



CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT
Treasury Services
Financial Services Division

TO: Chair and Members Audit and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: June 2, 2010	
SUBJECT/REPORT NO: 2009 City of Hamilton Financial Report and Audited Financial Statements (FCS10042) (City Wide)	
SUBMITTED BY: Antonio D. Tollis Treasurer Corporate Services Department	PREPARED BY: Brian McMullen 905-546-2424 ext 4467
SIGNATURE:	

RECOMMENDATION

That the 2009 City of Hamilton Financial Report and Audited Financial Statements attached as Appendix "B" to report FCS10042 be approved.

EXECUTIVE SUMMARY

Each year, the Treasurer of the municipality must prepare and present the audited financial statements to Council for approval as prescribed by the *Municipal Act*. The financial statements, attached as Appendix "B" to report FCS10042, present the financial position of the municipality as at December 31, 2009, the statement of operations for the year ended December 31, 2009, the statement of changes in net financial assets and statement of cash flow.

Grant Thornton, LLP, Chartered Accountants, the City's external auditors, performed the statutory audit function and expressed an opinion, free of any qualifications, that these financial statements present fairly, in all material respects, the financial position of

the City of Hamilton as at December 31, 2009. In addition, the external auditors, Grant Thornton Chartered Accountants LLP, will be presenting their report titled "2009 Communication of Audit Results" to the Audit and Administration Committee. Their report also states that the previous year's internal control deficiencies were addressed and there are no additional deficiencies in internal controls.

The financial statements have been prepared by staff in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Full accrual accounting was implemented with the changes to the CICA Public Sector Accounting Handbook sections PS1200 Financial Statement Presentation and PS3150 Tangible Capital Assets effective January 1, 2009. The most significant change is the reporting of tangible capital assets in the consolidated financial statements.

Appendix "A" to report FCS10042 provides an overview of management's analysis of the 2009 Consolidated Financial Statements for the City of Hamilton.

The 2009 Financial Report (Appendix "B" to report FCS10042) contains the following financial information:

- City of Hamilton Consolidated Financial Statements
- City of Hamilton Trust Fund Financial Statements (Cemetery, Library and General Trust Funds)
- City of Hamilton Homes for the Aged Trust Fund Financial Statements

Financial statements for the Hamilton Public Library Board, Hamilton Entertainment and Convention Facilities Inc. ("HECFI"), the City's Housing Corporation and Business Improvement Areas are presented to their respective boards or oversight bodies.

Alternatives for Consideration – Not Applicable.

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: Appendix "A" to report FCS10042 provides an overview of management's analysis of the 2009 Consolidated Financial Statements for the City of Hamilton.

Staffing: There are no associated staffing implications.

Legal: There are no associated legal implications.

HISTORICAL BACKGROUND (Chronology of events)

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.

Effective January 1, 2007, the City of Hamilton adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (“CICA”) with respect to the disclosure of tangible capital assets of local governments. During 2008, the City of Hamilton continued to work towards compliance with the recommendations for accounting for tangible capital assets.

Effective January 1, 2009, the City adopted CICA Public Sector Accounting Handbook section PS1200 Financial Statement Presentation and section PS3150 Tangible Capital Assets.

As a result of the changes to full accrual accounting the City has recorded tangible capital assets in the 2009 consolidated financial statements. Other changes include standardization of the presentation of financial assets, liabilities, non-financial assets and accumulated surplus in the financial statements of governments. Expenses replace expenditures in the statement of operations in the full accrual accounting approach. Expenditures were outlays of assets to purchase goods and services. Expenses represent the consumption of assets to provide goods, services and intangibles. Expenses include the amortization of tangible capital assets over the useful life of the assets, the change in liabilities for post employment, retirement and pension benefits and the change in liabilities for solid waste landfill closure and post closure care costs.

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

POLICY IMPLICATIONS

N/A.

RELEVANT CONSULTATION

Grant Thornton, Chartered Accountants, our external auditors.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

Each year, the Treasurer of the municipality must prepare and present the audited financial statements to Council for approval as prescribed by the *Municipal Act*. The 2009 City of Hamilton Financial Report and Audited Financial Statements are included as Appendix “B” to report FCS10042.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

N/A.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Financial Sustainability

- Delivery of municipal services and management of capital assets/liabilities in a sustainable, innovative and cost effective manner

APPENDICES / SCHEDULES

Appendix “A” to report FCS10042 Management’s Analysis - 2009 City of Hamilton Consolidated Financial Statements

Appendix “B” to report FCS10042 2009 City of Hamilton Financial Report

City of Hamilton
2009 Consolidated Financial Statements
Analysis – May 2010

General

The City of Hamilton's 2009 consolidated financial statements have been prepared by management and staff of the City of Hamilton in accordance with Canadian generally accepted accounting principles ("GAAP") for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Effective January 1, 2009, the CICA Public Sector Accounting Handbook sections PS1200 Financial Statement Presentation and PS3150 Tangible Capital Assets were implemented resulting in the full accrual basis of accounting.

As a result of the changes the City has recorded tangible capital assets for 2009 with prior year comparative information along with expenses and revenues related to tangible capital assets. Other changes include standardization of the presentation of financial assets, liabilities, non-financial assets and accumulated surplus in the financial statements of governments. Expenses replace expenditures in the statement of operations in the full accrual accounting approach. Expenditures were outlays of assets to purchase good and services. Expenses represent the consumption of assets to provide goods, services and intangibles. Expenses include the amortization of tangible capital assets over the useful life of the assets, the change in liabilities for post employment, retirement and pension benefits and the change in liabilities for solid waste landfill closure and post closure care costs. The operating and capital budgets continue to be reported on modified accrual basis of accounting and include expenditures for principal payments on debt, payments of retiree benefits and payments of landfill costs and revenues from the proceeds from the issuance of debt.

The consolidated financial statements report the financial transactions and estimates made by management during 2009.

The consolidated financial statements report the City's municipal operations including all departments, Hamilton Police Services, HECFI, Library, Housing, Tourism Hamilton, Business Improvement Areas and government business enterprises (Hamilton Utilities Corporation and Hamilton Renewable Power Inc.).

The restatement of comparative figures has been made in these 2009 statements, as required by Canadian GAAP.

The Consolidated Financial Statements consist of

- Consolidated Statement of Financial Position
- Consolidated Statement of Operations
- Consolidated Statement of Changes in Financial Position
- Consolidated Statement of Net Financial Assets
- Notes to the Consolidated Financial Statements

**2009 Consolidated Financial Statements
Analysis**

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position consists of financial assets, liabilities, non-financial assets and accumulated surplus.

Financial Assets

The City's total financial asset position decreased in 2009 by \$56.2 million to \$1.2 billion and is reported in the consolidated financial statements as:

	<u>2009</u> \$000's	<u>2008</u> \$000's
Financial Assets		
Cash and temporary investments	\$ 53,737	\$ 39,084
Taxes receivable	69,028	58,818
Accounts receivable	85,700	93,435
Long term receivables	23,630	23,375
Portfolio investments	750,163	824,024
Investment in Government Business Enterprises (Note 4)	<u>185,810</u>	<u>185,569</u>
Total financial assets	<u>\$ 1,168,068</u>	<u>\$ 1,224,305</u>

Cash and Temporary Investments \$53.7M (2009) \$39.1M (2008)

Cash and temporary investments represent the balance in City's bank accounts, deposits held and housing short term investments. The bank accounts include the accounts payable bank, payroll bank, Ontario Works bank, operating bank, HECFI bank and CityHousing Hamilton bank. The balance increased in 2009 from 2008 as more money was held in the bank as interest earned on bank balances was greater than interest earned on money market securities.

Taxes Receivable \$69.0M (2009) \$58.8M (2008)

Taxes receivable represent unpaid property tax bills net of estimates for allowances for uncollectible accounts. Taxes Receivable represent 8.3% of current years tax levies (2008 – 7.3%). The increase results from an increase in amounts billed, delayed payments, write-off of many accounts with an increase in the allowance for doubtful accounts.

Accounts Receivable \$85.7M (2009) \$93.4M (2008)

Accounts receivable represents revenues earned by the City but not paid at year end net of estimates of allowances for uncollectible accounts. The 2009 balance primarily consists of water and wastewater receivables (\$32M), general receivables & accruals (\$22M), provincial and federal grants receivable (\$19M), GST receivables (\$7M) and interest receivable (\$5.5M).

**2009 Consolidated Financial Statements
Analysis**

Long Term Receivables \$23.6M (2009) \$23.3M (2008)
 Long Term Receivables represent the balance of loans and deferral agreements with agencies and organizations net of the provision for loans with concessionary terms. The long term receivables include:

	<u>2009</u> \$000's	<u>2008</u> \$000's
Development charge deferral agreements	\$ 5,447	\$ 5,453
Mortgages receivable:		
Downtown loan program	6,587	7,074
Hamilton Renewable Power Inc.	5,642	1,852
Art Gallery of Hamilton loan	-	1,485
Sheraton Hotel loan	1,589	1,616
Other City loan programs	805	561
 Loans to other agencies and organizations	 7,684	 8,124
 Less: Provision for loans with concessionary terms	 <u>(4,124)</u>	 <u>(2,790)</u>
	<u>\$ 23,630</u>	<u>\$ 23,375</u>

Portfolio investments \$750.2M (2009) \$824.0M (2008)
 Portfolio investments represent the City's holdings, as prescribed by the Municipal Act, in short and long term fixed income securities. The investments earn various interest rates with different premiums, discounts and maturities. Holdings in asset backed commercial paper "ABCP" were restructured in 2009 into investments, known as master asset vehicles, with long term maturities total \$71.5 million and have a cost of \$89.9 million. Portfolio investments have a market value of \$792 million. The decrease in investments is primarily the result of increases in acquisitions and construction of tangible capital assets during 2009.

Investment in Government Business Enterprises \$185.8M (2009) \$185.6M (2008)
 Investment in Government Business Enterprises represents net equity of the consolidation of the City's subsidiary corporations, Hamilton Utilities Corp. ("H.U.C.") and Hamilton Renewable Power Inc. ("H.R.P.I."). The consolidation of subsidiary corporations under the modified equity basis of accounting is required by the generally accepted accounting principles of the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. This PSAB recommendation was instituted in 2000 and also affects the reporting of the Accumulated surplus and Net municipal position in the consolidated financial statements. The increase in the investment in the government business enterprises is reported as net income of \$241,000 (2008 - \$2.8M net loss) in the Consolidated Statement of Operations. The net income excludes the dividend income received from H.U.C. during 2009 of \$7.259 million.

**2009 Consolidated Financial Statements
Analysis**
Liabilities

The City's total liabilities position increased in 2009 by \$84.3 million to \$998.1 million and is reported in the consolidated financial statements as:

	<u>2009</u> \$000's	<u>2008</u> \$000's
Liabilities		
Accounts payable and accrued liabilities	\$ 212,964	\$ 185,114
Deferred revenue - general	27,237	20,676
Deferred revenue - obligatory reserve funds	66,575	67,394
Long term liabilities – Municipal Operations	308,916	332,700
Long term liabilities – Housing Corporations	93,279	74,168
Employee future benefits and other obligations	262,171	203,211
Solid waste landfill liabilities	<u>26,952</u>	<u>30,584</u>
Total liabilities	<u>998,094</u>	<u>913,847</u>

Accounts Payable and Accrued Liabilities \$213.0M (2009) \$185.1M (2008)
 Accounts Payable and Accrued Liabilities represent obligations owing by the City to third parties and employees at year end. The balance consists of amounts payable to vendors and contractors (\$75.9M), payroll accruals (\$34.7M) and amounts for insurance claims, interest on debt and security deposits.

Deferred Revenue -General \$27.2M (2009) \$20.7M (2008)
 Deferred Revenue represents amounts received that will be recorded in future years to match expenditures incurred for goods received and services performed. The balance includes federal and provincial government grants and subsidies of \$2.3 million that are not recorded as deferred revenue – obligatory reserve funds.

