



Hamilton

2010 FINANCIAL REPORT





Hamilton

FINANCIAL REPORT

2010

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

City of Hamilton
Financial Report
2010

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Section 1

City of Hamilton Five Year Financial and Statistical Review 2010

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)

	2010	2009	2008	2007	2006
Operating Revenue					
Taxation	\$ 700,257	\$ 675,606	\$ 652,690	\$ 621,372	\$ 591,842
Government grants and contributions	520,896	376,283	439,005	286,356	268,834
User charges	265,116	254,358	249,152	239,888	224,536
Development charges and subdivider contributions	16,378	23,286	27,987	382	3,762
Donated tangible capital assets	41,193	43,645	46,687	-	-
Investment and dividend income	48,627	51,600	50,990	11,243	12,516
Net income (loss) from Government Business Enterprises	3,421	241	(2,834)	7,684	11,003
Other	88,523	87,446	93,413	101,032	68,800
	<u>1,684,411</u>	<u>1,512,465</u>	<u>1,557,090</u>	<u>1,267,957</u>	<u>1,181,293</u>
Operating Expenses by Function					
General government	\$ 66,333	\$ 71,132	\$ 75,869	\$ 67,217	\$ 61,137
Protection services	244,619	235,325	225,608	205,703	194,308
Transportation services	279,212	330,170	290,701	165,260	149,597
Environmental services	176,263	165,823	167,454	112,337	109,550
Health services	76,791	74,437	68,970	60,085	57,162
Social and family services	295,554	301,016	260,919	264,622	261,885
Social housing	125,170	106,786	104,678	82,619	79,530
Recreation and cultural services	136,041	133,403	129,822	102,783	98,387
Planning and development	38,511	40,605	36,836	29,865	26,901
	<u>1,438,494</u>	<u>1,458,697</u>	<u>1,360,857</u>	<u>1,090,491</u>	<u>1,038,457</u>
Net Operating Revenue or Annual Surplus from Operations	<u>245,917</u>	<u>53,768</u>	<u>196,233</u>	<u>177,466</u>	<u>142,836</u>

Note: Amounts reported may have been restated from previous amounts presented to conform to 2010 Public Sector Accounting Board (PSAB) standards and generally accepted accounting principles for local governments in Canada.

City of Hamilton

Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

	2010	2009	2008	2007	2006
Taxation					
Taxation from real property	\$ 871,170	\$ 843,029	\$ 819,725	\$ 786,784	\$ 755,576
Taxation from other governments/payments in lieu of taxes	14,835	14,553	12,173	11,492	11,349
Taxation collected on behalf of school boards	<u>(185,748)</u>	<u>(181,976)</u>	<u>(179,208)</u>	<u>(176,904)</u>	<u>(175,083)</u>
Net taxes available for municipal purposes	700,257	675,606	652,690	621,372	591,842
Tax Levies					
City portion	\$ 673,013	\$ 649,061	\$ 630,065	\$ 601,620	\$ 574,371
School Board portion	<u>181,510</u>	<u>177,969</u>	<u>175,978</u>	<u>174,048</u>	<u>172,220</u>
	854,523	827,030	806,043	775,668	746,591
	2010	2009	2008	2007	2006
Tax arrears					
Taxes receivable	\$ 71,937	\$ 69,028	\$ 58,818	\$ 56,518	\$ 54,026
Taxes receivable per capita	\$ 136	\$ 131	\$ 113	\$ 109	\$ 105
Taxes receivable as a percentage of current years' levies	8.4%	8.3%	7.3%	7.3%	7.2%
Unweighted Taxable Assessment					
Residential	\$ 39,268,260	\$ 36,842,873	\$ 34,259,519	\$ 33,808,610	\$ 33,323,846
Non-Residential	<u>5,760,437</u>	<u>5,263,578</u>	<u>4,930,035</u>	<u>4,880,139</u>	<u>4,843,489</u>
	45,028,697	42,106,451	39,189,554	38,688,749	38,167,335
Weighted Taxable Assessment					
Residential	\$ 42,509,064	\$ 39,960,408	\$ 37,243,442	\$ 36,799,388	\$ 36,318,802
Non-Residential	<u>12,828,948</u>	<u>11,841,894</u>	<u>11,248,116</u>	<u>11,485,684</u>	<u>11,655,946</u>
	55,338,012	51,802,302	48,491,558	48,285,072	47,974,748
Residential vs Non-Residential Percentage of Total Weighted Taxable Assessment					
Residential	77%	77%	77%	76%	76%
Non-Residential	23%	23%	23%	24%	24%
Taxable Assessment Growth (weighted)	1.3%	1.3%	1.0%	0.8%	1.0%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2010 Public Sector Accounting Board (PSAB) standards and generally accepted accounting principles for local governments in Canada.

