



Hamilton



**2011**  
**FINANCIAL  
REPORT**



Hamilton

# **FINANCIAL REPORT**

## **2011**

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

**City of Hamilton**  
**Financial Report**  
2011

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## **Section 1**

# **City of Hamilton Five Year Financial and Statistical Review 2011**

# 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)

	2011	2010	2009	2008	2007
<b>Operating Revenue</b>					
Taxation	\$ 720,324	\$ 700,257	\$ 675,606	\$ 652,690	\$ 621,372
Government grants and contributions	427,098	520,896	376,283	439,005	286,356
User charges	278,551	265,116	254,358	249,152	239,888
Development charges and subdivider contributions	46,933	16,378	23,286	27,987	382
Donated tangible capital assets	57,332	41,193	43,645	46,687	-
Investment and dividend income	71,270	48,627	51,600	50,990	11,243
Net income (loss) from Government Business Enterprises	11,661	3,350	241	(2,834)	7,684
Other	96,843	91,722	87,446	93,413	101,032
	<u>1,710,012</u>	<u>1,687,539</u>	<u>1,512,465</u>	<u>1,557,090</u>	<u>1,267,957</u>
<b>Operating Expenses by Function</b>					
General government	\$ 69,535	\$ 69,028	\$ 71,132	\$ 75,869	\$ 67,217
Protection services	259,867	243,421	235,325	225,608	205,703
Transportation services	282,336	267,921	330,170	290,701	165,260
Environmental services	194,973	171,122	165,823	167,454	112,337
Health services	79,593	77,118	74,437	68,970	60,085
Social and family services	276,048	294,794	301,016	260,919	264,622
Social housing	117,027	116,178	106,786	104,678	82,619
Recreation and cultural services	134,542	138,777	133,403	129,822	102,783
Planning and development	37,699	38,416	40,605	36,836	29,865
	<u>1,451,620</u>	<u>1,416,775</u>	<u>1,458,697</u>	<u>1,360,857</u>	<u>1,090,491</u>
<b>Net Operating Revenue or Annual Surplus from Operations</b>	<u>258,392</u>	<u>270,764</u>	<u>53,768</u>	<u>196,233</u>	<u>177,466</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2011 Public Sector Accounting Board (PSAB) standards and generally accepted accounting principles for local governments in Canada.

# 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)

	2011	2010	2009	2008	2007
<b>Taxation</b>					
Taxation from real property	\$ 893,209	\$ 871,170	\$ 843,029	\$ 819,725	\$ 786,784
Taxation from other governments/payments in lieu of taxes	15,267	14,835	14,553	12,173	11,492
Taxation collected on behalf of school boards	(188,152)	(185,748)	(181,976)	(179,208)	(176,904)
Net taxes available for municipal purposes	<u>720,324</u>	<u>700,257</u>	<u>675,606</u>	<u>652,690</u>	<u>621,372</u>
<b>Tax Levies</b>					
City portion	\$ 692,391	\$ 673,013	\$ 649,061	\$ 630,065	\$ 601,620
School Board portion	<u>185,066</u>	<u>181,510</u>	<u>177,969</u>	<u>175,978</u>	<u>174,048</u>
	<u>877,457</u>	<u>854,523</u>	<u>827,030</u>	<u>806,043</u>	<u>775,668</u>
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Tax arrears</b>					
Taxes receivable	\$ 75,943	\$ 71,937	\$ 69,028	\$ 58,818	\$ 56,518
Taxes receivable per capita	143	136	131	113	109
Taxes receivable as a percentage of current years' levies	8.7%	8.4%	8.3%	7.3%	7.3%
<b>Unweighted Taxable Assessment</b>					
Residential	\$ 41,781,277	\$ 39,268,260	\$ 36,842,873	\$ 34,259,519	\$ 33,808,610
Non-Residential	<u>6,277,837</u>	<u>5,760,437</u>	<u>5,263,578</u>	<u>4,930,035</u>	<u>4,880,139</u>
	<u>48,059,114</u>	<u>45,028,697</u>	<u>42,106,451</u>	<u>39,189,554</u>	<u>38,688,749</u>
<b>Weighted Taxable Assessment</b>					
Residential	\$ 45,123,128	\$ 42,509,064	\$ 39,960,408	\$ 37,243,442	\$ 36,799,388
Non-Residential	<u>13,912,554</u>	<u>12,828,948</u>	<u>11,841,894</u>	<u>11,248,116</u>	<u>11,485,684</u>
	<u>59,035,682</u>	<u>55,338,012</u>	<u>51,802,302</u>	<u>48,491,558</u>	<u>48,285,072</u>
<b>Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment</b>					
Residential	76%	77%	77%	77%	76%
Non-Residential	24%	23%	23%	23%	24%
<b>Taxable Assessment Growth (weighted)</b>	1.1%	1.3%	1.3%	1.0%	0.8%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2011 Public Sector Accounting Board (PSAB) standards and generally accepted accounting principles for local governments in Canada.

# 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)

	2011	2010	2009	2008	2007
<b>Operating Expenses by Object</b>					
Salaries, wages and employee benefits	\$ 625,386	\$ 606,815	\$ 643,407	\$ 574,360	\$ 532,177
Interest on long term liabilities	16,815	17,871	18,395	18,157	17,226
Materials	234,099	182,656	209,388	213,686	200,105
Contracted services	180,943	197,194	191,500	199,467	137,544
Rents and financial expenses	25,869	19,289	15,467	17,287	15,280
External transfers	199,187	227,269	223,363	188,557	188,159
Amortization of tangible capital assets	169,321	165,681	157,177	149,343	-
	<u>1,451,620</u>	<u>1,416,775</u>	<u>1,458,697</u>	<u>1,360,857</u>	<u>1,090,491</u>
<b>Operating Expenses as Percentage of Total</b>					
Salaries, wages and employee benefits	43.0%	42.8%	44.1%	42.1%	48.8%
Interest on long term liabilities	1.2%	1.3%	1.3%	1.3%	1.6%
Materials	16.1%	12.9%	14.4%	15.7%	18.3%
Contracted services	12.5%	13.9%	13.1%	14.7%	12.6%
Rents and financial expenses	1.8%	1.4%	1.1%	1.3%	1.4%
External transfers	13.7%	16.0%	15.2%	13.9%	17.3%
Amortization of tangible capital assets	11.7%	11.7%	10.8%	11.0%	0.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Long Term Liabilities</b>					
Long Term Liabilities incurred by the City	\$ 368,683	\$ 420,352	\$ 427,358	\$ 408,358	\$ 416,006
Long Term Debt incurred by the City for which other entities have assumed responsibility	(14,336)	(23,371)	(26,494)	(29,433)	(32,200)
	<u>354,347</u>	<u>396,981</u>	<u>400,864</u>	<u>378,925</u>	<u>383,806</u>
<b>Long Term Liabilities</b>					
Housing operations	\$ 84,908	\$ 89,195	\$ 93,279	\$ 74,168	\$ 76,695
City operations	269,439	307,786	307,585	304,757	307,111
	<u>354,347</u>	<u>396,981</u>	<u>400,864</u>	<u>378,925</u>	<u>383,806</u>
Long term liabilities as a % of Reserves and Capital Surplus	52.40%	55.80%	58.10%	48.80%	62.60%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2011 Public Sector Accounting Board (PSAB) standards and generally accepted accounting principles for local governments in Canada.



# 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)

	2011	2010	2009	2008	2007
<b>Tangible Capital Assets</b>					
General					
Land	\$ 235,428	\$ 218,869	\$ 193,416	\$ 170,956	\$ 162,900
Land improvements	113,353	110,475	107,154	107,351	108,655
Buildings	473,450	399,349	307,949	269,534	240,855
Vehicles	118,843	129,356	127,272	107,787	98,167
Computer hardware and software	4,335	5,008	4,517	4,724	4,577
Other	66,925	63,075	59,891	51,752	42,342
Infrastructure					
Roads	1,196,811	1,212,293	1,244,287	1,268,814	1,279,560
Bridges and structures	171,716	159,286	160,890	162,798	161,029
Water and wastewater facilities	215,272	160,327	152,553	150,533	153,586
Underground and other networks	1,508,056	1,443,408	1,384,228	1,331,191	1,307,562
Net Book Value	4,104,189	3,901,446	3,742,157	3,625,440	3,559,233
Assets under construction	\$ 341,441	\$ 283,547	\$ 191,478	\$ 96,137	\$ 1,731
	4,445,630	4,184,993	3,933,635	3,721,577	3,560,964
<b>Accumulated Surplus or Municipal Financial Position</b>					
Reserves and reserve funds					
Reserves	\$ 583,063	\$ 530,213	\$ 410,630	\$ 437,672	\$ 318,017
Hamilton Future Fund	73,506	72,990	73,426	74,928	75,013
	656,569	603,203	484,056	512,600	393,030
Capital surplus	\$ 19,858	\$ 107,836	\$ 205,492	\$ 264,110	\$ 220,382
Operating surplus	1,123	1,054	806	1,038	2,877
Investment in Government Business Enterprises	200,866	189,205	185,810	185,569	188,403
Investment in tangible capital assets	4,084,246	3,780,753	3,492,082	3,296,172	3,256,855
Unfunded liabilities - Employee future benefits	(269,461)	(253,988)	(246,298)	(187,677)	(181,397)
Unfunded liabilities - Solid waste landfill sites	(33,357)	(26,611)	(26,952)	(30,584)	(35,155)
	4,659,844	4,401,452	4,094,996	4,041,228	3,844,995

Note: Amounts reported may have been restated from previous amounts presented to conform to 2011 Public Sector Accounting Board (PSAB) standards and generally accepted accounting principles for local governments in Canada.