Deferred Revenue – Obligatory Reserve Funds \$66.6M (2009) \$67.4M (2008)
 Deferred Revenue – Obligatory Reserve Funds represents amounts received that will be recorded as revenues in future years to match expenditures incurred for goods received and services performed. The balance includes:

	<u>2009</u> \$000's	<u>2008</u> \$000's
Development charge reserve funds	\$ 35,111	\$ 36,633
Subdivider contributions	48	46
Recreational land dedicated under the Planning Act	6,651	8,187
Gasoline tax revenue: Provincial	20,222	17,995
Federal	1,173	740
Building Permit Revenue reserve fund	<u>3,370</u>	<u>3,793</u>
	<u>\$ 66,575</u>	<u>\$ 67,394</u>

The decrease in the balance in the Deferred Revenue – Obligatory Reserve Funds was due to decreases in Development Charge Reserve Funds, Recreational Land reserve and Building Permit Revenue Reserve Fund which were partially offset by increases in Gas Tax Reserves.

**2009 Consolidated Financial Statements
Analysis**

Development Charge and Special Area Reserve Funds increased in 2009 with \$21 million in collections with transfers to finance capital projects of \$22.1 million and transfers to operating of \$1.5 million. During 2009 the City received federal gas tax revenue of \$31.9 million and provincial gas tax revenue of \$11.1 million. Federal Gas Tax was allocated to capital upgrades to city hall for \$30.7 million and waste management projects for \$1.2 million. The provincial gas tax was allocated to transit buses (\$3M), transit related projects (\$1.5M) and transit operating budget (\$5M). During 2009 the City received parkland dedication fees of \$2.9 million and \$5.0 million was allocated to capital projects for future development of city parks. Approximately \$0.5 million of the building permit revenue fund was used to offset a shortfall in building permit revenue in the operating budget.

Long Term Liabilities – Municipal Operations \$308.9M (2009) \$332.7M (2008)

Long Term Liabilities – Municipal Operations represents the outstanding principal for long term debt issued to finance capital expenditures and obligations for leased tangible capital assets. In 2009 the City made principal repayments on long term debt of \$25.5 million (2008 - \$23.4M) and principal repayments on leased tangible capital assets of \$1.2 million (2008 - \$1.1M). No new debt was issued in 2009 while \$50 million was issued for capital projects in 2008.

Long Term Liabilities – Housing Operations \$93.3M (2009) \$74.2M (2008)

Long Term Liabilities – Housing Operations represents the outstanding principal for mortgages obtained to finance certain housing capital expenditures and asset purchases. In 2009 CityHousing Hamilton made principal repayments on long term debt of \$2.9 million (2008 - \$2.5M). Additional mortgages were issued for \$22.0 million in 2009 (2008 – Nil) to finance the acquisition of new property and buildings.

The City of Hamilton consolidates CityHousing Hamilton on a line by line basis as prescribed by the CICA's PSAB recommendations. The housing corporation's financial statements report debentures, mortgages and loans as long term debt. Municipalities are only required to report the debt related to mortgages and loans as the provincial government retained the responsibility for the debenture debt upon the transfer of social housing to municipalities in 2001. Housing debenture debt of \$40.7 million (2008 - \$43.4M) is not reported in the consolidated financial statements.

Employee Future Benefits and Other Obligations \$262.2M (2009) \$203.2M (2008)

These estimates, representing the liabilities associated with employee post employment, retirement and pension benefits, were instituted for the 2004 financial statements for municipalities. The generally accepted accounting principles recognize the liabilities in the year in which the employees provide the services associated with the benefits.

The 2009 estimates are provided by independent actuaries from actuarial valuations performed for 2007 to 2009. The estimates use assumptions for inflationary increases of 2% to 2.5% annually, a discount rate of 5%, compensation increases of 3% and increases in pension plan assets of 6%. Projections for retirement benefits assume that medical costs will increase by 4.5% in 2010, 4% in 2011, 3.5% in 2012 and thereafter and dental costs will increase by 3.5% annually. These liabilities are not reported net of any reserves already setup on the balance sheet in the Statement of Financial Position.

**2009 Consolidated Financial Statements
Analysis**

The employee future benefits and other obligations are summarized in the consolidated financial statements as:

	<u>2009</u> \$000's	<u>2008</u> \$000's
Accrued Benefit Obligation		
Sick leave benefit plan	\$ 39,292	\$ 38,237
Long term disability plan	13,014	11,373
Workplace safety and insurance board liabilities (WSIB)	52,960	51,966
Retirement benefits	101,625	100,792
Vacation benefits	23,039	22,807
Pension benefit plans	<u>100,658</u>	<u>53,852</u>
	330,588	279,027
Pension valuation allowance	504	1,918
Net unamortized actuarial gain (loss)	<u>(68,921)</u>	<u>(77,734)</u>
Accrued Liability	<u>\$ 262,171</u>	<u>\$ 203,211</u>
Less: Provisions in Reserves	<u>(54,334)</u>	<u>(50,830)</u>
Unfunded Liability	<u>\$ 207,837</u>	<u>\$ 152,381</u>

PSAB's disclosure requirements for employee benefits and other obligations are quite extensive. Notes 9 and 10 to the Consolidated Financial Statements provide the details of the actuarial valuations, the actuarial gains and losses, payments and expenses related to these liabilities.

Actuarial gains and losses result from changes in valuation assumptions used for the current valuations versus previous valuations. The net unamortized actuarial loss of \$68.9 million represents a gain in long term disability of \$2.1 million, a loss in retirement benefits of \$27.5 million, a loss in WSIB liabilities of \$8.6 million, a loss in sick leave obligations of \$6.9 million and a loss in the pension plans of \$28.1 million. These actuarial gains and losses are spread over future periods through annual amortization expenses in the Statement of Operations.

The increase in the pension liability was primarily due to the changes to the pension plan for the employees of the Hamilton Street Railway whereby future service is earned in OMERS. The accounting standards require the recognition of the prior period plan amendment of \$36.8 million in 2009 along with recognition of past actuarial losses on pension plan assets of \$22 million.

Provisions have been made in the reserves for \$54.3 million (2008 - \$50.8 million) to fund a portion of these liabilities. These liabilities are only 20.7% funded (2008 - 25.0%) and there is no requirement to fund the net unfunded liability portion of these employee benefits of \$207.8 million (2008 - \$152.4 million) from reserves or taxation at this time. These unfunded liabilities can be funded in future years as amounts are expensed in the operating budget for actual payments.

**2009 Consolidated Financial Statements
Analysis**

Solid Waste Landfill Liabilities \$27.0M (2009) \$30.6M (2008)

This amount represents the estimate of the liability for closure and post closure costs of the City's twelve closed and one open landfill sites. The liability is calculated by discounting the future years expected cash outflows for the spending on eligible activities on the landfill sites as forecast in the 2010 Capital Budget until the expected closing of the active landfill site in 27 years. Expenses for the post-closure care of the open landfill site are estimated for 25 years after the site is closed in 2036 to 2061. The City spent \$2.5 million on the capital projects and support related to this liability thereby reducing the commitment in future years.

The City's expenses related to spending on capital projects and the change in the estimated liability are reflected in the Statement of Operations. Waste diversion rates, waste initiatives such as the green cart program and composting, new waste technologies and ongoing assessments of the closed sites impact the landfill liabilities. The City's waste diversion rate of 41.3% was an increase over the 2008 rate of 39.2%. There is no PSAB requirement to fund the liability at this time.

Non-Financial Assets

The City's total non-financial assets position increased in 2009 by \$195.2 million to \$3.909 billion and is reported in the consolidated financial statements as:

	2009 <u>\$000's</u>	2008 <u>\$000's</u>
Non-Financial Assets		
Tangible capital assets	\$ 3,886,234	\$ 3,693,932
Inventories	9,599	9,815
Prepaid expenses	<u>13,668</u>	<u>10,586</u>
	<u>\$ 3,909,501</u>	<u>\$ 3,714,333</u>

Tangible Capital Assets ("TCAs") \$3.9B (2009) \$3.7B (2008)

The City's general and infrastructure tangible capital assets include land, land improvements, buildings (general), vehicles, computer, other machinery and equipment, roads, bridges and structures, water and wastewater plants and facilities and underground infrastructure networks. The net book value represents the cost of the tangible capital assets less accumulated amortization over the life of the asset. The TCA total includes amounts spent to the end of the year on tangible capital assets under construction.

**2009 Consolidated Financial Statements
Analysis**

A summary of the **tangible capital assets** valued as at December 31, 2009 include:

	2009 \$000's	2008 \$000's
General		
Land	\$ 193,416	\$ 170,956
Land improvements	106,577	107,351
Buildings	265,909	237,972
Vehicles	125,362	107,044
Computer hardware and software	4,323	4,724
Other	57,847	48,167
Infrastructure		
Roads	1,244,350	1,268,848
Bridges and structures	160,935	162,861
Water and wastewater facilities	166,758	150,165
Underground and other networks	<u>1,380,969</u>	<u>1,331,191</u>
Net Book Value	\$ 3,706,446	\$ 3,589,279
Assets under construction	<u>179,788</u>	<u>104,653</u>
Total	\$ 3,886,234	\$ 3,693,932

The Schedule of Tangible Capital Assets in the Consolidated Financial Statements contains additional information on these non-financial assets. The replacement cost of assets valued as at December 31, 2009 is estimated at \$15.8 billion.

Inventories	\$ 9.6M (2009)	\$9.8M (2008)
Prepaid expenses	\$13.7M (2009)	\$10.6M (2008)

Two other categories of non-financial assets are inventories of goods for use in the delivery of services in 2010 and prepaid expenses for purchases made in 2009 for expenses to be accrued in 2010.

**2009 Consolidated Financial Statements
Analysis**

Accumulated Surplus \$4.079B (2009) \$4.025B (2008)
Net Municipal Financial Position

The City's accumulated surplus represents the net municipal financial position in PSAB's new financial statement presentation requirements for 2009. The balance is comprised of the following:

	<u>2009</u> \$000's	<u>2008</u> \$000's
Accumulated surplus (Net municipal financial position)		
Operating surplus of BIA and Flamborough Recreation sub-committees	\$ 386	\$ 366
Operating surplus – housing	421	672
Capital surplus – municipal	184,761	245,864
Capital surplus – housing	20,731	18,246
Reserves and Reserve Funds	484,056	512,600
Unfunded liabilities – Employee benefits	(246,298)	(187,677)
Unfunded liabilities – Landfill sites	(26,952)	(30,584)
Investment in Government Business Enterprises	185,810	185,569
Investment in tangible capital assets	<u>3,476,560</u>	<u>3,279,735</u>
Total accumulated surplus	<u>\$ 4,079,475</u>	<u>\$ 4,024,791</u>

Under the PSAB reporting requirements applicable in 2008, the 2008 Consolidated Financial Statements reported a municipal position consisting of municipal fund balances and liabilities to be recovered in the future. The investment in tangible capital assets was not reported.

Consolidated Statement of Operations

The Consolidated Statement of Operations represents the revenue and expenses under the new PSAB format. Some of the changes include revenue from gains and losses on the disposal of tangible capital assets and donated capital assets and expenses from the amortization of tangible capital assets and change in unfunded liabilities. Proceeds from the issuance of long term debt that are included as a source of funding in the capital budget and debt principal repayments that are included as expenditures in the operating budget are not reported in the consolidated statement of operations.

