



Hamilton

FINANCIAL REPORT

2016

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

City of Hamilton
Financial Report
2016

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Accommodations for Readers with Disabilities

In accordance with the Ontario Human Rights Code, Ontario's with Disabilities Act, 2001 (ODA) and Accessibility for Ontarians with Disabilities Act, 2005 (AODA), the City of Hamilton will accommodate for readers with a disability upon request.

**City of Hamilton
Five Year Financial and Statistical Review
2016**

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenue					
Taxation	\$ 854,709	\$ 831,645	\$ 792,317	\$ 764,684	\$ 739,264
Government grants and contributions	385,447	384,363	418,772	341,258	349,212
User charges	332,601	315,340	298,888	280,712	282,271
Development charges and subdivider contributions	82,025	25,611	47,102	22,031	54,840
Donated tangible capital assets	16,646	43,571	36,584	29,821	30,460
Investment and dividend income	27,067	30,284	35,452	32,268	32,513
Net income from Government Business Enterprises	22,857	18,758	3,622	15,449	22,062
Other	116,549	114,019	98,716	97,371	90,245
	<u>1,837,901</u>	<u>1,763,591</u>	<u>1,731,453</u>	<u>1,583,594</u>	<u>1,600,867</u>
Operating Expenses by Function					
General government	\$ 72,550	\$ 57,664	\$ 50,906	\$ 57,987	\$ 59,788
Protection services	306,629	300,362	283,934	278,774	272,712
Transportation services	310,190	318,605	323,253	282,486	280,967
Environmental services	238,553	219,339	206,052	198,720	196,748
Health services	98,443	105,377	91,846	91,564	85,434
Social and family services	302,830	294,343	284,733	276,984	280,279
Social housing	111,113	120,898	111,650	100,098	110,383
Recreation and cultural services	165,214	155,720	142,383	145,064	140,234
Planning and development	51,514	54,882	46,933	41,890	42,747
	<u>1,657,036</u>	<u>1,627,190</u>	<u>1,541,690</u>	<u>1,473,567</u>	<u>1,469,292</u>
Net Operating Revenue or Annual Surplus from Operations	<u>180,865</u>	<u>136,401</u>	<u>189,763</u>	<u>110,027</u>	<u>131,575</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2016 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Taxation					
Taxation from real property	\$ 1,032,999	\$ 1,010,050	\$ 967,719	\$ 940,090	\$ 914,365
Taxation from other governments/payments in lieu of taxes	16,469	15,367	15,367	15,080	15,060
Taxation collected on behalf of school boards	(194,759)	(193,772)	(190,769)	(190,486)	(190,161)
Net taxes available for municipal purposes	<u>854,709</u>	<u>831,645</u>	<u>792,317</u>	<u>764,684</u>	<u>739,264</u>
Tax Levies					
City portion	\$ 827,668	\$ 797,619	\$ 761,745	\$ 737,350	\$ 711,785
School Board portion	191,734	188,861	186,846	187,274	186,936
	<u>1,019,402</u>	<u>986,480</u>	<u>948,591</u>	<u>924,624</u>	<u>898,721</u>
Tax arrears					
Taxes receivable	\$ 83,730	\$ 85,429	\$ 82,976	\$ 80,067	\$ 78,078
Taxes receivable per capita	150	155	152	148	146
Taxes receivable as a percentage of current years' levies	8.2%	8.7%	8.7%	8.7%	8.7%
Unweighted Taxable Assessment					
Residential	\$ 53,366,322	\$ 50,882,588	\$ 48,734,517	\$ 46,565,889	\$ 44,555,379
Non-Residential	7,571,212	7,262,270	6,937,908	6,791,790	6,668,514
	<u>60,937,534</u>	<u>58,144,858</u>	<u>55,672,425</u>	<u>53,357,679</u>	<u>51,223,893</u>
Weighted Taxable Assessment					
Residential	\$ 57,357,959	\$ 54,721,738	\$ 52,506,258	\$ 50,094,712	\$ 47,986,529
Non-Residential	16,428,325	15,809,651	15,125,118	14,946,695	14,705,148
	<u>73,786,284</u>	<u>70,531,389</u>	<u>67,631,376</u>	<u>65,041,407</u>	<u>62,691,677</u>
Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment					
Residential	78%	78%	78%	77%	77%
Non-Residential	22%	22%	22%	23%	23%
Taxable Assessment Growth (weighted)					
	1.6%	1.6%	1.3%	0.8%	0.8%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2016 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Expenses by Object					
Salaries, wages and employee benefits	\$ 741,847	\$ 723,337	\$ 693,067	\$ 667,736	\$ 650,956
Interest on long term liabilities	12,934	14,297	13,176	14,717	16,405
Materials	221,520	223,349	212,112	199,596	217,473
Contracted services	276,159	248,843	238,005	213,569	207,422
Rents and financial expenses	34,297	36,435	32,821	28,845	26,841
External transfers	184,546	202,881	177,383	176,435	181,552
Amortization of tangible capital assets	185,733	178,048	175,126	172,669	168,643
	<u>1,657,036</u>	<u>1,627,190</u>	<u>1,541,690</u>	<u>1,473,567</u>	<u>1,469,292</u>
Operating Expenses as Percentage of Total					
Salaries, wages and employee benefits	44.8%	44.6%	45.0%	45.3%	44.3%
Interest on long term liabilities	0.8%	0.9%	0.9%	1.0%	1.1%
Materials	13.4%	13.7%	13.8%	13.5%	14.8%
Contracted services	16.7%	15.3%	15.4%	14.5%	14.1%
Rents and financial expenses	2.1%	2.2%	2.1%	2.0%	1.8%
External transfers	11.1%	12.5%	11.5%	12.0%	12.4%
Amortization of tangible capital assets	11.1%	10.8%	11.3%	11.7%	11.5%
	<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	\$ 472,805	\$ 394,295	\$ 444,766	\$ 388,663	\$ 430,905
Long Term Debt incurred by the City for which other entities have assumed responsibility	-	(3,239)	(6,280)	(9,136)	(11,818)
	<u>472,805</u>	<u>391,056</u>	<u>438,486</u>	<u>379,527</u>	<u>419,087</u>
Long Term Liabilities					
Housing operations	\$ 64,070	\$ 69,466	\$ 74,675	\$ 79,650	\$ 84,449
City operations	408,735	321,590	363,811	299,877	334,638
	<u>472,805</u>	<u>391,056</u>	<u>438,486</u>	<u>379,527</u>	<u>419,087</u>
Long term liabilities as a % of Reserves and Capital Surplus					
	62.20%	62.30%	60.50%	56.80%	58.70%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2016 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tangible Capital Assets					
General					
Land	\$ 315,467	\$ 304,977	\$ 287,316	\$ 265,406	\$ 252,555
Land improvements	150,337	135,252	137,563	142,054	138,912
Buildings	761,396	735,926	583,083	570,509	564,989
Vehicles	133,786	107,241	100,547	109,191	118,460
Computer hardware and software	11,058	7,876	6,701	4,928	5,503
Other	103,490	92,098	88,164	90,596	65,122
Infrastructure					
Roads	1,253,561	1,248,288	1,188,995	1,183,951	1,201,843
Bridges and structures	184,213	184,794	183,252	176,442	169,941
Water and wastewater facilities	396,884	385,404	391,440	388,850	323,503
Underground and other networks	1,761,542	1,713,019	1,631,570	1,585,462	1,544,543
Net Book Value	<u>5,071,734</u>	<u>4,914,875</u>	<u>4,598,631</u>	<u>4,517,389</u>	<u>4,385,371</u>
Assets under construction	199,680	235,413	359,541	223,286	236,220
	<u>5,271,414</u>	<u>5,150,288</u>	<u>4,958,172</u>	<u>4,740,675</u>	<u>4,621,591</u>
Accumulated Surplus or Municipal Financial Position					
Reserves and reserve funds					
Reserves	\$ 647,278	\$ 660,757	\$ 636,625	\$ 606,664	\$ 599,756
Hamilton Future Fund	43,079	37,711	46,436	61,116	76,949
	<u>690,357</u>	<u>698,468</u>	<u>683,061</u>	<u>667,780</u>	<u>676,705</u>
Capital surplus	\$ 70,021	\$ (70,758)	\$ 41,550	\$ 44	\$ 36,662
Operating surplus	2,020	2,305	(1,862)	(71)	(267)
Investment in Government Business Enterprises	247,386	232,811	223,724	235,392	230,610
Investment in tangible capital assets	4,780,723	4,740,652	4,507,349	4,351,854	4,193,036
Unfunded liabilities - Employee future benefits	(333,787)	(326,627)	(313,254)	(297,989)	(287,476)
Unfunded liabilities - Solid waste landfill sites	(24,466)	(25,769)	(26,084)	(28,655)	(31,967)
	<u>5,432,254</u>	<u>5,251,082</u>	<u>5,114,484</u>	<u>4,928,355</u>	<u>4,817,303</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2016 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statistical Information					
Population	558,397	550,700	545,850	540,000	535,234
Households	222,918	223,000	221,000	218,500	215,733
Area in hectares	112,775	112,775	112,775	112,775	112,775
Building Permit Values	\$1,056,237,746	\$1,108,192,846	\$1,143,192,706	\$1,025,785,758	\$1,499,627,394
Housing Starts	1,436	1,415	1,203	1,250	1,499
Residential Units - Building Permits	5,835	4,142	3,379	3,112	3,302
Average Monthly Social Assistance Case Load	12,753	12,946	12,388	12,619	13,288
Continuous Full Time Employees	6,670	6,597	6,405	6,411	6,392

Note: Amounts reported may have been restated from previous amounts presented to conform to 2016 Public Sector Accounting Board (PSAB) standards.

