FINANCIAL REPORT

City of Hamilton | FINANCIAL SERVICES

Hamilton

FINANCIAL REPORT

2021

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

City of Hamilton Financial Report

2021

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City of Hamilton
Five Year Financial and Statistical Review
2021

City of Hamilton
Five Year Financial and Statistical Review (unaudited)
(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

	2021	2020	2019	2018	2017
Operating Revenue					
Taxation	$ 985,972	$ 957,739	$ 917,126	$ 888,229	$ 876,880
Government grants and contributions	536,264	521,305	447,833	454,774	394,785
User charges	344,086	329,316	372,145	347,637	334,974
Development charges and subdivider contributions	68,541	33,693	60,646	119,703	50,313
Donated tangible capital assets	28,812	8,494	21,715	46,862	18,217
Investment and dividend income	37,639	33,545	37,598	31,101	28,070
Net income from Government Business Enterprises	13,097	10,726	11,262	24,285	134,914
Other	131,674	120,526	128,764	137,476	131,383
	2,146,085	2,015,344	1,997,089	2,050,067	1,969,536
Operating Expenses by Function					
General government	$ 95,277	$ 68,079	$ 66,626	$ 80,025	$ 70,733
Protection services	357,517	341,243	330,258	324,227	312,564
Transportation services	338,618	322,651	337,719	320,005	326,274
Environmental services	283,556	251,828	252,778	284,271	239,488
Health services	153,396	126,930	106,057	102,868	99,125
Social and family services	342,493	333,523	309,361	316,819	315,218
Social housing	124,830	110,063	97,131	105,893	105,141
Recreation and cultural services	164,238	149,932	176,949	172,965	169,029
Planning and development	63,316	56,382	52,263	56,785	53,455
	1,923,241	1,760,631	1,729,142	1,763,858	1,691,027
Net Operating Revenue or Annual Surplus from Operations	222,844	254,713	267,947	286,209	278,509

Note: Amounts reported may have been restated from previous amounts presented to conform to 2021 Public Sector Accounting Board (PSAB) standards.

City of Hamilton
Five Year Financial and Statistical Review (unaudited)
(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

	2021	2020	2019	2018	2017
Taxation					
Taxation from real property	$ 1,164,870	$ 1,146,798	$ 1,102,694	$ 1,071,092	$ 1,056,723
Taxation from other governments/payments in lieu of taxes	$ 17,508	$ 16,900	$ 16,551	$ 16,256	17,042
Taxation collected on behalf of school boards	(196,406)	(205,959)	(202,119)	(199,119)	(196,885)
Net taxes available for municipal purposes	985,972	957,739	917,126	888,229	876,880
Tax Levies					
City portion	$ 954,419	$ 924,159	$ 886,787	$ 857,981	$ 845,392
School Board portion	193,426	202,808	198,980	196,082	193,714
	1,147,845	1,126,967	1,085,767	1,054,063	1,039,106
Tax arrears					
Taxes receivable	$ 81,750	$ 85,023	$ 86,309	$ 80,972	$ 77,918
Taxes receivable per capita	140	147	149	141	138
Taxes receivable as a percentage of current years' levies	7.1%	7.5%	7.9%	7.7%	7.5%
Unweighted Taxable Assessment					
Residential	$ 71,929,405	$ 70,762,154	$ 66,000,132	$ 61,518,082	$ 57,306,633
Non-Residential	9,676,235	9,620,270	9,069,880	8,442,007	7,908,588
	81,605,640	80,382,424	75,070,012	69,960,089	65,215,221
Weighted Taxable Assessment					
Residential	$ 74,704,344	$ 73,713,509	$ 69,119,831	$ 64,745,624	$ 61,208,842
Non-Residential	20,954,969	20,946,399	19,641,077	18,379,207	17,376,301
	95,659,313	94,659,908	88,760,908	83,124,831	78,585,143
Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment					
Residential	78%	78%	78%	78%	78%
Non-Residential	22%	22%	22%	22%	22%
Taxable Assessment Growth (weighted)	1.2%	1.2%	1.2%	1.6%	1.4%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2021 Public Sector Accounting Board (PSAB) standards.