**2009 Consolidated Financial Statements
Analysis**

Revenue decreased by \$51.2 million to \$1.506 billion in 2009 from \$1.557 billion in 2008 and is reported in the Consolidated Statement of Operations as:

	Budget <u>2009</u> (\$000's unaudited)	Actual <u>2009</u> \$000's	Actual <u>2008</u> \$000's
Revenue			
Taxation	\$ 670,822	\$ 675,606	\$ 652,690
Government grants and contributions	526,848	376,283	439,005
User Charges	261,429	253,586	249,152
Development charges and subdivider contributions	232,024	11,065	27,987
Sale of tangible capital assets	-	2,282	5,850
Donated tangible capital assets	45,000	6,574	46,687
Investment and dividend income	24,892	53,590	50,990
Income from Government Business Enterprises	-	241	(2,834)
Other	<u>84,742</u>	<u>86,620</u>	<u>87,563</u>
Total revenue	\$ 1,845,757	\$ 1,505,847	\$ 1,557,090

The increase in taxation revenue includes the 2009 Operating Budget property tax increase of 1.7%.

Government grants and contributions decreased by \$62.7 million from 2008. Significant government grants and contributions for operating budget programs and capital projects include:

	<u>2009</u> \$ millions	<u>2008</u> \$ millions
Ontario Works	\$ 114.3	\$94.4
Child Care	40.5	42.0
Social Housing	34.4	31.3
Federal Gas Tax	31.9	15.9
Ontario Municipal Partnership Fund (OMPF)	26.0	39.1
Public Health Services	26.9	22.7
Homes for the Aged	17.5	16.5
General Support Grant	16.5	12.0
Emergency Medical Services - Ambulance	15.5	11.8
Canada Ontario Infrastructure Program (COIP)	11.3	9.2
Provincial Gas Tax	9.6	8.2
Homelessness	7.4	7.9
Other capital grants	7.4	115.7
Other operating program grants	18.0	12.2

User fees of \$253.6 million are primarily earned in water and wastewater programs and transit fares and fees in Environmental Services of \$152.3 million (\$154.9 million in 2008) and Transportation Services of \$45.1 million (\$42.2 million in 2008) respectively. Other user fees are recorded in Recreation & Cultural Services of \$17.8 million (\$17.2 million in 2008), Social and Family Services of \$11.7 million (\$11.3 million in 2008), Planning and Development of \$10.6 million (\$8.8 million in 2008), Protection Services of \$6.4 million (\$6.3 million in 2008).

**2009 Consolidated Financial Statements
Analysis**

Development charges and subdividers contributions of \$11.1 million was recognized as revenue in 2009 while unearned revenue is recorded as deferred revenue of the Statement of Financial Position.

Two revenue categories related tangible capital assets are the sale of tangible capital assets and donated tangible capital assets. Sale of tangible capital assets of \$2.3 million is net of any losses on the disposal of tangible capital assets. Donated tangible capital assets of \$46.6 million represent assets that were donated or contributed to the City by developers. It is requirement of PSAB's new accounting standards to record the tangible capital assets donated or contributed by developers with offsetting revenue based on the estimated value of the asset.

Investment and dividend income consists of dividend income received in 2009 from Hamilton Utilities Corp. of \$7.259 million (\$18.6 million in 2008) and investment income of \$46.3 million from City municipal and housing operations from fixed income securities, bank balances and deposits. Income or loss from Government Business Enterprises represent net income of \$241,000 from HUC and HRPI for 2009 and a net loss of \$2,834,00 in 2008. Other Revenue of \$86.6 million represents revenue from licenses and permits of \$12.1 million (\$13.1 million in 2008), rents of \$42.2 million (\$41.1 million in 2008), fines and penalties of \$22.6 million (\$21.8 million in 2008) and miscellaneous revenue of \$6.5 million (\$6.3 million in 2008).

Expenses increased by \$73.9 million to \$1.451 billion in 2009 from \$1.377 billion in 2008 and are reported in the Consolidated Statement of Operations as:

	Budget <u>2009</u> (\$000's unaudited)	Actual <u>2009</u> \$000's	Actual <u>2008</u> \$000's
Expenses			
General government	\$ 76,737	\$ 69,215	\$ 75,869
Protection services	228,255	233,879	225,608
Transportation services	294,910	326,369	290,701
Environmental services	198,574	165,816	172,028
Health services	73,519	74,293	68,970
Social and family services	274,068	299,921	272,782
Social housing	99,053	106,785	104,678
Recreation and cultural services	135,958	132,615	129,822
Planning and development	<u>54,098</u>	<u>42,270</u>	<u>36,836</u>
Total expenses	1,435,172	1,451,163	1,377,294

Expenses in PSAB's new accounting standards are summarized by the functional categories above in the Statement of Operations and by object of expenses in the Schedule of Operations for Business Segments in the Notes to the Consolidated Financial Statements. Expenses include salaries and benefits, interest on long term debt, material and supplies, contracted services, rents and financial expenses, external transfers, amortization of tangible capital assets and interfunctional transfers. Expenses exclude principal repayments on long term debt recorded as reductions of long term debt and capital expenditures recorded as acquisitions and construction of tangible capital assets.



Hamilton

FINANCIAL REPORT

2009

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

City of Hamilton
Financial Report
2009

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Section 1

City of Hamilton Consolidated Financial Statements 2009

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Auditors' Report

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

City of Hamilton

Consolidated Statement of Financial Position

As at December 31, 2009 (all numbers are in thousands of dollars)

	<u>2009</u>	<u>2008</u> (Note 1)
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 53,737	\$ 39,084
Taxes receivable	69,028	58,818
Accounts receivable	85,700	93,435
Long term receivables (Note 3)	23,630	23,375
Portfolio investments (Note 2)	750,163	824,024
Investment in Government Business Enterprises (Note 4)	<u>185,810</u>	<u>185,569</u>
Total financial assets	<u>\$ 1,168,068</u>	<u>\$ 1,224,305</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 212,964	\$ 185,114
Deferred revenue - general	27,237	20,676
Deferred revenue - obligatory reserve funds (Note 5)	66,575	67,394
Long term liabilities – Municipal Operations (Note 7)	308,916	332,700
Long term liabilities – Housing Corporations (Note 8)	93,279	74,168
Employee future benefits and other obligations (Note 9)	262,171	203,211
Solid waste landfill liabilities (Note 11)	<u>26,952</u>	<u>30,584</u>
Total liabilities	<u>998,094</u>	<u>913,847</u>
Net financial assets	<u>\$ 169,974</u>	<u>\$ 310,458</u>
Non-financial assets		
Tangible capital assets (Note 19)	\$ 3,886,234	3,693,932
Inventories	9,599	9,815
Prepaid expenses	<u>13,668</u>	<u>10,586</u>
Total non-financial assets	<u>3,909,501</u>	<u>3,714,333</u>
Accumulated surplus (Note 12)	<u>\$ 4,079,475</u>	<u>\$ 4,024,791</u>

Contractual obligations (Note 16)

Contingent liabilities (Note 18)

City of Hamilton

Consolidated Statement of Operations

For the year ended December 31, 2009 (all numbers are in thousands of dollars)

	Budget <u>2009</u> (unaudited) (Note 21)	Actual <u>2009</u>	Actual <u>2008</u> (Note 1)
Revenue			
Taxation (Note 14)	\$ 670,822	\$ 675,606	\$ 652,690
Government grants and contributions	526,848	376,283	439,005
User charges	261,429	253,586	249,152
Development charges and subdivider contributions	232,024	11,065	27,987
Sale of tangible capital assets	-	2,282	5,850
Donated tangible capital assets	45,000	46,574	46,687
Investment and dividend income	24,892	53,590	50,990
Net income (loss) from Government Business Enterprises (Note 4)	-	241	(2,834)
Other	<u>84,742</u>	<u>86,620</u>	<u>87,563</u>
Total revenue	<u>1,845,757</u>	<u>1,505,847</u>	<u>1,557,090</u>
Expenses			
General government	76,737	69,215	75,869
Protection services	228,255	233,879	225,608
Transportation services	294,910	326,369	290,701
Environmental services	198,574	165,816	172,028
Health services	73,519	74,293	68,970
Social and family services	274,068	299,921	272,782
Social housing	99,053	106,785	104,678
Recreation and cultural services	135,958	132,615	129,822
Planning and development	<u>54,098</u>	<u>42,270</u>	<u>36,836</u>
Total expenses	<u>1,435,172</u>	<u>1,451,163</u>	<u>1,377,294</u>
Annual surplus	\$ 410,585	\$ 54,684	\$ 179,796
Accumulated surplus			
Beginning of year	<u>\$ 4,024,791</u>	<u>\$ 4,024,791</u>	<u>\$ 3,844,995</u>
End of year	<u>\$ 4,435,376</u>	<u>\$ 4,079,475</u>	<u>\$ 4,024,791</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, 2009 (all numbers are in thousands of dollars)

	Budget <u>2009</u> (unaudited) (Note 21)	Actual <u>2009</u>	Actual <u>2008</u> (Note 1) (Note 1)
Operating activities			
Annual surplus	\$ 410,585	\$ 54,684	\$ 179,796
Purchase of tangible capital assets	(683,654)	(308,104)	(161,347)
Proceeds from sale of tangible capital assets net of gains and losses	-	6,051	9,158
Amortization of tangible capital assets	150,000	156,325	149,343
Donated tangible capital assets	(45,000)	(46,574)	(46,687)
Increase (decrease) in inventories	-	216	(103)
Increase (decrease) in prepaid expenses	-	(3,082)	(1,937)
Net increase (decrease) in net financial assets	(168,069)	(140,484)	128,223
Net financial assets			
Beginning of year	<u>310,458</u>	<u>310,458</u>	<u>182,235</u>
End of year	<u>\$ 142,389</u>	<u>\$ 169,974</u>	<u>\$ 310,458</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Cash Flow

For the year ended December 31, 2009 (all numbers are in thousands of dollars)

	<u>2009</u>	<u>2008</u> (Note 1)
Operating activities		
Annual surplus	\$ 54,684	\$ 179,796
Decrease (increase) in taxes receivable	(10,210)	(2,300)
Decrease (increase) in accounts receivable	7,735	(7,824)
Increase (decrease) in accounts payable and accrued liabilities	27,850	(1,752)
Increase (decrease) in deferred revenue - general	6,561	6,200
Increase (decrease) in deferred revenue - obligatory reserve fund	(819)	29,646
Increase (decrease) in employee future benefit obligations and other liabilities	58,960	7,923
Increase (decrease) in solid waste landfill liabilities	(3,632)	(4,571)
Increase (decrease) in inventories	216	(103)
Increase (decrease) in prepaid expenses	(3,082)	(1,937)
Non-cash activities		
Amortization of tangible capital assets	156,325	149,343
Donated tangible capital assets	(46,574)	(46,687)
	<u>248,014</u>	<u>307,734</u>
Investing activities		
Decrease (increase) in investments	73,861	(165,854)
Decrease (increase) in investment in Government Business Enterprises	(241)	2,834
Decrease (increase) in long term receivables	(255)	(2,457)
	<u>73,365</u>	<u>(165,477)</u>
Financing activities		
Long term debt issued – Municipal Operations	-	50,000
Long term lease extension - Municipal Operations	2,928	-
Long term debt issued – Housing Operations	22,013	-
Debt principal repayment – Municipal Operations	(25,509)	(23,354)
Lease obligation payment – Municipal Operations	(1,203)	(1,056)
Debt principal repayment – Housing Corporation	(2,902)	(2,527)
	<u>(4,673)</u>	<u>23,063</u>
Tangible capital assets		
Purchase of tangible capital assets	(308,104)	(161,347)
Proceeds from sale of tangible capital assets net of gains and losses	6,051	9,158
	<u>(302,053)</u>	<u>(152,189)</u>
Net increase (decrease) in cash and cash equivalents	14,653	13,131
Cash and cash equivalents		
Beginning of year	<u>39,084</u>	<u>25,953</u>
End of year	<u>\$ 53,737</u>	<u>\$ 39,084</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies

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

Effective January 1, 2009, the City adopted CICA Public Sector Accounting Handbook section *PS1200 Financial Statement Presentation* and section *PS3150 Tangible Capital Assets*. As a result of these changes, the City has recorded tangible capital assets for 2009 with prior year comparative information to conform to the presentation adopted for the current year.