Section 2

City of Hamilton Consolidated Financial Statements 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Hamilton

We have audited the accompanying consolidated financial statements of the Corporation of the City of Hamilton ("the entity"), which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Hamilton as at December 31, 2016, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants,

June 12, 2017
Hamilton, Canada

City of Hamilton

Consolidated Statement of Financial Position

For the year ended December 31, 2016 (all numbers are in thousands of dollars)

	<u>2016</u>	<u>2015</u>
Financial assets		
Cash and cash equivalents (Note 2)	\$ 148,185	\$ 93,009
Taxes receivable	83,730	85,429
Accounts receivable	107,965	117,683
Other assets	651	674
Long term receivables (Note 3)	48,312	53,737
Portfolio investments (Note 2)	900,035	790,720
Investment in Government Business Enterprises (Note 4)	247,386	232,811
Total financial assets	\$ 1,536,264	\$ 1,374,063
Liabilities		
Accounts payable and accrued liabilities	\$ 268,174	\$ 251,933
Deferred revenue - general	59,618	45,593
Deferred revenue - obligatory reserve funds (Note 5 & 6)	213,247	226,745
Long term liabilities – Municipal Operations (Note 7)	408,735	321,590
Long term liabilities – Housing Corporation (Note 8)	64,070	69,466
Employee future benefits and other obligations (Note 9)	356,762	349,007
Solid waste landfill liabilities (Note 11)	24,466	25,769
Total liabilities	1,395,072	1,290,103
Net financial assets	\$ 141,192	\$ 83,960
Non-financial assets		
Tangible capital assets (Note 19)	\$ 5,271,414	\$ 5,150,288
Inventories	11,733	10,301
Prepaid expenses	7,915	6,533
Total non-financial assets	5,291,062	5,167,122
Accumulated surplus (Note 12)	\$ 5,432,254	\$ 5,251,082

Contractual obligations (Note 16)

Contingent liabilities (Note 18)

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Operations

For the year ended December 31, 2016 (all numbers are in thousands of dollars)

	Budget <u>2016</u> (Note 22)	Actual <u>2016</u>	Actual <u>2015</u>
Revenue			
Taxation (Note 14)	\$ 855,882	\$ 854,709	\$ 831,645
Government grants and contributions (Note 15)	369,634	385,447	384,363
User charges	309,888	332,601	315,340
Development charges and subdivider contributions	85,234	82,025	25,611
Donated tangible capital assets	16,646	16,646	43,571
Investment and dividend income	30,330	27,067	30,284
Net income from Government Business Enterprises (Note 4)	-	22,857	18,758
Other	98,611	116,549	114,019
Total revenue	<u>1,766,225</u>	<u>1,837,901</u>	<u>1,763,591</u>
Expenses			
General government	\$ 58,321	\$ 72,550	\$ 57,664
Protection services	298,473	306,629	300,362
Transportation services	326,663	310,190	318,605
Environmental services	253,034	238,553	219,339
Health services	99,141	98,443	105,377
Social and family services	301,465	302,830	294,343
Social housing	105,658	111,113	120,898
Recreation and cultural services	172,256	165,214	155,720
Planning and development	52,903	51,514	54,882
Total expenses	<u>1,667,914</u>	<u>1,657,036</u>	<u>1,627,190</u>
Annual Surplus	\$ 98,311	\$ 180,865	\$ 136,401
Accumulated surplus			
Beginning of year	\$ 5,251,082	\$ 5,251,082	\$ 5,114,484
Other comprehensive income of Government Business Enterprises	-	307	197
End of year	<u>\$ 5,349,393</u>	<u>\$ 5,432,254</u>	<u>\$ 5,251,082</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, 2016 (all numbers are in thousands of dollars)

	Budget 2016 (Note 22)	Actual 2016	Actual 2015
Operating activities			
Annual surplus	\$ 98,311	\$ 180,865	\$ 136,401
Other comprehensive income (loss) of Government Business Enterprises	-	307	197
Acquisition of tangible capital assets	(325,888)	(301,133)	(341,553)
Loss on disposition of tangible capital assets	10,921	10,921	14,961
Amortization of tangible capital assets	185,732	185,732	178,047
Donated tangible capital assets	(16,646)	(16,646)	(43,571)
Increase (decrease) in inventories	-	(1,432)	410
Decrease in prepaid expenses	-	(1,382)	415
Net increase (decrease) in net financial assets	<u>(47,570)</u>	<u>57,232</u>	<u>(54,693)</u>
Net financial assets			
Beginning of year	<u>83,960</u>	<u>83,960</u>	<u>138,653</u>
End of year	<u>\$ 36,390</u>	<u>\$ 141,192</u>	<u>\$ 83,960</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Cash Flows

For the year ended December 31, 2016 (all numbers are in thousands of dollars)

	<u>2016</u>	<u>2015</u>
Operating activities		
Annual surplus	\$ 180,865	\$ 136,401
Decrease (increase) in taxes receivable	1,699	(2,453)
Decrease (increase) in accounts receivable	9,718	(288)
Decrease (increase) in other assets	23	(57)
Increase (decrease) in accounts payable and accrued liabilities	16,240	(65,760)
Increase in deferred revenue - general	14,025	8,390
Increase (decrease) in deferred revenue – obligatory reserve fund	(13,498)	31,877
Decrease (increase) in inventories	(1,432)	410
Decrease (increase) in prepaid expenses	(1,382)	415
Non-cash activities		
Amortization of tangible capital assets	185,732	178,047
Donated tangible capital assets	(16,646)	(43,571)
Loss on disposition of tangible capital assets	10,921	14,961
Net income from Government Business Enterprises	(22,857)	(18,758)
Change in employee future benefits and other obligations	7,755	14,298
Change in solid waste landfill liabilities	(1,303)	(315)
	<u>369,860</u>	<u>253,597</u>
Investing activities		
Decrease (increase) in portfolio investments	(109,315)	39,793
Decrease (increase) in long term receivables	5,425	(4,742)
Dividends received from Government Business Enterprises	8,590	9,868
	<u>(95,300)</u>	<u>44,919</u>
Financing activities		
Long term debt issued – Municipal Operations	129,901	-
Debt principal repayment – Municipal Operations	(42,208)	(41,091)
Lease obligation payment – Municipal Operations	(548)	(1,130)
Debt principal repayment – Housing Corporation	(5,396)	(5,209)
	<u>81,749</u>	<u>(47,430)</u>
Capital activities		
Purchase of tangible capital assets	(301,133)	(341,553)
Net increase (decrease) in cash and cash equivalents	55,176	(90,467)
Cash and cash equivalents		
Beginning of year	<u>93,009</u>	<u>183,476</u>
End of year	<u>\$ 148,185</u>	<u>\$ 93,009</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies

The Consolidated Financial Statements of the City of Hamilton ("City") are prepared by management in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Significant accounting policies adopted by the City are as follows:

(a) Reporting entity

- (i) The consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes in accumulated surplus, changes in net financial assets of the reporting entity. The consolidated financial statements include the activities of all committees of Council and the following boards and enterprises which are under the control of and accountable to Council:

Hamilton Police Services Board
The Hamilton Public Library Board
The Hamilton Street Railway Company
CityHousing Hamilton Corporation
Hamilton Business Improvement Areas including Ancaster BIA, Barton Street Village BIA, Concession Street BIA, Downtown Hamilton BIA, Dundas BIA, International Village BIA, King Street West BIA, Locke Street BIA, Main Street West Esplanade BIA, Downtown Stoney Creek BIA, Ottawa Street BIA, Waterdown BIA, and Westdale BIA
Flamborough Recreation Sub-Committees
Confederation Park
Hamilton Farmers Market

Interdepartmental and organizational transactions and balances are eliminated.

CityHousing Hamilton Corporation was incorporated as Hamilton Housing Corporation on January 1, 2001 as a result of the provincial legislation, Social Housing Reform Act 2000, which transferred the operation of various local housing authorities to municipalities. The City of Hamilton assumed social housing responsibilities on December 1, 2001. The share capital of CityHousing Hamilton Corporation is 100% owned by the City of Hamilton and a separate Board of Directors has been established to provide oversight responsibilities for the Corporation.

CityHousing Hamilton Corporation has been consolidated on a line-by-line basis after conforming with the City's accounting principles after eliminating inter-organizational transactions and balances.

Hamilton Utilities Corporation ("H.U.C.") and Hamilton Renewable Power Inc. ("H.R.P.I.") are subsidiary corporations of the City and are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 4). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City and inter-organizational transactions and balances are not eliminated.

City of Hamilton trust fund assets that are administered for the benefit of external parties are excluded from the consolidated financial statements. Separate financial statements have been prepared.

Cemetery trust, library trust and general trust funds administered by the City amounting to \$19,768,000 (2015 - \$19,568,000) 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 \$438,000 (2015 - \$445,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

- (ii) The financial activities of certain entities associated with the City of Hamilton are not consolidated. The City's contributions to these entities are recorded in the Consolidated Statement of Operations. The entities that are not consolidated are as follows:

Hamilton Region Conservation Authority
Disabled and Aged Regional Transit System
The Hamilton Municipal Retirement Fund
The Hamilton-Wentworth Retirement Fund
The Pension Fund of the Employees of the Hamilton Street Railway
The Hamilton and Scourge Foundation Inc.
Township of Glanbrook Non-Profit Housing Corporation

- (iii) The financial activities of programs administered by the City which are fully funded by the Province of Ontario or the Government of Canada on the basis of a March 31st year-end are excluded from these financial statements. The programs, which are not consolidated, are as follows:

AIDS Bureau
Child and Adolescent Services
Community Capacity Building - Choices and Changes Program
Community Mental Health and Addictions
Healthy Kids Community Challenge
Prenatal Nutrition & Support
Remedial Measures
Young Offenders Assessment

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

(b) Basis of accounting

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

(c) Use of estimates

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

Where estimation uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, cash held in financial institutions and temporary investments with maturities of 365 days or less. Temporary investments are recorded at cost and are written down to fair value when there has been a decline in value.

(e) Portfolio investments

Portfolio investments are comprised of fixed income securities primarily federal, provincial and municipal government bonds and federal government treasury bills. Portfolio investments are valued at cost less any amounts written off to reflect an other than temporary decline in value.

(f) Deferred revenue – obligatory reserve funds

Receipts which are restricted by legislation of senior governments or by agreement with external parties are in nature restricted revenues and are reported as deferred revenues. When qualifying expenses are incurred, deferred revenues are recognized into revenue in the fiscal period they are expended.

(g) Employee future benefits and other obligations

Employee future benefits and other obligations for retirement, post employment and pension benefits are reported in the Consolidated Statement of Financial Position. The accrued benefit obligations are determined using management's best estimates of expected investment yields, wage and salary escalation, mortality rates, termination and retirement ages. The actuarial gain or loss is amortized over the expected average remaining life expectancy of the members of the employee groups.

(h) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. Donated or contributed assets are capitalized and recorded at their estimated fair value upon acquisition and recognized in revenue. Leased tangible capital assets are valued at the present value of the future minimum lease payments. Certain tangible capital assets for which historical cost information is not available have been recorded at current replacement cost deflated by a relevant inflation factor.