City of Hamilton

Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

	2010	2009	2008	2007	2006
Operating Expenses by Object					
Salaries, wages and employee benefits	\$ 606,934	\$ 643,407	\$ 574,360	\$ 532,177	\$ 493,281
Interest on long term liabilities	17,871	18,395	18,157	17,226	19,231
Materials	210,640	209,388	213,686	200,105	194,325
Contracted services	197,194	191,500	199,467	137,544	124,616
Rents and financial expenses	14,818	15,467	17,287	15,280	14,603
External transfers	227,270	223,363	188,557	188,159	192,401
Amortization of tangible capital assets	163,767	157,177	149,343	-	-
	<u>1,438,494</u>	<u>1,458,697</u>	<u>1,360,857</u>	<u>1,090,491</u>	<u>1,038,457</u>
Operating Expenses as Percentage of Total					
Salaries, wages and employee benefits	42.3%	44.1%	42.2%	48.8%	47.5%
Interest on long term liabilities	1.2%	1.3%	1.3%	1.6%	1.9%
Materials	14.6%	14.4%	15.7%	18.3%	18.7%
Contracted services	13.7%	13.1%	14.7%	12.6%	12.0%
Rents and financial expenses	1.0%	1.1%	1.3%	1.4%	1.4%
External transfers	15.8%	15.2%	13.9%	17.3%	18.5%
Amortization of tangible capital assets	11.4%	10.8%	11.0%	0.0%	0.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.1%</u>	<u>100.0%</u>	<u>100.0%</u>
Long Term Liabilities					
Long Term Liabilities incurred by the City	\$ 420,352	\$ 427,358	\$ 408,358	\$ 416,006	\$ 401,080
Long Term Debt incurred by the City for which other entities have assumed responsibility	(23,371)	(26,494)	(29,433)	(32,200)	(34,807)
	<u>396,981</u>	<u>400,864</u>	<u>378,925</u>	<u>383,806</u>	<u>366,273</u>
Long Term Liabilities					
Housing operations	\$ 89,195	\$ 93,279	\$ 74,168	\$ 76,695	\$ 79,118
City operations	307,786	307,585	304,757	307,111	287,155
	<u>396,981</u>	<u>400,864</u>	<u>378,925</u>	<u>383,806</u>	<u>366,273</u>
Long term liabilities as a % of Reserves and Capital Surplus	55.80%	58.10%	48.80%	62.60%	66.20%

Note: Amounts reported may have been restated from previous amounts presented to conform to 2010 Public Sector Accounting Board (PSAB) standards and generally accepted accounting principles for local governments in Canada.

City of Hamilton

Five Year Financial and Statistical Review (unaudited)

(All amounts are reported in thousands of dollars except statistical information, ratios and per capita figures)

	2010	2009	2008	2007	2006
Tangible Capital Assets					
General					
Land	\$ 218,870	\$ 193,416	\$ 170,956	\$ 162,900	-
Land improvements	104,292	106,577	107,351	108,655	-
Buildings	364,989	291,476	267,277	211,256	-
Vehicles	127,757	125,461	107,343	97,190	-
Computer hardware and software	4,857	4,323	4,724	4,577	-
Other	64,490	61,396	51,752	42,325	-
Infrastructure					
Roads	1,212,319	1,244,350	1,268,848	1,279,600	-
Bridges and structures	159,313	160,935	162,861	161,109	-
Water and wastewater facilities	158,535	151,110	150,165	153,619	-
Underground and other networks	1,440,216	1,380,969	1,331,191	1,307,562	-
Net Book Value	3,855,638	3,720,013	3,622,468	3,528,793	-
Assets under construction	271,376	180,410	89,391	115,606	-
	4,127,014	3,900,423	3,711,859	3,644,399	-
Accumulated Surplus or Municipal Financial Position					
Reserves and reserve funds					
Reserves	\$ 530,213	\$ 410,630	\$ 437,672	\$ 318,017	\$ 295,626
Hamilton Future Fund	72,990	73,426	74,928	75,013	82,346
	603,203	484,056	512,600	393,030	377,972
Capital surplus	107,836	205,492	264,110	220,382	175,226
Operating surplus	951	806	1,038	2,877	3,351
Investment in Government Business Enterprises	189,231	185,810	185,569	188,403	180,719
Investment in tangible capital assets	3,722,776	3,492,082	3,296,172	3,256,855	-
Unfunded liabilities - Employee future benefits	(256,473)	(246,298)	(187,677)	(181,397)	(185,276)
Unfunded liabilities - Solid waste landfill sites	(26,611)	(26,952)	(30,584)	(35,155)	(37,036)
Amounts to be recovered in the future	-	-	-	-	(379,687)
	4,340,913	4,094,996	4,041,228	3,844,995	135,269

Note: Amounts reported may have been restated from previous amounts presented to conform to 2010 Public Sector Accounting Board (PSAB) standards and generally accepted accounting principles for local governments in Canada.

City of Hamilton

Five Year Financial and Statistical Review (unaudited)

	2010	2009	2008	2007	2006
Statistical Information					
Population	528,502	525,697	519,109	518,181	515,214
Households	209,965	207,667	203,643	202,209	200,063
Area in hectares	112,775	112,775	112,775	111,700	111,700
Building Permit Values	\$ 1,096,299,091	\$ 637,968,543	\$ 818,462,450	\$ 801,719,348	\$ 682,547,814
Housing Starts	1,513	742	1,126	1,241	1,407
New Residential Units - Building Permits	5,137	3,008	2,809	2,737	3,057
Average Monthly Social Assistance Case Load	13,330	12,224	10,035	9,753	10,128
Continuous Full Time Employees	6,259	6,183	6,146	6,043	5,931

Section 2

City of Hamilton Consolidated Financial Statements 2010

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Independent Auditor's Report

Grant Thornton LLP
33 Main Street East
Hamilton, ON
L8N 4K5
T +1 905 523 7732
F +1 905 572 9333
www.GrantThornton.ca

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

Management's responsibility for the financial statements

We have audited the accompanying consolidated financial statements of the Corporation of the City of Hamilton, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility

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

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

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Hamilton as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

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

Hamilton, Canada
June 8, 2011

Grant Thornton LLP

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

City of Hamilton

Consolidated Statement of Financial Position

As at December 31, 2010 (all numbers are in thousands of dollars)

	<u>2010</u>	<u>2009</u> (Note 1)
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 147,837	\$ 53,737
Taxes receivable	71,937	69,028
Accounts receivable	110,536	85,700
Other assets	715	704
Long term receivables (Note 3)	24,922	23,630
Portfolio investments (Note 2)	710,181	750,163
Investment in Government Business Enterprises (Note 4)	<u>189,231</u>	<u>185,810</u>
Total financial assets	<u>\$ 1,255,359</u>	<u>\$ 1,168,772</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 227,419	\$ 212,964
Deferred revenue - general	25,330	27,237
Deferred revenue - obligatory reserve funds (Note 5)	113,913	66,575
Long term liabilities – Municipal Operations (Note 7)	307,786	307,584
Long term liabilities – Housing Corporations (Note 8)	89,195	93,279
Employee future benefits and other obligations (Note 9)	272,986	262,171
Solid waste landfill liabilities (Note 11)	<u>26,611</u>	<u>26,952</u>
Total liabilities	<u>1,063,240</u>	<u>996,762</u>
Net financial assets	<u>\$ 192,119</u>	<u>\$ 172,010</u>
Non-financial assets		
Tangible capital assets (Note 19)	\$ 4,127,014	3,900,423
Inventories	9,539	9,018
Prepaid expenses	<u>12,241</u>	<u>13,545</u>
Total non-financial assets	<u>4,148,794</u>	<u>3,922,986</u>
Accumulated surplus (Note 12)	<u>\$ 4,340,913</u>	<u>\$ 4,094,996</u>