City of Hamilton
Five Year Financial and Statistical Review (unaudited)
(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

	2021	2020	2019	2018	2017
Operating Expenses by Object					
Salaries, wages and employee benefits	$ 862,369	$ 819,188	$ 797,631	$ 780,052	$ 755,403
Interest on long term liabilities	11,486	12,416	13,767	12,677	13,442
Materials	245,947	203,045	203,308	207,682	218,037
Contracted services	375,195	282,168	309,634	341,931	275,361
Rents and financial expenses	35,968	36,080	31,084	34,550	42,421
External transfers	176,015	193,667	168,471	190,538	194,241
Amortization of tangible capital assets	216,261	214,067	205,247	196,428	192,122
	1,923,241	1,760,631	1,729,142	1,763,858	1,691,027
Operating Expenses as Percentage of Total					
Salaries, wages and employee benefits	44.8%	46.5%	46.1%	44.2%	44.7%
Interest on long term liabilities	0.6%	0.7%	0.8%	0.7%	0.8%
Materials	12.8%	11.6%	11.8%	11.8%	12.9%
Contracted services	19.5%	16.0%	18.0%	19.5%	16.3%
Rents and financial expenses	1.9%	2.0%	1.8%	2.0%	2.5%
External transfers	9.2%	11.0%	9.7%	10.8%	11.5%
Amortization of tangible capital assets	11.2%	12.2%	11.8%	11.0%	11.3%
	100.0%	100.0%	100.0%	100.0%	100.0%
Long Term Liabilities					
Long Term Liabilities incurred by the City	$ 401,143	$ 436,289	$ 432,709	$ 484,891	$ 418,145
Long Term Debt incurred by the City for which other entities have assumed responsibility	-	-	-	-	-
	401,143	436,289	432,709	484,891	418,145
Long Term Liabilities					
Housing operations	$ 48,882	$ 40,991	$ 46,967	$ 52,803	$ 58,508
City operations	352,261	395,298	385,742	432,088	359,637
	401,143	436,289	432,709	484,891	418,145
Long term liabilities as a % of Reserves and Capital Surplus	46.80%	49.80%	51.60%	57.30%	58.60%

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City of Hamilton
Five Year Financial and Statistical Review (unaudited)
(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

	2021	2020	2019	2018	2017
Tangible Capital Assets					
General					
Land	$ 442,267	$ 403,879	$ 387,321	$ 357,211	$ 333,818
Land improvements	202,950	181,506	167,237	157,312	152,325
Buildings	821,383	829,290	815,472	817,598	756,160
Vehicles	140,537	138,937	148,259	137,501	128,600
Computer hardware and software	17,694	18,698	19,499	13,572	11,821
Other	104,261	92,062	93,335	95,871	99,540
Infrastructure					-
Roads	1,307,472	1,315,237	1,310,342	1,293,193	1,261,223
Bridges and structures	177,730	181,098	181,896	184,387	183,422
Water and wastewater facilities	448,041	416,470	395,495	398,743	403,647
Underground and other networks	2,066,026	2,021,641	1,986,865	1,861,011	1,789,334
Net Book Value	5,728,361	5,598,818	5,505,721	5,316,399	5,119,890
Assets under construction	720,255	604,146	425,067	360,182	309,974
	6,448,616	6,202,964	5,930,788	5,676,581	5,429,864
Accumulated Surplus or Municipal Financial Position					
Reserves and reserve funds					
Reserves	$ 611,750	$ 623,966	$ 612,513	$ 660,380	$ 697,931
Hamilton Future Fund	63,848	58,466	52,963	48,635	44,322
	675,598	682,432	665,476	709,015	742,253
Capital surplus	$ 180,850	$ 193,769	$ 173,857	$ 136,894	$ (28,137)
Operating surplus	74,546	83,987	74,118	88,433	1,498
Investment in Government Business Enterprises	321,183	319,823	323,851	329,237	356,098
Investment in tangible capital assets	5,894,721	5,629,066	5,393,649	5,102,640	4,995,441
Unfunded liabilities - Employee future benefits	(372,130)	(363,419)	(348,328)	(348,832)	(343,679)
Unfunded liabilities - Solid waste landfill sites	(78,272)	(65,148)	(71,420)	(71,559)	(24,174)
Unfunded liabilities - Environmental	(7,308)	(15,400)	-	-	-
	6,689,188	6,465,110	6,211,203	5,945,828	5,699,300

Note: Amounts reported may have been restated from previous amounts presented to conform to 2021 Public Sector Accounting Board (PSAB) standards.