Amortization for road linear assets is calculated on a consumption basis using road deterioration curves. The City's open landfill site is amortized based on units of production (capacity used during the year). All other tangible capital assets are amortized on a straight-line basis over their estimated useful lives. One half of the annual amortization is recorded as amortization expense in the year of acquisition or construction and in the year of disposal. Estimated useful lives range from 3 years to 100 years as follows:

General - Land improvements	20 to 75 years
General - Buildings	20 to 50 years
General - Vehicles	4 to 20 years
General – Computer hardware and software	3 to 5 years
General – Other – Machinery and equipment	3 to 100 years
Infrastructure – Roads	10 to 50 years
Infrastructure – Bridges and other structures	40 to 75 years
Infrastructure – Water and wastewater facilities	20 to 40 years
Infrastructure – Water, wastewater, stormwater linear network	18 to 100 years

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

The City has leased tangible capital assets which are amortized over the term of the lease, ranging from 5 to 50 years. The cost, accumulated amortization, net book value and amortization expense have been reported in these consolidated financial statements.

Assets under construction are not amortized until the asset is ready for use. All interest on debt incurred during construction of related tangible capital assets is expensed in operations in the year incurred. Works of art and historic treasures are not recorded as assets in these financial statements.

(i) Inventories

Inventories held for consumption or use are valued at the lower of cost and net realizable value.

(j) Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(k) Long term receivables

Long term receivables are valued at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability has been impaired. Long term receivables are written off when they are no longer recoverable. Recoveries of long term receivables previously written off are recognized in the year received. Interest revenue is recognized as it is earned. Long term receivables with significant concessionary terms are reported as an expense on the Consolidated Statement of Operations. Long term receivables are reported in Note 3.

(l) Tax revenue

Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

2. Cash and portfolio investments

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 166	\$ 165
Cash held in banks	141,879	86,716
Temporary investments	6,140	6,128
	<u>\$ 148,185</u>	<u>\$ 93,009</u>

Portfolio investments are comprised of:

Unrestricted investments	\$ 643,709	\$ 526,265
Designated investments (obligatory reserve funds)	213,247	226,744
Designated investments (Hamilton Future Fund)	43,079	37,711
	<u>\$ 900,035</u>	<u>\$ 790,720</u>

Portfolio investments have a market value of \$927,573,000 (2015 - \$827,987,000). The City has purchased \$10,024,000 (2015 - \$11,629,000) of its own debentures which have not been cancelled. This investment in own debentures is included in investments on the consolidated statement of financial position. The gross outstanding amount of these debentures is \$404,139,000 (2015 - \$317,931,000).

3. Long term receivables

The City has long-term receivables in the amount of \$48,312,000 (2015 - \$53,737,000). The long term receivables are comprised of:

	<u>2016</u>	<u>2015</u>
Development charge deferral agreements	\$ 22,117	\$ 17,847
Mortgages receivable:		
Downtown convert to rent program	10,470	18,428
Hamilton Utilities Corporation	8,100	7,776
Hamilton Renewable Power Inc.	1,304	2,649
Sheraton Hotel loan	1,086	1,192
Other City loan programs	3,719	4,836
Loans to other agencies and organizations	4,357	4,931
Less: Provision for loans with concessionary terms	(2,841)	(3,922)
	<u>\$ 48,312</u>	<u>\$ 53,737</u>

Development charge deferral agreements and mortgage receivables are loans which are secured by property, with interest rates varying from 0% to 4.75% and terms of one year to thirty years.

Loans to other agencies and organizations include loans to the Hamilton Conservation Authority, Wentworth Minor Football Association, 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, 2016 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises

Hamilton Utilities Corporation and Hamilton Renewable Power Inc. are subsidiary corporations of the City and are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises.

In compliance with provincial legislation enacted to restructure the electrical industry in Ontario, the Hamilton Utilities Corporation ("H.U.C.") was incorporated on June 1, 2000. All of the assets and liabilities of the predecessor hydro-electric systems were transferred to H.U.C. During 2004, Hamilton Hydro Energy Inc. was established with the City's acceptance of a dividend in kind in the form of one common share from H.U.C. Effective June 1, 2005, the articles of incorporation reflected the amendment of a name change to Hamilton Renewable Power Inc. ("H.R.P.I.").

The amounts related to government business enterprises as reported in the Consolidated Statement of Operations for 2016 and 2015 is as reported by the Hamilton Utilities Corporation and Hamilton Renewable Power Inc.

	<u>2016</u>	<u>2015</u>
Net income from H.U.C.	\$ 22,774	\$ 18,689
Net income from H.R.P.I.	<u>83</u>	<u>69</u>
Net income from Government Business Enterprises	<u>\$ 22,857</u>	<u>\$ 18,758</u>

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

	<u>2016</u>	<u>2015</u>
Investment in H.U.C.	\$ 247,785	\$ 233,233
Investment in H.R.P.I.	<u>(399)</u>	<u>(422)</u>
	<u>\$ 247,386</u>	<u>\$ 232,811</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

4. 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, 2016 and December 31, 2015 respectively.

	<u>2016</u>	<u>2015</u>
Financial Position		
Current assets	\$ 148,001	\$ 155,413
Capital assets	497,484	463,326
Intangible assets	20,005	23,386
Goodwill	18,923	18,923
Future payments in lieu of taxes	8,409	14,816
Total assets	<u>692,822</u>	<u>675,864</u>
Current liabilities (including current portion of long term debt)	126,687	135,425
Non-current liabilities	263,267	256,681
Total liabilities	<u>389,954</u>	<u>392,106</u>
Minority Interest	55,083	50,525
Shareholders' equity	<u>\$ 247,785</u>	<u>\$ 233,233</u>
Results of operations		
Revenues	\$ 765,053	\$ 696,802
Operating expenses	(714,369)	(657,587)
Financing expenses	(7,745)	(7,851)
Investing expenses	(2,115)	(1,502)
Other income	605	1,137
Equity earnings from operations	<u>41,429</u>	<u>30,999</u>
Payment in lieu of taxes	(11,786)	(6,930)
Minority Interest	<u>(6,869)</u>	<u>(5,380)</u>
Net Income before other comprehensive income	22,774	18,689
Other comprehensive income	307	197
Net income	<u>\$ 23,081</u>	<u>\$ 18,886</u>
Dividends paid	\$ 8,529	\$ 9,619

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Renewable Power Inc. reported at December 31, 2016 and December 31, 2015 respectively.

	<u>2016</u>	<u>2015</u>
Financial Position		
Current assets	\$ 717	\$ 2,303
Capital assets	7,300	7,855
Other assets	<u>32</u>	<u>32</u>
Total assets	<u>8,049</u>	<u>10,190</u>
Current liabilities (including current portion of long term debt)	1,183	2,817
Future payment in lieu of taxes	457	491
Long term debt	<u>808</u>	<u>1,304</u>
Total liabilities	2,448	4,612
Common shares	<u>6,000</u>	6,000
Net deficit	<u>\$ (399)</u>	<u>\$ (422)</u>
Results of operations		
Revenues	\$ 3,264	\$ 3,320
Expenses	<u>(3,181)</u>	<u>(3,251)</u>
Net income	<u>\$ 83</u>	<u>\$ 69</u>
Dividends paid	\$ 61	\$ 249

Hamilton Utilities Corporation's non-current liabilities include long term debt of senior unsecured debentures of \$150,000,000 bearing interest at 3.03%, due July 25, 2022.

Hamilton Utilities Corporation's non-current liabilities include long term debt of senior unsecured debentures of \$40,000,000 bearing interest at 4.77%, due July 21, 2020.

Hamilton Utilities Corporation's non-current liabilities include long term debt owing to the City of Hamilton for secured borrowings of \$7,452,000 bearing interest at 4.06% due January 1, 2040.

The notes to Hamilton Utilities Corporation's consolidated financial statements include commitments that are disclosed in the City's notes to the consolidated financial statements as contractual obligations (Note 16).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

The following summarizes the City's related party transactions with Hamilton Utilities Corporation and Hamilton Renewable Power Inc. for the year.

All transactions are in the normal course of operations, other than dividend revenue, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	<u>2016</u>	<u>2015</u>
Revenue		
Dividend revenue from H.U.C.	\$ 8,529	\$ 9,619
Dividend revenue from H.R.P.I.	61	249
Property and other taxes received by the City from H.U.C.	593	582
Sale of Methane to H.R.P.I.	920	912
Expenditures		
Hydro purchased by the City from H.U.C.	40,170	33,546
Water and sewer billing contracted service with H.U.C.	5,072	4,496
Thermal and Electrical Energy purchased from H.U.C.	1,916	1,934
Thermal Energy purchased from H.R.P.I.	428	403
Fibre Services purchased by the City from H.U.C.	780	327
Assets		
Accounts receivable from H.U.C.	1,285	3,053
Water user charges receivable from H.U.C.	14,480	13,623
Accounts receivable from H.R.P.I.	371	516
Long term receivable from H.U.C.	7,452	7,776
Long term receivable from H.R.P.I.	1,304	2,649
Liabilities		
Accounts Payable – H.U.C.	592	590

5. Deferred revenue – obligatory reserve funds

	<u>2016</u>	<u>2015</u>
Development charge reserve funds	\$ 127,959	\$ 131,527
Subdivider contributions	56	55
Recreational land dedicated under the Planning Act	32,493	31,357
Gasoline tax revenue: Provincial	18,774	22,389
Federal	16,265	24,066
Building Permit Revenue	17,671	17,323
Other (Ivor Wynne)	29	28
	<u>\$ 213,247</u>	<u>\$ 226,745</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (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>2016</u>	<u>2015</u>
Balance at the beginning of the year	\$ 226,745	\$ 194,868
Add:		
Developer and other contributions	84,994	66,849
Interest earned	3,775	2,695
Provincial and Federal Funding	42,297	40,677
	<u>131,066</u>	<u>110,221</u>
Less:		
Contributions used in operating and capital funds	<u>(144,564)</u>	<u>(78,344)</u>
Balance at the end of the year	<u>\$ 213,247</u>	<u>\$ 226,745</u>

7. Long term liabilities – municipal operations

- (a) The long term liabilities – municipal operations consists of long term debt for serial debentures and loans that mature in the years 2017 to 2044 with interest rates varying between 1.61% and 6.75% and obligations for leased tangible capital assets with payments from 2017 to 2050 at a discount rate of 5%. The balance of long term liabilities consists of the following:

	<u>2016</u>	<u>2015</u>
Long term liabilities incurred by the City	\$ 404,138	\$ 321,170
Long term liabilities incurred by the City for which other entities have assumed responsibility	-	(3,239)
Net long term debt	<u>\$ 404,138</u>	<u>\$ 317,931</u>
Long term liabilities for leased tangible capital assets incurred by the City	<u>4,597</u>	<u>3,659</u>
Net long term liabilities	<u>\$ 408,735</u>	<u>\$ 321,590</u>

- (b) In addition to long term liabilities incurred for City purposes, the City assumed the responsibility for the charges on long term debt originally incurred by local municipalities with respect to functions which are now a City responsibility.