Contractual obligations (Note 16)

Contingent liabilities (Note 18)

See accompanying notes to the consolidated financial statements

City of Hamilton

Consolidated Statement of Operations

For the year ended December 31, 2010 (all numbers are in thousands of dollars)

	Budget <u>2010</u> (unaudited) (Note 21)	Actual <u>2010</u>	Actual <u>2009</u> (Note 1)
Revenue			
Taxation (Note 14)	\$ 696,067	\$ 700,257	\$ 675,606
Government grants and contributions	501,850	520,896	376,283
User charges	265,524	265,116	254,358
Development charges and subdivider contributions	109,917	16,378	23,286
Donated tangible capital assets	40,000	41,193	43,645
Investment and dividend income	21,214	48,627	51,600
Net income from Government Business Enterprises (Note 4)	-	3,421	241
Other	<u>90,598</u>	<u>88,523</u>	<u>87,446</u>
Total revenue	<u>1,725,170</u>	<u>1,684,411</u>	<u>1,512,465</u>
Expenses			
General government	71,269	66,333	71,132
Protection services	236,274	244,619	235,325
Transportation services	273,996	279,212	330,170
Environmental services	188,104	176,263	165,823
Health services	76,973	76,791	74,437
Social and family services	299,366	295,554	301,016
Social housing	126,267	125,170	106,786
Recreation and cultural services	139,534	136,041	133,403
Planning and development	<u>43,091</u>	<u>38,511</u>	<u>40,605</u>
Total expenses	<u>1,454,837</u>	<u>1,438,494</u>	<u>1,458,697</u>
Annual surplus	\$ 270,333	\$ 245,917	\$ 53,768
Accumulated surplus			
Beginning of year,			
As previously reported	-	-	\$ 4,024,791
Prior period adjustment	-	-	<u>16,437</u>
Accumulated surplus			
Beginning of year, as restated	<u>\$ 4,094,996</u>	<u>\$ 4,094,996</u>	<u>\$ 4,041,228</u>
End of year	<u>\$ 4,365,329</u>	<u>\$ 4,340,913</u>	<u>\$ 4,094,996</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, 2010 (all numbers are in thousands of dollars)

	Budget <u>2010</u> (unaudited) (Note 21)	Actual <u>2010</u>	Actual <u>2009</u> (Note 1)
Operating activities			
Annual surplus	\$ 245,917	\$ 245,917	\$ 53,768
Purchase of tangible capital assets	(648,513)	(352,364)	(308,147)
Proceeds from sale of tangible capital assets net of gains and losses	-	3,199	6,051
Amortization of tangible capital assets	160,000	163,767	157,177
Donated tangible capital assets	(40,000)	(41,193)	(43,645)
(Decrease) increase in inventories	-	(521)	185
Increase (decrease) in prepaid expenses	-	1,304	(3,076)
Net increase (decrease) in net financial assets	(282,596)	20,109	(137,687)
Net financial assets			
Beginning of year	<u>172,010</u>	<u>172,010</u>	<u>309,697</u>
End of year	<u>\$ (110,586)</u>	<u>\$ 192,119</u>	<u>\$ 172,010</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Cash Flow

For the year ended December 31, 2010 (all numbers are in thousands of dollars)

	<u>2010</u>	<u>2009</u> (Note 1)
Operating activities		
Annual surplus	\$ 245,917	\$ 53,768
Increase in taxes receivable	(2,909)	(10,210)
(Increase) decrease in accounts receivable	(24,836)	7,735
(Increase) decrease in other assets	(11)	25
Increase in accounts payable and accrued liabilities	14,455	27,850
(Decrease) increase in deferred revenue - general	(1,907)	6,561
Increase (decrease) in deferred revenue - obligatory reserve fund	47,338	(819)
Increase in employee future benefit obligations and other liabilities	10,815	58,960
Decrease in solid waste landfill liabilities	(341)	(3,632)
(Decrease) increase in inventories	(521)	185
Increase (decrease) in prepaid expenses	1,304	(3,076)
Non-cash activities		
Amortization of tangible capital assets	163,767	157,177
Donated tangible capital assets	<u>(41,193)</u>	<u>(43,645)</u>
	<u>411,878</u>	<u>250,879</u>
Investing activities		
Decrease in investments	39,982	73,861
Increase in investment in Government Business Enterprises	(3,421)	(241)
Increase in long term receivables	<u>(1,292)</u>	<u>(255)</u>
	<u>35,269</u>	<u>73,365</u>
Financing activities		
Long term debt issued – Municipal Operations	27,494	-
Long term debt issued – Housing Operations	-	22,013
Debt principal repayment – Municipal Operations	(26,612)	(25,510)
Lease obligation payment – Municipal Operations	(680)	(1,096)
Debt principal repayment – Housing Corporation	<u>(4,084)</u>	<u>(2,902)</u>
	<u>(3,882)</u>	<u>(7,495)</u>
Tangible capital assets		
Purchase of tangible capital assets	(352,364)	(308,147)
Proceeds from sale of tangible capital assets net of gains and losses	<u>3,199</u>	<u>6,051</u>
	<u>(349,165)</u>	<u>(302,096)</u>
Net increase in cash and cash equivalents	94,100	14,653
Cash and cash equivalents		
Beginning of year	<u>53,737</u>	<u>39,084</u>
End of year	<u>\$ 147,837</u>	<u>\$ 53,737</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (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.

