	34,550
External transfers	282	7,392	-	1,466	15	133,783	39,253	7,414	933	190,538
Amortization	8,656	8,215	77,003	59,798	3,152	2,323	6,680	27,602	2,999	196,428
Interfunctional transfers	(71,052)	7,565	22,579	10,947	6,473	6,979	649	11,639	4,221	-
Total	\$ 80,025	\$ 324,227	\$ 320,005	\$ 284,271	\$ 102,868	\$ 316,819	\$ 105,893	\$ 172,965	\$ 56,785	\$ 1,763,858
Annual surplus (deficit)	\$ 884,600	\$ (280,954)	\$ (159,034)	\$ 92,002	\$ (41,611)	\$ (54,457)	\$ (2,229)	\$ (121,952)	\$ (30,156)	\$ 286,209

Section 3

City of Hamilton Consolidated Financial Statements for the Trust Funds Cemetery and General Trusts December 31, 2019

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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. >>

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City of Hamilton
Trust Funds – Consolidated

As at December 31, 2019

Statement of Financial Position

As at December 31, 2019

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash	\$ 2,486,026	\$ 4,096,219
Investments (Note 2)	16,800,084	13,918,360
Due from City of Hamilton - Cemetery (Note 3)	1,238,993	1,199,667
Due from City of Hamilton - Other Trust Funds (Note 3)	<u>42,071</u>	<u>49,741</u>
Total financial assets	<u>\$ 20,567,174</u>	<u>\$ 19,263,987</u>
Liabilities		
Deposits	<u>\$ 507,160</u>	<u>\$ 475,556</u>
Accumulated surplus and net financial assets	<u>\$ 20,060,014</u>	<u>\$ 18,788,431</u>

Statement of Operations

Year ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Revenues		
Cemetery lots and interments	\$ 818,379	\$ 746,383
Investment income	596,006	562,378
Other revenue	<u>-</u>	<u>2,300</u>
Total revenue	<u>\$ 1,414,385</u>	<u>\$ 1,311,061</u>
Expenses		
Transfer to other trust funds	\$ 124,143	\$ 167,859
Other	<u>18,659</u>	<u>17,833</u>
Total expenses	<u>\$ 142,802</u>	<u>\$ 185,692</u>
Annual surplus	<u>\$ 1,271,583</u>	<u>\$ 1,125,369</u>
Accumulated surplus at the beginning of the year	<u>18,788,431</u>	<u>17,663,062</u>
Accumulated surplus at the end of the year (Note 4)	<u>\$ 20,060,014</u>	<u>\$ 18,788,431</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes to The Financial Statements

As at December 31, 2019

1. Significant accounting policies

The 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. Investments

The total investments recorded at the lower of cost or market value in the Statement of Financial Position are \$16,800,084 (2018 - \$13,918,360). These investments have a market value of \$17,946,604 (2018 - \$14,615,707) at the end of the year.

3. Due from City of Hamilton

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

City of Hamilton
Trust Funds
Notes to The Financial Statements

As at December 31, 2019

4. Accumulated surplus

	<u>2019</u>	<u>2018</u>
The accumulated surplus consists of:		
Cemeteries	<u>\$ 19,408,095</u>	<u>\$18,135,887</u>
Other		
Fieldcote Farmer (Ancaster)	334,070	336,169
Knowles Bequest (Dundas)	249,692	249,634
F. Walden Dundurn Castle (Hamilton)	6,586	6,422
Ellen Grafton (Dundas)	8,007	7,829
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election (Hamilton)	36,011	35,117
Balfour Estate Chedoke (Hamilton)	<u>7,243</u>	<u>7,063</u>
	<u>\$ 651,919</u>	<u>\$ 652,544</u>
	<u>\$ 20,060,014</u>	<u>\$18,788,431</u>

5. Subsequent events

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is no currently determinable. The current challenging economic climate may lead to adverse changes which may have a direct impact on the Trusts' operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.