The City also incurs long term debt on behalf of school boards and other non-consolidated boards. The responsibility for raising the amounts required to service this debt lies with these respective bodies. The City is contingently liable for the long term debt with respect to the tile drainage and shoreline property assistance loans for debentures for which the responsibility for repayment of principal and interest has been assumed by school boards and non-consolidated boards. The total amount of this contingent liability outstanding at December 31, 2016 is \$Nil (2015 - \$3,239,000).

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

7. Long term liabilities – municipal operations (continued)

- (c) Of the \$404,138,000 long term debt (2015 - \$317,931,000) 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>2016</u>	<u>2015</u>
General revenues	\$ 275,662	\$ 240,034
Water & Wastewater user charges	128,475	77,895
Non-consolidated entities	1	2
	<u>\$ 404,138</u>	<u>\$ 317,931</u>

- (d) 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	Non- consolidated Entities	Total 2016
2017	\$ 38,200	\$ 10,280	\$ 1	\$ 48,481
2018	27,466	10,284		37,750
2019	28,052	10,288		38,340
2020	23,849	10,293		34,142
2021	23,980	10,298		34,278
2022 and thereafter	134,115	77,032		211,147
Total	<u>\$ 275,662</u>	<u>\$ 128,475</u>	<u>\$ 1</u>	<u>\$ 404,138</u>

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

	<u>2016</u>
2017	\$ 619
2018	619
2019	619
2020	619
2021	335
2022 and thereafter	1,786
Total	<u>\$ 4,597</u>

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

	<u>2016</u>	<u>2015</u>
Principal repayments	\$ 42,208	\$ 41,091
Interest expense	11,059	12,145
	<u>\$ 53,267</u>	<u>\$ 53,236</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

7. Long term liabilities – municipal operations (continued)

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

	<u>2016</u>	<u>2015</u>
Principal repayments	\$ 548	\$ 1,130
Interest expense	177	214
	<u>\$ 725</u>	<u>\$ 1,344</u>

8. Long term liabilities – 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 2017 to 2027 with interest rates varying between 0.96% and 5.83%. The mortgage obligations for CityHousing Hamilton are \$64,070,000 (2015 - \$69,466,000).

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

	<u>2016</u>
2017	\$ 17,309
2018	5,657
2019	23,515
2020	5,099
2021	2,988
2022 and thereafter	9,502
	<u>\$ 64,070</u>

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

	<u>2016</u>	<u>2015</u>
Principal repayments	\$ 5,396	\$ 5,209
Interest expense	1,697	1,938
	<u>\$ 7,093</u>	<u>\$ 7,147</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 \$17,016,000 (2015 - \$20,680,000), 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, 2016 (all numbers in columns are in thousands of dollars)

9. 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>2016</u>	<u>2015</u>
Accrued Benefit Obligation		
Sick leave benefit plan	\$ 55,108	\$ 55,029
Long term disability	23,819	22,729
Workplace safety and insurance board liabilities (WSIB)	78,297	75,572
Retirement benefits	142,509	138,789
Vacation benefits	26,291	26,077
Pension benefit plans (Note 9f)	<u>32,634</u>	<u>26,268</u>
	358,658	344,464
Net unamortized actuarial (loss) gain	<u>(1,896)</u>	<u>4,543</u>
Accrued Liability	<u>\$ 356,762</u>	<u>\$ 349,007</u>

The City has established reserves for some of these liabilities totalling \$66,142,000 (2015 - \$69,093,000) as described in the following notes.

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

	<u>2016</u>	<u>2015</u>
Liability for Employee Future Benefits and Other Obligations		
balance at beginning of the year	\$ 349,007	\$ 334,709
Plan amendment per actuarial valuation	861	2,467
Benefit expense	25,156	25,692
Interest expense	13,443	9,356
Amortization of actuarial loss on accrued benefit obligations	7,487	14,502
Amortization of actuarial gain on earnings on pension assets	(2,380)	(4,985)
Benefit payments	<u>(36,812)</u>	<u>(32,734)</u>
Liability for Employee Future Benefits and Other Obligations		
balance at end of the year	<u>\$ 356,762</u>	<u>\$ 349,007</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

9. Employee future benefits and other obligations (continued)

The expenses related to these employee benefits and other obligations are reported in the Consolidated Statement of Operations. These expenses are summarized as follows:

	<u>2016</u>	<u>2015</u>
Plan amendment	\$ 861	\$ 2,467
Benefit expense	24,941	25,692
Interest expense	13,443	9,356
Amortization of net actuarial loss	5,107	9,517
	<u>\$ 44,352</u>	<u>\$ 47,032</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	3.75%	NA	2.0%	3.5%	NA	11.8 to 12.4
Long term disability	3.5%	NA	2.0%	3.0%	NA	8.0
Workplace safety and insurance	4.25%	NA	2.0%	3.0%	NA	11.0
Retirement Benefits Health and Dental	4.0%	NA	2.0%	3.5%	3.5% (1)	14.3 to 16.0
Pensions Benefits (non-OMERS)	5.10%	5.10%	2.25%	NA (2)	NA	7.9 to 10.0

Notes: (1) Drug costs are assumed to increase at a rate of 8% in 2014, with future annual increases grading down linearly by 0.25% to an ultimate rate of 4.0%. Hospital and other medical services costs are assumed to increase by 4.0% per year.

(2) There is no estimate for future salary and wage increases in the non-OMERS pension plans as the active employees have been transferred to OMERS.

(a) Liability for sick leave benefit plans

The City provides a sick leave benefit plan for certain employee groups. Under the sick leave benefit plan of the City, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the City's employment. An actuarial valuation as at December 31, 2016 has estimated the accrued benefit obligation at \$55,108,000 (2015 - \$55,029,000). Changes in valuation assumptions have resulted in an increase in the liability to \$55,108,000 from the expected liability of \$47,023,000. The actuarial loss as at December 31, 2016 of \$8,085,000 is being amortized over 11.8 to 12.4 years, which is the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$6,806,000 (2015 - \$7,550,000).

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

9. Employee future benefits and other obligations (continued)

(b) Liability for long term disability

The City provides benefits in the event of total disability for certain employee groups. An actuarial valuation of the City's self-insured long term disability program as at December 31, 2016 has estimated the accrued benefit obligation at \$23,819,000 (2015 - \$22,729,000). Changes in valuation assumptions have resulted in an increase in the liability to \$23,819,000 from the expected liability of \$23,552,000. The actuarial loss as at December 31, 2016 of \$267,000 is being amortized over 8.0 years, which is the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$16,629,000 (2015 - \$17,169,000).

(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, 2016 estimated the accrued benefit obligation for workplace safety & insurance existing claims and future pension awards at \$78,297,000 (2015 - \$75,572,000). Changes in valuation assumptions have resulted in a decrease in the liability to \$78,297,000 from the expected liability of \$78,609,000. The actuarial gain of \$312,000 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 \$41,240,000 (2015 - \$42,936,000).

(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, 2016 estimated the accrued benefit obligation at \$142,509,000 (2015 - \$138,789,000). Changes in valuation assumptions have resulted in an increase in the liability to \$142,509,000 from the expected liability of \$121,931,000. The actuarial loss of \$20,580,000 is being amortized over 14.3 to 16.0 years, which is the expected average remaining life expectancy of the plan members in various groups.

(e) Liability for vacation benefits

The City is liable for vacation days earned by its employees as at December 31 but not taken until a later date. The liability as at December 31, 2016 has been estimated at \$26,291,000 (2015 - \$26,077,000), of which \$16,708,000 is funded by City departments' budgets (2015 - \$16,679,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,467,000 (2015 - \$1,438,000), and the remaining liability of \$8,116,000 is unfunded (2015 - \$7,960,000).

(f) Liability for pensions plans

The City provides pension plans other than the Ontario Municipal Employees Retirement System (OMERS) as described in Note 10. The actuarial valuations at December 31, 2016 estimated the combined accrued benefit obligation of the pension plans at \$32,634,000 (2015 - \$26,268,000). Changes in valuation resulted in a decrease in the liability to \$32,634,000 from an expected liability of \$59,358,000. The actuarial gain of \$26,724,000 is being amortized over 7.9 to 10.0 years, which is the expected average remaining life expectancy of the plan members.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

10. Pension agreements

(a) Ontario Municipal Employees Retirement System

The City makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of approximately 7,091 members of City staff and councillors. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees, based on the length of credited service and average earnings.

The latest actuarial valuation as at December 31, 2016 indicates a “going concern” Actuarial Deficit based on the plan’s current member and employer contribution rates. Contributions were made in the 2016 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 \$54,369,000 (2015 - \$55,490,000) was contributed to OMERS for current service.

As OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees.

(b) Other pension plans

Approximately 388 employees and 994 former employees of the City are members of three defined benefit plans and will be 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 net asset position and two of the pension plans are in a net liability position.

The actuarial valuation of the Hamilton Wentworth Retirement Fund (“HWRF”) pension plan as at December 31, 2016 is based on a number of assumptions about future events including mortality, inflation rates, and interest rates. The unamortized actuarial gains and losses on plan assets and the accrued benefit obligation are being amortized over eight years representing the expected average remaining life expectancy of the plan members. The accrued pension liability reported in the Consolidated Statement of Financial Position is comprised as follows:

	<u>2016</u>	<u>2015</u>
Accrued pension benefit obligation - HWRF	\$ 66,463	\$ 67,232
Pension plan assets:		
Marketable securities (Market value)	<u>(59,443)</u>	<u>(59,568)</u>
	7,020	7,664
Unamortized actuarial gain	<u>2,498</u>	<u>3,554</u>
Accrued pension liability - HWRF	<u>\$ 9,518</u>	<u>\$ 11,218</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

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

	<u>2016</u>	<u>2015</u>
Expected pension fund assets at end of year	\$ 57,735	\$ 61,567
Actual pension fund assets at end of year	<u>59,443</u>	<u>59,568</u>
Actuarial gain (loss) on pension fund assets - HWRF	<u>\$ 1,708</u>	<u>\$ (1,999)</u>
Expected accrued pension benefit obligation at end of year	\$ 64,162	\$ 77,226
Actual accrued pension benefit obligation at end of year	<u>66,463</u>	<u>67,232</u>
Actuarial (loss) gain on accrued pension benefit obligation – HWRF	<u>\$ (2,301)</u>	<u>\$ 9,994</u>

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

	<u>2016</u>	<u>2015</u>
Amortization of net actuarial gain on accrued pension benefit obligation	\$ 347	\$ 1,446
Amortization of net actuarial loss on pension plan assets	<u>(811)</u>	<u>(1,031)</u>
Net Amortization	<u>(464)</u>	<u>415</u>
Interest on average accrued pension benefit obligation	\$ 3,672	\$ 3,109
Expected return on average pension plan assets	<u>(3,278)</u>	<u>(3,469)</u>
Net Interest	<u>394</u>	<u>(360)</u>
Total expenses	<u>\$ (70)</u>	<u>\$ 55</u>