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# City of Hamilton

## Five Year Financial and Statistical Review (unaudited)

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	2011	2010	2009	2008	2007
<b>Statistical Information</b>					
Population	531,057	528,502	525,697	519,109	518,181
Households	212,262	209,965	207,667	203,643	202,209
Area in hectares	112,775	112,775	112,775	112,775	111,700
Building Permit Values	\$ 731,019,287	\$ 1,096,299,091	\$ 637,968,543	\$ 818,462,450	\$ 801,719,348
Housing Starts	956	1,513	742	1,126	1,241
New Residential Units - Building Permits	3,373	5,137	3,008	2,809	2,737
Average Monthly Social Assistance Case Load	13,807	13,330	12,224	10,035	9,753
Continuous Full Time Employees	6,296	6,259	6,183	6,146	6,043

## Section 2

# **City of Hamilton Consolidated Financial Statements 2011**

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## Independent Auditor's Report

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

### **Management's responsibility for the financial statements**

We have audited the accompanying consolidated financial statements of the Corporation of the City of Hamilton, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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 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 the auditor's 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, the auditor considers 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 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 financial position of The Corporation of the City of Hamilton as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Other matter**

Without modifying our report we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Hamilton, Canada  
June 13, 2012

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Grant Thornton LLP  
Chartered Accountants  
Licensed Public Accountants

# City of Hamilton

## Consolidated Statement of Financial Position

As at December 31, 2011 (all numbers are in thousands of dollars)

	<u>2011</u>	<u>2010</u> (Note 1)
<b>Financial assets</b>		
Cash and cash equivalents (Note 2)	\$ 72,932	\$ 147,837
Taxes receivable	75,943	71,937
Accounts receivable	129,495	110,638
Other assets	665	715
Long term receivables (Note 3)	29,991	24,922
Portfolio investments (Note 2)	738,711	710,181
Investment in Government Business Enterprises (Note 4)	<u>200,866</u>	<u>189,205</u>
<b>Total financial assets</b>	<b><u>\$ 1,248,603</u></b>	<b><u>\$ 1,255,435</u></b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 226,916	\$ 224,935
Deferred revenue - general	27,705	25,330
Deferred revenue - obligatory reserve funds (Note 5)	125,469	113,913
Long term liabilities – Municipal Operations (Note 7)	269,439	307,786
Long term liabilities – Housing Corporation (Note 8)	84,908	89,195
Employee future benefits and other obligations (Note 9)	288,993	272,986
Solid waste landfill liabilities (Note 11)	<u>33,357</u>	<u>26,611</u>
<b>Total liabilities</b>	<b><u>1,056,787</u></b>	<b><u>1,060,756</u></b>
<b>Net financial assets</b>	<b><u>\$ 191,816</u></b>	<b><u>\$ 194,679</u></b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 19)	\$ 4,445,630	4,184,993
Inventories	9,141	9,539
Prepaid expenses	<u>13,257</u>	<u>12,241</u>
<b>Total non-financial assets</b>	<b><u>4,468,028</u></b>	<b><u>4,206,773</u></b>
<b>Accumulated surplus (Note 12)</b>	<b><u>\$ 4,659,844</u></b>	<b><u>\$ 4,401,452</u></b>

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, 2011 (all numbers are in thousands of dollars)

	Budget <u>2011</u> (unaudited) (Note 21)	Actual <u>2011</u>	Actual <u>2010</u> (Note 1)
<b>Revenue</b>			
Taxation (Note 14)	\$ 717,095	\$ 720,324	\$ 700,257
Government grants and contributions	400,191	427,098	520,896
User charges	261,725	278,551	265,116
Development charges and subdivider contributions	57,846	71,270	16,378
Donated tangible capital assets	41,000	57,332	41,193
Investment and dividend income	26,291	46,933	48,627
Net income from Government Business Enterprises (Note 4)	-	11,661	3,350
Other	93,120	96,843	91,722
<b>Total revenue</b>	<u>1,597,268</u>	<u>1,710,012</u>	<u>1,687,539</u>
<b>Expenses</b>			
General government	65,467	69,535	69,028
Protection services	244,821	259,867	243,421
Transportation services	272,872	282,336	267,921
Environmental services	177,342	194,973	171,122
Health services	80,765	79,593	77,118
Social and family services	272,230	276,048	294,794
Social housing	128,388	117,027	116,178
Recreation and cultural services	131,118	134,542	138,777
Planning and development	38,282	37,699	38,416
<b>Total expenses</b>	<u>1,411,285</u>	<u>1,451,620</u>	<u>1,416,775</u>
<b>Annual surplus</b>	\$ 185,983	\$ 258,392	\$ 270,764
<b>Accumulated surplus</b>			
Beginning of year,			
As previously reported	-	-	\$ 4,094,996
Prior period adjustment	-	-	35,692
<b>Accumulated surplus</b>			
Beginning of year, as restated	<u>\$ 4,401,452</u>	<u>\$ 4,401,452</u>	<u>\$ 4,130,688</u>
End of year	<u>\$ 4,587,435</u>	<u>\$ 4,659,844</u>	<u>\$ 4,401,452</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, 2011 (all numbers are in thousands of dollars)

	Budget <u>2011</u> (unaudited) (Note 21)	Actual <u>2011</u>	Actual <u>2010</u> (Note 1)
<b>Operating activities</b>			
Annual surplus	\$ 185,983	\$ 258,392	\$ 270,764
Purchase of tangible capital assets	(438,624)	(385,394)	(380,317)
Loss on disposition of tangible capital assets	-	12,768	4,471
Amortization of tangible capital assets	166,000	169,321	165,681
Donated tangible capital assets	(41,000)	(57,332)	(41,193)
Decrease (increase) in inventories	-	398	(521)
(Increase) decrease in prepaid expenses	-	(1,016)	1,304
<b>Net (decrease) increase in net financial assets</b>	(127,641)	(2,863)	20,189
<b>Net financial assets</b>			
Beginning of year	<u>194,679</u>	<u>194,679</u>	<u>174,490</u>
End of year	<u>\$ 67,038</u>	<u>\$ 191,816</u>	<u>\$ 194,679</u>

See accompanying notes to the consolidated financial statements.

# City of Hamilton

## Consolidated Statement of Cash Flow

For the year ended December 31, 2011 (all numbers are in thousands of dollars)

	<u>2011</u>	<u>2010</u> (Note 1)
<b>Operating activities</b>		
Annual surplus	\$ 258,392	\$ 270,764
Increase in taxes receivable	(4,006)	(2,909)
Increase in accounts receivable	(18,857)	(24,867)
Decrease (increase) in other assets	50	(11)
Increase in accounts payable and accrued liabilities	1,981	14,335
Increase (decrease) in deferred revenue - general	2,375	(1,907)
Increase in deferred revenue – obligatory reserve fund	11,556	47,338
Increase in employee future benefit obligations and other liabilities	16,007	10,815
Increase (decrease) in solid waste landfill liabilities	6,746	(341)
Decrease (increase) in inventories	398	(521)
(Increase) decrease in prepaid expenses	(1,016)	1,304
<b>Non-cash activities</b>		
Amortization of tangible capital assets	169,321	165,681
Donated tangible capital assets	(57,332)	(41,193)
Loss on disposition of tangible capital assets	<u>12,768</u>	<u>4,471</u>
	<u>393,383</u>	<u>442,959</u>
<b>Investing activities</b>		
(Increase) decrease in investments	(28,530)	39,982
Increase in investment in Government Business Enterprises	(11,661)	(3,350)
Increase in long term receivables	<u>(5,069)</u>	<u>(1,292)</u>
	<u>(45,260)</u>	<u>35,340</u>
<b>Financing activities</b>		
Long term debt issued – Municipal Operations	-	27,494
Long term liability – leased capital assets	6,635	-
Debt principal repayment – Municipal Operations	(44,031)	(26,612)
Lease obligation payment – Municipal Operations	(951)	(680)
Debt principal repayment – Housing Corporation	<u>(4,287)</u>	<u>(4,084)</u>
	<u>(42,634)</u>	<u>(3,882)</u>
<b>Tangible capital assets</b>		
Purchase of tangible capital assets	<u>(385,394)</u>	<u>(380,317)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(74,905)	94,100
<b>Cash and cash equivalents</b>		
Beginning of year	<u>147,837</u>	<u>53,737</u>
End of year	<u>\$ 72,932</u>	<u>\$ 147,837</u>

See accompanying notes to the consolidated financial statements.

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 1. Significant accounting policies

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

The City has restated certain financial assets, liabilities, non-financial assets and accumulated surplus for 2010 as a result of changes to International Financial Reporting Standards for Government Business Enterprises, changes to accounting policies for tangible capital assets and various corrections. The City implemented a change in the capitalization policies whereby components of buildings are recorded as tangible capital assets rather than recorded as operating expenses. The effect of the changes is as follows:

	<u>2010</u>
Financial assets	
Accounts Receivable	
Previously reported	\$ 110,536
Prior period adjustment	<u>102</u>
Restated	<u>\$ 110,638</u>
Investment in Government Business Enterprises	
Previously reported	\$ 189,231
Prior period adjustment	<u>(26)</u>
Restated	<u>\$ 189,205</u>
Liabilities	
Accounts payable and accrued liabilities	
Previously reported	\$ 227,419
Prior period adjustment	<u>(2,484)</u>
Restated	<u>\$ 224,935</u>
Non-financial assets	
Tangible capital assets	
Previously reported	\$ 4,127,014
Prior period adjustment	<u>57,979</u>
Restated	<u>\$ 4,184,993</u>
Accumulated surplus	
Previously reported	\$ 4,340,913
Prior period adjustment	<u>60,539</u>
Restated	<u>\$ 4,401,452</u>

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 1. Significant accounting policies (continued)

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

Hamilton Tourism Inc.

The Hamilton Entertainment and Convention Facilities Inc.

The Hamilton Public Library Board

The Hamilton Street Railway Company

City Housing 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

Interdepartmental and organizational transactions and balances are eliminated.

City Housing 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 City Housing 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.

City Housing Hamilton Corporation has been consolidated on a line-by-line basis to conform 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 \$16,814,000 (2010 - \$16,395,000) 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 \$637,000 (2010 - \$700,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 1. (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 31<sup>st</sup> year-end are excluded from these financial statements. The programs, which are not consolidated, are as follows:

- Alcohol, Drug and Gaming Services - Problem Gambling
- Anonymous Testing
- Asthma Project
- Child and Adolescent Services
- Choices and Changes Program
- Drug and Alcohol Assessment
- Injection Drug Use Outreach Program
- Mental Health Promotion
- 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. Expenditures are recognized in the period goods and services are acquired and a liability is incurred or transfers are due.