The changes to the comparative 2008 figures in these financial statements for the adoption of the new accounting standards are as follows:

	<u>2008</u>
Accumulated Surplus:	
Operating surplus	\$ 1,038
Capital surplus	264,110
Reserves and Reserve funds, as restated	512,600
Equity in investment in Government	
Business Enterprises, as restated	185,569
Unfunded employee benefits and other obligations	(187,677)
Unfunded solid waste landfill liabilities	(30,584)
Investment in tangible capital assets	<u>3,279,735</u>
Accumulated surplus, as restated	<u>\$ 4,024,791</u>
Annual Surplus:	
Net revenue, as restated	\$ 130,263
Tangible capital assets previously reported as expenses	161,347
Donated tangible capital assets	46,687
Amortization expense	(149,342)
Loss on disposal of tangible capital assets	(9,158)
Annual surplus, as restated	<u>\$ 179,796</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

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

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

1. (a) (i) Reporting entity (continued)

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 \$15,488,000 (2008 - \$14,780,000) 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 \$756,000 (2008 - \$809,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

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

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

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

- Child and Adolescent Services
- Drug and Alcohol Assessment
- Anonymous Testing
- Alcohol, Drug and Gaming Services-Problem Gambling
- Mental Health Promotion
- Remedial Measures
- Heart Health Program
- Prenatal Nutrition & Support
- Mental Health –Good Shepherd
- Injection Drug Use Outreach Program
- 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.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(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.

(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.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

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.

The cost, accumulated amortization, net book value and amortization expense of the City's tangible capital assets have been reported in the consolidated financial statements.

(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.

2. Cash and portfolio investments

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 222	\$ 254
Cash held in banks	48,126	33,450
Temporary investments	5,389	5,380
	<u>\$ 53,737</u>	<u>\$ 39,084</u>
Portfolio investments are comprised of:		
Unrestricted investments	\$ 610,162	\$ 681,702
Restricted investments (obligatory reserve funds)	66,575	67,394
Designated investments (Hamilton Future Fund)	73,426	74,928
	<u>\$ 750,163</u>	<u>\$ 824,024</u>

Portfolio investments have a market value of \$791,918,000 (2008 - \$867,893,000) and include City debentures - unrestricted investments of \$19,981,000 (2008 - \$20,053,000).

Portfolio investments includes restructured third-party sponsored and bank sponsored asset backed commercial paper ("ABCP") of \$71,488,000 (2008 - \$78,641,000) with a carrying value of \$89,885,000 (2008 - \$97,038,000).

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

3. Long term receivables

The City has long-term receivables in the amount of \$23,630,000 (2008 - \$23,375,000). The long term receivables are comprised of:

	<u>2009</u>	<u>2008</u>
Development charge deferral agreements	\$ 5,447	\$ 5,453
Mortgages receivable:		
Downtown convert to rent program	6,587	7,074
Hamilton Renewable Power Inc.	5,642	1,852
Art Gallery of Hamilton loan	-	1,485
Sheraton Hotel loan	1,589	1,616
Other City loan programs	805	561
Loans to other agencies and organizations	7,684	8,124
Less: Provision for loans with concessionary terms	<u>(4,124)</u>	<u>(2,790)</u>
	<u>\$ 23,630</u>	<u>\$ 23,375</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, Glendale Golf Club, Catholic Children's Aid Society, Winona Peach Festival, Theatre Aquarius, Hamilton Firefighters Drum Corps and the Bob Kemp Hospice, with interest rates varying from 0% to 5.18% for terms of one year to thirty years.

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 2009 and 2008 is as reported by the Hamilton Utilities Corporation and Hamilton Renewable Power Inc.

	<u>2009</u>	<u>2008</u>
Net income (loss) from H.U.C.	\$ (594)	\$ (2,805)
Net income (loss) from H.R.P.I.	<u>835</u>	<u>(29)</u>
Net income (loss) from Government Business Enterprises	<u>\$ 241</u>	<u>\$ (2,834)</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

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

	<u>2009</u>	<u>2008</u>
Investment in H.U.C.	\$ 185,314	\$ 185,908
Investment in H.R.P.I.	496	(339)
	<u>\$ 185,810</u>	<u>\$ 185,569</u>

The following table provides condensed supplementary financial information for Hamilton Utilities Corporation reported by H.U.C. at December 31, 2009 and December 31, 2008 respectively.

	<u>2009</u>	<u>2008</u>
Financial position		
Current assets	\$ 104,180	\$ 128,462
Capital assets	326,376	307,675
Intangible assets	5,069	5,427
Goodwill	18,923	18,923
Future payments in lieu of taxes	<u>10,450</u>	<u>9,861</u>
Total assets	<u>464,998</u>	<u>470,348</u>
Current liabilities (including current portion of long term debt)	92,062	97,428
Long term liabilities	<u>149,864</u>	<u>148,930</u>
Total liabilities	241,926	246,358
Minority Interest	37,758	38,082
Net assets	<u>\$ 185,314</u>	<u>\$ 185,908</u>
Results of operations		
Revenues	\$ 102,636	\$ 101,798
Operating expenses	(74,227)	(72,496)
Financing expenses	(8,076)	(8,421)
Other income	<u>840</u>	<u>1,276</u>
Equity earnings from operations	21,173	22,157
Payment in lieu of taxes	(6,923)	(6,734)
Income from discontinued operations	-	(138)
Minority Interest	<u>(2,853)</u>	<u>(3,187)</u>
Net Income	11,397	12,098
Dividends paid	(7,259)	(18,555)
Refundable dividend tax on hand	-	434
Change in accounting policy	<u>(4,732)</u>	<u>3,218</u>
	<u>\$ (594)</u>	<u>\$ (2,805)</u>

A change in accounting policy was disclosed in the notes to Horizon Utilities Corporation's consolidated financial statements for the recognition of regulatory liabilities and assets for future income taxes expected to be refunded or recovered from customers as future revenues.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Renewable Power Inc. reported at December 31, 2009 and December 31, 2008 respectively.

	<u>2009</u>	<u>2008</u>
Financial position		
Current assets	\$ 2,284	\$ 1,016
Capital assets	11,191	12,268
Other assets	<u>32</u>	<u>32</u>
Total assets	<u>13,507</u>	<u>13,316</u>
Current liabilities (including current portion of long term debt)	1,559	5,915
Future payment in lieu of taxes	332	85
Long term debt	<u>5,120</u>	<u>1,655</u>
Total liabilities	7,011	7,655
Shareholders equity	<u>6,000</u>	<u>6,000</u>
Net assets	<u>\$ 496</u>	<u>\$ (339)</u>
Results of operations		
Revenues	\$ 4,367	\$ 1,705
Expenses	<u>(3,532)</u>	<u>(1,734)</u>
Net income (loss)	<u>\$ 835</u>	<u>\$ (29)</u>

Hamilton Utilities Corporation's long term debt is comprised of senior unsecured debentures bearing interest at 6.25%, due July 31, 2012.

The notes to Hamilton Utilities Corporation's consolidated financial statements and Hamilton Renewable Power Inc.'s consolidated financial statements include commitments, contingencies and subsequent events 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, 2009 (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>2009</u>	<u>2008</u>
Revenue		
Dividend revenue from H.U.C.	\$ 7,259	\$ 18,555
Property and other taxes received by the City from H.U.C.	490	554
Sale of Methane to H.R.P.I.	879	316
Expenditures		
Hydro purchased by the City from H.U.C.	22,703	20,538
Water and sewer billing contracted service with H.U.C.	3,428	3,262
Thermal and Electrical Energy purchased from H.U.C.	1,936	1,084
Thermal Energy purchased from H.R.P.I.	438	424
Assets		
Water user charges receivable from H.U.C.	9,790	9,443
Accounts receivable from H.R.P.I.	266	2,255
Long term receivable from H.R.P.I.	5,642	1,852
Liabilities		
Accounts Payable – H.U.C.	196	229

5. Deferred revenue - obligatory reserve funds

	<u>2009</u>	<u>2008</u>
Development charge reserve funds (Note 6)	\$ 35,111	\$ 36,633
Subdivider contributions	48	46
Recreational land dedicated under the Planning Act	6,651	8,187
Gasoline tax revenue: Provincial	20,222	17,995
Federal	1,173	740
Building Permit Revenue	3,370	3,793
	<u>\$ 66,575</u>	<u>\$ 67,394</u>

6. Continuity of development charge reserve funds

	<u>2009</u>	<u>2008</u>
Balance at the beginning of the year	\$ 36,633	\$ 10,231
Development charge collections	21,000	41,208
Investment Income	1,147	857
Tangible capital assets acquisitions and construction	(22,146)	(12,731)
Operating expenses	(1,523)	(2,932)
Balance at the end of the year	<u>\$ 35,111</u>	<u>\$ 36,633</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (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 that mature in the years 2011 to 2026 with interest rates varying between 2.15% and 6.75% and obligations for leased tangible capital assets with payments from 2010 to 2051 at a discount rate of 5%. The balance of long term liabilities consists of the following:

	<u>2009</u>	<u>2008</u>
Long term debt incurred by the City	\$ 330,011	\$ 358,459
Long term debt incurred by the City for which other entities have assumed responsibility	<u>(26,494)</u>	<u>(29,433)</u>
Net long term debt	<u>\$ 303,517</u>	<u>\$ 329,026</u>
Long term liabilities for leased tangible capital assets incurred by the City	<u>\$ 5,399</u>	<u>\$ 3,674</u>
Net long term liabilities	<u>\$ 308,916</u>	<u>\$ 332,700</u>

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

The City also incurs long term debt on behalf of school boards and other non-consolidated boards. The responsibility for raising the amounts required to service this debt lies with these respective bodies. The City is contingently liable for the long term debt with respect to the tile drainage and shoreline property assistance loans for debentures for which the responsibility for repayment of principal and interest has been assumed by school boards and non-consolidated boards. The total amount of this contingent liability outstanding at December 31, 2009 is \$26,494,000 (2008 - \$29,433,000).

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 \$303,517,000 long term debt (2008 - \$329,026,000) 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>2009</u>	<u>2008</u>
General revenues	\$ 295,600	\$ 318,811
Reserves and reserve funds	5,368	6,968
Wastewater user charges	2,533	3,227
Non-consolidated entities	<u>16</u>	<u>20</u>
	<u>\$ 303,517</u>	<u>\$ 329,026</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (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	2009 Total
2010	\$ 24,183	\$ 1,690	\$ 733	\$ 5	\$ 26,611
2011	39,956	1,787	774	4	42,521
2012	23,464	1,891	69	2	25,426
2013	22,797	-	72	1	22,870
2014	23,743	-	76	1	23,820
2015 and thereafter	\$ 161,457	\$ -	\$ 809	\$ 3	\$ 162,269
Total	\$ 295,600	\$ 5,368	\$ 2,533	\$ 16	\$ 303,517

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

	2009
2010	\$ 631
2011	180
2012	191
2013	203
2014	215
2015 and hereafter	\$ 3,979
Total	\$ 5,399

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

	2009	2008
Principal repayments	\$ 25,509	\$ 23,354
Interest expense	14,664	14,421
	<u>\$ 40,173</u>	<u>\$ 37,775</u>

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

	2009	2008
Principal repayments	\$ 1,203	\$ 1,056
Interest expense	270	408
	<u>\$ 1,473</u>	<u>\$ 1,464</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

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 2011 to 2027 with interest rates varying between 2.61% and 8.00%. The mortgage obligations for CityHousing Hamilton are \$93,279,000 (2008 - \$74,168,000).