The City has restated certain liabilities, non-financial assets and accumulated surplus for 2009 as a result of ongoing reviews of initial valuations of tangible capital assets. The effect of the changes is as follows:

	<u>2009</u>
Liabilities	
Long term liabilities – Municipal Operations	
Previously reported	\$ 308,916
Prior period adjustment	<u>(1,332)</u>
Restated	<u>\$ 307,584</u>
Non-financial assets	
Tangible capital assets	
Previously reported	\$ 3,886,234
Prior period adjustment	<u>14,189</u>
Restated	<u>\$ 3,900,423</u>
Accumulated surplus	
Previously reported	\$ 4,079,475
Prior period adjustment	<u>15,521</u>
Restated	<u>\$ 4,094,996</u>

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 of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(a) Reporting entity (continued)

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

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

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

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

Cemetery trust, library trust and general trust funds administered by the City amounting to \$16,395,000 (2009 - \$15,473,000) 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 \$697,000 (2009 - \$756,000) 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

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

1. (a) Reporting entity (continued)

- (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.

(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.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(f) Deferred revenue – obligatory reserve funds

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

(g) Employee future benefits and other obligations

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

(h) Tangible capital assets

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

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

(i) Inventories

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

(j) Government transfers

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

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

2. Cash and portfolio investments

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents are comprised of:		
Cash on hand	\$ 200	\$ 222
Cash held in banks	142,188	48,126
Temporary investments	<u>5,449</u>	<u>5,389</u>
	<u>\$ 147,837</u>	<u>\$ 53,737</u>
Portfolio investments are comprised of:		
Unrestricted investments	\$ 523,278	\$ 610,162
Restricted investments (obligatory reserve funds)	113,913	66,575
Designated investments (Hamilton Future Fund)	<u>72,990</u>	<u>73,426</u>
	<u>\$ 710,181</u>	<u>\$ 750,163</u>

Portfolio investments have a market value of \$712,471,000 (2009 - \$791,918,000) and include City debentures - unrestricted investments of \$16,840,000 (2009 - \$19,981,000).

Portfolio investments includes restructured third-party sponsored and bank sponsored asset backed commercial paper ("ABCP") of \$67,879,000 (2009 - \$71,488,000) with a carrying value of \$86,276,000 (2009 - \$89,885,000).

3. Long term receivables

The City has long-term receivables in the amount of \$24,922,000 (2009 - \$23,630,000). The long term receivables are comprised of:

	<u>2010</u>	<u>2009</u>
Development charge deferral agreements	\$ 8,364	\$ 5,447
Mortgages receivable:		
Downtown convert to rent program	3,927	6,587
Hamilton Renewable Power Inc.	5,120	5,642
Sheraton Hotel loan	1,521	1,589
Other City loan programs	1,025	805
Loans to other agencies and organizations	8,082	7,684
Less: Provision for loans with concessionary terms	<u>(3,117)</u>	<u>(4,124)</u>
	<u>\$ 24,922</u>	<u>\$ 23,630</u>

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

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

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises

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

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

The amounts related to government business enterprises as reported in the Consolidated Statement of Operations for 2010 and 2009 is as reported by the Hamilton Utilities Corporation and Hamilton Renewable Power Inc.

	<u>2010</u>	<u>2009</u>
Net income (loss) from H.U.C.	\$ 3,790	\$ (594)
Net (loss) income from H.R.P.I.	<u>(369)</u>	<u>835</u>
Net income from Government Business Enterprises	<u>\$ 3,421</u>	<u>\$ 241</u>

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

	<u>2010</u>	<u>2009</u>
Investment in H.U.C.	\$ 189,104	\$ 185,314
Investment in H.R.P.I.	<u>127</u>	<u>496</u>
	<u>\$ 189,231</u>	<u>\$ 185,810</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Utilities Corporation reported by H.U.C. at December 31, 2010 and December 31, 2009 respectively.

	<u>2010</u>	<u>2009</u>
Financial position		
Current assets	\$ 133,176	\$ 104,180
Capital assets	340,887	326,376
Intangible assets	4,448	5,069
Goodwill	18,923	18,923
Future payments in lieu of taxes	<u>11,168</u>	<u>10,450</u>
Total assets	<u>508,602</u>	<u>464,998</u>
Current liabilities		
(including current portion of long term debt)	91,527	92,062
Long term liabilities	<u>189,244</u>	<u>149,864</u>
Total liabilities	280,771	241,926
Minority Interest	<u>38,727</u>	<u>37,758</u>
Net assets	<u>\$ 189,104</u>	<u>\$ 185,314</u>
Results of operations		
Revenues	\$ 105,749	\$ 102,636
Operating expenses	(77,754)	(74,227)
Financing expenses	(8,552)	(8,076)
Other income	<u>645</u>	<u>840</u>
Equity earnings from operations	20,088	21,173
Payment in lieu of taxes	(6,317)	(6,923)
Income from discontinued operations	-	-
Minority Interest	<u>(2,681)</u>	<u>(2,853)</u>
Net Income	11,090	11,397
Dividends paid	(7,300)	(7,259)
Change in accounting policy	-	(4,732)
	<u>\$ 3,790</u>	<u>\$ (594)</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

3

The following table provides condensed supplementary financial information for Hamilton Renewable Power Inc. reported at December 31, 2010 and December 31, 2009 respectively.