### (c) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles for municipal governments and generally accepted accounting principles 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. Where estimation uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

### (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.

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 1. Significant accounting policies (continued)

#### (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 the lower of cost and fair 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 expenditures are incurred, deferred revenues are brought 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. Leased tangible capital assets are valued at the present value of the future minimum lease payments. Certain tangible capital assets for which historical cost information is not available have been recorded at current replacement cost deflated by a relevant inflation factor.

Amortization for road linear assets is calculated on a consumption basis using road deterioration curves. All other tangible capital assets are amortized on a straight-line basis over their estimated useful lives. One half of the annual amortization is recorded as amortization expense in the year of acquisition or construction and in the year of disposal.

#### (i) Inventories

Inventories of goods held for resale and inventories of property held for resale are valued at the lower of cost and net realizable value. Inventories of property intended for resale are recorded as an expense if it is not reasonably expected that the sale will be completed within one year of the financial statement date.

#### (j) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 2. Cash and portfolio investments

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 198	\$ 200
Cash held in banks	66,795	142,188
Temporary investments	<u>5,939</u>	<u>5,449</u>
	<u>\$ 72,932</u>	<u>\$ 147,837</u>
Portfolio investments are comprised of:		
Unrestricted investments	\$ 539,736	\$ 523,278
Restricted investments (obligatory reserve funds)	125,469	113,913
Designated investments (Hamilton Future Fund)	<u>73,506</u>	<u>72,990</u>
	<u>\$ 738,711</u>	<u>\$ 710,181</u>

Portfolio investments have a market value of \$752,789,000 (2010 - \$712,471,000) and include City debentures - unrestricted investments of \$16,795,000 (2010 - \$16,840,000).

Portfolio investments includes restructured third-party sponsored and bank sponsored asset backed commercial paper ("ABCP") of \$67,877,000 (2010 - \$67,879,000).

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### 3. Long term receivables

The City has long-term receivables in the amount of \$29,991,000 (2010 - \$24,922,000). The long term receivables are comprised of:

	<u>2011</u>	<u>2010</u>
Development charge deferral agreements	\$ 11,375	\$ 8,364
Mortgages receivable:		
Downtown convert to rent program	6,306	3,927
Hamilton Renewable Power Inc.	4,677	5,120
Sheraton Hotel loan	1,451	1,521
Other City loan programs	1,131	1,025
Loans to other agencies and organizations	9,094	8,082
Less: Provision for loans with concessionary terms	<u>(4,043)</u>	<u>(3,117)</u>
	<u>\$ 29,991</u>	<u>\$ 24,922</u>

Development charge deferral agreements and mortgage receivables are loans which are secured by property, with interest rates varying from 0% to 6.75% and terms of one year to thirty years.

Loans to other agencies and organizations consist of loans to the Hamilton Conservation Authority, Canadian Football Hall of Fame, Wentworth Minor Football Association, Catholic Children's Aid Society, Winona Peach Festival, Redeemer University College and the Bob Kemp Hospice, with interest rates varying from 0% to 5.18% for terms of one year to thirty years.

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (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 2011 and 2010 is as reported by the Hamilton Utilities Corporation and Hamilton Renewable Power Inc.

	<u>2011</u>	<u>2010</u>
Net income from H.U.C.	\$ 11,887	\$ 3,790
Net loss from H.R.P.I.	<u>(226)</u>	<u>(440)</u>
Net income from Government Business Enterprises	<u>\$ 11,661</u>	<u>\$ 3,350</u>

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

	<u>2011</u>	<u>2010</u>
Investment in H.U.C.	\$ 200,991	\$ 189,104
Investment in H.R.P.I.	<u>(125)</u>	<u>101</u>
	<u>\$ 200,866</u>	<u>\$ 189,205</u>



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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 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, 2011 and December 31, 2010 respectively.

	<u>2011</u>	<u>2010</u>
<b>Financial position</b>		
Current assets	\$ 142,216	\$ 133,176
Capital assets	350,543	340,887
Intangible assets	3,711	4,448
Goodwill	18,923	18,923
Future payments in lieu of taxes	<u>12,552</u>	<u>11,168</u>
Total assets	<u>527,945</u>	<u>508,602</u>
Current liabilities		
(including current portion of long term debt)	202,717	91,543
Long term liabilities	<u>83,362</u>	<u>189,228</u>
Total liabilities	286,079	280,771
Minority Interest	<u>40,875</u>	<u>38,727</u>
Net assets	<u>\$ 200,991</u>	<u>\$ 189,104</u>
<b>Results of operations</b>		
Revenues	\$ 114,267	\$ 104,503
Operating expenses	(80,152)	(77,032)
Financing expenses	(9,782)	(8,552)
Other income	<u>503</u>	<u>645</u>
Equity earnings from operations	24,836	19,564
Payment in lieu of taxes	(6,346)	(6,155)
Income from discontinued operations	4,937	362
Minority Interest	<u>(3,757)</u>	<u>(2,681)</u>
Net Income before dividends	19,670	11,090
Dividends paid	(7,300)	(7,300)
Refundable dividend tax on hand	<u>(483)</u>	<u>-</u>
Net income	<u>\$ 11,887</u>	<u>\$ 3,790</u>

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 4. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Renewable Power Inc. reported at December 31, 2011 and December 31, 2010 respectively.

	<u>2011</u>	<u>2010</u>
<b>Financial position</b>		
Current assets	\$ 1,429	\$ 1,706
Capital assets	10,227	10,832
Other assets	<u>32</u>	<u>32</u>
Total assets	<u>11,688</u>	<u>12,570</u>
Current liabilities		
(including current portion of long term debt)	1,274	1,464
Future payment in lieu of taxes	573	443
Long term debt	<u>3,966</u>	<u>4,562</u>
Total liabilities	5,813	6,469
Shareholder's equity	<u>6,000</u>	<u>6,000</u>
Net assets	<u>\$ (125)</u>	<u>\$ 101</u>
<b>Results of operations</b>		
Revenues	\$ 4,058	\$ 4,328
Expenses	(3,548)	(3,511)
Dividends paid	<u>(736)</u>	<u>(1,257)</u>
Net loss	<u>\$ (226)</u>	<u>\$ (440)</u>

Hamilton Utilities Corporation's current portion of long term debt is comprised of senior unsecured debentures of \$104,761,000 bearing interest at 6.25%, due July 31, 2012.

Hamilton Utilities Corporation's long term liabilities includes long term debt of senior unsecured debentures of \$39,592,000 bearing interest at 4.77%, due July 21, 2020.

The notes to Hamilton Utilities Corporation's consolidated financial statements and Hamilton Renewable Power Inc.'s consolidated financial statements include commitments and contingencies that are disclosed in the City's notes to the consolidated financial statements as contractual obligations (Note 16) and contingent liabilities (Note 18).

# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (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>2011</u>	<u>2010</u>
<b>Revenue</b>		
Dividend revenue from H.U.C.	\$ 7,300	\$ 7,300
Property and other taxes received by the City from H.U.C.	516	504
Sale of Methane to H.R.P.I.	901	872
<b>Expenditures</b>		
Hydro purchased by the City from H.U.C.	31,085	22,231
Water and sewer billing contracted service with H.U.C.	3,798	3,628
Thermal and Electrical Energy purchased from H.U.C.	2,044	1,996
Thermal Energy purchased from H.R.P.I.	426	406
<b>Assets</b>		
Accounts receivable from H.U.C.	70	-
Water user charges receivable from H.U.C.	11,194	10,205
Accounts receivable from H.R.P.I.	336	536
Long term receivable from H.R.P.I.	4,677	5,120
<b>Liabilities</b>		
Accounts Payable – H.U.C.	441	272

### 5. Deferred revenue - obligatory reserve funds

	<u>2011</u>	<u>2010</u>
Development charge reserve funds (Note 6)	\$ 37,954	\$ 67,425
Subdivider contributions	50	49
Recreational land dedicated under the Planning Act	10,392	10,054
Gasoline tax revenue: Provincial	24,505	20,503
Federal	22,417	8,506
Building Permit Revenue	9,842	7,376
Pan Am Games Stadium	20,309	-
	<u>\$ 125,469</u>	<u>\$ 113,913</u>

### 6. Continuity of development charge reserve funds

	<u>2011</u>	<u>2010</u>
Balance at the beginning of the year	\$ 67,425	\$ 35,111
Development charge collections	41,800	48,694
Investment Income	1,328	1,031
Tangible capital assets acquisitions and construction	(72,533)	(15,431)
Operating expenses	(66)	(1,980)
Balance at the end of the year	<u>\$ 37,954</u>	<u>\$ 67,425</u>

# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

### 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 2012 to 2026 with interest rates varying between 2.15% and 6.75% and obligations for leased tangible capital assets with payments from 2012 to 2051 at a discount rate of 5%. Long term debt in the form of a loan of \$25,000,000 is callable if construction on eligible tangible capital assets is not 25% complete by March 31, 2012. The balance of long term liabilities consists of the following:

	<u>2011</u>	<u>2010</u>
Long term debt incurred by the City	\$ 274,704	\$ 327,770
Long term debt incurred by the City for which other entities have assumed responsibility	<u>(14,336)</u>	<u>(23,371)</u>
Net long term debt	\$ 260,368	\$ 304,399
Long term liabilities for leased tangible capital assets incurred by the City	\$ 9,071	\$ 3,387
Net long term liabilities	\$ 269,439	\$ 307,786

- (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, 2011 is \$14,336,000 (2010 - \$23,371,000).

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.