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

2010	\$	4,033
2011		9,209
2012		19,206
2013		5,659
2014		28,722
2015 and thereafter		<u>26,450</u>
		<u>\$ 93,279</u>

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

	<u>2009</u>	<u>2008</u>
Principal repayments	\$ 2,902	\$ 2,527
Interest expense	<u>3,683</u>	<u>3,736</u>
	<u>\$ 6,585</u>	<u>\$ 6,263</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 \$40,667,000 (2008 - \$43,419,000), is not included in the Consolidated Statement of Financial Position. The Social Housing Reform Act, 2000 transferred the ownership and responsibility for the administration of Province of Ontario public housing to the City of Hamilton as a local housing corporation. The transfer, effective January 1, 2001, included land and buildings at no cost. The servicing of these long term liabilities remains the obligation of the Province of Ontario.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (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>2009</u>	<u>2008</u>
Accrued Benefit Obligation		
Sick leave benefit plan	\$ 39,292	\$ 38,237
Long term disability	13,014	11,373
Workplace safety and insurance board liabilities (WSIB)	52,960	51,966
Retirement benefits	101,625	100,792
Vacation benefits	23,039	22,807
Pension benefit plans (Note 10)	<u>100,658</u>	<u>53,852</u>
	330,588	279,027
Pension valuation allowance	504	1,918
Net unamortized actuarial loss	<u>(68,921)</u>	<u>(77,734)</u>
Accrued Liability	<u>\$ 262,171</u>	<u>\$ 203,211</u>

The City has established reserves for some of these liabilities totalling \$54,334,000 (2008 - \$50,830,000) as described in the following notes.

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

	<u>2009</u>	<u>2008</u>
Liability for Employee Future Benefits and Other Obligations		
balance at beginning of the year	\$ 203,211	\$ 195,288
Cost of plan amendment	36,829	2,865
Change in pension valuation allowance	(10,836)	1,918
Benefit expense	14,712	15,264
Interest expense	12,936	8,727
Amortization of actuarial loss on accrued benefit obligations	5,617	5,349
Amortization of actuarial loss (gain) on earnings on		
pension assets	23,510	(2,815)
Benefit payments	<u>(23,808)</u>	<u>(23,385)</u>
Liability for Employee Future Benefits and Other Obligations		
balance at end of the year	<u>\$ 262,171</u>	<u>\$ 203,211</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (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 expenditures are summarized as follows:

	<u>2009</u>	<u>2008</u>
Cost of plan amendment	\$ 27,407	\$ 2,865
Change in pension valuation allowance	(1,414)	1,918
Benefit expense	14,712	15,264
Interest expense	12,936	8,727
Amortization of net actuarial loss	29,127	2,534
	<u>\$ 82,768</u>	<u>\$ 31,308</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	Salary Increases	Dental Increases	Life Expectancy (Years)
Vested sick leave	5%	NA	2%	3%	NA	12
Long term disability	5%	NA	2%	3%	NA	10
Workplace safety and insurance	5%	NA	2%	3%	NA	10
Retirement Benefits – Health and Dental	5%	NA	2%	3%	3.5% (1)	12
Pensions Benefits (non-OMERS)	5%	6%	2.25%	NA (2)	NA	10

Note (1): Medical costs are assumed to increase at a rate of 4.5% in 2010, 4% in 2011 and 3.5% in 2012 and thereafter.

(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, 2009 has estimated the accrued benefit obligation at \$39,292,000 (2008 - \$38,237,000). Changes in valuation assumptions have resulted in an increase in the liability to \$39,292,000 from the expected liability of \$32,436,000. The actuarial loss as at December 31, 2009 of \$6,856,000 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 \$8,741,000 (2008 - \$9,093,000).

City of Hamilton**Notes to Consolidated Financial Statements**

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

9. Employee future benefits and other obligations (continued)**(b) Liability for long term disability**

The City provides benefits in the event of total disability for certain employee groups. An actuarial valuation of the City's self insured long term disability program as at December 31, 2009 has estimated the accrued benefit obligation at \$13,014,000 (2008 - \$11,373,000). Changes in valuation assumptions have resulted in an increase in the liability to \$13,014,000 from the expected liability of \$15,102,000. The actuarial gain as at December 31, 2009 of \$2,088,000 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 \$11,516,000 (2008 - \$9,848,000).

(c) Liability for workplace safety and insurance

The City is liable for compensation related to workplace injuries as stipulated by the Workplace Safety & Insurance Board (WSIB) Act. An actuarial valuation as at December 31, 2009 estimated the accrued benefit obligation for existing Workplace Safety & Insurance Board present and future pension awards at December 31, 2009 at \$52,960,000 (2008 - \$51,968,000). Changes in valuation assumptions have resulted in an increase in the liability to \$52,960,000 from the expected liability of \$42,149,000. The actuarial loss of \$8,591,000 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 \$32,833,000 (2008 - \$30,689,000).

(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, 2009 estimated the accrued benefit obligation at \$101,625,000 (2008 - \$100,792,000). The cost of a plan amendment and changes in valuation assumptions have resulted in an increase in the liability to \$101,625,000 from the expected liability of \$74,152,000. The actuarial loss of \$27,473,000 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, 2009 has been estimated at \$23,039,000 (2008 - \$22,807,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,244,000 (2008 - \$1,199,000).

City of Hamilton**Notes to Consolidated Financial Statements**

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

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, 2009 estimated the combined accrued benefit obligation of the pension plans at \$100,658,000 (2008 – \$53,852,000). Changes in valuation assumptions, a pension valuation allowance and prior period plan amendment resulted in an increase in the liability to \$100,658,000 from an expected liability of \$51,348,000. The actuarial loss of \$28,089,000 is being amortized over the expected average remaining life expectancy of the plan members.

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 6,499 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, 2007 indicates a "going concern" Actuarial Surplus based on the plan's current member and employer contribution rates. Contributions were made in the 2009 calendar year at rates ranging from 6.3% to 12.8% depending on the member's designated retirement age and level of earnings. As a result \$31,546,000 (2008 - \$28,065,000) was contributed to OMERS for current service.

(b) Other pension plans

Approximately 540 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, 2009 (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, 2009 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The net unamortized actuarial gain on plan assets and loss on the accrued benefit obligation is being amortized over ten 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>2009</u>	<u>2008</u>
Accrued pension benefit obligation - HWRF	\$ 91,491	\$ 98,668
Pension plan assets:		
Marketable securities	<u>(63,504)</u>	<u>(61,194)</u>
	27,987	37,474
Unamortized actuarial loss	<u>(6,263)</u>	<u>(14,392)</u>
Accrued pension liability - HWRF	<u>\$ 21,724</u>	<u>\$ 23,082</u>

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

	<u>2009</u>	<u>2008</u>
Expected pension fund assets at end of year	\$ 59,885	\$ 79,121
Actual pension fund assets at end of year	<u>63,504</u>	<u>61,194</u>
Actuarial gain (loss) on pension fund assets	<u>3,619</u>	<u>\$ (17,927)</u>
Expected accrued pension benefit obligation at end of year	\$ 94,959	\$ 100,119
Actual accrued pension benefit obligation at end of year	<u>91,491</u>	<u>98,668</u>
Actuarial gain on accrued pension benefit obligation	<u>\$ 3,468</u>	<u>\$ 1,451</u>

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

	<u>2009</u>	<u>2008</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ 406	\$ 551
Amortization of net actuarial gain (loss) on pension plan assets	<u>637</u>	<u>(1,156)</u>
Net Amortization	1,043	(605)
Interest on average accrued pension benefit obligation	4,723	4,972
Expected return on average pension plan assets	<u>(3,527)</u>	<u>(4,612)</u>
Net Interest	<u>1,196</u>	<u>360</u>
Total expenses	<u>\$ 2,239</u>	<u>\$ (245)</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

(b) Other pension plans (continued)

Payments of \$3,596,000 (2008 - \$3,870,000) 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, 2009 will be funded by the City with payments as follows:

2010	\$ 3,596
2011	1,189
2012	1,189
2013	743
2014	531
2015 and thereafter	<u>3,211</u>
Total	<u>\$ 10,459</u>

The actuarial valuation of the Hamilton Municipal Retirement Fund ("HMRF") pension plan as at December 31, 2009 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The net unamortized actuarial loss on plan assets and gain on the accrued benefit obligation is 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>2009</u>	<u>2008</u>
Accrued pension benefit obligation HMRF	\$ 94,430	\$ 100,427
Pension plan assets:		
Marketable securities	<u>(85,832)</u>	<u>(84,049)</u>
	8,598	16,378
Unamortized actuarial loss	<u>(9,103)</u>	<u>(18,296)</u>
Accrued pension liability (asset)	(505)	(1,918)
Pension valuation allowance	<u>505</u>	<u>\$ 1,918</u>
Accrued pension liability - HMRF	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2009</u>	<u>2008</u>
Expected pension fund assets at end of year	\$ 80,733	\$ 108,754
Actual pension fund assets at end of year	<u>85,832</u>	<u>84,049</u>
Actuarial gain (loss) on pension fund assets – HMRF	<u>5,099</u>	<u>(24,705)</u>
Expected accrued pension benefit obligation at end of year	\$ 97,130	\$ 100,427
Actual accrued pension benefit obligation at end of year	<u>94,430</u>	<u>100,427</u>
Actuarial gain on accrued pension benefit obligation - HMRF	<u>2,700</u>	<u>-</u>

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

	<u>2009</u>	<u>2008</u>
Change in pension valuation allowance	\$ (1,414)	\$ 1,918
Amortization of net actuarial loss on accrued pension benefit obligation	583	583
Amortization of net actuarial gain (loss) on pension plan assets	<u>812</u>	<u>(1,658)</u>
Net Amortization	1,395	(1,075)
Interest on average accrued pension benefit obligation	\$ 4,819	\$ 4,979
Expected return on average pension plan assets	<u>(4,800)</u>	<u>(6,390)</u>
Net Interest	19	(1,411)
Total expenses	<u>\$ -</u>	<u>\$ (567)</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

(b) Other pension plans (continued)

The actuarial valuation of the HSR pension plan as at December 31, 2009 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The net unamortized actuarial loss on plan assets and gain on the accrued benefit obligation is being amortized over eleven years representing the expected average remaining life expectancy of the plan members. As a result of the changes to the HSR pension plan with future service being transferred to OMERS, a prior period plan amendment of \$36,829,000 was recognized in 2009. The accrued pension liability reported in the Consolidated Statement of Financial Position is comprised as follows:

	<u>2009</u>	<u>2008</u>
Accrued pension benefit obligation	\$ 219,778	\$ 174,029
Pension plan assets:		
Marketable securities	<u>(155,707)</u>	<u>(147,281)</u>
	64,071	26,748
Unamortized actuarial loss	<u>(12,723)</u>	<u>(36,170)</u>
Accrued pension liability (asset)	51,348	(9,422)
Pension valuation allowance	-	\$ 9,422
Accrued pension liability – HSR	<u>\$ 51,348</u>	<u>\$ -</u>

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

	<u>2009</u>	<u>2008</u>
Expected pension fund assets at end of year	\$ 147,502	\$ 191,835
Actual pension fund assets at end of year	<u>155,707</u>	<u>147,281</u>
Actuarial gain (loss) on pension fund assets	<u>8,205</u>	<u>\$ (44,554)</u>
Expected accrued pension benefit obligation at end of year	\$ 212,546	\$ 174,029
Actual accrued pension benefit obligation at end of year	<u>219,778</u>	<u>174,029</u>
Actuarial loss on accrued pension benefit obligation	<u>\$ (7,232)</u>	<u>\$ -</u>

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

	<u>2009</u>	<u>2008</u>
Current period benefit cost	\$ -	\$ 4,543
Prior period plan amendment	\$ 36,829	\$ -
Change in valuation allowance	\$ (9,422)	\$ 9,422
Amortization of net actuarial loss on accrued pension benefit obligation	\$ 413	\$ 1,030
Amortization of net actuarial gain (loss) on pension plan assets	<u>22,061</u>	<u>(2,493)</u>
Net Amortization	22,474	(1,463)
Interest on average accrued pension benefit obligation	10,327	8,369
Expected return on average pension plan assets	<u>(8,586)</u>	<u>(11,085)</u>
Net Interest	<u>1,741</u>	<u>(2,716)</u>
Total expenses	<u>\$ 51,622</u>	<u>\$ 9,786</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

(b) Other pension plans (continued)

Payments of \$274,000 (2008 - Nil) 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, 2009 will be funded by the City with payments as follows:

2010	\$ 274
2011	274
2012	274
2013	274
2014	274
2015 and thereafter	<u>2,460</u>
Total	<u>\$ 3,830</u>

11. Solid waste landfill liabilities

The City owns and operates one open landfill site and it owns and maintains twelve (12) closed landfill sites. The active landfill site in the Glanbrook community was opened in 1980 covering 220 hectares with a capacity of 13,258,000 cubic metres of waste. As at December 31, 2009 the remaining capacity of the site is estimated at 7,470,000 cubic metres, representing 56.3% of the total capacity. In 2009 approximately 41.3% of waste generated was diverted from landfills (2008 – 39.2%). The City's Solid Waste Management Master Plan has been updated to include a solid waste diversion target of 65% by 2011. The open landfill site is estimated to reach its capacity and close in 2036 (27 years).