Payments of \$1,631,000 (2015 - \$2,741,000) have been applied to reduce the HWRF pension plan deficit as actuarially determined for funding purposes. The pension deficit for the HWRF pension plan as at December 31, 2016 will be funded by the City with payments as follows:

2017	\$ 1,726
2018	1,726
2019	1,726
2020	637
2021	637
2022 and thereafter	<u>4,321</u>
Total	<u>\$ 10,773</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

The actuarial valuation of the Hamilton Municipal Retirement Fund (“HMRF”) pension plan as at December 31, 2016 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The unamortized actuarial gains and losses on plan assets and accrued benefit obligation are being amortized over eleven years representing the expected average remaining life expectancy of the plan members. The accrued pension liability reported in the Consolidated Statement of Financial Position is comprised as follows:

	<u>2016</u>	<u>2015</u>
Accrued pension benefit obligation - HMRF	\$ 72,825	\$ 72,193
Pension plan assets:		
Marketable securities (Market value)	<u>(77,162)</u>	<u>(77,234)</u>
	<u>(4,337)</u>	<u>(5,041)</u>
Unamortized actuarial gain	<u>5,885</u>	<u>5,677</u>
Accrued pension liability - HMRF	<u>\$ 1,548</u>	<u>\$ 636</u>

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

	<u>2016</u>	<u>2015</u>
Expected pension fund assets at end of year	\$ 74,946	\$ 79,835
Actual pension fund assets at end of year	<u>77,162</u>	<u>77,234</u>
Actuarial gain (loss) on pension fund assets - HMRF	<u>\$ 2,216</u>	<u>\$ (2,601)</u>
Expected accrued pension benefit obligation at end of year	\$ 69,614	\$ 82,279
Actual accrued pension benefit obligation at end of year	<u>72,825</u>	<u>72,193</u>
Actuarial gain (loss) on accrued pension benefit obligation – HMRF	<u>\$ (3,211)</u>	<u>\$ 10,086</u>

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

	<u>2016</u>	<u>2015</u>
Amortization of net actuarial gain on accrued pension benefit obligation	\$ 503	\$ 1,420
Amortization of net actuarial gain (loss) on pension plan assets	<u>700</u>	<u>(986)</u>
Net Amortization	<u>1,203</u>	<u>434</u>
Interest on average accrued pension benefit obligation	\$ 3,963	\$ 3,296
Expected return on average pension plan assets	<u>(4,253)</u>	<u>(4,527)</u>
Net Interest	<u>(290)</u>	<u>(1,231)</u>
Total expenses	<u>\$ 913</u>	<u>\$ (797)</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

The actuarial valuation of the HSR pension plan as at December 31, 2016 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The unamortized actuarial gains and losses on plan assets and accrued benefit obligation are being amortized over nine years representing the expected average remaining life expectancy of the plan members. The accrued pension liability reported in the Consolidated Statement of Financial Position is comprised as follows:

	<u>2016</u>	<u>2015</u>
Accrued pension benefit obligation - HSR	\$ 223,442	\$ 207,583
Pension plan assets:		
Marketable securities (Market value)	<u>(193,491)</u>	<u>(183,938)</u>
	29,951	23,645
Unamortized actuarial gain	<u>18,341</u>	31,915
Accrued pension liability - HSR	<u>\$ 48,292</u>	<u>\$ 55,560</u>

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

	<u>2016</u>	<u>2015</u>
Expected pension fund assets at end of year	\$ 187,923	\$ 190,125
Actual pension fund assets at end of year	<u>193,491</u>	<u>183,938</u>
Actuarial gain (loss) on pension fund assets - HSR	<u>\$ 5,568</u>	<u>\$ (6,187)</u>
Expected accrued pension benefit obligation at end of year	\$ 207,914	\$ 260,490
Actual accrued pension benefit obligation at end of year	<u>223,442</u>	<u>207,583</u>
Actuarial (loss) gain on accrued pension benefit obligation – HSR	<u>\$ (15,528)</u>	<u>\$ 52,907</u>

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

	<u>2016</u>	<u>2015</u>
Amortization of net actuarial (loss) gain on accrued pension benefit obligation	\$ (1,346)	\$ 4,632
Amortization of net actuarial loss on pension plan assets	<u>(2,268)</u>	<u>(2,968)</u>
Net Amortization	<u>(3,614)</u>	1,664
Interest on average accrued pension benefit obligation	\$ 11,612	\$ 10,227
Expected return on average pension plan assets	<u>(10,392)</u>	<u>(10,495)</u>
Net Interest	<u>1,220</u>	<u>(268)</u>
Total expenses	<u>\$ (2,394)</u>	<u>\$ 1,396</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans (continued)

Payments of \$4,874,000 (2015 – \$5,020,000) have been applied to reduce the HSR pension plan deficit as actuarially determined for funding purposes. The pension deficit for the HSR pension plan as at December 31, 2016 will be funded by the City with payments as follows:

2017	\$	4,924
2018		4,924
2019		4,924
2020		2,198
2021		2,198
2022 and thereafter		12,027
Total	\$	<u>31,195</u>

11. Solid waste landfill liabilities

The City owns and operates one open landfill site and it owns and maintains twelve (12) closed landfill sites.

The active landfill site in the Glanbrook community was opened in 1980 covering 220 hectares over two phases with a capacity of 13,258,000 cubic metres of waste. Phase 1 has a capacity of 8,403,000 cubic metres. As at December 31, 2016 the remaining capacity of Phase 1 is estimated to be 315,000 cubic metres, representing 4% of its capacity. Phase 1 is expected to reach its capacity and close in 2018. Phase 2 has a capacity of 4,855,000 cubic metres and as at December 31, 2016 has yet to begin accepting fill. Phase 2 is estimated to reach its capacity and close in 2043.

In 2016 approximately 45% of waste generated was diverted from landfills (2015 – 45%).

The closure costs for the open Glanbrook landfill site and post closure care costs for the closed sites were based upon management estimates, adjusted by 3% inflation. These costs were then discounted back to December 31, 2016 using a discount factor of 4.5%. Post closure care for the Glanbrook site is estimated to be required for 50 years from the date of closure of each phase. Studies continue to be undertaken to assess the liability associated with the City's closed landfill sites and the estimates will be updated as new information arises.

Estimated expenses for closure and post-closure care are \$31,725,000 (2015 - \$32,884,000). The expenses remaining to be recognized are \$7,259,000 (2015 - \$7,115,000). The liability of \$24,466,000 (2015 - \$25,769,000) 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 \$1,041,000 (2015 - \$1,006,000) 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, 2016 (all numbers in columns are in thousands of dollars)

12. Accumulated Surplus

The accumulated surplus balance is comprised of balances in reserves and discretionary reserve funds, operating surplus, capital surplus, unfunded liabilities to be recovered in the future, investment in government business enterprises and investment in tangible capital assets.

	<u>2016</u>	<u>2015</u>
Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:		
Working funds	\$ 88,143	\$ 84,149
Contingencies	927	908
Replacement of equipment	58,083	70,106
Sick leave (Note 9)	6,806	7,550
Workplace Safety and Insurance Board (WSIB) (Note 9)	41,240	42,936
Pension Plans	2,977	3,540
Tax Stabilization	16,646	12,135
General Government	15,763	18,697
Protection Services	7,739	3,297
Transportation Services	28,579	33,916
Environmental Services	243,555	239,037
Health and Social Services	8,126	9,931
Recreation and Cultural Services	25,280	22,467
Planning and Development	10,917	13,019
Other Unallocated	92,497	99,069
Hamilton Future Fund (Note 13)	43,079	37,711
Total reserves and discretionary reserve funds	\$ 690,357	\$ 698,468
Operating surplus		
Flamborough recreation sub-committees	\$ 286	\$ 287
Business improvement areas	965	759
Housing Operations	(394)	203
Confederation Park Operations	1,163	442
Westfield Heritage Village Operations	-	614
Total operating surplus	\$ 2,020	\$ 2,305
Capital surplus		
Municipal Operations	\$ 65,205	\$ (71,909)
Housing Operations	4,816	1,151
Total capital surplus	\$ 70,021	\$ (70,758)
Unfunded liabilities		
Employee benefit obligations	\$ (333,787)	\$ (326,627)
Solid Waste Landfill Liabilities	(24,466)	(25,769)
Total unfunded liabilities	\$ (358,253)	\$ (352,396)
Investment in Government Business Enterprises (Note 4)	\$ 247,386	\$ 232,811
Investment in tangible capital assets	\$4,780,723	\$ 4,740,652
Accumulated surplus	\$5,432,254	\$ 5,251,082

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

13. Hamilton Future Fund

The Hamilton Future Fund was established by the Council of the City of Hamilton in 2002 from the proceeds from Hamilton Utilities Corporation of the net assets owed to the City upon restructuring of the electrical industry. The Hamilton Future Fund is used to create and protect a permanent legacy for current and future generations of Hamiltonians to enjoy economic prosperity and improved quality of life.

The continuity of the Hamilton Future Fund is as follows:

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	\$ 37,711	\$ 46,436
Current Operations		
Investment Income	929	990
Repayment of Waste Management Projects	7,991	7,812
Waste Management Projects	(15)	(732)
Roads and Bridges	-	(36)
Urban Development Bank	261	(77)
McMaster Health Campus	-	(5,500)
Other	(704)	(200)
	<u>\$ 8,462</u>	<u>\$ 2,257</u>
Tangible capital assets		
Waste Management Projects	(1,954)	(1,492)
Roads and Bridges	(865)	(110)
2015 Pan Am Games	-	(9,102)
Other	(275)	(278)
	<u>\$ (3,094)</u>	<u>\$ (10,982)</u>
Balance at the end of the year	<u>\$ 43,079</u>	<u>\$ 37,711</u>

14. Taxation

	Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
Taxation from real property	\$1,031,652	\$ 1,032,999	\$1,010,050
Taxation from other governments payments in lieu of taxes	15,964	16,469	15,367
	<u>1,047,616</u>	<u>1,049,468</u>	<u>1,025,417</u>
Less: Taxation collected on behalf of school boards	(191,734)	(194,759)	(193,772)
Net taxes available for municipal purposes	<u>\$ 855,882</u>	<u>\$ 854,709</u>	<u>\$ 831,645</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, 2016 (all numbers in columns are in thousands of dollars)

15. Government transfers

(a) Government transfers - grants, subsidies and contributions

The City receives grants, subsidies and contributions from provincial and federal governments for general purposes, to finance specific program expenditures and to finance capital expenditures. Under the accrual basis of accounting these cash payments are recorded as grant revenues on the Consolidated Statement of Operations to the extent that the cash received is required to meet expenditures under the program. Any amount that is received that remains unspent is recorded as Deferred Revenue - General on the Consolidated Statement of Financial Position. Any amounts owed by the other governments are recorded as Accounts Receivable on the Consolidated Statement of Financial Position. Amounts received for payments-in-lieu of taxes are not reported as government transfers.