- (c) Of the \$260,368,000 long term debt (2010 - \$304,399,000) 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>2011</u>	<u>2010</u>
General revenues	\$ 257,444	\$ 298,910
Reserves and reserve funds	1,891	3,678
Wastewater user charges	1,026	1,800
Non-consolidated entities	<u>7</u>	<u>11</u>
	\$ 260,368	\$ 304,399

# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

### 7. Long term liabilities – municipal operations (continued)

- (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	Reserves and Reserve Funds	Wastewater User Charges	Non-consolidated Entities	2011 Total
2012	\$ 25,025	\$ 1,891	\$ 69	\$ 2	\$ 26,987
2013	24,410	-	72	1	24,483
2014	25,411	-	76	1	25,488
2015	26,462	-	79	1	26,542
2016	27,576	-	83	1	27,660
2017 and thereafter	\$ 128,560	\$ -	\$ 647	\$ 1	\$ 129,208
Total	\$ 257,444	\$ 1,891	\$ 1,026	\$ 7	\$ 260,368

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

	2011
2012	\$ 1,153
2013	1,153
2014	1,153
2015	1,153
2016	547
2017 and thereafter	\$ 3,912
Total	\$ 9,071

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

	2011	2010
Principal repayments	\$ 44,031	\$ 26,612
Interest expense	12,623	13,688
	<u>\$ 56,654</u>	<u>\$ 40,300</u>

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

	2011	2010
Principal repayments	\$ 951	\$ 680
Interest expense	497	220
	<u>\$ 1,448</u>	<u>\$ 900</u>

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 8. Long term liabilities – housing corporation

- (a) The balance of long term liabilities – housing corporation reported on the Consolidated Statement of Financial Position represents capital assets of the City's Housing Corporation that are financed by mortgages. The mortgages mature in the years 2012 to 2027 with interest rates varying between 2.61% and 8.00%. The mortgage obligations for CityHousing Hamilton are \$84,908,000 (2010 - \$89,195,000).

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

2012	\$ 21,410
2013	5,896
2014	29,021
2015	6,463
2016	8,382
2017 and thereafter	13,736
	<u>\$ 84,908</u>

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

	<u>2011</u>	<u>2010</u>
Principal repayments	\$ 4,287	\$ 4,084
Interest expense	<u>3,694</u>	<u>3,963</u>
	<u>\$ 7,981</u>	<u>\$ 8,047</u>

- (d) Other long term liabilities incurred by the City's housing corporation, representing capital assets financed by debentures issued by the Ontario Housing Corporation of \$34,628,000 (2010 - \$37,743,000), are 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 these long term liabilities remains the obligation of the Province of Ontario.
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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (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>2011</u>	<u>2010</u>
<b>Accrued Benefit Obligation</b>		
Sick leave benefit plan	\$ 47,722	\$ 46,204
Long term disability	15,148	13,677
Workplace safety and insurance board liabilities (WSIB)	62,904	57,153
Retirement benefits	124,834	123,283
Vacation benefits	24,161	23,865
Pension benefit plans (Note 10)	<u>110,049</u>	<u>98,177</u>
	<b>384,818</b>	362,359
Pension valuation allowance	-	68
Net unamortized actuarial loss	<u>(95,825)</u>	<u>(89,441)</u>
<b>Accrued Liability</b>	<b><u>\$ 288,993</u></b>	<b><u>\$ 272,986</u></b>

The City has established reserves for some of these liabilities totalling \$62,550,000 (2010 - \$58,110,000) as described in the following notes.

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

	<u>2011</u>	<u>2010</u>
Liability for Employee Future Benefits and Other Obligations		
balance at beginning of the year	\$ 272,986	\$ 262,171
Change in pension valuation allowance	280	(436)
Benefit expense	20,937	17,681
Interest expense	12,042	12,090
Amortization of actuarial loss on accrued benefit obligations	8,509	5,462
Amortization of actuarial loss (gain) on earnings on pension assets	(452)	472
Benefit payments	<u>(25,309)</u>	<u>(24,454)</u>
Liability for Employee Future Benefits and Other Obligations		
balance at end of the year	<b><u>\$ 288,993</u></b>	<b><u>\$ 272,986</u></b>

# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (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>2011</u>	<u>2010</u>
Change in pension valuation allowance	\$ 280	\$ (436)
Benefit expense	20,937	17,681
Interest expense	12,042	12,090
Amortization of net actuarial loss	8,057	5,934
	<u>\$ 41,316</u>	<u>\$ 35,269</u>

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

	Discount Rate	Return on Assets	Inflation Rate	Payroll Increases	Dental Increases	Life Expectancy (Years)
Vested sick leave	4.5%	NA	2%	4%	NA	9.4
Long term disability	4.0%	NA	2%	3%	NA	8
Workplace safety and insurance	4.5%	NA	2%	4%	NA	8
Retirement Benefits – Health and Dental	4.5%	NA	2%	4%	3.5% (1)	13.3 to 14.1
Pensions Benefits (non-OMERS)	4.5%	5.5%	2%	NA (2)	NA	8.5 to 11.15
Note (1): Medical costs are assumed to increase at a rate of 6% in 2012, with future annual increases grading down linearly by 0.5% to an ultimate rate of 3.5%.						
(2): There is no estimate for future salary and wage increases as there are no active employees in the pension plans.						

#### (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, 2011 has estimated the accrued benefit obligation at \$47,722,000 (2010 - \$46,204,000). Changes in valuation assumptions have resulted in an increase in the liability to \$47,722,000 from the expected liability of \$36,488,000. The actuarial loss as at December 31, 2011 of \$11,234,000 is being amortized over the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$9,179,000 (2010 - \$8,965,000).



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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### **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, 2011 has estimated the accrued benefit obligation at \$15,148,000 (2010 - \$13,677,000). Changes in valuation assumptions have resulted in a decrease in the liability to \$15,148,000 from the expected liability of \$17,150,000. The actuarial gain as at December 31, 2011 of \$2,002,000 is being amortized over 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 \$14,575,000 (2010 - \$13,122,000).

#### **(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, 2011 estimated the accrued benefit obligation for workplace safety & insurance existing claims and future pension awards at \$62,904,000 (2010 - \$57,153,000). Changes in valuation assumptions have resulted in an increase in the liability to \$62,904,000 from the expected liability of \$55,620,000. The actuarial loss of \$7,284,000 is being amortized over 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 \$37,488,000 (2010 - \$34,746,000).

#### **(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, 2011 estimated the accrued benefit obligation at \$124,834,000 (2010 - \$123,283,000). The cost of a plan amendment and changes in valuation assumptions have resulted in an increase in the liability to \$124,834,000 from the expected liability of \$83,969,000. The actuarial loss of \$40,865,000 is being amortized over 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, 2011 has been estimated at \$24,161,000 (2010 - \$23,865,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,308,000 (2010 - \$1,277,000).

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 9. Employee future benefits and other obligations (continued)

#### (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, 2011 estimated the combined accrued benefit obligation of the pension plans at \$110,049,000 (2010 – \$98,177,000). Changes in valuation assumptions including a pension valuation allowance of \$68,000 resulted in an increase in the liability to \$110,049,000 from an expected liability of \$71,605,000. The actuarial loss of \$38,444,000 is being amortized over the expected average remaining life expectancy of the plan members.

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### 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 6,643 members of City staff and councillors. The plan is a defined benefit, 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, 2010 indicates a “going concern” Actuarial Deficit based on the plan’s current member and employer contribution rates. Contributions were made in the 2011 calendar year at rates ranging from 7.4% to 14.1% depending on the member’s designated retirement age and level of earnings. As a result \$39,362,000 (2010 - \$36,000,000) was contributed to OMERS for current service.

#### (b) Other pension plans

Approximately 492 employees of the City are members of three defined benefit pension 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 resulting in a net asset position in one of the pension plans and a net liability in two of the pension plans.

# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

### 10. Pension agreements (continued)

#### (b) Other pension plans

The actuarial valuation of the Hamilton Wentworth Retirement Fund ("HWRF") pension plan as at December 31, 2011 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 the accrued benefit obligation are being amortized over eight and a half 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>2011</u>	<u>2010</u>
Accrued pension benefit obligation - HWRF	\$ 83,872	\$ 87,285
Pension plan assets:		
Marketable securities	<u>(59,371)</u>	<u>(64,743)</u>
	24,501	22,542
Unamortized actuarial loss	<u>(7,407)</u>	<u>(3,300)</u>
Accrued pension liability - HWRF	<u>\$ 17,094</u>	<u>\$ 19,242</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>2011</u>	<u>2010</u>
Expected pension fund assets at end of year	\$ 62,698	\$ 62,543
Actual pension fund assets at end of year	<u>59,371</u>	<u>64,743</u>
Actuarial gain (loss) on pension fund assets	<u>(3,327)</u>	<u>\$ 2,200</u>
Expected accrued pension benefit obligation at end of year	\$ 83,121	\$ 87,792
Actual accrued pension benefit obligation at end of year	<u>83,872</u>	<u>87,285</u>
Actuarial gain (loss) on accrued pension benefit Obligation – HWRF	<u>\$ (751)</u>	<u>\$ 507</u>

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

	<u>2011</u>	<u>2010</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ (32)	\$ 21
Amortization of net actuarial gain on pension plan assets	<u>3</u>	<u>235</u>
Net Amortization	<u>(29)</u>	<u>256</u>
Interest on average accrued pension benefit obligation	3,750	4,373
Expected return on average pension plan assets	<u>(3,411)</u>	<u>(3,672)</u>
Net Interest	<u>339</u>	<u>701</u>
Total expenses	<u>\$ 310</u>	<u>\$ 957</u>

# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

### 10. Pension agreements (continued)

#### (b) Other pension plans

Payments of \$2,457,000 (2010 - \$3,440,000) 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, 2011 will be funded by the City with payments as follows:

2012	\$ 1,790
2013	1,343
2014	1,343
2015	1,343
2016	172
2017 and thereafter	862
Total	<u>\$ 6,853</u>

The actuarial valuation of the Hamilton Municipal Retirement Fund ("HMRF") pension plan as at December 31, 2011 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>2011</u>	<u>2010</u>
Accrued pension benefit obligation HMRF	\$ 88,701	\$ 92,417
Pension plan assets:		
Marketable securities	<u>(78,088)</u>	<u>(85,667)</u>
	10,613	6,750
Unamortized actuarial loss	<u>(10,525)</u>	<u>(6,818)</u>
Accrued pension liability (asset)	88	(68)
Pension valuation allowance	-	\$ 68
Accrued pension liability - HMRF	<u>\$ 88</u>	<u>\$ -</u>

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

	<u>2011</u>	<u>2010</u>
Expected pension fund assets at end of year	\$ 82,465	\$ 82,702
Actual pension fund assets at end of year	<u>78,088</u>	<u>85,667</u>
Actuarial gain (loss) on pension fund assets – HMRF	<u>(4,377)</u>	<u>2,965</u>
Expected accrued pension benefit obligation at end of year	\$ 88,701	\$ 91,150
Actual accrued pension benefit obligation at end of year	<u>88,701</u>	<u>92,417</u>
Actuarial loss on accrued pension benefit obligation – HMRF	<u>-</u>	<u>(1,267)</u>