City of Hamilton
Trust Funds - Cemetery

As at December 31, 2019

Statement of Financial Position

As at December 31, 2019

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash	\$ 2,162,423	\$ 3,794,622
Investments	16,513,839	13,617,154
Due from City of Hamilton	<u>1,238,993</u>	<u>1,199,667</u>
Total financial assets	<u>\$ 19,915,255</u>	<u>\$ 18,611,443</u>
Liabilities		
Deposits	<u>\$ 507,160</u>	<u>\$ 475,556</u>
Accumulated surplus	<u>\$ 19,408,095</u>	<u>\$ 18,135,887</u>

Statement of Operations

Year ended December 31, 2019

	<u>2019</u>	<u>2017</u>
Revenues		
Cemetery lots and interments	\$ 818,379	\$ 746,383
Investment income	580,939	547,044
Other revenue	<u>-</u>	<u>2,300</u>
Total revenue	<u>\$ 1,399,318</u>	<u>\$ 1,295,727</u>
Expenses		
Transfer to other trust funds	\$ 115,088	\$ 158,443
Other	<u>12,022</u>	<u>11,736</u>
Total expenses	<u>\$ 127,110</u>	<u>\$ 170,179</u>
Annual surplus	<u>\$ 1,272,208</u>	<u>\$ 1,125,548</u>
Accumulated surplus at the beginning of the year	<u>18,135,887</u>	<u>17,010,339</u>
Accumulated surplus at the end of the year	<u>\$ 19,408,095</u>	<u>\$ 18,135,887</u>

See accompanying notes to the financial statements

City of Hamilton
Trust Funds – Other

As at December 31, 2019

Statement of Financial Position

As at December 31, 2019

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash	\$ 323,602	\$ 301,597
Investments	286,246	301,206
Due from City of Hamilton	<u>42,071</u>	<u>49,741</u>
Total financial assets	<u>\$ 651,919</u>	<u>\$ 652,544</u>
Accumulated surplus	<u>\$ 651,919</u>	<u>\$ 652,544</u>

Statement of Operations

Year ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Revenues		
Investment income	<u>\$ 15,067</u>	<u>\$ 15,334</u>
Total revenue	<u>\$ 15,067</u>	<u>\$ 15,334</u>
Expenses		
Transfer to other trust funds	\$ 9,055	\$ 9,416
Other	<u>6,637</u>	<u>6,097</u>
Total expenses	<u>\$ 15,692</u>	<u>\$ 15,513</u>
Annual deficit	<u>\$ (625)</u>	<u>\$ (179)</u>
Accumulated surplus at the beginning of the year	<u>652,544</u>	<u>652,723</u>
Accumulated surplus at the end of the year	<u>\$ 651,919</u>	<u>\$ 652,544</u>

Section 4

City of Hamilton Financial Statements for the Trust Funds – Homes for the Aged December 31, 2019

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Independent Auditor's Report

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City of Hamilton
Trust Funds – Homes for the Aged

As at December 31, 2019 with comparative information for 2018

Statement of Financial Position

As at December 31, 2019

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2019	Total 2018
Financial assets						
Cash	\$ 28,734	\$ 28,120	\$23,201	\$ 43,768	\$ 123,823	\$201,569
Investments	-	-	-	280,523	280,523	271,022
Total financial assets	<u>28,734</u>	<u>28,120</u>	<u>23,201</u>	<u>324,291</u>	404,346	472,591
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	-	-	\$ 89,766
Accumulated surplus	<u>\$ 28,734</u>	<u>\$ 28,120</u>	<u>\$23,201</u>	<u>\$ 324,291</u>	\$ 404,346	\$ 382,825

Statement of Operations

Year ended December 31, 2019

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2019	Total 2018
Revenue						
Residents' deposits	\$ 143,191	\$ 107,143	\$ 4,871	\$ 21,682	\$ 276,887	\$250,418
Investment income	-	-	464	10,967	11,431	11,406
Donations	-	-	857	-	857	869
	<u>143,191</u>	<u>107,143</u>	<u>6,192</u>	<u>32,649</u>	289,175	262,693
Expenses						
Maintenance payments	\$ -	\$ 25,033	\$ -	\$ -	\$ 25,033	\$ 19,786
Residents' charges	118,915	80,039	2,196	17,523	218,673	208,845
Payments to estates	15,970	7,978	-	-	23,948	12,806
Renovation expense	-	-	-	-	-	90,826
	<u>134,885</u>	<u>113,050</u>	<u>2,196</u>	<u>17,523</u>	267,654	332,263
Annual surplus (deficit)	8,306	(5,907)	3,996	15,126	21,521	(69,570)
Accumulated surplus at the beginning of the year	20,428	34,027	19,205	309,165	382,825	452,395
Accumulated surplus at the end of the year	<u>\$ 28,734</u>	<u>\$ 28,120</u>	<u>\$23,201</u>	<u>\$ 324,291</u>	\$ 404,346	\$ 382,825

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, 2019

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 \$280,523 (2018 - \$271,022). These investments have a market value of \$285,598 (2018 - \$280,511) at the end of the year.

4. Subsequent events

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes which may have a direct impact on the Trust's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.