The closure costs for the open Glanbrook landfill site and post closure care costs for the closed sites were based upon 2010 capital budget estimates, adjusted by 3% inflation, unexpended capital projects that were in progress in 2009 and estimates of operational support costs. These costs were then discounted back to December 31, 2009 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 \$26,952,000 (2008 - \$30,584,000) for closure of the operational site and post closure care of the closed sites has been reported on the Consolidated Statement of Financial Position.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

12. Accumulated Surplus

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

	<u>2009</u>	<u>2008</u>
Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:		
Working funds	\$ 38,394	\$ 48,758
Contingencies	1,233	1,845
Replacement of equipment	36,635	30,046
Sick leave (Note 9)	8,741	9,093
Workplace Safety and Insurance Board (WSIB)(Note 9)	32,833	30,689
Pension Plans	5,044	4,864
Self insurance (Note 17)	197	189
Operating programs	44,591	21,399
Tangible capital assets	<u>242,962</u>	<u>290,789</u>
Total reserves	410,630	437,672
Hamilton Future Fund (Note 13)	<u>73,426</u>	<u>74,928</u>
Total reserves and discretionary reserve funds	\$ 484,056	\$ 512,600
Operating surplus –		
Flamborough recreation sub-committees	\$ 197	\$ 203
Business improvement areas	189	163
Housing Operations	<u>421</u>	<u>672</u>
Total operating surplus	\$ 807	\$ 1,038
Capital surplus -		
Municipal Operations	\$ 184,761	\$ 245,864
Housing Operations	<u>20,731</u>	<u>18,246</u>
Total capital surplus	\$ 205,492	\$ 264,110
Unfunded liabilities -		
Employee benefit obligations (Note 9)	\$ (246,298)	(187,677)
Solid Waste Landfill Liabilities	<u>(26,952)</u>	<u>(30,584)</u>
Total unfunded liabilities	\$ (273,250)	\$ (218,261)
Investment in Government		
Business Enterprises (Note 4)	<u>\$ 185,810</u>	<u>\$ 185,569</u>
Investment in tangible capital assets	<u>\$ 3,476,560</u>	<u>\$ 3,279,735</u>
Accumulated surplus	\$ 4,079,475	\$ 4,024,791

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (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>2009</u>	<u>2008</u>
Balance at the beginning of the year	\$ 74,928	\$ 75,013
Revenues		
Investment Income	<u>4,245</u>	<u>3,606</u>
Operating expenses		
Property Tax Reduction	-	(1,640)
Mohawk College Grant	(1,000)	-
Other	(723)	-
Repayment of Waste Management Projects	<u>5,657</u>	<u>5,085</u>
	<u>3,934</u>	<u>3,445</u>
Tangible capital assets		
Waste Management Projects	(2,601)	(1,215)
Roads and Bridges	(4,751)	(5,308)
Municipal Wireless Project	(116)	-
Waterfront Trail Extension	(213)	-
Scenic Waterfall Program	(2,000)	(601)
Other	-	(12)
	<u>(9,681)</u>	<u>(7,136)</u>
Balance at the end of the year	<u>\$ 73,426</u>	<u>\$ 74,928</u>

14. Taxation	Budget <u>2009</u> (unaudited)	Actual <u>2009</u>	Actual <u>2008</u>
Taxation from real property	\$ 827,030	\$ 843,029	\$ 819,725
Taxation from other governments payments in lieu of taxes	<u>14,000</u> 841,030	<u>14,553</u> 857,582	<u>12,173</u> 831,898
Less: Taxation collected on behalf of school boards	<u>(177,969)</u>	<u>(181,976)</u>	<u>(179,208)</u>
Net taxes available for municipal purposes	<u>\$ 663,031</u>	<u>\$ 675,606</u>	<u>\$ 652,690</u>

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).

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

15. Government transfers

(a) Government transfers - grants, subsidies and contributions

The City receives grants, subsidies and contributions from provincial and federal governments for general purposes, to finance specific program expenditures and to finance capital expenditures. Under the accrual basis of accounting these cash payments are recorded as grant revenues on the Consolidated Statement of Operations to the extent that the cash received is required to meet expenditures under the program. Any amount that is 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 2009 the City received payments from the provincial and federal governments in the amount of \$387,252,000 (2008 - \$444,598,000) as follows:

	<u>2009</u>	<u>2008</u>
Government of the Province of Ontario	\$ 324,163	\$ 401,951
Government of Canada	<u>63,089</u>	<u>42,647</u>
Total	<u>\$ 387,252</u>	<u>\$ 444,598</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 2009, the City issued payments as government transfers in the amount of \$246,538,000 (2008 - \$208,657,000) as follows:

	<u>2009</u>	<u>2008</u>
Payments for social assistance entitlements	\$ 170,776	\$ 143,233
Payments for housing subsidies	60,984	53,473
Grants to agencies and institutions	<u>14,778</u>	<u>11,951</u>
Total	<u>\$ 246,538</u>	<u>\$ 208,657</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

16. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$306,953,000 at December 31, 2009 for capital works (2008 - \$219,366,000) 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, 2009 amounting to \$4,797,000 (2008 - \$4,868,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$72,000 in 2009 (2008 - \$127,000) 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, 2009 of \$3,460,000 (2008: \$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 \$238,000 in 2009 (2008: \$300,000) are reported in the Consolidated Statement of Operations.
- (d) The City has an agreement with a developer to design and install services in the Binbrook community of the City of Hamilton. The City is committed to repaying the developer \$8,068,000 plus interest on the outstanding balance by 2026 with an option to extend until 2031 for the Binbrook services. The outstanding future obligations at December 31, 2009 amounting to \$1,594,000 (2008 - \$1,751,000) are 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 \$283,000 in 2009 (2008 - \$1,653,000) are reported in the Consolidated Statement of Operations.
- (e) 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 \$8,150,000 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, 2009 amounting to \$8,572,000 (2008 - \$8,428,000) 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 \$266,000 in 2009 (2008 - \$401,000) are reported in the Consolidated Statement of Operations.
- (f) The City has agreements with Waste Management for the transfer, hauling and disposal of the City's solid waste. The term of the agreement is fourteen years for the period of January 1, 1996 to December 31, 2009. The contract fees amounting to \$4,867,000 for 2009 (2008 - \$5,953,000) are reported in the Consolidated Statement of Operations. Contract fees for future years are based on the rate per tonne of solid waste processed adjusted annually for an industry specific modified escalation clause.
- (g) The City has an agreement with National Waste Services Inc. for the provision of curbside/roadside and automated recycling cart collection. The term of the agreement is five years for a period of March 31, 2008 to March 31, 2013. The contract fees amounting to \$6,147,000 for 2009 (2008 - \$5,410,000) are reported in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

16. Contractual obligations (continued)

(h) 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 \$10,170,000 (2008 - \$9,980,000) are reported in the Consolidated Statement of Operations. Contract fees for future years are not expected to change significantly. 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 (2008 - \$183,000) 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 and golf cars requiring annual payments in future years as they become due and payable in the amount of \$50,460,000 (2008 - \$45,205,000). The minimum lease payments for these leases over the next five years and thereafter are:

2010	\$ 11,089
2011	7,280
2012	6,352
2013	5,787
2014	4,199
2015 and thereafter	<u>15,753</u>
	<u>\$ 50,460</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 January 20, 2006 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 July 19, 2010. 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 dept 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 (2008 - \$0). 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.

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 \$25,000,000 per claim or occurrence.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

17. Public liability insurance (continued)

The City has reported liabilities for insurance claims on the Consolidated Statement of Financial position in the amount of \$20,249,000 (2008- \$19,851,000). Claim expenses for the year in the amount of \$9,775,000 (2008 - \$5,419,000) are reported as expenditures in the Consolidated Statement of Operations. In addition, the City has an insurance reserve to supplement the self-insurance program for potential cost overruns arising from unforeseen claim awards and unanticipated premium increases. The balance as reported in the Consolidated Statement of Financial Position (Note 12) at December 31, 2009 is \$197,000 (2008 - \$189,000).

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, 2009 is \$26,494,000 (2008 - \$29,433,000).
- (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 2009 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 2009 (2008 - \$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, 2009. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund these settlements. Subsequent to December 31, 2009, there has been a settlement with one of the unionized employee groups.
- (d) A class-action lawsuit claiming \$500 million in restitutionary payments plus interest was served on the Toronto Hydro-Electric Commission on November 18, 1998. The action was initiated against Toronto Hydro as the representative for all municipal electric utilities in Ontario that levied late payment charges to their consumers at any time after April 1, 1981. A Supreme Court of Canada decision was rendered in April 2004 regarding a similar class-action lawsuit against The Consumers' Gas Company Limited (now Enbridge Gas Distribution Inc.) and Consumers' Gas was ordered to pay compensation to customers who were charged certain late payment fees. The parties have reached a tentative settlement of this class action, but the settlement is subject to the approval by the Ontario Superior Court of Justice. On February 4, 2008, the Ontario Energy Board, in response to an application filed by Enbridge, ruled that all of Enbridge's costs related to settlements of the class action lawsuits, including legal costs, settlement cost and interest, are recoverable from ratepayers. The OEB's decision allows Enbridge to recover all amounts over a five year period commencing in 2008. Management of H.U.C. have advised that it is not possible to quantify the effect, if any, on the financial statements of H.U.C. Consequently, no provision was made in the statements.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

19. Tangible Capital Assets

The City has completed listings and values for land, land improvements, buildings (general), vehicles, computer, other machinery and equipment, roads, bridges and structures, water and wastewater facilities and underground infrastructure networks.

The assets valued as at December 31, 2009 have a cost of \$5,608,657,000 (2008 - \$5,434,058,000) and a net book value of \$3,886,234,000 (2008 - \$3,693,932,000). 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 4 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 1-34 and 1-35). The net book value of the tangible capital assets valued as at December 31, 2009 is as follows:

	<u>2009</u>	<u>2008</u>
General		
Land	\$ 193,416	\$ 170,956
Land improvements	106,577	107,351
Buildings	265,909	237,972
Vehicles	125,362	107,044
Computer hardware and software	4,323	4,724
Other	57,847	48,167
Infrastructure		
Roads	1,244,350	1,268,848
Bridges and structures	160,935	162,861
Water and wastewater facilities	166,758	150,165
Underground and other networks	<u>1,380,969</u>	<u>1,331,191</u>
Net Book Value	\$ 3,706,446	\$ 3,589,279
Assets under construction	<u>179,788</u>	<u>104,653</u>
	<u>\$ 3,886,234</u>	<u>\$ 3,693,932</u>

In addition, the City has works of arts and historical treasures including sculptures, fine art, murals, cemetery crosses, cenotaphs, cannons and artillery that are preserved by the City but are not recorded as tangible capital assets.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

20. Reporting by Business Segment

The Consolidated Financial Statements provide a summary of the revenues and expenditures 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 1-36 and 1-37).