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

	<u>2011</u>	<u>2010</u>
Change in pension valuation allowance	\$ (68)	\$ (436)
Amortization of net actuarial loss on accrued pension benefit obligation	481	375
Amortization of net actuarial gain on pension plan assets	<u>190</u>	<u>437</u>
Net Amortization	<u>671</u>	<u>812</u>

# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

### 10. Pension agreements (continued)

#### (b) Other pension plans

	<u>2011</u>	<u>2010</u>
Interest on average accrued pension benefit obligation	\$ 3,986	\$ 4,526
Expected return on average pension plan assets	<u>(4,500)</u>	<u>(4,902)</u>
Net Interest	<u>(514)</u>	<u>(376)</u>
Total expenses	<u>\$ 88</u>	<u>\$ -</u>

The actuarial valuation of the HSR pension plan as at December 31, 2011 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>2011</u>	<u>2010</u>
Accrued pension benefit obligation	\$ 230,619	\$ 231,590
Pension plan assets:		
Marketable securities	<u>(155,685)</u>	<u>(162,706)</u>
	74,934	68,884
Unamortized actuarial loss	<u>(20,511)</u>	<u>(15,541)</u>
Accrued pension liability – HSR	<u>\$ 54,423</u>	<u>\$ 53,343</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>2011</u>	<u>2010</u>
Expected pension fund assets at end of year	\$ 164,256	\$ 157,001
Actual pension fund assets at end of year	<u>155,685</u>	<u>162,706</u>
Actuarial gain (loss) on pension fund assets	<u>(8,571)</u>	<u>\$ 5,705</u>
Expected accrued pension benefit obligation at end of year	\$ 233,203	\$ 222,328
Actual accrued pension benefit obligation at end of year	<u>230,619</u>	<u>231,590</u>
Actuarial gain (loss) on accrued pension benefit obligation	<u>\$ 2,584</u>	<u>\$ (9,262)</u>

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

	<u>2011</u>	<u>2010</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ 1,661	\$ 937
Amortization of net actuarial (loss) gain on pension plan assets	<u>(644)</u>	<u>(198)</u>
Net Amortization	1,017	739
Interest on average accrued pension benefit obligation	10,227	10,783
Expected return on average pension plan assets	<u>(8,751)</u>	<u>(9,108)</u>
Net Interest	<u>1,476</u>	<u>1,675</u>
Total expenses	<u>\$ 2,493</u>	<u>\$ 2,414</u>

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 10. Pension agreements (continued)

#### (b) Other pension plans

Payments of \$1,413,000 (2010 – \$419,000) 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, 2011 will be funded by the City with payments as follows:

2012	\$ 1,454
2013	1,454
2014	1,388
2015	1,388
2016	1,217
2017 and thereafter	<u>10,262</u>
Total	<u>\$ 17,163</u>

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### 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 with a capacity of 13,258,000 cubic metres of waste. As at December 31, 2011 the remaining capacity of the site is estimated at 7,173,000 cubic metres, representing 54% of the total capacity. In 2011 approximately 43% of waste generated was diverted from landfills (2010 – 43%). The open landfill site is estimated to reach its capacity and close in 2036.

The closure costs for the open Glanbrook landfill site and post closure care costs for the closed sites were based upon 2012 capital budget estimates, adjusted by 3% inflation, unexpended capital projects that were in progress in 2011 and estimates of operational support costs. These costs were then discounted back to December 31, 2011 using a discount factor of 5%. Post closure care for the Glanbrook site is estimated to be required for 25 years from the date of site closure. 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.

The liability of \$33,357,000 (2010 - \$26,611,000) 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 \$666,000 (2010 - \$500,000) was established to finance the future cost for closed landfill sites.

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 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>2011</u>	<u>2010</u>
Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:		
Working funds	\$ 54,915	\$ 48,628
Contingencies	1,297	1,265
Replacement of equipment	54,271	40,061
Sick leave (Note 9)	9,179	8,965
Workplace Safety and Insurance Board (WSIB)(Note 9)	37,488	34,746
Pension Plans	4,955	4,942
Self insurance (Note 17)	-	202
Operating programs	81,056	62,905
Tangible capital assets	<u>339,902</u>	<u>328,499</u>
<b>Total reserves</b>	<b>583,063</b>	<b>530,213</b>
Hamilton Future Fund (Note 13)	<u>73,506</u>	<u>72,990</u>
<b>Total reserves and discretionary reserve funds</b>	<b>\$ 656,569</b>	<b>\$ 603,203</b>
Operating surplus –		
Flamborough recreation sub-committees	\$ 235	\$ 215
Business improvement areas	361	361
Housing Operations	<u>527</u>	<u>478</u>
<b>Total operating surplus</b>	<b>\$ 1,123</b>	<b>\$ 1,054</b>
Capital surplus -		
Municipal Operations	\$ (249)	\$ 85,294
Housing Operations	<u>20,107</u>	<u>22,542</u>
<b>Total capital surplus</b>	<b>\$ 19,858</b>	<b>\$ 107,836</b>
Unfunded liabilities -		
Employee benefit obligations (Note 9)	\$ (269,461)	(253,988)
Solid Waste Landfill Liabilities	<u>(33,357)</u>	<u>(26,611)</u>
<b>Total unfunded liabilities</b>	<b>\$ (302,818)</b>	<b>\$ (280,599)</b>
Investment in Government		
Business Enterprises (Note 4)	<u>\$ 200,866</u>	<u>\$ 189,205</u>
Investment in tangible capital assets	<u>\$ 4,084,246</u>	<u>\$ 3,780,753</u>
<b>Accumulated surplus</b>	<b>\$ 4,659,844</b>	<b>\$ 4,401,452</b>

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (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>2011</u>	<u>2010</u>
Balance at the beginning of the year	\$ 72,990	\$ 73,426
<b>Revenues</b>		
Investment Income	<u>3,196</u>	<u>3,712</u>
<b>Operating expenses</b>		
Career Development & Placement	(8)	(7)
Repayment of Waste Management Projects	<u>6,605</u>	<u>6,268</u>
	<u>6,597</u>	<u>6,261</u>
<b>Tangible capital assets</b>		
Waste Management Projects	(1,276)	(3,299)
Roads and Bridges	(1,906)	(807)
2015 Pan Am Games	(1,004)	(5,573)
Career Development Resource Centre	(159)	(161)
Housing Partnership Fund	(132)	(341)
Urban Development Bank	(165)	(109)
West Harbour Initiatives	(4,427)	-
Other	<u>(208)</u>	<u>(119)</u>
	<u>(9,277)</u>	<u>(10,409)</u>
Balance at the end of the year	<u>\$ 73,506</u>	<u>\$ 72,990</u>

### 14. Taxation

	Budget <u>2011</u> (unaudited)	Actual <u>2011</u>	Actual <u>2010</u>
Taxation from real property	\$ 887,961	\$ 893,209	\$ 871,170
Taxation from other governments			
payments in lieu of taxes	<u>14,200</u>	<u>15,267</u>	<u>14,835</u>
	902,161	908,476	886,005
Less: Taxation collected on behalf of school boards	<u>(185,066)</u>	<u>(188,152)</u>	<u>(185,748)</u>
Net taxes available for municipal purposes	<u>\$ 717,095</u>	<u>\$ 720,324</u>	<u>\$ 700,257</u>



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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 14. Taxation (continued)

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

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### 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 paid in excess of the program requirements 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 2011, the City received payments from the provincial and federal governments in the amount of \$458,737,000 (2010 - \$514,927,000) as follows:

	<u>2011</u>	<u>2010</u>
Government of the Province of Ontario	\$ 351,294	\$ 440,338
Government of Canada	<u>107,443</u>	<u>74,589</u>
Total	<u>\$ 458,737</u>	<u>\$ 514,927</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 2011, the City issued payments as government transfers in the amount of \$231,697,000 (2010 - \$252,541,000) as follows:

	<u>2011</u>	<u>2010</u>
Payments for social assistance entitlements	\$ 142,611	\$ 162,678
Payments for housing subsidies	57,950	53,677
Grants to agencies and institutions	<u>31,136</u>	<u>36,186</u>
Total	<u>\$ 231,697</u>	<u>\$ 252,541</u>

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 16. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$247,167,000 at December 31, 2011 for capital works (2010 - \$769,105,000). 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, 2011 amounting to \$4,525,000 (2010 - \$4,648,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$124,000 in 2011 (2010 - \$148,000) are reported in the Consolidated Statement of Operations.
- (c) The City is legislated under the Development Charges Act to fund Government of Ontario ("GO") Transit's Growth and Capital Expansion Plan for 2005 to 2014. The obligation at December 31, 2011 of \$3,460,000 (2010 - \$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 \$308,000 in 2011 (2010 - \$467,000) 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 \$8,688,000 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, 2011 amounting to \$8,688,000 (2010 - \$8,421,000) 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 \$160,000 in 2011 (2010 - \$571,000) are reported in the Consolidated Statement of Operations.
- (e) The City has agreements with BFI for the transfer, hauling and disposal of the City's solid waste. 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 \$6,540,000 for 2011 (2010 - \$6,275,000) are reported in the Consolidated Statement of Operations.
- (f) The City has an agreement with GFL Environmental East Corp for the provision of curbside/roadside and automated recycling cart collection. The term of the agreement is five years for the period of March 31, 2008 to March 31, 2013. The contract fees amounting to \$7,739,000 for 2011 (2010 - \$6,321,000) 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 three years for the period of July 1, 2009 to June 30, 2012 with an option to renew for a further term up to five years. The annual contract fees amounting to \$10,919,000 (2010 - \$9,948,000) are reported in the Consolidated Statement of Operations.

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 16. Contractual obligations (continued)

- (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 \$175,000 (2010 - \$217,000) is reported on the Consolidated Statement of Operations.