During 2016, the City recognized revenue from the provincial and federal governments in the amount of \$385,447,000 (2015 - \$384,363,000) as follows:

	<u>2016</u>	<u>2015</u>
Government of the Province of Ontario	\$ 311,790	\$ 313,921
Government of Canada	<u>73,657</u>	<u>70,442</u>
Total	<u>\$ 385,447</u>	<u>\$ 384,363</u>

(b) Government transfers - payments for social assistance entitlements, housing subsidies and grants

The City makes discretionary and non-discretionary disbursements to individuals, institutions and agencies. These payments are recorded as expenditures in the Consolidated Statement of Operations to the extent that the payments meet the accrual basis of accounting. Amounts paid for Canada Pension Plan and investments in government debentures are not reported as government transfers. During 2016, the City issued payments as government transfers in the amount of \$217,735,000 (2015 - \$222,059,000) as follows:

	<u>2016</u>	<u>2015</u>
Payments for social assistance entitlements	\$ 122,225	\$ 126,222
Payments for housing subsidies	71,280	62,910
Grants to agencies and institutions	<u>24,230</u>	<u>32,927</u>
Total	<u>\$ 217,735</u>	<u>\$ 222,059</u>

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

16. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$369,310,000 at December 31, 2016 for capital works (2015 - \$307,430,000). 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, 2016 amounting to \$3,702,000 (2015 - \$3,878,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$175,500 in 2016 (2015 - \$92,500) 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, 2016 of \$3,460,000 (2015 - \$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 \$366,000 in 2016 (2015 - \$348,000) are reported in the Consolidated Statement of Operations.
- (d) The City has an agreement with a developer to design and install services in the Dundas and Waterdown community of the City of Hamilton. The City is committed to repaying the developer \$8,524,000 plus interest on the outstanding balance. Payments under the terms of the agreement are due by 2017 with an option to extend the term until 2022. The outstanding future obligation at December 31, 2016 amounting to \$8,384,000 (2015 - \$8,886,000) is not reflected in the Consolidated Financial Statements. Payments are collected by a special area charge and remitted to the developer. Payments made to the developer amounting to \$861,000 in 2016 (2015 - \$70,000) are reported in the Consolidated Statement of Operations.
- (e) The City has a contract with Progressive Waste Services (PWS) for the transfer, hauling and disposal of the City's solid waste, including the operations of the City's Transfer Stations and Community Recycling Centre. The term of the agreement is ten years and two months for the period of January 1, 2010 to February 29, 2020. The contract fees amounting to \$7,128,000 for 2016 (2015 - \$6,941,000) are reported in the Consolidated Statement of Operations.
- (f) The City has a contract with GFL Environmental Inc. for the provision of curbside/roadside collection of organics, garbage, leaf and yard, bulk waste for one-half of the City, including curbside/roadside recycling, automated recycling and bin waste collection for the entire City. The agreement ends on March 28, 2020 (with an option of one year extension). Contract fees amounting to \$16,710,000 for 2016 (2015 - \$16,928,000) are reported in the Consolidated Statement of Operations.
- (g) The City has lease agreements with Disabled and Aged Regional Transit System (D.A.R.T.S.) for the delivery of specialized transportation services. The term of the existing agreement is five years for the period of July 1, 2012 to June 30, 2017 with an option to renew for a further term up to five years. The annual contract fees amounting to \$16,563,000 (2015 - \$15,621,000) are reported in the Consolidated Statement of Operations.
- (h) The City has lease agreements with Tradeport International Corporation for the management and operation of the City's airport. The term of the agreement is forty years for the period July 1, 1996 to June 30, 2036. Under the terms of the agreement, Tradeport is responsible for capital management and all operating costs. Revenue in the amount of \$337,000 (2015 - \$369,000) is reported on the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

16. Contractual obligations (continued)

- (i) 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 \$63,955,000 (2015 - \$63,955,000). The minimum lease payments for these leases over the next five years and thereafter are:

2017	\$ 8,066
2018	8,205
2019	7,315
2020	4,888
2021	2,936
2022 and thereafter	27,332
Total	<u>\$ 58,742</u>

- (j) 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, 2016, the City has \$65,000,000 in a revolving demand facility.

The first term loan has an original principal of \$14,740,000, a term of 5 years, and an annual principal repayment of \$2,948,000. 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, 2016, the remaining principal balance is \$2,948,000 (2015 - \$5,896,000) for the first term loan and \$27,868,000 (2015 - \$30,401,000) for the second term loan. The interest cost for the City for both loans 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.

- (k) Hamilton Utilities Corporation (H.U.C.) has a Credit Facility Agreement ("Credit Facility") dated June 30, 2013 with a Canadian chartered bank to borrow up to \$100,000,000 to finance general corporate requirements, capital investment, and working capital requirements. Borrowings may be in the form of Bankers' Acceptances ("BAs"), prime rate loans, letters of credit, and/or current account overdrafts. The Credit Facility matures on June 30, 2017. Interest rates payable on the Credit Facility are based on a margin relative to the prime or the BA rate, as the case may be, determined by reference to HUC's debt rating. A standby fee is paid on any unutilized portion of the Credit Facility. HUC has issued a \$6,845,000 letter of credit in favour of the Independent Electricity System Operator ("IESO") as security for Horizon Utilities purchase of electricity through the IESO. At year-end, no amounts were drawn on the letters of credit (2015 - \$Nil).
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City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

17. Public liability insurance

The City has undertaken a portion of the risk for public liability, as a means of achieving cost effective risk management. As a result, the City is self-insured for public liability claims up to \$250,000 for any individual claim or for any number of claims arising out of a single occurrence. Outside insurance coverage is in place for claims in excess of \$250,000 to a maximum of \$50,000,000 per claim or occurrence.

The City has reported liabilities for insurance claims on the Consolidated Statement of Financial position in the amount of \$20,394,000 (2015 - \$19,848,000). Claim expenses for the year in the amount of \$10,733,000 (2015 - \$9,264,000) are reported as expenses in the Consolidated Statement of Operations.

18. Contingent liabilities

- (a) The City is contingently liable for the repayment of principal and interest on long term debt issued on behalf of school boards and other unconsolidated boards (Note 7(b)). The responsibility for raising the amounts required to service this debt lies with these respective bodies. The total amount of this contingent liability outstanding at December 31, 2016 is \$Nil (2015 - \$3,239,000).
 - (b) The City has outstanding contractual obligations with its unionized employee groups as of December 31, 2016. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund these settlements. Subsequent to December 31, 2016, there were four settlements with four of the unionized employee groups.
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City of Hamilton

Notes to Consolidated Financial Statements

For the year ended December 31, 2016 (all numbers in columns are in thousands of dollars)

19. Tangible Capital Assets

Details of the tangible capital assets are included in the Schedule of Tangible Capital Assets (pages 2-36 and 2-37). The City has tangible capital assets valued at cost in the amount of \$8,252,600,000 (2015 - \$8,008,700,000) and a net book value of \$5,271,414,000 (2015 - \$5,150,288,000). The net book value of the tangible capital assets valued as at December 31, 2016 is as follows:

	<u>2016</u>	<u>2015</u>
General		
Land	\$ 315,467	\$ 304,977
Land improvements	150,337	135,252
Buildings	761,396	735,926
Vehicles	133,786	107,241
Computer hardware and software	11,058	7,876
Other	103,490	92,098
Infrastructure		
Roads	1,253,561	1,248,288
Bridges and structures	184,213	184,794
Water and wastewater facilities	396,884	385,404
Underground and other networks	<u>1,761,542</u>	<u>1,713,019</u>
Net Book Value	5,071,734	4,914,875
Assets under construction	199,680	235,413
Balance at the end of the year	<u>\$5,271,414</u>	<u>\$5,150,288</u>

Included are leased tangible capital assets with a net book value of \$4,597,000 (2015 - \$3,659,000). 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, 2016 (all numbers in columns are in thousands of dollars)

20. Reporting by Business Segment

The Consolidated Financial Statements provide a summary of the revenues and expenses for all of the services provided to the residents and businesses in the City of Hamilton as defined in the reporting entity (Note 1).

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

Revenues and expenses are reported by the following functions and services:

- General government: Office of the Mayor and council, corporate administration including fleet and facilities
- Protection services: police, fire, conservation authorities
- Transportation services: roads, winter maintenance, traffic, parking, transit
- Environmental services: water, wastewater, storm water, waste management collection, diversion & disposal
- Health services: public health, cemeteries and emergency medical services/ambulance
- Social and family services: general assistance, hostels, homes for the aged, services to aged persons, child care services
- Social housing: public housing, non-profit housing, rent supplement programs
- Recreation and cultural services: parks, recreation programs, recreation facilities, golf courses, marinas, museums, libraries, tourism and HECFI.
- Planning and development: planning, zoning, commercial and industrial development and residential development

Financial information about the City's business segments is included in the Schedule of Operations for Business Segments (pages 2-38 and 2-39).

21. Liability for Contaminated Sites

The City of Hamilton estimates liabilities of \$13,400,000 as at December 31, 2016 for remediation of various lands using a risk-based approach (2015 - \$12,810,000). Future undiscounted expenditures are estimated at \$16,135,000. The liabilities result from past industrial uses. The liabilities have been estimated using a risk-based approach. 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 (2015 – \$Nil).

22. Budget figures

The 2016 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on December 10, 2015. The 2016 operating budget and capital financing for municipal operations was approved by City Council at a meeting on March 9, 2016.

