

**City of Hamilton**  
**2022 Consolidated Financial Statement Executive Summary**  
**June 2023**

**Introduction**

Section 294.1 of the Municipal Act states “a municipality shall, for each fiscal year, prepare annual financial statements for the municipality in accordance with generally accepted accounting principles for local governments as recommended, from time to time, by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada”. Furthermore, Section 296 states “a municipality shall appoint an auditor licensed under the Public Accounting Act” who is responsible for the annual auditing of accounts and transactions of the municipality and its local boards.

The Consolidated Financial Statements of the City of Hamilton (“the City”) as of December 31, 2022 were audited by KPMG LLP, a professional services firm that provides clientele with audit, assurance, tax, and advisory services. Their objective was to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes their opinion.

As of June 15, 2023, KPMG concludes that the City had a clean audit in accordance with Canadian public sector accounting standards.

As outlined in Note 1 of the Consolidated Financial Statements:

- 1) 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, Locke Street 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.

- 2) 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.

The City’s Operating and Capital Budget process is reported on a modified accrual basis of accounting. The Operating and Capital Budgets include expenditures for principal payments on debt, payments of retiree benefits, payments of contaminated sites, payments of environmental liabilities and payments of landfill costs and revenues from the proceeds on the issuance of debentures or loans. The consolidated financial statements of the City account for these transactions differently in accordance with Canadian public sector accounting standards.

### **Consolidated Financial Statements**

The following describes the consolidated financial statements of the City:

- i) The statement of financial position highlights cash resources, net debt position, non-financial assets in use, such as tangible capital assets, and accumulated surplus or deficit. The difference between liabilities and financial assets (cash or a contract to receive cash) is reported as net debt (or net financial assets).
- ii) The statement of operations represents the present cost of services and revenues recognized. The difference between revenues and expenses is the operating surplus or deficit for the year.
- iii) The statement of change in net debt outlines the extent to which expenditures and borrowing for capital are offset by revenues.
- iv) The statement of cash flows highlights the change in cash and cash equivalents. Classified by operating, capital, investing and financing activities, it reports how cash was generated and used.

### **2022 Financial Position and Financial Performance**

2022 was a year of pandemic recovery. The City ended the COVID-19 emergency declaration in May 2022. Response and recovery efforts continued throughout 2022 as the municipality transitioned to new service delivery models, addressed increased demand for services and continued response efforts in combatting the spread of COVID-19 and other respiratory illnesses still present in the community.

Through this pandemic recovery, the financial position of the City remains strong. Annual operations resulted in a surplus of \$183.1M for 2022. This surplus is added to the City’s Accumulated Surplus to reach a total of \$6,876.7M. This balance is primarily made up of the investment in tangible capital assets (TCA) of \$6,550.0M. The City’s general and infrastructure tangible capital assets include land, land improvements, buildings, vehicles, computer, other machinery and equipment, roads, bridges and structures, water and wastewater facilities, and underground infrastructure networks. Strong cash and investment balances of \$449.0M and \$1.34B lead to positive liquidity,

which represents the ease with which an asset can be converted into cash at market price, and therefore used to cover expenses. Together, with sound business practices and an overall credit rating of AAA, the City is financially stable.

For more information on the consolidated financial position, as well as consolidated revenues and expenses, please see below for additional details.

**Consolidated Financial Position**

For the year ended December 31, 2022 (all numbers are in thousands of dollars)

<b>Consolidated Financial Position</b>	<b>2022</b>	<b>2021</b>
A. Financial assets	<b>2,397,325</b>	2,247,850
B. Total liabilities	<b>2,097,870</b>	2,036,421
C. Net financial assets (A less B)	<b>299,455</b>	211,429
D. Non-financial assets	<b>6,577,249</b>	6,477,759
E. Accumulated surplus (C plus D)	<b>6,876,704</b>	6,689,188

**Financial assets increased by \$149.5M** due to the following:

- **Decrease of \$25.0M from cash and cash equivalents.** Cash and cash equivalents represent the balance in City bank accounts, as well as deposits held. The bank accounts mainly consist of the City’s operating bank account, accounts payable bank accounts, payroll bank account, Ontario Works bank accounts, and CityHousing Hamilton’s bank account. The decrease is attributed to a reduction in cash held in banks relating to funding the City’s operations and investments in accordance with City investment strategies.
- **Increase of \$165.9M from portfolio investments.** Portfolio investments represent the City’s holdings, as prescribed by the Municipal Act, in short- and long-term fixed income securities. The investments earn various interest rates with different premiums, discounts, and maturities.
- Financial assets also consist of taxes receivable, accounts receivable, other assets, long term receivables, and investment in investment in Government Business Enterprises. For more information on these balances, please see the Notes to the audited consolidated financial statements.