- (i) The City has executed lease agreements for administrative office space, computer equipment and radio communication equipment and infrastructure requiring annual payments in future years as they become due and payable in the amount of \$53,395,000 (2010 - \$58,803,000). The minimum lease payments for these leases over the next five years and thereafter are:

2012	\$ 9,202
2013	8,200
2014	6,750
2015	6,501
2016	4,483
2017 and thereafter	<u>18,259</u>
	<u>\$ 53,395</u>

- (j) The City has a credit agreement dated February 11, 2003 with a Canadian chartered bank to borrow up to \$65,000,000 in the form of unsecured lines of credit. At year-end, no amounts were drawn on the letters of credit.

- (k) Hamilton Utilities Corporation (H.U.C.) has a credit agreement dated June 30, 2010 with a Canadian chartered bank to borrow up to \$100,000,000 to finance general corporate requirements, working capital requirements, and prudential obligations. Borrowings may be in the form of Bankers' Acceptances ("BAs"), prime rate loans, letters of credit, and/or current account overdrafts. The Amended Credit Facility matures on June 30, 2013. Interest rates payable on the Amended Credit Facility are based on a margin above prime or the BA rate, as the case may be, determined by reference to the Corporation's debt rating. A standby fee is paid on any unutilized portion of the Amended Credit Facility. At year end, no amounts were drawn on these letters of credit (2010 - Nil). The Corporation has issued a \$9,101,000 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.

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### 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 \$20,666,000 (2010 - \$22,112,000). Claim expenses for the year in the amount of \$7,993,000 (2010 - \$6,135,000) are reported as expenses in the Consolidated Statement of Operations.

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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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, 2011 is \$14,336,000 (2010 - \$23,371,000).
- (b) Certain property owners in the City of Hamilton have been successful in appealing their tax assessments with the result that previous years' taxes will eventually be refunded. Based on the results of these appeals it is likely that additional taxes for years up to 2011 will also be subject to appeal and it is further likely that these taxes will be refunded. An estimate cannot be made of this contingent liability and the City has recorded no provision for refund of property taxes for 2011 (2010 - \$0). The amount of any additional loss will be recorded in the year in which the settlement occurs.
- (c) The City has outstanding contractual obligations with its unionized employee groups as of December 31, 2011. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund these settlements. Subsequent to December 31, 2011, there were settlements with two of the unionized employee groups.
- (d) Pursuant to its order dated July 22, 2010 (the "Order"), the Ontario Superior Court of Justice approved the settlement of a class-action lawsuit which was served on the Toronto Hydro-Electric Commission on November 18, 1998. The original class action lawsuit of \$500 million against Toronto Hydro as the representative for all municipal electric utilities ("MEU") in Ontario that levied late payment charges on overdue utility bills at any time after April 1, 1981. The Order formalized the settlement against the defendant MEUs in the amount of \$17,000,000 plus costs and taxes to be paid for all claims. Hamilton Utilities Corporation's share of \$1,100,000 was paid on June 30, 2011. On February 22, 2011, the Ontario Energy Board issued a decision and approved the recovery of all costs and damages arising from the settlement of this class action over a twelve month period commencing on May 1, 2011. H.U.C. has recorded the settlement as an operating expense and the regulatory recovery as electricity distribution revenue.

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 19. Tangible Capital Assets

The City has tangible capital assets valued at cost in the amount of \$6,747,187,000 (2010 - \$6,356,023,000) and a net book value of \$4,445,630,000 (2010 - \$4,184,993,000).

Amortization is calculated on a consumption basis using a decelerated deterioration curve for roads and a straight-line basis for all other assets. Estimated useful lives range from 3 years to 100 years as follows:

General - Land improvements	20 to 30 years
General - Buildings	40 years
General - Vehicles	4 to 17 years
General – Computer hardware and software	3 to 5 years
General – Other – Machinery and equipment	6 to 100 years
Infrastructure – Roads	18 to 50 years
Infrastructure – Bridges and other structures	40 to 75 years
Infrastructure – Water and wastewater facilities	40 years
Infrastructure – Underground and other networks	18 to 100 years

The cost, accumulated amortization, net book value and amortization expense have been reported in these consolidated financial statements.

Details of the tangible capital assets are included in the Schedule of Tangible Capital Assets (page 2-35 and 2-36). The net book value of the tangible capital assets valued as at December 31, 2011 is as follows:

	<u>2011</u>	<u>2010</u>
<b>General</b>		
Land	\$ 235,428	\$ 218,869
Land improvements	113,353	110,475
Buildings	473,450	399,349
Vehicles	118,843	129,356
Computer hardware and software	4,335	5,008
Other	66,925	63,075
<b>Infrastructure</b>		
Roads	1,196,811	1,212,293
Bridges and structures	171,716	159,286
Water and wastewater facilities	215,272	160,327
Underground and other networks	<u>1,508,056</u>	<u>1,443,408</u>
<b>Net Book Value</b>	<b>\$ 4,104,189</b>	<b>\$ 3,901,446</b>
<b>Assets under construction</b>	<u><b>341,441</b></u>	<u><b>283,547</b></u>
	<b><u>\$ 4,445,630</u></b>	<b><u>\$ 4,184,993</u></b>

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.

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

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### 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).

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

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

Financial information about the City's business segments is included in the Schedule of Operations for Business Segments (pages 2-37 and 2-38).

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### 21. Budget figures

The 2011 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on May 5, 2011. The 2011 operating budget and capital financing for municipal operations was approved by City Council at a meeting on April 27, 2011.

The budget figures conform to the accounting standards adopted in CICA 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.

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# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

### 2011 Schedule of Tangible Capital Assets

	General							Infrastructure						TOTAL										
	Land		Buildings	Vehicles	Computer	Other	Bridges &		W/WW	W/WW/SW	Assets Under													
	Land	Improvements					Roads	Other Structures	Facilities	Linear Network	Construction													
Cost																								
Balance, Dec 31, 2010	\$	218,869	\$	208,264	\$	836,370	\$	243,719	\$	9,365	\$	92,250	\$	1,969,904	\$	198,807	\$	438,428	\$	1,856,500	\$	283,547	\$	6,356,023
Additions & Betterments in 2011		14,154		11,129		101,547		11,923		1,842		11,412		43,710		14,109		66,133		49,723		259,887		585,569
Disposals & Writedowns in 2011		(409)		(2,431)		(14,779)		(9,286)		(2,844)		(8,169)		(6,714)		(12)		(2,166)		(2,935)		(1,818)		(51,563)
Donations & Transfers in 2011		2,814		-		-		-		-		-		14,374		1,071		-		39,073		-		57,332
WIP Transfers to Service in 2011		-		-		-		-		-		-		-		-		-		-		(200,175)		(200,175)
Balance, Dec 31, 2011	\$	235,428	\$	216,962	\$	923,138	\$	246,356	\$	8,363	\$	95,493	\$	2,021,274	\$	213,975	\$	502,395	\$	1,942,361	\$	341,441	\$	6,747,186
Accumulated Amortization																								
Balance, Dec 31, 2010	\$	-	\$	97,789	\$	437,021	\$	114,363	\$	4,357	\$	29,175	\$	757,611	\$	39,521	\$	278,101	\$	413,092	\$	-	\$	2,171,030
Amortization in 2011		-		7,198		19,718		21,758		2,515		7,562		72,512		2,749		11,161		24,148		-		169,321
Amortization on Disposals in 2011		-		(1,378)		(7,051)		(8,608)		(2,844)		(8,169)		(5,660)		(11)		(2,139)		(2,935)		-		(38,795)
Balance, Dec 31, 2011	\$	-	\$	103,609	\$	449,688	\$	127,513	\$	4,028	\$	28,568	\$	824,463	\$	42,259	\$	287,123	\$	434,305	\$	-	\$	2,301,556
Net Book Value Dec 31, 2011	\$	235,428	\$	113,353	\$	473,450	\$	118,843	\$	4,335	\$	66,925	\$	1,196,811	\$	171,716	\$	215,272	\$	1,508,056	\$	341,441	\$	4,445,630
Assets Under Construction	\$	-	\$	16,614	\$	67,856	\$	-	\$	2,299	\$	22,142	\$	15,898	\$	2,425	\$	192,694	\$	21,513	\$	341,441		
Total	\$	235,428	\$	129,967	\$	541,306	\$	118,843	\$	6,634	\$	89,067	\$	1,212,709	\$	174,141	\$	407,966	\$	1,529,569			\$	4,445,630

# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

### 2010 Schedule of Tangible Capital Assets

	General							Infrastructure						Assets Under Construction	TOTAL									
	Land			Buildings	Vehicles	Computer	Other	Bridges &		W/WW	W/WW/SW													
	Land	Improvements	Roads					Other Structures	Facilities	Linear Network														
Cost																								
Balance, Dec 31, 2009	\$	193,416	\$	198,095	\$	732,353	\$	246,734	\$	10,547	\$	87,137	\$	1,932,172	\$	197,775	\$	421,325	\$	1,775,603	\$	191,478	\$	5,986,635
Additions & Betterments in 2010		23,269		9,776		110,098		23,938		3,339		10,024		35,588		1,039		17,388		52,938		230,711		518,108
Disposals & Writedowns in 2010		(70)		(64)		(6,081)		(26,975)		(4,521)		(4,911)		(7,242)		(7)		(285)		(1,115)		(851)		(52,122)
Donations & Transfers in 2010		2,254		457		-		22		-		-		9,386		-		-		29,074		-		41,193
WIP Transfers to Service in 2010		-		-		-		-		-		-		-		-		-		-		(137,791)		(137,791)
Balance, Dec 31, 2010	\$	218,869	\$	208,264	\$	836,370	\$	243,719	\$	9,365	\$	92,250	\$	1,969,904	\$	198,807	\$	438,428	\$	1,856,500	\$	283,547	\$	6,356,023
Accumulated Amortization																								
Balance, Dec 31, 2009	\$	-	\$	90,941	\$	424,404	\$	119,462	\$	6,030	\$	27,246	\$	687,885	\$	36,885	\$	268,772	\$	391,375	\$	-	\$	2,053,000
Amortization in 2010		-		6,882		17,673		20,322		2,848		6,840		76,209		2,642		9,434		22,831		-		165,681
Amortization on Disposals in 2010		-		(34)		(5,056)		(25,421)		(4,521)		(4,911)		(6,483)		(6)		(105)		(1,114)		-		(47,651)
Balance, Dec 31, 2010	\$	-	\$	97,789	\$	437,021	\$	114,363	\$	4,357	\$	29,175	\$	757,611	\$	39,521	\$	278,101	\$	413,092	\$	-	\$	2,171,030
Net Book Value Dec 31, 2010	\$	218,869	\$	110,475	\$	399,349	\$	129,356	\$	5,008	\$	63,075	\$	1,212,293	\$	159,286	\$	160,327	\$	1,443,408	\$	283,547	\$	4,184,993
Assets Under Construction	\$	-	\$	16,708	\$	90,607	\$	1,158	\$	1,734	\$	12,303	\$	15,086	\$	13,536	\$	118,208	\$	14,207	\$	283,547		
Total	\$	218,869	\$	127,183	\$	489,956	\$	130,514	\$	6,742	\$	75,378	\$	1,227,379	\$	172,822	\$	278,535	\$	1,457,615			\$	4,184,993



# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

### 2011 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 2011
<b>Revenue</b>										
Taxation	\$ 720,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 720,324
Government grants and contributions	8,970	7,953	26,223	82,918	47,728	196,839	36,874	18,808	785	427,098
User charges	7,867	7,134	52,962	169,008	3,176	12,003	348	16,585	9,468	278,551
Investment income	32,403	650	4,270	5,575	(80)	423	953	1,473	1,266	46,933
Development charges and subdivider contributions	-	365	21,630	44,268	8	(2)	(26)	4,234	793	71,270
Donations of tangible capital assets	-	-	15,445	39,311	-	-	-	2,576	-	57,332
Income from Government Business Enterprises	11,661	-	-	-	-	-	-	-	-	11,661
Other	18,601	17,847	8,939	1,109	146	25	34,737	13,457	1,982	96,843
<b>Total</b>	<b>\$ 799,826</b>	<b>\$ 33,949</b>	<b>\$ 129,469</b>	<b>\$ 342,189</b>	<b>\$ 50,978</b>	<b>\$ 209,288</b>	<b>\$ 72,886</b>	<b>\$ 57,133</b>	<b>\$ 14,294</b>	<b>\$ 1,710,012</b>
<b>Expenses</b>										
Salaries and benefits	\$ 43,306	\$ 225,845	\$ 86,684	\$ 37,209	\$ 61,333	\$ 69,547	\$ 10,306	\$ 67,099	\$ 24,057	\$ 625,386
Interest on long term debt	504	735	8,395	1,456	1	993	3,731	787	213	16,815
Materials supplies services	38,813	15,551	47,141	43,938	7,541	8,802	41,303	25,181	5,829	234,099
Contracted services	10,949	2,063	31,239	62,581	3,165	54,090	4,606	9,154	3,096	180,943
Rents and financial expenses	3,988	1,880	3,377	3,112	1,545	342	4,726	6,806	93	25,869
External transfers	20	5,786	-	-	51	139,307	48,268	5,121	634	199,187
Amortization	5,996	5,587	91,941	40,617	1,724	1,731	4,059	14,844	2,822	169,321
Interfunctional transfers	(34,041)	2,420	13,559	6,060	4,233	1,236	28	5,550	955	-
<b>Total</b>	<b>\$ 69,535</b>	<b>\$ 259,867</b>	<b>\$ 282,336</b>	<b>\$ 194,973</b>	<b>\$ 79,593</b>	<b>\$ 276,048</b>	<b>\$ 117,027</b>	<b>\$ 134,542</b>	<b>\$ 37,699</b>	<b>\$ 1,451,620</b>
<b>Annual Surplus</b>	<b>\$ 730,291</b>	<b>\$ (225,918)</b>	<b>\$ (152,867)</b>	<b>\$ 147,216</b>	<b>\$ (28,615)</b>	<b>\$ (66,760)</b>	<b>\$ (44,141)</b>	<b>\$ (77,409)</b>	<b>\$ (23,405)</b>	<b>\$ 258,392</b>

# City of Hamilton

## Notes to Consolidated Financial Statements

As at December 31, 2011 (all numbers in columns are in thousands of dollars)

### 2010 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 2010
<b>Revenue</b>										
Taxation	\$ 700,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700,257
Government grants and contributions	30,219	17,212	40,432	126,370	44,879	194,728	48,883	17,586	587	520,896
User charges	3,934	7,004	53,065	160,278	3,753	12,091	328	15,519	9,144	265,116
Investment income	32,100	613	3,107	6,560	208	381	1,253	1,591	2,814	48,627
Development charges and subdivider contributions	-	673	18,245	(6,854)	11	40	(13)	2,299	1,977	16,378
Donations of tangible capital assets	-	22	10,817	29,074	-	-	-	1,280	-	41,193
Income from Government Business Enterprises	3,350	-	-	-	-	-	-	-	-	3,350
Other	17,667	17,668	9,663	1,382	324	13	32,786	10,389	1,830	91,722
<b>Total</b>	<b>\$ 787,527</b>	<b>\$ 43,192</b>	<b>\$ 135,329</b>	<b>\$ 316,810</b>	<b>\$ 49,175</b>	<b>\$ 207,253</b>	<b>\$ 83,237</b>	<b>\$ 48,664</b>	<b>\$ 16,352</b>	<b>\$ 1,687,539</b>
<b>Expenses</b>										
Salaries and benefits	\$ 43,259	\$ 212,617	\$ 86,670	\$ 38,177	\$ 58,960	\$ 67,814	\$ 9,347	\$ 67,388	\$ 22,583	\$ 606,815
Interest on long term debt	128	821	8,848	1,692	2	1,088	4,013	1,031	248	17,871
Materials supplies services	33,893	14,881	30,687	25,980	7,369	6,958	29,837	27,224	5,827	182,656
Contracted services	14,426	2,264	30,225	62,254	3,185	54,024	10,945	15,182	4,689	197,194
Rents and financial expenses	3,345	1,657	3,153	2,076	1,837	2,471	283	3,506	961	19,289
External transfers	-	4,482	-	-	31	159,586	57,107	5,228	835	227,269
Amortization	5,065	5,022	95,449	35,901	1,576	1,659	4,633	13,592	2,784	165,681
Interfunctional transfers	(31,088)	1,677	12,889	5,042	4,158	1,194	13	5,626	489	-
<b>Total</b>	<b>\$ 69,028</b>	<b>\$ 243,421</b>	<b>\$ 267,921</b>	<b>\$ 171,122</b>	<b>\$ 77,118</b>	<b>\$ 294,794</b>	<b>\$ 116,178</b>	<b>\$ 138,777</b>	<b>\$ 38,416</b>	<b>\$ 1,416,775</b>
<b>Annual Surplus</b>	<b>\$ 718,499</b>	<b>\$ (200,229)</b>	<b>\$ (132,592)</b>	<b>\$ 145,688</b>	<b>\$ (27,943)</b>	<b>\$ (87,541)</b>	<b>\$ (32,941)</b>	<b>\$ (90,113)</b>	<b>\$ (22,064)</b>	<b>\$ 270,764</b>

## **Section 3**

# **City of Hamilton Financial Statements for the Trust Funds Cemetery, Library and General Trusts December 31, 2011**

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## Independent Auditor's Report

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

**Grant Thornton LLP**  
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We have audited the accompanying financial statements of the Trust Funds of the City of Hamilton, which comprise the statement of financial position as at December 31, 2011, and the statement of operations of the Cemetery, Library and Other trust funds and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions prescribed for Ontario municipalities by the Ministry of Municipal Affairs

### **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.

### **Auditor's 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 the auditor's 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, the auditor considers 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 of the City of Hamilton as at December 31, 2011, and the results of its operations for the year then ended in accordance with the financial reporting provisions of the Ministry of Municipal Affairs and Housing.

**Basis of accounting and restriction on use**

Without modifying our opinion, we draw attention to note 1 to the financial statement, which describes the basis of accounting. The financial statements are prepared to assist the Trust Funds of the City of Hamilton to comply with the reporting provisions of the Ministry of Municipal Affairs and Housing. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the City of Hamilton and should not be used by parties other than the City of Hamilton.

Hamilton, Canada  
June 13, 2012

The signature of Grant Thornton LLP is written in a cursive, handwritten style.

Grant Thornton LLP  
Chartered Accountants  
Licensed Public Accountants

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## City of Hamilton

### Trust Funds - Consolidated

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#### Statement of Financial Position

As at December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>Financial Assets</b>		
Cash	\$ 2,863,600	\$ 1,601,627
Accrued interest receivable	714,772	768,476
Investments (Note 2)	10,890,984	11,932,022
Deposits Hamilton Community Foundation (Note 3)	1,312,470	1,253,959
Due from City of Hamilton – Cemetery	614,108	373,232
Due from City of Hamilton – Library Trust Funds	365,643	363,586
Due from City of Hamilton – Other Trust Funds	<u>52,604</u>	<u>102,388</u>
<b>Total financial assets</b>	<b><u>\$ 16,814,181</u></b>	<b><u>\$ 16,395,290</u></b>
<b>Liabilities</b>		
Deposits	<u>\$ 181,698</u>	<u>\$ 198,945</u>
<b>Accumulated surplus</b>	<b><u>\$ 16,632,483</u></b>	<b><u>\$ 16,196,345</u></b>

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#### Statement of Operations

Year ended December 31, 2011

<b>Revenue</b>		
Cemetery lots and interments	\$ 602,087	\$ 1,134,144
Investment income	572,213	845,259
Other revenue	<u>24,159</u>	<u>21,000</u>
<b>Total revenue</b>	<b><u>\$ 1,198,459</u></b>	<b><u>\$ 2,000,403</u></b>
<b>Expenses</b>		
Investment loss	\$ -	\$ 112
Other	105,741	190,743
Transfer to other trust funds	<u>656,580</u>	<u>832,817</u>
<b>Total expenses</b>	<b><u>\$ 762,321</u></b>	<b><u>\$ 1,023,672</u></b>
<b>Annual surplus</b>	<b><u>\$ 436,138</u></b>	<b><u>\$ 976,731</u></b>
<b>Accumulated surplus at the beginning of the year</b>	<b><u>16,196,345</u></b>	<b><u>15,219,614</u></b>
<b>Accumulated surplus at the end of the year</b>	<b><u>\$ 16,632,483</u></b>	<b><u>\$ 16,196,345</u></b>

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See accompanying notes to the financial statements

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# City of Hamilton

## Trust Funds

### Notes To The Financial Statements

As at December 31, 2011

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#### 1. Significant accounting policies

The financial statements of the City of Hamilton Trust Funds are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

##### (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 Parks Fund
- Ancaster Fieldcote Livingstone-Clarke
- Ancaster Fieldcote Shaver
- Hamilton Balfour Estate Chedoke
- Cemetery Trust Funds
- Municipal Election Surplus
- Ontario Home Renewal Program ("OHRP")
- 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 - Dundas Fundraising
- Library - Waterdown Fundraising

##### (b) Basis of Accounting

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



# City of Hamilton

## Trust Funds

### Notes To The Financial Statements

As at December 31, 2011

#### 2. Investments

The total investments recorded at the lower of cost or market value in the balance sheet are \$10,890,894 (2010 - \$11,932,022). These investments have a market value of \$12,129,027 (2010 - \$12,220,284) at the end of the year.