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, 2016 (all numbers in columns are in thousands of dollars)

22. Budget figures (continued)

	<u>2016</u>
Revenue	
Council Approved Gross Revenue Operating Budget - Municipal	\$ 1,597,812
Council Approved Gross Revenue Capital Budget - Municipal	411,480
	<u>2,009,292</u>
Board Approved Gross Revenue Operating Budget - Housing Corporation	63,584
Board Approved Gross Revenue Capital Budget - Housing Corporation	8,200
	<u>71,784</u>
Adjustments to Revenues	
Less: Transfers from reserves and reserve funds Operating Budget Municipal Operations	(25,636)
Less: Transfers from reserves and reserve funds Capital Budget Municipal Operations	(143,470)
Less: Transfers from current fund to capital fund - Municipal Operations	(138,901)
Less: Transfers from current fund to capital fund - Housing Corporation	(8,200)
Less: Long term debt financing Capital Budget	(8,420)
Add: Donated tangible capital assets	16,646
Less: Reclassification - Municipal Operations	(150)
Add: Reserve & reserve funds	17,797
Add: Confederation Park and Westfield Heritage Village Consolidation	2,471
Less: Elimination for consolidation of Housing Corporation	(26,988)
	<u>(314,851)</u>
Consolidated	<u>\$ 1,766,225</u>
Expenses	
Council Approved Gross Expenditure Operating Budget - Municipal	\$ 1,597,812
Council Approved Gross Expenditure Capital Budget - Municipal	411,480
	<u>2,009,292</u>
Board Approved Gross Expenditure Operating Budget - Housing Corporation	63,584
Board Approved Gross Expenditure Capital Budget - Housing Corporation	8,200
	<u>71,784</u>
Adjustments to Expenditures	
Less: Debt principal repayment - Municipal Operations	(42,207)
Less: Debt principal repayment - Housing Corporation	(5,396)
Less: Transfers to reserves and reserve funds - Municipal Operations	(70,329)
Less: Transfers to capital from current funds - Municipal Operations	(138,901)
Less: Tangible capital assets - Municipal Operations	(317,636)
Less: Tangible capital assets - Housing Corporation	(8,200)
Less: Reclassification - Municipal Operations	(150)
Add: Change in employee future benefits and other obligations	7,160
Less: Change in solid waste landfill liability	(1,304)
Add: Amortization expense for tangible capital assets	185,732
Add: Confederation Park and Westfield Heritage Village Consolidation	2,357
Less: Elimination for consolidation of Housing Corporation	(35,209)
Less: Loss on disposition of tangible capital assets	10,921
	<u>(413,162)</u>
Consolidated	<u>\$ 1,667,914</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2016 (all numbers in columns are in thousands of dollars)

2016 Schedule of Tangible Capital Assets

	General						Infrastructure				Assets Under Construction	TOTAL
	Land	Land Improvements	Buildings	Vehicles	Computer	Other	Roads	Bridges & Other Structures	W/WW Facilities	W/WW/SW Linear Network		
Cost												
Balance, Jan 1, 2016	\$ 304,977	\$ 282,073	1,268,167	278,968	\$ 12,728	\$ 145,889	\$ 2,273,567	\$ 239,962	\$ 722,385	\$ 2,244,571	\$ 235,413	\$ 8,008,700
Additions, Betterments & Transfers in 2016	10,487	29,718	59,654	49,542	6,848	25,617	55,096	2,637	28,904	67,194	(34,564)	301,133
Disposals & Writedowns in 2016	(643)	(7,825)	(6,073)	(32,015)	(2,115)	(14,773)	(8,044)	(43)	(41)	(1,172)	(1,169)	(73,913)
Donations & Contributions in 2016	646	306	-	-	-	-	3,659	-	-	12,035	-	16,646
Balance, Dec 31, 2016	\$ 315,467	\$ 304,272	\$ 1,321,748	\$ 296,495	\$ 17,461	\$ 156,733	\$ 2,324,278	\$ 242,556	\$ 751,248	\$ 2,322,628	\$ 199,680	\$ 8,252,566
Accumulated Amortization												
Balance, Jan 1, 2016	\$ -	\$ 146,821	\$ 532,241	\$ 171,727	\$ 4,852	\$ 53,791	\$ 1,025,279	\$ 55,168	\$ 336,981	\$ 531,552	\$ -	\$ 2,858,412
Amortization in 2016	-	9,801	31,765	22,576	3,666	14,225	52,506	3,210	17,421	30,562	-	185,732
Acc'd Amortization Transfers in 2016	-	-	-	-	-	-	-	-	-	-	-	-
Amortization on Disposals in 2016	-	(2,687)	(3,654)	(31,594)	(2,115)	(14,773)	(7,068)	(35)	(38)	(1,028)	-	(62,992)
Balance, Dec 31, 2016	\$ -	\$ 153,935	\$ 560,352	\$ 162,709	\$ 6,403	\$ 53,243	\$ 1,070,717	\$ 58,343	\$ 354,364	\$ 561,086	\$ -	\$ 2,981,152
Net Book Value Dec 31, 2016	\$ 315,467	\$ 150,337	\$ 761,396	\$ 133,786	\$ 11,058	\$ 103,490	\$ 1,253,561	\$ 184,213	\$ 396,884	\$ 1,761,542	\$ 199,680	\$ 5,271,414
Assets Under Construction	\$ -	\$ 16,839	\$ 40,077	\$ 386	\$ 3,325	\$ 614	\$ 16,330	\$ 2,487	\$ 59,088	\$ 60,534	\$ 199,680	
Total	\$ 315,467	\$ 167,176	\$ 801,473	\$ 134,172	\$ 14,383	\$ 104,104	\$ 1,269,891	\$ 186,700	\$ 455,972	\$ 1,822,076	\$ -	\$ 5,271,414

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2016 (all numbers in columns are in thousands of dollars)

2015 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, 2015	\$ 287,316	\$ 275,347	\$ 1,091,698	\$ 255,552	\$ 13,292	\$ 134,305	\$ 2,172,683	\$ 235,342	\$ 711,980	\$ 2,136,982	\$ 359,541	\$ 7,674,038	
Additions, Betterments & Transfers in 2015	14,218	7,030	184,172	28,164	4,629	16,383	103,136	4,833	10,494	90,778	(122,284)	341,553	
Disposals & Writedowns in 2015	(788)	(304)	(14,486)	(4,748)	(5,193)	(4,799)	(15,206)	(213)	(89)	(2,792)	(1,844)	(50,462)	
Donations & Contributions in 2015	4,231	-	6,783	-	-	-	12,954	-	-	19,603	-	43,571	
Balance, Dec 31, 2015	\$ 304,977	\$ 282,073	\$ 1,268,167	\$ 278,968	\$ 12,728	\$ 145,889	\$ 2,273,567	\$ 239,962	\$ 722,385	\$ 2,244,571	\$ 235,413	\$ 8,008,700	
Accumulated Amortization													
Balance, Jan 1, 2015	\$ -	\$ 137,784	\$ 508,615	\$ 155,005	\$ 6,591	\$ 46,141	\$ 983,688	\$ 52,090	\$ 320,540	\$ 505,412	\$ -	\$ 2,715,866	
Amortization in 2015	-	9,250	28,125	21,112	3,448	11,979	55,504	3,165	16,530	28,934	-	178,047	
Acc'd Amortization Transfers in 2015	-	-	-	-	-	-	-	-	-	-	-	-	
Amortization on Disposals in 2015	-	(213)	(4,499)	(4,390)	(5,187)	(4,329)	(13,913)	(87)	(89)	(2,794)	-	(35,501)	
Balance, Dec 31, 2015	\$ -	\$ 146,821	\$ 532,241	\$ 171,727	\$ 4,852	\$ 53,791	\$ 1,025,279	\$ 55,168	\$ 336,981	\$ 531,552	\$ -	\$ 2,858,412	
Net Book Value Dec 31, 2015	\$ 304,977	\$ 135,252	\$ 735,926	\$ 107,241	\$ 7,876	\$ 92,098	\$ 1,248,288	\$ 184,794	\$ 385,404	\$ 1,713,019	\$ 235,413	\$ 5,150,288	
Assets Under Construction	\$ -	\$ 25,116	\$ 54,716	\$ 7,235	\$ 5,864	\$ 7,143	\$ 12,759	\$ 4,279	\$ 61,580	\$ 56,721	\$ 235,413		
Total	\$ 304,977	\$ 160,368	\$ 790,642	\$ 114,476	\$ 13,740	\$ 99,241	\$ 1,261,047	\$ 189,073	\$ 446,984	\$ 1,769,740	\$ -	\$ 5,150,288	

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2016 (all numbers in columns are in thousands of dollars)

2016 Schedule of Operations for Business Segments

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

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2016 (all numbers in columns are in thousands of dollars)

2015 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 2015
Revenue										
Taxation	\$ 831,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 831,645
Government grants and contributions	\$ 1,380	\$ 9,450	\$ 53,247	\$ 4,667	\$ 56,164	\$ 218,203	\$ 31,029	\$ 9,278	\$ 945	\$ 384,363
User charges	\$ 4,059	\$ 5,933	\$ 59,434	\$ 195,129	\$ 3,088	\$ 13,069	\$ 383	\$ 23,055	\$ 11,190	\$ 315,340
Development charges and subdivider contributions	\$ 289	\$ 1,512	\$ 12,591	\$ 1,956	\$ -	\$ -	\$ -	\$ 4,359	\$ 4,904	\$ 25,611
Donations of tangible capital assets	\$ -	\$ -	\$ 12,954	\$ 19,603	\$ -	\$ -	\$ -	\$ 11,014	\$ -	\$ 43,571
Investment income	\$ 17,396	\$ 1,259	\$ 1,361	\$ 7,676	\$ 41	\$ 183	\$ 1,037	\$ 1,142	\$ 189	\$ 30,284
Income from Government Business Enterprises	\$ 18,758	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,758
Other	\$ 36,304	\$ 22,575	\$ 10,788	\$ 1,480	\$ 182	\$ 14	\$ 39,160	\$ 2,175	\$ 1,341	\$ 114,019
Total	\$ 909,831	\$ 40,729	\$ 150,375	\$ 230,511	\$ 59,475	\$ 231,469	\$ 71,609	\$ 51,023	\$ 18,569	\$ 1,763,591
Expenses										
Salaries and benefits	\$ 58,537	\$ 254,740	\$ 101,358	\$ 42,844	\$ 73,749	\$ 78,900	\$ 14,914	\$ 71,538	\$ 26,757	\$ 723,337
Interest on long term debt	734	1,083	5,219	3,277	383	644	1,945	914	98	14,297
Materials supplies services	39,098	17,331	46,317	38,447	7,914	8,448	32,746	26,288	6,760	223,349
Contracted services	13,571	2,437	57,768	68,896	3,527	64,848	14,223	12,781	10,792	248,843
Rents and financial expenses	12,006	2,117	5,066	2,625	1,858	2,541	6,101	3,301	820	36,435
External transfers	614	7,546	3	3,138	9,071	131,024	44,712	4,966	1,807	202,881
Amortization	7,365	7,731	77,450	50,551	2,397	1,921	5,625	22,017	2,991	178,048
Interfunctional transfers	(74,261)	7,377	25,424	9,561	6,478	6,017	632	13,915	4,857	-
Total	\$ 57,664	\$ 300,362	\$ 318,605	\$ 219,339	\$ 105,377	\$ 294,343	\$ 120,898	\$ 155,720	\$ 54,882	\$ 1,627,190
Annual Surplus (Deficit)	\$ 852,167	\$ (259,633)	\$ (168,230)	\$ 11,172	\$ (45,902)	\$ (62,874)	\$ (49,289)	\$ (104,697)	\$ (36,313)	\$ 136,401