**Total liabilities increased \$61.4M** due to the following:

- **Increase of \$107.6M from deferred revenue - obligatory reserve funds.** This represents amounts received that will be recorded as revenues in future years to match expenditures incurred for goods received and services performed. These funds are held in reserve funds and include reserves such as the development charge reserve and Canada Community-Building fund.
- **Decrease in \$45.7M from long term liabilities – municipal operations.** This represents the outstanding principal for long term debt issued to finance capital expenditures and obligations for leased tangible capital assets. In 2022, the City

made principal repayments on long term debt of \$45.5M and principal repayments on leased tangible capital assets of \$0.5M.

- Total liabilities also consist of accounts payable and accrued liabilities, deferred revenue – general, long term liabilities – housing corporation, employee future benefits and other obligations, as well as, solid waste landfill liabilities. For more information on these balances, please see the Notes to the audited consolidated financial statements.

**Non-financial assets increased \$99.5M** due to the following:

- **Increase of \$101.3M in TCA.** The net book value represents the cost of the tangible capital assets less accumulated amortization over the life of the assets. The TCA total includes amounts spent to the end of the year on tangible capital assets under construction. The increase in tangible capital assets relate to various additions including new roads, new transit buses and assets relating to CityHousing.
- **Decrease in \$2.2M in prepaid expenses.** Prepaid expenses represent purchases made in 2022 for expenses to be incurred in 2023 and beyond. The decrease relates to timing of billings associated with insurance premiums.
- Non-financial assets also include inventories.

### **Consolidated Operations - Revenues**

For the year ended December 31, 2022 (all numbers are in thousands of dollars)

<b>Consolidated Revenues</b>	<b>2022</b>	<b>%</b>	<b>2021</b>	<b>%</b>
Taxation	<b>1,028,395</b>	<b>46.7%</b>	985,972	45.9%
Government grants and contributions	<b>511,692</b>	<b>23.3%</b>	536,264	25.0%
User charges	<b>389,639</b>	<b>17.7%</b>	344,086	16.0%
Developer contributions earned	<b>32,015</b>	<b>1.4%</b>	68,541	3.3%
Other	<b>238,784</b>	<b>10.9%</b>	211,222	9.8%
<b>Total</b>	<b>2,200,525</b>		2,146,085	

Revenues increased \$54.4M compared to prior year. On a percentage basis, revenues remained consistent with 2021 with increases in taxation revenues and user charges. These were offset by decreases in government grants and contributions, as well as developer contributions earned.

Increase in taxation is due primarily to budgetary rate increases. Water billings and sewer surcharges also saw annual rate increases compared to 2021. User charges from areas such as transit, recreation, and parking show improvements over 2021 as COVID-19 measures relaxed.

Provincial grants received decreased compared to 2021 as the Safe Restart Agreement and Social Services Relief Fund came to an end in 2022. COVID-19 response and recovery efforts continued throughout 2022 but with a reduced amount of funding

coming from senior levels of government. Developer contributions decreased from 2021. Developer contributions are brought into revenue as eligible construction projects are completed. 2021 was a strong year for construction activity as construction that had been delayed due to the COVID-19 pandemic was completed.

2022 saw fewer donated tangible capital assets and a reduction in income from Government Business Enterprises. This was offset by increases in investment income, increased land sales and increases to gaming and casino revenues.

### Consolidated Operations - Expenses

For the year ended December 31, 2022 (all numbers are in thousands of dollars)

<b>Consolidated Expenses</b>	<b>2022</b>	<b>2021</b>
General government	<b>84,262</b>	95,277
Protection services	<b>365,261</b>	357,517
Transportation services	<b>364,580</b>	338,618
Environmental services	<b>300,621</b>	283,556
Health services	<b>151,288</b>	153,396
Social and family services	<b>357,834</b>	342,493
Social housing	<b>129,364</b>	124,830
Recreation and cultural services	<b>189,040</b>	164,238
Planning and development	<b>75,171</b>	63,316
<b>Total</b>	<b>2,017,421</b>	1,923,241

Expenses increased \$94.2M primarily due to the following:

- Transportation services increased \$26.0M. Transportation services were impacted by increases in levels of service for the implementation of year six of the Ten-Year Local Transit Strategy and enhanced sidewalk snow clearing on transit routes, as well as annual cost of living adjustments and inflation on employer provided benefits, fuel and on contracted services in 2022. The City also experienced a heavier than normal winter season which lead to additional contracted equipment, material usage and over-time.
- Environmental services increased \$17.1M. Environmental services were impacted by increased costs for contracted services and repairs and maintenance. Furthermore, expenses were higher due to fuel price increases and additional supplies relating to COVID-19.
- Social and family services increased \$15.3M. Childcare service expenses increased due to increased funding from the federal government relating to the new Canada-Wide Early Learning & Child Care (CWELCC). Additionally, there were increases to client support and an increase in caseload by 8,500.
- Recreational and cultural services increased \$24.8M primarily relating to salaries and benefits and additional materials and supplies as COVID-19 pressures subsided.

**Comments from KPMG LLP**

Management is responsible for the executive summary.

Our opinion on the financial statements does not cover the executive summary and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the executive summary and, in doing so, consider whether the information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We have nothing to report in this regard.