#### 3. Deposits – Hamilton Community Foundation

The library trust funds have funds invested with the Hamilton Community Foundation. These investments are recorded on the balance sheet at market value.

4. Accumulated Surplus	<u>2011</u>	<u>2010</u>
The accumulated surplus consists of:		
Cemeteries	<u>\$ 13,242,919</u>	<u>\$ 12,774,273</u>
Library		
M. Waldon Thompson Estate	19,673	18,891
Special Gift Fund Central	1,955,114	1,950,196
Permanent Endowment Fund	587,449	594,190
Keetha McLaren Memorial Fund	28,064	27,808
F. Waldon Library Bequest	62,317	61,582
Waterdown Library Fundraising	<u>41,431</u>	<u>40,423</u>
	<u>2,694,048</u>	<u>2,693,090</u>
Other		
Fieldcote Farmer (Ancaster)	344,086	343,144
Knowles Bequest (Dundas)	262,413	260,082
F. Waldon Dundurn Castle (Hamilton)	5,470	5,337
Ellen Grafton (Dundas)	7,153	7,064
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election (Hamilton)	5,366	2,091
Balfour Estate Chedoke (Hamilton)	<u>60,718</u>	<u>100,954</u>
	<u>695,516</u>	<u>728,982</u>
	<u>\$ 16,632,483</u>	<u>\$ 16,196,345</u>

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## City of Hamilton

### Trust Funds - Cemetery

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#### Statement of Financial Position

As at December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>Financial Assets</b>		
Cash	\$ 2,272,894	\$ 1,032,167
Due from City of Hamilton	614,108	363,586
Investments	<u>10,537,615</u>	<u>11,577,465</u>
<b>Total financial assets</b>	<u>\$ 13,424,617</u>	<u>\$ 12,973,218</u>
 <b>Liabilities</b>		
Deposits	<u>\$ 181,698</u>	<u>\$ 198,945</u>
 <b>Accumulated surplus</b>	<u>\$ 13,242,919</u>	<u>\$ 12,774,273</u>

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#### Statement of Operations

Year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
Cemetery lots and interments	\$ 602,087	\$ 1,134,144
Investment income	<u>518,931</u>	<u>672,613</u>
<b>Total revenue</b>	<u>\$ 1,121,018</u>	<u>\$ 1,806,757</u>
 <b>Expenses</b>		
Other	\$ 9,185	\$ 11,654
Transfer to other trust funds	<u>643,187</u>	<u>805,212</u>
<b>Total expenses</b>	<u>\$ 652,372</u>	<u>\$ 816,866</u>
<b>Annual surplus</b>	<u>\$ 468,646</u>	<u>\$ 989,891</u>
<b>Accumulated surplus at the beginning of the year</b>	<u>12,774,273</u>	<u>11,784,382</u>
<b>Accumulated surplus at the end of the year</b>	<u>\$ 13,242,919</u>	<u>\$ 12,774,273</u>

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See accompanying notes to the financial statements

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## City of Hamilton

### Trust Funds - Library

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#### Statement of Financial Position

As at December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>Financial Assets</b>		
Cash	\$ 301,163	\$ 297,423
Accrued interest receivable	714,772	768,476
Deposits Hamilton Community Foundation	1,312,470	1,253,959
Due from City of Hamilton	<u>365,642</u>	<u>373,232</u>
<b>Total financial assets</b>	<b><u>\$ 2,694,048</u></b>	<b><u>\$ 2,693,090</u></b>
 <b>Accumulated surplus</b>	 <b><u>\$ 2,694,048</u></b>	 <b><u>\$ 2,693,090</u></b>

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#### Statement of Operations

Year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
Investment income	\$ (3,850)	\$ 146,900
Other revenue	<u>35,926</u>	<u>-</u>
<b>Total revenue</b>	<b><u>\$ 35,926</u></b>	<b><u>\$ 146,900</u></b>
 <b>Expenses</b>		
Investment loss	\$ -	\$ 112
Other	<u>31,118</u>	<u>69,025</u>
<b>Total expenses</b>	<b><u>\$ 31,118</u></b>	<b><u>\$ 69,137</u></b>
 <b>Annual surplus</b>	 <b><u>\$ 958</u></b>	 <b><u>\$ 77,763</u></b>
<b>Accumulated surplus at the beginning of the year</b>	<b><u>2,693,090</u></b>	<b><u>2,615,327</u></b>
<b>Accumulated surplus at the end of the year</b>	<b><u>\$ 2,694,048</u></b>	<b><u>\$ 2,693,090</u></b>

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See accompanying notes to the financial statements

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## City of Hamilton

### Trust Funds - Other

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#### Statement of Financial Position

As at December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>Financial Assets</b>		
Cash	\$ 289,543	\$ 272,037
Investments	353,369	354,557
Due from City of Hamilton	<u>52,604</u>	<u>102,388</u>
<b>Total financial assets</b>	<b><u>\$ 695,516</u></b>	<b><u>\$ 728,982</u></b>
 <b>Accumulated surplus</b>	 <b><u>\$ 695,516</u></b>	 <b><u>\$ 728,982</u></b>

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#### Statement of Operations

Year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
Investment income	\$ 21,206	\$ 25,746
Other revenue	<u>24,159</u>	<u>21,000</u>
<b>Total revenue</b>	<b><u>\$ 45,365</u></b>	<b><u>\$ 46,746</u></b>
 <b>Expenses</b>		
Transfer to other trust funds	\$ 13,393	\$ 27,605
Other	<u>65,438</u>	<u>110,064</u>
<b>Total expenses</b>	<b><u>\$ 78,831</u></b>	<b><u>\$ 137,669</u></b>
 <b>Annual (deficit) surplus</b>	 <b><u>\$ (33,466)</u></b>	 <b><u>\$ (90,923)</u></b>
<b>Accumulated surplus at the beginning of the year</b>	<b><u>728,982</u></b>	<b><u>819,905</u></b>
<b>Accumulated surplus at the end of the year</b>	<b><u>\$ 695,516</u></b>	<b><u>\$ 728,982</u></b>

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See accompanying notes to the financial statements

## **Section 4**

# **City of Hamilton Financial Statements for the Trust Funds – Homes for the Aged December 31, 2011**

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Statement of Operations	4-3
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## Independent Auditor's Report

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

**Grant Thornton LLP**  
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Hamilton, ON  
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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, 2011, and the statement of operations and 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.

### **Auditor's 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 the auditor's 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, the auditor considers 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 Trust Funds - Homes for the Aged, City of Hamilton as at December 31, 2011, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Hamilton, Canada  
June 13, 2012

Grant Thornton LLP  
Chartered Accountants  
Licensed Public Accountants



# City of Hamilton

## Trust Funds – Homes for the Aged

### Statement of Financial Position

As at December 31, 2011

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	<b>Total 2011</b>	Total 2010
<b>Financial assets</b>						
Cash	\$ 40,242	\$ 25,324	\$ 64,818	\$ 506,975	\$ <b>637,359</b>	\$ 700,084
<b>Liabilities</b>						
Due to City	\$ -	\$ -	\$ -	\$ 2,016	\$ <b>2,016</b>	\$ 3,274
Accumulated surplus	\$ 40,242	\$ 25,324	\$ 64,818	\$ 504,959	\$ <b>635,343</b>	\$ 696,810

### Statement of Operations

Year ended December 31, 2011

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	<b>Total 2011</b>	Total 2010
<b>Revenue</b>						
Residents' deposits	\$ 130,187	\$ 144,482	\$ 5,271	\$ 23,873	\$ <b>303,813</b>	\$ 283,553
Investment income	51	62	792	6,574	<b>7,479</b>	5,451
Donations	-	-	100	1,225	<b>1,325</b>	2,852
	<u>130,238</u>	<u>144,544</u>	<u>6,163</u>	<u>31,672</u>	<b><u>312,617</u></b>	<u>291,856</u>
<b>Expenses</b>						
Maintenance payments	18,495	34,947	-	-	<b>53,442</b>	61,820
Residents' charges	113,140	102,943	4,749	25,880	<b>246,712</b>	512,912
Payments to estates	8,125	38,848	-	-	<b>46,973</b>	15,887
Payments on discharge	415	-	-	-	<b>415</b>	-
Program purchases	-	-	-	26,542	<b>26,542</b>	57,034
	<u>140,175</u>	<u>176,738</u>	<u>4,749</u>	<u>52,422</u>	<b><u>374,084</u></b>	<u>350,653</u>
<b>Annual surplus</b>	(9,937)	(32,194)	1,414	(20,750)	<b>(61,467)</b>	(58,797)
<b>Accumulated surplus at the beginning of the year</b>	<u>50,179</u>	<u>57,518</u>	<u>63,404</u>	<u>525,709</u>	<b><u>696,810</u></b>	<u>755,607</u>
<b>Accumulated surplus at the end of the year</b>	\$ <u>40,242</u>	\$ <u>25,324</u>	\$ <u>64,818</u>	\$ <u>504,959</u>	\$ <b><u>635,343</u></b>	\$ <u>696,810</u>

See accompanying notes to the financial statements.

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# **City of Hamilton**

## **Trust Funds – Homes for the Aged**

### **Notes to the Financial Statements**

As at December 31, 2011

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#### **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.

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#### **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 accounting principles prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

##### **Basis of accounting**

Sources of financing and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable.



Hamilton