21. Budget figures

The 2009 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on February 25, 2009. The 2009 operating budget and capital financing for municipal operations was approved by City Council at a meeting on April 1, 2009.

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.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

2009 Schedule of Tangible Capital Assets

	General						Infrastructure					TOTAL
	Land	Land Improvements	Buildings	Vehicles	Computer	Other	Roads	Bridges & Other Structures	WWW Facilities	Underground & Other Networks	Assets Under Construction	
Cost												
Balance, Dec 31, 2008	\$ 170,956	\$ 191,867	\$ 642,864	\$ 215,075	\$ 9,946	\$ 72,745	\$ 1,888,986	\$ 198,637	\$ 410,271	\$ 1,702,657	\$ 104,653	\$ 5,608,657
Additions & Betterments in 2009	17,928	5,663	39,886	37,931	2,528	16,175	45,230	725	22,438	42,530	155,443	386,477
Disposals & Writedowns in 2009	(1,034)	(407)	(2,248)	(9,130)	(2,143)	(3,807)	(7,500)	(8)	(121)	(1,614)	(1,935)	(29,947)
Donations and Transfers in 2009	5,566	385	2,929	100	-	-	5,456	-	3,400	28,738	-	46,574
WIP Transfer to TCA in 2009											(78,373)	(78,373)
Balance, Dec 31, 2009	\$ 193,416	\$ 197,508	\$ 683,431	\$ 243,976	\$ 10,331	\$ 85,113	\$ 1,932,172	\$ 199,354	\$ 435,988	\$ 1,772,311	\$ 179,788	\$ 5,933,388
Accumulated amortization												
Balance, Dec 31, 2008	\$ -	\$ 84,517	\$ 404,892	\$ 108,031	\$ 5,222	\$ 24,578	\$ 620,137	\$ 35,776	\$ 260,106	\$ 371,466	\$ -	\$ 1,914,725
Amortization in 2009	-	6,618	14,877	18,748	2,929	6,495	73,289	2,650	9,230	21,489	-	156,325
Amortization on Disposals in 2009	-	(204)	(2,247)	(8,165)	(2,143)	(3,807)	(5,604)	(7)	(106)	(1,613)	-	(23,896)
Balance, Dec 31, 2009	\$ -	\$ 90,931	\$ 417,522	\$ 118,614	\$ 6,008	\$ 27,266	\$ 687,822	\$ 38,419	\$ 269,230	\$ 391,342	\$ -	\$ 2,047,154
Net Book Value Dec 31, 2009	\$ 193,416	\$ 106,577	\$ 265,909	\$ 125,362	\$ 4,323	\$ 57,847	\$ 1,244,350	\$ 160,935	\$ 166,758	\$ 1,380,969	\$ 179,788	\$ 3,886,234
Assets Under Construction	\$ -	\$ 9,120	\$ 72,362	\$ -	\$ 769	\$ 8,973	\$ 11,183	\$ 4,128	\$ 58,341	\$ 14,912	\$ 179,788	
Total	\$ 193,416	\$ 115,697	\$ 338,271	\$ 125,362	\$ 5,092	\$ 66,820	\$ 1,255,533	\$ 165,063	\$ 225,099	\$ 1,395,881	\$ -	\$ 3,886,234

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

2008 Schedule of Tangible Capital Assets

	General						Infrastructure					TOTAL
	Land	Land Improvements	Buildings	Vehicles	Computer	Other	Roads	Bridges & Other Structures	WWW Facilities	Underground & Other Networks	Assets Under Construction	
Cost												
Balance, Dec 31, 2007	\$ 162,900	\$ 186,807	\$ 602,449	\$ 201,686	\$ 7,336	\$ 61,491	\$ 1,835,894	\$ 194,269	\$ 404,873	\$ 1,660,747	\$ 115,606	\$ 5,434,058
Additions & Betterments in 2008	5,106	5,060	43,511	27,214	2,610	11,254	38,396	4,368	5,398	29,383	53,079	225,379
Disposals & Writedowns in 2008	(925)	-	(3,096)	(13,825)	-	-	(13,371)	-	-	(2,218)	-	(33,435)
Donations and Transfers in 2008	3,875	-	-	-	-	-	28,067	-	-	14,745	-	46,687
WIP Transfer to TCA in 2008											(64,032)	(64,032)
Balance, Dec 31, 2008	\$ 170,956	\$ 191,867	\$ 642,864	\$ 215,075	\$ 9,946	\$ 72,745	\$ 1,888,986	\$ 198,637	\$ 410,271	\$ 1,702,657	\$ 104,653	\$ 5,608,657
Accumulated amortization												
Balance, Dec 31, 2007	\$ -	\$ 78,152	\$ 391,193	\$ 104,496	\$ 2,759	\$ 19,166	\$ 556,294	\$ 33,160	\$ 251,254	\$ 353,185	\$ -	\$ 1,789,659
Amortization in 2008	-	6,364	16,795	16,859	2,463	5,412	69,483	2,616	8,852	20,499	-	149,343
Amortization on Disposals in 2008	-	-	(3,096)	(13,324)	-	-	(5,639)	-	-	(2,218)	-	(24,277)
Balance, Dec 31, 2008	\$ -	\$ 84,516	\$ 404,892	\$ 108,031	\$ 5,222	\$ 24,578	\$ 620,138	\$ 35,776	\$ 260,106	\$ 371,466	\$ -	\$ 1,914,725
Net Book Value Dec 31, 2008	\$ 170,956	\$ 107,351	\$ 237,972	\$ 107,044	\$ 4,724	\$ 48,167	\$ 1,268,848	\$ 162,861	\$ 150,165	\$ 1,331,191	\$ 104,653	\$ 3,693,932
Assets Under Construction	\$ -	\$ 6,631	\$ 31,538	\$ -	\$ 144	\$ 4,072	\$ 12,426	\$ 800	\$ 39,555	\$ 9,487	\$ 104,653	
Total	\$ 170,956	\$ 113,982	\$ 269,510	\$ 107,044	\$ 4,868	\$ 52,239	\$ 1,281,274	\$ 163,661	\$ 189,720	\$ 1,340,678	\$	\$ 3,693,932

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

2009 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 2009
Revenue										
Taxation	\$ 675,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 675,606
Government grants and contributions	73,944	3,475	14,834	17,111	45,129	184,411	34,797	2,214	368	376,283
User charges	5,837	6,446	45,261	152,272	2,776	11,728	839	17,844	10,583	253,586
Development charges and subdivider contributions	3,551	(1,317)	13,073	(7,668)	174	-	-	3,252	-	11,065
Sale of land and capital assets	-	(322)	(2,585)	(1,596)	(1)	-	2,572	4,514	(300)	2,282
Donated tangible capital assets	100	7,281	32,939	-	-	-	-	6,254	-	46,574
Investment and dividend income	33,984	845	4,666	6,522	910	618	819	2,185	3,041	53,590
Income from Gov. Bus. Enterprises	241	-	-	-	-	-	-	-	-	241
Other	17,163	17,123	8,560	800	369	94	30,648	9,825	2,038	86,620
Total	\$ 810,426	\$ 33,531	\$ 116,748	\$ 167,441	\$ 49,357	\$ 196,851	\$ 69,675	\$ 46,088	\$ 15,730	\$ 1,505,847
Expenses										
Salaries and benefits	\$ 44,987	\$ 201,964	\$ 143,822	\$ 43,092	\$ 56,798	\$ 64,154	\$ 9,086	\$ 68,552	\$ 23,694	\$ 656,149
Interest on long term debt	144	898	9,010	1,888	3	1,158	3,738	906	272	18,017
Materials and supplies	40,991	13,577	30,818	29,625	7,932	8,586	36,735	25,826	6,347	200,437
Contracted services	12,515	3,208	34,711	49,046	3,296	53,289	8,823	9,882	5,453	180,223
Rents and financial expenses	4,412	1,331	2,036	817	931	3,617	792	2,166	1,346	17,448
External transfers	16	4,716	-	-	71	168,048	42,847	5,504	1,362	222,564
Amortization	4,394	4,883	91,019	33,550	1,446	654	4,785	12,890	2,704	156,325
Interfunctional transfers	(38,244)	3,302	14,953	7,798	3,816	415	(21)	6,889	1,092	-
Total	\$ 69,215	\$ 233,879	\$ 326,369	\$ 165,816	\$ 74,293	\$ 299,921	\$ 106,785	\$ 132,615	\$ 42,270	\$ 1,451,163
Annual Surplus	\$ 741,211	\$ (200,348)	\$ (209,621)	\$ 1,625	\$ (24,936)	\$ (103,070)	\$ (37,110)	\$ (86,527)	\$ (26,540)	\$ 54,684

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2009 (all numbers in columns are in thousands of dollars)

2008 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 2008
Revenue										
Taxation	\$ 652,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 652,690
Government grants and contributions	54,494	2,447	92,873	18,599	38,509	160,949	31,347	34,189	5,598	439,005
User charges	4,954	6,315	42,215	154,880	2,610	11,308	845	17,155	8,870	249,152
Development charges and subdivider contributions	985	1,724	12,695	7,515	361	-	-	4,707	-	27,987
Sale of tangible capital assets	1,166	(37)	3,052	(630)	(23)	-	817	1,229	276	5,850
Donated tangible capital assets	-	-	28,067	15,991	-	-	-	2,629	-	46,687
Investment and dividend income	34,290	445	3,412	5,455	1,110	515	763	2,956	2,044	50,990
Income from Gov. Bus. Enterprises	(2,834)	-	-	-	-	-	-	-	-	(2,834)
Other	17,881	17,344	7,220	1,319	180	32	30,237	10,186	3,164	87,563
Total	\$ 763,626	\$ 28,238	\$ 189,534	\$ 203,129	\$ 42,747	\$ 172,804	\$ 64,009	\$ 73,051	\$ 19,952	\$ 1,557,090
Expenses										
Salaries and benefits	\$ 48,693	\$ 193,034	\$ 85,155	\$ 40,691	\$ 52,476	\$ 61,009	\$ 8,708	\$ 62,840	\$ 21,754	\$ 574,360
Interest on long term debt	158	918	8,970	1,876	3	1,224	3,797	931	280	18,157
Materials and supplies	44,683	16,758	46,428	26,715	6,980	10,382	37,484	33,601	7,092	230,123
Contracted services	10,982	2,379	48,242	58,480	3,079	54,845	12,211	4,971	4,278	199,467
Rents and financial expenses	6,200	1,402	1,694	583	383	3,709	628	1,727	961	17,287
External transfers	-	4,282	-	-	61	141,168	37,306	5,249	491	188,557
Amortization	3,930	3,764	86,129	35,059	1,659	293	4,528	13,272	709	149,343
Interfunctional transfers	(38,777)	3,071	14,083	8,624	4,329	152	16	7,231	1,271	-
Total	\$ 75,869	\$ 225,608	\$ 290,701	\$ 172,028	\$ 68,970	\$ 272,782	\$ 104,678	\$ 129,822	\$ 36,836	\$ 1,377,294
Annual Surplus	\$ 687,757	\$ (197,370)	\$ (101,167)	\$ 31,101	\$ (26,223)	\$ (99,978)	\$ (40,669)	\$ (56,771)	\$ (16,884)	\$ 179,796

Section 2

City of Hamilton Financial Statements for the Trust Funds Cemetery, Library and General Trusts December 31, 2009

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City of Hamilton

Trust Funds - Consolidated

As at December 31, 2009

Statement of Financial Position

	<u>2009</u>	<u>2008</u>
Assets		
Cash	\$ 1,109,528	\$ 1,000,997
Accrued interest receivable	702,968	523,499
Investments (Note 2)	11,537,278	11,175,270
Deposits Hamilton Community Foundation (Note 3)	1,253,959	1,253,959
Due from City of Hamilton – Cemetery	323,573	247,280
Due from City of Hamilton – Library Trust Funds	363,263	419,068
Due from City of Hamilton – Other Trust Funds	<u>182,407</u>	<u>159,785</u>
Total assets	\$ 15,472,976	\$ 14,779,858
Liabilities		
Deposits	<u>\$ 253,362</u>	<u>\$ 254,270</u>
Accumulated surplus	\$ 15,219,614	\$ 14,525,588

Statement of Operations

Revenue		
Cemetery lots and interments	\$ 666,100	\$ 641,431
Investment income	832,736	563,251
Transfer from other trust funds	9,831	87,577
Other revenue	<u>21,000</u>	<u>23,500</u>
Total revenue	\$ 1,529,667	\$ 1,315,759
Expenses		
Investment loss	\$ 226	\$ 281,852
Other	65,530	57,494
Transfer to other trust funds	<u>769,885</u>	<u>719,699</u>
Total expenses	\$ 835,641	\$ 1,059,045
Annual surplus	\$ 694,026	\$ 256,714
Accumulated surplus at the beginning of the year	14,525,588	14,268,874
Accumulated surplus at the end of the year	\$ 15,219,614	\$ 14,525,588

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes to the Financial Statements

As at December 31, 2009

1. Significant accounting policies

The financial statements of the City of Hamilton 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 estimates have been made using careful judgements.