City of Hamilton
Five Year Financial and Statistical Review (unaudited)
(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

	2021	2020	2019	2018	2017
Statistical Information					
Population	584,000	578,000	579,000	572,575	563,480
Households	242,185	237,420	237,200	234,655	227,641
Area in hectares	112,840	112,840	112,775	112,775	112,775
Building Permit Values	$2,128,166,392	$1,383,480,564	$1,408,521,764	$1,264,757,129	$1,364,145,419
Housing Starts	1,564	1,406	1,438	1,135	1,340
Residential Units - Building Permits	5,494	4,507	5,012	5,808	6,053
Average Monthly Social Assistance Case Load	9,118	11,034	11,248	11,884	12,807
Continuous Full Time Employees	6,890	6,919	6,841	6,724	6,664

Note: Amounts reported may have been restated from previous amounts presented to conform to 2021 Public Sector Accounting Board (PSAB) standards.

Section 2

City of Hamilton
Consolidated Financial Statements
2021

Contents

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INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of the Corporation of the City of Hamilton ("the City"), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2021, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Financial Report 2021

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Financial Report 2021 as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants,

Hamilton, Canada
June 22, 2022

City of Hamilton
Consolidated Statement of Financial Position

For the year ended December 31, 2021 (all numbers are in thousands of dollars)

		2021		2020
Financial assets				
Cash and cash equivalents (Note 3)	**$**	**473,967**	$	459,178
Taxes receivable		**81,750**		85,023
Accounts receivable		**144,390**		139,157
Other assets		**1,421**		1,428
Long term receivables (Note 4)		**53,405**		42,237
Portfolio investments (Note 3)		**1,171,734**		1,022,899
Investment in Government Business Enterprises (Note 5)		**321,183**		319,823
Total financial assets	**$**	**2,247,850**	$	2,069,745
Liabilities				
Accounts payable and accrued liabilities	**$**	**436,642**	$	390,003
Deferred revenue - general		**105,713**		87,143
Deferred revenue - obligatory reserve funds (Note 6 & 7)		**617,918**		470,579
Long term liabilities – municipal operations (Note 8)		**352,261**		395,298
Long term liabilities – housing corporation (Note 9)		**48,882**		40,991
Employee future benefits and other obligations (Note 10 & 11)		**396,733**		387,950
Solid waste landfill liabilities (Note 12)		**78,272**		65,148
Total liabilities		**2,036,421**		1,837,112
Net financial assets	**$**	**211,429**	$	232,633
Non-financial assets				
Tangible capital assets (Note 21)	**$**	**6,448,616**	$	6,202,964
Inventories		**19,528**		19,394
Prepaid expenses		**9,615**		10,119
Total non-financial assets		**6,477,759**		6,232,477
Accumulated surplus (Note 13)	**$**	**6,689,188**	$	6,465,110

Contractual obligations (Note 17)

Contractual rights (Note 18)

Contingent liabilities (Note 20)

COVID-19 (Note 25)

See accompanying notes to the consolidated financial statements.

City of Hamilton
Consolidated Statement of Operations
For the year ended December 31, 2021 (all numbers are in thousands of dollars)