Section 3

City of Hamilton Financial Statements for the Trust Funds Cemetery, Library and General Trusts December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the City of Hamilton

We have audited the accompanying financial statements of the Trust Funds of the City of Hamilton, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statement of operations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust Funds of the City of Hamilton as at December 31, 2016, and the results of its consolidated operations for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 12, 2017
Hamilton, Ontario

City of Hamilton

Trust Funds – Consolidated

As at December 31, 2016

Statement of Financial Position

As at December 31, 2016

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash	\$ 1,105,266	\$ 1,552,388
Investments (Note 2)	15,028,172	13,976,865
Investment in Hamilton Community Foundation (Note 3)	1,654,122	1,654,121
Accrued Interest Receivable (Note 3)	844,234	1,363,862
Due from City of Hamilton - Cemetery (Note 4)	1,097,184	963,127
Due from City of Hamilton - Library Trust Funds (Note 4)	370,664	369,749
Due from City of Hamilton - Other Trust Funds (Note 4)	56,692	56,507
Total Financial Assets	\$ 20,156,334	\$ 19,936,619
Liabilities		
Deposits	\$ 388,404	\$ 368,888
Accumulated surplus	\$ 19,767,930	\$ 19,567,731

Statement of Operations

Year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Revenues		
Cemetery lots and interments	\$ 866,684	\$ 738,343
Investment income	684,208	742,761
Other revenue	-	709
Total revenue	\$ 1,550,892	\$ 1,481,813
Expenses		
Other	\$ 59,097	\$ 73,500
Transfers to the City of Hamilton	1,291,596	614,267
Total expenses	\$ 1,350,693	\$ 687,767
Annual surplus	\$ 200,199	\$ 794,046
Accumulated surplus at the beginning of the year	19,567,731	18,773,685
Accumulated surplus at the end of the year	\$ 19,767,930	\$ 19,567,731

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2016

1. Significant accounting policies

The financial statements of the City of Hamilton Trust Funds ("Trusts") are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the Trusts are as follows:

(a) Basis of Consolidation

These 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
Library - M. Waldon Thompson Bequest
Library - Central Library Special Gift Fund
Library - Permanent Endowment Fund
Library - Keetha McLaren Memorial Fund
Library - F. Waldon Library Bequest
Library - Waterdown Fundraising

(b) 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.

2. 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 \$15,028,172 (2015 - \$13,976,865). These investments have a market value of \$16,061,925 (2015 - \$15,232,874) at the end of the year.

3. Investments in Hamilton Community Foundation

The library trust funds have funds invested with the Hamilton Community Foundation. These investments are recorded on the Statement of Financial Position at market value.

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2016

4. Due from City of Hamilton

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

5. Accumulated Surplus

	<u>2016</u>	<u>2015</u>
The accumulated surplus consists of:		
Cemeteries	<u>\$ 15,928,506</u>	<u>\$ 15,213,661</u>
Library		
M. Walden Thompson Estate	\$ 21,752	\$ 21,398
Special Gift Fund Central	2,164,341	2,709,647
Permanent Endowment Fund	844,725	818,982
Keetha McLaren Memorial Fund	45,431	43,329
F. Walden Library Bequest	66,077	65,448
Waterdown Library Fundraising	<u>46,452</u>	<u>45,537</u>
	<u>\$ 3,188,778</u>	<u>\$ 3,704,341</u>
Other		
Fieldcote Farmer (Ancaster)	\$ 338,084	\$ 339,555
Knowles Bequest (Dundas)	248,293	246,915
F. Walden Dundurn Castle (Hamilton)	6,128	6,008
Ellen Grafton (Dundas)	7,598	7,523
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election (Hamilton)	6,737	6,606
Balfour Estate Chedoke (Hamilton)	<u>33,496</u>	<u>32,812</u>
	<u>\$ 650,646</u>	<u>\$ 649,729</u>
	<u>\$ 19,767,930</u>	<u>\$ 19,567,731</u>

City of Hamilton

Trust Funds – Cemetery

As at December 31, 2016

Statement of Financial Position

As at December 31, 2016

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash	\$ 522,736	\$ 928,636
Due from City of Hamilton (Note 4)	1,097,184	963,127
Investments	<u>14,696,990</u>	<u>13,690,786</u>
Total Financial Assets	<u>\$ 16,316,910</u>	<u>\$ 15,582,549</u>
Liabilities		
Deposits	<u>\$ 388,404</u>	<u>\$ 368,888</u>
Accumulated surplus	<u>\$ 15,928,506</u>	<u>\$ 15,213,661</u>

Statement of Operations

Year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Revenues		
Cemetery lots and interments	\$ 866,684	\$ 738,343
Investment income	<u>492,417</u>	<u>473,140</u>
Total revenue	<u>\$ 1,359,101</u>	<u>\$ 1,211,483</u>
Expenses		
Other	\$ 11,053	\$ 11,087
Transfers to the City of Hamilton	<u>633,203</u>	<u>606,944</u>
Total expenses	<u>\$ 644,256</u>	<u>\$ 618,031</u>
Annual surplus	<u>\$ 714,845</u>	<u>\$ 593,452</u>
Accumulated surplus at the beginning of the year	<u>15,213,661</u>	<u>14,620,209</u>
Accumulated surplus at the end of the year	<u>\$ 15,928,506</u>	<u>\$ 15,213,661</u>

See accompanying notes to the financial statements

City of Hamilton
Trust Funds – LibraryAs at December 31, 2016

Statement of Financial Position

As at December 31, 2016

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash	\$ 319,758	\$ 316,609
Accrued interest receivable	844,234	1,363,862
Deposits - Hamilton Community Foundation	1,654,122	1,654,121
Due from City of Hamilton (Note 4)	<u>370,664</u>	<u>369,749</u>
Total Financial Assets	<u>\$ 3,188,778</u>	<u>\$ 3,704,341</u>
Accumulated surplus	<u>\$ 3,188,778</u>	<u>\$ 3,704,341</u>

Statement of Operations

Year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Revenues		
Investment income	<u>\$ 179,909</u>	<u>\$ 258,027</u>
Total revenue	<u>\$ 179,909</u>	<u>\$ 258,027</u>
Expenses		
Transfers to the City of Hamilton	\$ 650,000	\$ -
Other	<u>45,472</u>	<u>44,492</u>
Total expenses	<u>\$ 695,472</u>	<u>\$ 44,492</u>
Annual (deficit) surplus	<u>\$ (515,563)</u>	<u>\$ 213,535</u>
Accumulated surplus at the beginning of the year	<u>3,704,341</u>	<u>3,490,806</u>
Accumulated surplus at the end of the year	<u>\$ 3,188,778</u>	<u>\$ 3,704,341</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds – Other

As at December 31, 2016

Statement of Financial Position

As at December 31, 2016

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash	\$ 262,772	\$ 307,143
Investments	331,182	286,079
Due from City of Hamilton (Note 4)	<u>56,692</u>	<u>56,507</u>
Total Financial Assets	<u>\$ 650,646</u>	<u>\$ 649,729</u>
Accumulated surplus	<u>\$ 650,646</u>	<u>\$ 649,729</u>

Statement of Operations

Year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Revenues		
Investment income	\$ 11,882	\$ 11,594
Other revenue	<u>-</u>	<u>709</u>
Total revenue	<u>\$ 11,882</u>	<u>\$ 12,303</u>
Expenses		
Transfers to the City of Hamilton	\$ 8,393	\$ 7,323
Other	<u>2,572</u>	<u>17,921</u>
Total expenses	<u>\$ 10,965</u>	<u>\$ 25,244</u>
Annual surplus (deficit)	<u>\$ 917</u>	<u>\$ (12,941)</u>
Accumulated surplus at the beginning of the year	<u>649,729</u>	<u>662,670</u>
Accumulated surplus at the end of the year	<u>\$ 650,646</u>	<u>\$ 649,729</u>

See accompanying notes to the financial statements

Section 4

City of Hamilton Financial Statements for the Trust Funds – Homes for the Aged December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the City of Hamilton

We have audited the accompanying financial statements of Trust Funds – Homes for the Aged, City of Hamilton, which comprise the statement of financial position as at December 31, 2016, the statement of operations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds – Homes for the Aged, City of Hamilton as at December 31, 2016, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 12, 2017
Hamilton, Ontario

City of Hamilton

Trust Funds – Homes for the Aged

As at December 31, 2016

Statement of Financial Position

As at December 31, 2016

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2016	Total 2015
Financial assets						
Cash	\$ 29,378	\$ 15,659	\$ 14,813	\$ 121,211	\$ 181,061	\$ 195,381
Investments	-	-	-	256,503	256,503	253,028
Liabilities						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,348
Accumulated surplus	\$ 29,378	\$ 15,659	\$ 14,813	\$ 377,714	\$ 437,564	\$ 445,061

Statement of Operations

Year ended December 31, 2016

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2016	Total 2015
Revenue						
Residents' deposits	\$ 100,876	\$ 110,584	\$ 4,449	\$ 17,374	\$ 233,283	\$ 243,643
Investment income	-	-	145	4,712	4,857	3,811
Donations	-	-	667	4,159	4,826	7,191
	<u>100,876</u>	<u>110,584</u>	<u>5,261</u>	<u>26,245</u>	<u>242,966</u>	<u>254,645</u>
Expenses						
Maintenance payments	\$ -	\$ 23,017	\$ -	\$ -	\$ 23,017	\$ 28,346
Residents' charges	92,165	87,247	3,994	26,068	209,474	214,726
Payments to estates	7,152	7,672	-	-	14,824	23,092
Payments on discharge	-	-	-	-	-	802
Renovation expense	-	-	-	3,148	3,148	89
Program purchases	-	-	-	-	-	1,740
	<u>99,317</u>	<u>117,936</u>	<u>3,994</u>	<u>29,216</u>	<u>250,463</u>	<u>268,795</u>
Annual surplus (deficit)	1,559	(7,352)	1,267	(2,971)	(7,497)	(14,150)
Accumulated surplus at the beginning of the year	<u>27,819</u>	<u>23,011</u>	<u>13,546</u>	<u>380,685</u>	<u>445,061</u>	<u>459,211</u>
Accumulated surplus at the end of the year	\$ 29,378	\$ 15,659	\$ 14,813	\$ 377,714	\$ 437,564	\$ 445,061

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, 2016

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 \$256,503 (2015 - \$253,028). These investments have a market value of \$270,065 (2015 - \$263,952) at the end of the year.