	<u>2010</u>	<u>2009</u>
Financial position		
Current assets	\$ 1,706	\$ 2,284
Capital assets	10,819	11,191
Other assets	<u>32</u>	<u>32</u>
Total assets	<u>12,557</u>	<u>13,507</u>
Current liabilities		
(including current portion of long term debt)	1,425	1,559
Future payment in lieu of taxes	443	332
Long term debt	<u>4,562</u>	<u>5,120</u>
Total liabilities	6,430	7,011
Shareholder's equity	<u>6,000</u>	<u>6,000</u>
Net assets	<u>\$ 127</u>	<u>\$ 496</u>
Results of operations		
Revenues	\$ 4,328	\$ 4,367
Expenses	(3,440)	(3,532)
Dividends paid	<u>(1,257)</u>	<u>-</u>
Net (loss) income	<u>\$ (369)</u>	<u>\$ 835</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 and contingencies that are disclosed in the City's notes to the consolidated financial statements as contractual obligations (Note 16) and contingent liabilities (Note 18).

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (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>2010</u>	<u>2009</u>
Revenue		
Dividend revenue from H.U.C.	\$ 7,300	\$ 7,259
Property and other taxes received by the City from H.U.C.	504	490
Sale of Methane to H.R.P.I.	872	879
Expenditures		
Hydro purchased by the City from H.U.C.	22,231	22,703
Water and sewer billing contracted service with H.U.C.	3,628	3,428
Thermal and Electrical Energy purchased from H.U.C.	1,996	1,936
Thermal Energy purchased from H.R.P.I.	406	438
Assets		
Water user charges receivable from H.U.C.	10,205	9,790
Accounts receivable from H.R.P.I.	536	266
Long term receivable from H.R.P.I.	5,120	5,642
Liabilities		
Accounts Payable – H.U.C.	272	196

5. Deferred revenue - obligatory reserve funds

	<u>2010</u>	<u>2009</u>
Development charge reserve funds (Note 6)	\$ 67,425	\$ 35,111
Subdivider contributions	49	48
Recreational land dedicated under the Planning Act	10,054	6,651
Gasoline tax revenue: Provincial	20,503	20,222
Federal	8,506	1,173
Building Permit Revenue	7,376	3,370
	<u>\$ 113,913</u>	<u>\$ 66,575</u>

6. Continuity of development charge reserve funds

	<u>2010</u>	<u>2009</u>
Balance at the beginning of the year	\$ 35,111	\$ 36,633
Development charge collections	48,694	21,000
Investment Income	1,031	1,147
Tangible capital assets acquisitions and construction	(15,431)	(22,146)
Operating expenses	(1,980)	(1,523)
Balance at the end of the year	<u>\$ 67,425</u>	<u>\$ 35,111</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

7. Long term liabilities – municipal operations

- (a) The long term liabilities – municipal operations consists of long term debt for serial debentures and loans that mature in the years 2011 to 2026 with interest rates varying between 2.15% and 6.75% and obligations for leased tangible capital assets with payments from 2011 to 2051 at a discount rate of 5%. Long term debt in the form of a loan of \$25,000,000 is callable if construction on eligible tangible capital assets is not 25% complete by March 31, 2012. The balance of long term liabilities consists of the following:

	<u>2010</u>	<u>2009</u>
Long term debt incurred by the City	\$ 327,770	\$ 330,011
Long term debt incurred by the City for which other entities have assumed responsibility	<u>(23,371)</u>	<u>(26,494)</u>
Net long term debt	\$ 304,399	\$ 303,517
Long term liabilities for leased tangible capital assets incurred by the City	\$ <u>3,387</u>	\$ <u>4,067</u>
Net long term liabilities	\$ <u>307,786</u>	\$ <u>307,584</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, 2010 is \$23,371,000 (2009 - \$26,494,000).

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 \$304,399,000 long term debt (2009 - \$303,517,000) 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>2010</u>	<u>2009</u>
General revenues	\$ 298,910	\$ 295,600
Reserves and reserve funds	3,678	5,368
Wastewater user charges	1,800	2,533
Non-consolidated entities	<u>11</u>	<u>16</u>
	\$ 304,399	\$ 303,517

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (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	2010 Total
2011	\$ 41,466	\$ 1,787	\$ 774	\$ 4	\$ 44,031
2012	25,025	1,891	69	2	26,987
2013	24,410	-	72	1	24,483
2014	25,411	-	76	1	25,488
2015	26,462	-	79	1	26,542
2016 and thereafter	<u>\$ 156,136</u>	<u>\$ -</u>	<u>\$ 730</u>	<u>\$ 2</u>	<u>\$ 156,868</u>
Total	<u>\$ 298,910</u>	<u>\$ 3,678</u>	<u>\$ 1,800</u>	<u>\$ 11</u>	<u>\$ 304,399</u>

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

	<u>2010</u>
2011	\$ 344
2012	344
2013	344
2014	344
2015	344
2016 and thereafter	<u>\$ 1,667</u>
Total	<u>\$ 3,387</u>

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

	<u>2010</u>	<u>2009</u>
Principal repayments	\$ 26,612	\$ 25,509
Interest expense	<u>13,688</u>	<u>14,664</u>
	<u>\$ 40,300</u>	<u>\$ 40,173</u>

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

	<u>2010</u>	<u>2009</u>
Principal repayments	\$ 680	\$ 1,096
Interest expense	<u>220</u>	<u>378</u>
	<u>\$ 900</u>	<u>\$ 1,474</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (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 \$89,195,000 (2009 - \$93,279,000).

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

2011	\$	6,819
2012		19,288
2013		5,740
2014		28,897
2015		6,311
2016 and thereafter		22,140
	\$	<u>89,195</u>

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

	<u>2010</u>	<u>2009</u>
Principal repayments	\$ 4,084	\$ 2,902
Interest expense	<u>3,963</u>	<u>3,683</u>
	<u>\$ 8,047</u>	<u>\$ 6,585</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 \$37,743,000 (2009 - \$40,667,000), 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.
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City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (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>2010</u>	<u>2009</u>
Accrued Benefit Obligation		
Sick leave benefit plan	\$ 40,534	\$ 39,292
Long term disability	13,677	12,333
Workplace safety and insurance board liabilities (WSIB)	57,153	52,960
Retirement benefits	102,506	101,625
Vacation benefits	23,865	23,039
Pension benefit plans (Note 10)	<u>88,154</u>	<u>100,883</u>
	325,889	330,132
Pension valuation allowance	68	504
Net unamortized actuarial loss	<u>(52,971)</u>	<u>(68,465)</u>
Accrued Liability	<u>\$ 272,986</u>	<u>\$ 262,171</u>

The City has established reserves for some of these liabilities totaling \$58,110,000 (2009 - \$54,334,000) as described in the following notes.