(a) Basis of Consolidation

These statements reflect the revenues, expenses, assets and liabilities of the following trust funds:

- Cemetery Trust Funds
- Library - M. Walden Thompson Bequest
- Library - Central Library Special Gift Fund
- Library - Permanent Endowment Fund
- Library - Keetha McLaren Memorial Fund
- Library - F. Walden Library Bequest
- Library - Dundas Fundraising
- Library - Waterdown Fundraising
- Ontario Home Renewal Program ("OHRP")
- Other - Fieldcote Farmer (Ancaster)
- Other - Dundas Knowles Bequest
- Other - Hamilton F. Walden Dundurn Castle
- Other - Dundas Ellen Grafton
- Other - Ancaster Fieldcote Livingstone-Clarke
- Other - Ancaster Fieldcote Shaver
- Other - Municipal Election Surplus
- Other - Hamilton Balfour Estate Chedoke

(b) Basis of Accounting

- (i) Sources of financing and expenses 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, 2009

2. Investments

The total investments recorded at lower cost or market value in the balance sheet are \$11,537,278 (2008 - \$11,175,270). These investments have a market value of \$12,196,151 (2008 - \$11,637,250) 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 statement of financial position at market value.

4. Accumulated Surplus

	<u>2009</u>	<u>2008</u>
The accumulated surplus consists of:		
Cemetery	<u>\$ 11,784,382</u>	<u>\$ 11,220,043</u>
Library		
M. Walden Thompson Estate	19,003	19,229
Special Gift Fund Central	1,897,725	1,748,944
Permanent Endowment Fund	571,485	529,819
Keetha McLaren Memorial Fund	26,972	24,232
F. Walden Library Bequest	60,763	60,244
Dundas Library Fundraising	-	68,844
Waterdown Library Fundraising	<u>39,379</u>	<u>37,981</u>
	<u>2,615,327</u>	<u>2,489,293</u>
Other		
Fieldcote Farmer (Ancaster)	344,673	346,326
Knowles Bequest (Dundas)	259,541	259,283
F. Walden Dundurn Castle (Hamilton)	5,199	5,014
Ellen Grafton (Dundas)	7,010	6,955
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election	11,112	10,716
Balfour Estate Chedoke (Hamilton)	<u>182,060</u>	<u>177,648</u>
	<u>819,905</u>	<u>816,252</u>
	<u>\$ 15,219,614</u>	<u>\$ 14,525,588</u>

City of Hamilton Trust Funds - Cemetery

As at December 31, 2009

Statement of Financial Position

	<u>2009</u>	<u>2008</u>
Assets		
Cash	\$ 543,950	\$ 438,102
Due from City of Hamilton	323,573	247,280
Investments	<u>11,170,221</u>	<u>10,788,931</u>
Total assets	<u>\$ 12,037,744</u>	<u>\$ 11,474,313</u>
Liabilities		
Deposits	<u>\$ 253,362</u>	<u>\$ 254,270</u>
Accumulated surplus	<u>\$ 11,784,382</u>	<u>\$ 11,220,043</u>

Statement of Operations

	<u>2009</u>	<u>2008</u>
Revenue		
Cemetery lots and interments	\$ 666,100	\$ 641,431
Investment income	<u>610,842</u>	<u>547,733</u>
Total revenue	<u>\$ 1,276,942</u>	<u>\$ 1,189,164</u>
Expenses		
Other	\$ 11,562	\$ 11,784
Transfer to other trust funds	<u>701,041</u>	<u>674,029</u>
Total expenses	<u>\$ 712,603</u>	<u>\$ 685,813</u>
Annual surplus	<u>\$ 564,339</u>	<u>\$ 503,351</u>
Accumulated surplus at the beginning of the year	<u>11,220,043</u>	<u>10,716,692</u>
Accumulated surplus at the end of the year	<u>\$ 11,784,382</u>	<u>\$ 11,220,043</u>

See accompanying notes to the financial statements

City of Hamilton Trust Funds - Library

As at December 31, 2009

Statement of Financial Position

	<u>2009</u>	<u>2008</u>
Assets		
Cash	\$ 295,137	\$ 292,767
Accrued interest receivable	702,968	523,499
Deposits Hamilton Community Foundation	1,253,959	1,253,959
Due from City of Hamilton	<u>363,263</u>	<u>419,068</u>
Total assets	<u>\$ 2,615,327</u>	<u>\$ 2,489,293</u>
Accumulated surplus	<u>\$ 2,615,327</u>	<u>\$ 2,489,293</u>

Statement of Operations

	<u>2009</u>	<u>2008</u>
Revenue		
Transfer from other trust funds	\$ -	\$ 87,577
Investment income	212,589	-
Other revenue	<u>9,831</u>	<u>2,500</u>
Total revenue	<u>\$ 222,420</u>	<u>\$ 90,077</u>
Expenses		
Investment loss	\$ 226	\$ 281,852
Other	27,316	29,523
Transfer to other trust funds	<u>68,844</u>	<u>15,000</u>
Total expenses	<u>\$ 96,386</u>	<u>\$ 326,375</u>
Annual surplus	<u>\$ 126,034</u>	<u>\$ (236,298)</u>
Accumulated surplus at the beginning of the year	<u>2,489,293</u>	<u>2,725,591</u>
Accumulated surplus at the end of the year	<u>\$ 2,615,327</u>	<u>\$ 2,489,293</u>

See accompanying notes to the financial statements

City of Hamilton
Trust Funds – Ontario Home Renewal Program
As at December 31, 2009

Statement of Financial Position

	<u>2009</u>	<u>2008</u>
Assets		
OHRP loans forgivable	\$ -	\$ -
Due from City of Hamilton	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>
Accumulated surplus	<u>\$ -</u>	<u>\$ -</u>

Statement of Operations

	<u>2009</u>	<u>2008</u>
Revenue		
Grants-Province	<u>\$ -</u>	<u>\$ -</u>
Total revenue	<u>\$ -</u>	<u>\$ -</u>
Expenses		
Transfer to other trust funds	<u>\$ -</u>	<u>\$ 11,596</u>
Total expenses	<u>\$ -</u>	<u>\$ 11,596</u>
Annual surplus	<u>\$ -</u>	<u>\$ (11,596)</u>
Accumulated surplus at the beginning of the year	<u>-</u>	<u>(11,596)</u>
Accumulated surplus at the end of the year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

City of Hamilton
Trust Funds - Other

As at December 31, 2009

Statement of Financial Position

	<u>2009</u>	<u>2008</u>
Assets		
Cash	\$ 270,441	\$ 270,128
Investments	367,057	386,339
Due from City of Hamilton	<u>182,407</u>	<u>159,785</u>
Total Assets	<u>\$ 819,905</u>	<u>\$ 816,252</u>
Accumulated surplus	<u>\$ 819,905</u>	<u>\$ 816,252</u>

Statement of Operations

	<u>2009</u>	<u>2008</u>
Revenue		
Investment income	\$ 9,305	\$ 15,518
Other revenue	<u>21,000</u>	<u>21,000</u>
Total revenue	<u>\$ 30,305</u>	<u>\$ 36,518</u>
Expenses		
Transfer to other trust funds	\$ -	\$ 19,074
Other	<u>26,652</u>	<u>16,187</u>
Total expenses	<u>\$ 26,652</u>	<u>\$ 35,261</u>
Annual surplus	<u>\$ 3,653</u>	<u>\$ 1,257</u>
Accumulated surplus at the beginning of the year	<u>816,252</u>	<u>814,995</u>
Accumulated surplus at the end of the year	<u>\$ 819,905</u>	<u>\$ 816,252</u>

See accompanying notes to the financial statements

Section 3

City of Hamilton Financial Statements for the Trust Funds – Homes for the Aged December 31, 2009

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City of Hamilton Trust Funds – Homes for the Aged

As at December 31, 2009

Statement of Financial Position

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2009	Total 2008
Financial assets						
Cash	\$ 45,938	\$ 77,580	\$ 58,038	\$ 574,051	\$ 755,607	\$ 808,984
Total Financial assets	\$ 45,938	\$ 77,580	\$ 58,038	\$ 574,051	\$ 755,607	\$ 808,984
Liabilities						
Due to (from) City of Hamilton	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,159
Total Liabilities	-	-	-	-	-	10,159
Accumulated surplus	\$ 45,938	\$ 77,580	\$ 58,038	\$ 574,051	\$ 755,607	\$ 798,825

Statement of Operations

Year ended December 31, 2009

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2009	Total 2008
Revenue						
Residents' deposits	\$ 109,058	\$ 96,205	\$ 14,058	\$ 19,442	\$ 238,763	\$ 142,416
Investment income	387	693	639	4,763	6,482	24,943
Donations	-	-	5,582	16,077	21,659	27,419
	<u>119,445</u>	<u>96,898</u>	<u>20,279</u>	<u>40,282</u>	<u>266,904</u>	<u>194,778</u>
Expenses						
Maintenance payments	24,084	29,862	-	-	53,946	69,288
Residents' charges	65,890	67,457	49,464	52,536	235,347	101,921
Payments to estates	12,281	3,519	-	-	15,800	3,798
Payments on discharge	237	-	-	-	237	1,547
Program Purchases	-	-	-	4,792	4,792	5,000
	<u>102,492</u>	<u>100,838</u>	<u>49,464</u>	<u>57,328</u>	<u>310,122</u>	<u>181,554</u>
Annual surplus	6,953	(3,940)	(29,185)	(17,046)	(43,218)	13,224
Accumulated surplus at the beginning of the year	<u>38,985</u>	<u>81,520</u>	<u>87,223</u>	<u>591,097</u>	<u>798,825</u>	<u>785,601</u>
Accumulated surplus at the end of the year	\$ <u>45,938</u>	\$ <u>77,580</u>	\$ <u>58,038</u>	\$ <u>574,051</u>	\$ <u>755,607</u>	\$ <u>798,825</u>

City of Hamilton

Trust Funds – Homes for the Aged

Notes to the Financial Statements

As at December 31, 2009

1. Purpose of Trust Funds

The various Trust Funds administered by the City of Hamilton are established for the following purposes:

Macassa and Wentworth Lodge Resident Trusts

These Trust Funds are established for residents to receive their funds and to pay for their various charges including monthly maintenance payments.

Macassa and Wentworth Lodge Other Trusts

These Trust Funds are established for the receipts of funds from donations and fund raising activities. The funds are to be used for the benefit of lodge residents over and above normal capital and operating expenses of the lodges.

2. Significant accounting policies

The financial statements of the Trust Funds of The City of Hamilton are the representation of management prepared in accordance with 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.