	Budget 2021 (Note 24)	**Actual 2021**	Actual 2020
Revenue			
Taxation (Note 15)	$ 984,546	**$ 985,972**	$ 957,739
Government grants and contributions (Note 16)	597,521	**536,264**	521,305
User charges, licences and fines	363,050	**344,086**	329,316
Developer contributions earned	72,093	**68,541**	33,693
Donated tangible capital assets	28,812	**28,812**	8,494
Investment and dividend income	46,755	**37,639**	33,545
Net income from Government Business Enterprises (Note 5)	-	**13,097**	10,726
Other	108,863	**131,674**	120,526
Total revenue	2,201,640	**2,146,085**	2,015,344
Expenses			
General government	$ 74,589	**$ 95,277**	$ 68,079
Protection services	348,768	**357,517**	341,243
Transportation services	364,611	**338,618**	322,651
Environmental services	282,979	**283,556**	251,828
Health services	140,712	**153,396**	126,930
Social and family services	341,751	**342,493**	333,523
Social housing	115,235	**124,830**	110,063
Recreation and cultural services	179,813	**164,238**	149,932
Planning and development	66,315	**63,316**	56,382
Total expenses	1,914,773	**1,923,241**	1,760,631
Annual Surplus	$ 286,867	**$ 222,844**	$ 254,713
Accumulated surplus			
Beginning of year	$ 6,465,110	**$ 6,465,110**	$ 6,211,203
Other comprehensive loss and other Government Business Enterprises (Note 5)	-	**1,234**	(806)
End of year	$ 6,751,977	**$ 6,689,188**	$ 6,465,110

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, 2021 (all numbers are in thousands of dollars)

	Budget 2021 (Note 24)	**Actual 2021**	Actual 2020
Operating activities			
Annual surplus	$ 286,867	**$ 222,844**	$ 254,713
Other comprehensive loss of Government Business Enterprises	-	**1,234**	(806)
Acquisition of tangible capital assets	(692,241)	**(447,314)**	(487,876)
Loss on disposition of tangible capital assets	14,012	**14,212**	10,127
Amortization of tangible capital assets	216,262	**216,262**	214,067
Donated tangible capital assets	(28,811)	**(28,812)**	(8,494)
Change in inventories	-	**(134)**	(3,722)
Change in prepaid expenses	-	**504**	(2,758)
Change in financial assets	(203,911)	**(21,204)**	(24,749)
Net financial assets			
Beginning of year	232,633	**232,633**	257,382
End of year	$ 28,722	**$ 211,429**	$ 232,633

See accompanying notes to the consolidated financial statements.

City of Hamilton
Consolidated Statement of Cash Flows

For the year ended December 31, 2021 (all numbers in columns are in thousands of dollars)

	2021	2020
Operating activities		
Annual surplus	**$ 222,844**	$ 254,713
Increase in taxes receivable	**3,273**	1,286
Increase in accounts receivable	**(5,233)**	(7,925)
Increase in other assets	**7**	45
Increase in accounts payable and accrued liabilities	**46,639**	50,173
Increase in deferred revenue - general	**18,570**	44,601
Increase in deferred revenue - obligatory reserve fund	**147,339**	139,301
Increase in inventories	**(134)**	(3,722)
Decrease in prepaid expenses	**504**	(2,758)
Non-cash activities		
Amortization of tangible capital assets	**216,262**	214,067
Donated tangible capital assets	**(28,812)**	(8,494)
Loss on disposition of tangible capital assets	**14,212**	10,127
Net income from Government Business Enterprises	**(13,097)**	(10,726)
Change in employee future benefits and other obligations	**8,783**	15,255
Change in solid waste landfill liabilities	**13,124**	(6,272)
	644,281	689,671
Investing activities		
Increase in portfolio investments	**(148,835)**	47,009
Decrease in long term receivables	**(11,168)**	5,142
Dividends received from Government Business Enterprises	**12,971**	51,934
Issuance of share capital	**-**	(37,986)
	(147,032)	66,099
Financing activities		
Long term debt issued – housing corporation	**13,918**	51,705
Long term liability – municipal operations	**2,678**	-
Debt principal repayment – municipal operations	**(45,112)**	(41,530)
Lease obligation payment – municipal operations	**(603)**	(619)
Debt principal repayment – housing corporation	**(6,027)**	(5,976)
	(35,146)	3,580
Capital activities		
Purchase of tangible capital assets	**(447,316)**	(487,876)
Net increase in cash and cash equivalents	**14,789**	271,474
Cash and cash equivalents		
Beginning of year	**459,178**	187,704
End of year	**$ 473,967**	$ 459,178

See accompanying notes to the consolidated financial statements.

1. Significant accounting policies

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

Significant accounting policies adopted by the City are as follows:

(a) Reporting entity

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