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

	<u>2010</u>	<u>2009</u>
Liability for Employee Future Benefits and Other Obligations		
balance at beginning of the year	\$ 262,171	\$ 203,211
Cost of plan amendment	-	36,829
Change in pension valuation allowance	(436)	(10,836)
Benefit expense	17,681	14,712
Interest expense	12,090	12,936
Amortization of actuarial loss on accrued benefit obligations	5,462	5,617
Amortization of actuarial loss (gain) on earnings on		
pension assets	472	23,510
Benefit payments	<u>(24,454)</u>	<u>(23,808)</u>
Liability for Employee Future Benefits and Other Obligations		
balance at end of the year	<u>\$ 272,986</u>	<u>\$ 262,171</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

9. Employee future benefits and other obligations (continued)

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

	<u>2010</u>	<u>2009</u>
Cost of plan amendment	\$ -	\$ 36,829
Change in pension valuation allowance	(436)	(10,836)
Benefit expense	17,681	14,712
Interest expense	12,090	12,936
Amortization of net actuarial loss	5,934	29,127
	<u>\$ 35,269</u>	<u>\$ 82,768</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	12.8
Note (1):	Medical costs are assumed to increase at a rate of 4% in 2011 and 3.5% in 2012 and thereafter.					
Note (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, 2010 has estimated the accrued benefit obligation at \$40,534,000 (2009 - \$39,292,000). Changes in valuation assumptions have resulted in an increase in the liability to \$40,534,000 from the expected liability of \$34,016,000. The actuarial loss as at December 31, 2010 of \$6,518,000 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 \$8,965,000 (2009 - \$8,741,000).

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (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, 2010 has estimated the accrued benefit obligation at \$13,677,000 (2009 - \$12,333,000). Changes in valuation assumptions have resulted in a decrease in the liability to \$13,677,000 from the expected liability of \$16,064,000. The actuarial gain as at December 31, 2010 of \$2,387,000 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 \$13,122,000 (2009 - \$11,516,000).

(c) Liability for workplace safety and insurance

The City is liable for compensation related to workplace injuries as stipulated by the Workplace Safety & Insurance Act. An actuarial valuation as at December 31, 2010 estimated the accrued benefit obligation for workplace safety & insurance existing claims and future pension awards at \$57,153,000 (2009 - \$52,960,000). Changes in valuation assumptions have resulted in an increase in the liability to \$57,153,000 from the expected liability of \$48,478,000. The actuarial loss of \$8,675,000 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 \$34,746,000 (2009 - \$32,833,000).

(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, 2010 estimated the accrued benefit obligation at \$102,506,000 (2009 - \$101,625,000). The cost of a plan amendment and changes in valuation assumptions have resulted in an increase in the liability to \$102,506,000 from the expected liability of \$77,980,000. The actuarial loss of \$24,526,000 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, 2010 has been estimated at \$23,865,000 (2009 - \$23,039,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,277,000 (2009 - \$1,244,000).

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (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, 2010 estimated the combined accrued benefit obligation of the pension plans at \$88,154,000 (2009 – \$100,883,000). Changes in valuation assumptions including a pension valuation allowance of \$68,000 resulted in an increase in the liability to \$88,154,000 from an expected liability of \$72,585,000. The actuarial loss of \$15,637,000 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 6,585 members of City staff and councillors. The plan is a defined benefit, which specifies the amount of the retirement benefit to be received by the employees, based on the length of credited service and average earnings.

The latest actuarial valuation as at December 31, 2010 indicates a “going concern” Actuarial Deficit based on the plan’s current member and employer contribution rates. Contributions were made in the 2010 calendar year at rates ranging from 6.4% to 13.1% depending on the member’s designated retirement age and level of earnings. As a result \$36,000,000 (2009 - \$31,546,000) was contributed to OMERS for current service.

(b) Other pension plans

Approximately 520 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, 2010 (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, 2010 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>2010</u>	<u>2009</u>
Accrued pension benefit obligation - HWRF	\$ 87,792	\$ 91,491
Pension plan assets:		
Marketable securities	<u>(64,743)</u>	<u>(63,504)</u>
	23,049	27,987
Unamortized actuarial loss	<u>(3,808)</u>	<u>(6,263)</u>
Accrued pension liability - HWRF	<u>\$ 19,241</u>	<u>\$ 21,724</u>

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

	<u>2010</u>	<u>2009</u>
Expected pension fund assets at end of year	\$ 62,543	\$ 59,885
Actual pension fund assets at end of year	<u>64,743</u>	<u>63,504</u>
Actuarial gain on pension fund assets	<u>2,200</u>	<u>\$ 3,619</u>
Expected accrued pension benefit obligation at end of year	\$ 87,792	\$ 94,959
Actual accrued pension benefit obligation at end of year	<u>87,792</u>	<u>91,491</u>
Actuarial gain on accrued pension benefit obligation	<u>\$ -</u>	<u>\$ 3,468</u>

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

	<u>2010</u>	<u>2009</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ 21	\$ 406
Amortization of net actuarial gain on pension plan assets	<u>234</u>	<u>637</u>
Net Amortization	255	1,043
Interest on average accrued pension benefit obligation	4,373	4,723
Expected return on average pension plan assets	<u>(3,671)</u>	<u>(3,527)</u>
Net Interest	<u>702</u>	<u>1,196</u>
Total expenses	<u>\$ 957</u>	<u>\$ 2,239</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans

Payments of \$3,440,000 (2009 - \$3,596,000) 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, 2010 will be funded by the City with payments as follows:

2011	\$ 1,202
2012	1,202
2013	756
2014	545
2015	528
2016 and thereafter	3,211
Total	<u>\$ 7,444</u>

The actuarial valuation of the Hamilton Municipal Retirement Fund ("HMRF") pension plan as at December 31, 2010 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 gain on the accrued benefit obligation is being amortized over twelve 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>2010</u>	<u>2009</u>
Accrued pension benefit obligation HMRF	\$ 91,150	\$ 94,430
Pension plan assets:		
Marketable securities	<u>(85,667)</u>	<u>(85,607)</u>
	5,483	8,823
Unamortized actuarial loss	<u>(5,551)</u>	<u>(9,328)</u>
Accrued pension asset	(68)	(505)
Pension valuation allowance	<u>68</u>	<u>\$ 505</u>
Accrued pension liability - HMRF	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2010</u>	<u>2009</u>
Expected pension fund assets at end of year	\$ 82,702	\$ 80,733
Actual pension fund assets at end of year	<u>85,667</u>	<u>85,607</u>
Actuarial gain on pension fund assets - HMRF	<u>2,965</u>	<u>4,874</u>
Expected accrued pension benefit obligation at end of year	\$ 91,150	\$ 97,130
Actual accrued pension benefit obligation at end of year	<u>91,150</u>	<u>94,430</u>
Actuarial gain on accrued pension benefit obligation - HMRF	<u>-</u>	<u>2,700</u>

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

	<u>2010</u>	<u>2009</u>
Change in pension valuation allowance	\$ (436)	\$ (1,414)
Amortization of net actuarial loss on accrued pension benefit obligation	375	583
Amortization of net actuarial gain on pension plan assets	<u>437</u>	<u>812</u>
Net Amortization	<u>812</u>	<u>1,395</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans

	<u>2010</u>	<u>2009</u>
Interest on average accrued pension benefit obligation	\$ 4,526	\$ 4,819
Expected return on average pension plan assets	<u>(4,902)</u>	<u>(4,800)</u>
Net Interest	<u>(376)</u>	<u>19</u>
Total expenses	<u>\$ -</u>	<u>\$ -</u>

The actuarial valuation of the HSR pension plan as at December 31, 2010 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 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>2010</u>	<u>2009</u>
Accrued pension benefit obligation	\$ 222,328	\$ 219,778
Pension plan assets:		
Marketable securities	<u>(162,706)</u>	<u>(155,707)</u>
	59,622	64,071
Unamortized actuarial loss	<u>(6,279)</u>	<u>(12,723)</u>
Accrued pension liability – HSR	<u>\$ 53,343</u>	<u>\$ 51,348</u>

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

	<u>2010</u>	<u>2009</u>
Expected pension fund assets at end of year	\$ 157,001	\$ 147,502
Actual pension fund assets at end of year	<u>162,706</u>	<u>155,707</u>
Actuarial gain on pension fund assets	<u>5,705</u>	<u>\$ 8,205</u>
Expected accrued pension benefit obligation at end of year	\$ 222,328	\$ 212,546
Actual accrued pension benefit obligation at end of year	<u>222,328</u>	<u>219,778</u>
Actuarial loss on accrued pension benefit obligation	<u>\$ -</u>	<u>\$ (7,232)</u>

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

	<u>2010</u>	<u>2009</u>
Prior period plan amendment	\$ -	\$ 36,829
Change in valuation allowance	\$ -	\$ (9,422)
Amortization of net actuarial loss on accrued pension benefit obligation	\$ 937	\$ 413
Amortization of net actuarial (loss) gain on pension plan assets	<u>(198)</u>	<u>22,061</u>
Net Amortization	<u>739</u>	<u>22,474</u>
Interest on average accrued pension benefit obligation	10,783	10,327
Expected return on average pension plan assets	<u>(9,108)</u>	<u>(8,586)</u>
Net Interest	<u>1,675</u>	<u>1,741</u>
Total expenses	<u>\$ 2,414</u>	<u>\$ 51,622</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

10. Pension agreements (continued)

(b) Other pension plans

Payments of \$419,000 (2009 – 274,000) have been applied to reduce the HSR pension plan deficit as actuarially determined for funding purposes. The pension deficit for the HSR pension plan as at December 31, 2010 will be funded by the City with payments as follows:

2011	\$ 416
2012	416
2013	416
2014	416
2015	416
2016 and thereafter	<u>3,474</u>
Total	<u>\$ 5,554</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, 2010 the remaining capacity of the site is estimated at 7,326,000 cubic metres, representing 55% of the total capacity. In 2010 approximately 43% of waste generated was diverted from landfills (2009 – 41%). The open landfill site is estimated to reach its capacity and close in 2036.

The closure costs for the open Glanbrook landfill site and post closure care costs for the closed sites were based upon 2011 capital budget estimates, adjusted by 3% inflation, unexpended capital projects that were in progress in 2010 and estimates of operational support costs. These costs were then discounted back to December 31, 2010 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 \$26,611,000 (2009 - \$26,952,000) for closure of the operational site and post closure care of the closed sites has been reported on the Consolidated Statement of Financial Position. A reserve of \$500,000 was established in 2010 to finance the future cost for closed landfill sites.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (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>2010</u>	<u>2009</u>
Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:		
Working funds	\$ 48,628	\$ 38,394
Contingencies	1,265	1,233
Replacement of equipment	40,061	36,635
Sick leave (Note 9)	8,965	8,741
Workplace Safety and Insurance Board (WSIB)(Note 9)	34,746	32,833
Pension Plans	4,942	5,044
Self insurance (Note 17)	202	197
Operating programs	62,905	44,591
Tangible capital assets	<u>328,499</u>	<u>242,962</u>
Total reserves	530,213	410,630
Hamilton Future Fund (Note 13)	<u>72,990</u>	<u>73,426</u>
Total reserves and discretionary reserve funds	\$ 603,203	\$ 484,056
Operating surplus –		
Flamborough recreation sub-committees	\$ 215	\$ 197
Business improvement areas	258	188
Housing Operations	<u>478</u>	<u>421</u>
Total operating surplus	\$ 951	\$ 806
Capital surplus -		
Municipal Operations	\$ 85,294	\$ 184,761
Housing Operations	<u>22,542</u>	<u>20,731</u>
Total capital surplus	\$ 107,836	\$ 205,492
Unfunded liabilities -		
Employee benefit obligations (Note 9)	\$ (256,473)	(246,298)
Solid Waste Landfill Liabilities	<u>(26,611)</u>	<u>(26,952)</u>
Total unfunded liabilities	\$ (283,084)	\$ (273,250)
Investment in Government		
Business Enterprises (Note 4)	<u>\$ 189,231</u>	<u>\$ 185,810</u>
Investment in tangible capital assets	<u>\$ 3,722,776</u>	<u>\$ 3,492,082</u>
Accumulated surplus	\$ 4,340,913	\$ 4,094,996

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (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>2010</u>	<u>2009</u>
Balance at the beginning of the year	\$ 73,426	\$ 74,928
Revenues		
Investment Income	<u>3,712</u>	<u>4,245</u>
Operating expenses		
Rental Supplement DOOR Program	-	(1,000)
Hamilton Artists Grant	-	(723)
Career Development & Placement	(7)	
Repayment of Waste Management Projects	<u>6,268</u>	<u>5,657</u>
	<u>6,261</u>	<u>3,934</u>
Tangible capital assets		
Waste Management Projects	(3,299)	(2,601)
Roads and Bridges	(807)	(4,751)
Municipal Wireless Project	-	(116)
Waterfront Trail Extension	-	(213)
Scenic Waterfall Program	-	(2,000)
2015 Pan Am Games	(5,573)	-
Career Development Resource Centre	(161)	-
Housing Partnership Fund	(341)	-
Urban Development Bank	(109)	-
Other	<u>(119)</u>	<u>-</u>
	<u>(10,409)</u>	<u>(9,681)</u>
Balance at the end of the year	\$ <u>72,990</u>	\$ <u>73,426</u>

14. Taxation

	Budget <u>2010</u> (unaudited)	Actual <u>2010</u>	Actual <u>2009</u>
Taxation from real property	\$ 863,577	\$ 871,170	\$ 843,029
Taxation from other governments			
payments in lieu of taxes	<u>14,000</u>	<u>14,835</u>	<u>14,553</u>
	877,577	886,005	857,582
Less: Taxation collected on behalf of school boards	<u>(181,510)</u>	<u>(185,748)</u>	<u>(181,976)</u>
Net taxes available for municipal purposes	\$ <u>696,067</u>	\$ <u>700,257</u>	\$ <u>675,606</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

14. Taxation (continued)

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

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 2010, the City received payments from the provincial and federal governments in the amount of \$514,927,000 (2009 - \$391,718,000) as follows:

	<u>2010</u>	<u>2009</u>
Government of the Province of Ontario	\$ 440,338	\$ 326,396
Government of Canada	<u>74,589</u>	<u>65,322</u>
Total	<u>\$ 514,927</u>	<u>\$ 391,718</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 2010, the City issued payments as government transfers in the amount of \$252,541,000 (2009 - \$246,538,000) as follows:

	<u>2010</u>	<u>2009</u>
Payments for social assistance entitlements	\$ 162,678	\$ 170,776
Payments for housing subsidies	53,677	60,984
Grants to agencies and institutions	<u>36,186</u>	<u>14,778</u>
Total	<u>\$ 252,541</u>	<u>\$ 246,538</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

16. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$769,105,000 at December 31, 2010 for capital works (2009 - \$306,953,000) 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, 2010 amounting to \$4,648,000 (2009 - \$4,797,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$148,000 in 2010 (2009 - \$72,000) 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, 2010 of \$3,460,000 (2009: \$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 \$467,000 in 2010 (2009: \$238,000) 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, 2010 amounting to \$587,000 (2009 - \$1,594,000) 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 \$1,881,000 in 2010 (2009 - \$283,000) 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, 2010 amounting to \$8,421,000 (2009 - \$8,572,000) 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 \$571,000 in 2010 (2009 - \$266,000) are reported in the Consolidated Statement of Operations.
- (f) The City has agreements with BFI for the transfer, hauling and disposal of the City's solid waste. The term of the agreement is ten years and two months for the period of January 1, 2010 to February 29, 2020. The contract fees amounting to \$6,275,000 for 2010 are reported in the Consolidated Statement of Operations.
- (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 the period of March 31, 2008 to March 31, 2013. The contract fees amounting to \$6,321,000 for 2010 (2009 - \$6,147,000) are reported in the Consolidated Statement of Operations.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (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 \$9,948,000 (2009 - \$10,170,000) are reported in the Consolidated Statement of Operations.

- (i) 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 \$217,000 (2009 - \$175,000) is reported on the Consolidated Statement of Operations.

- (j) 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 \$58,803,000 (2009 - \$50,460,000). The minimum lease payments for these leases over the next five years and thereafter are:

2011	\$ 9,460
2012	8,310
2013	7,208
2014	6,411
2015	6,204
2016 and thereafter	<u>21,210</u>
	<u>\$ 58,803</u>

- (k) 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.

- (l) 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 June 30, 2013. Interest rates payable on the Amended Credit Facility are based on a margin above prime or the BA rate, as the case may be, determined by reference to the Corporation's debt rating. A standby fee is paid on any unutilized portion of the Amended Credit Facility. At year end, no amounts were drawn on these letters of credit (2009 - Nil). The Corporation has issued a \$9,101,000 letter of credit in favour of the Independent Electricity System Operator ("IESO") as security for Horizon Utilities purchase of electricity through the IESO. At year-end, no amounts were drawn on the letters of credit.

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, 2010 (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 \$22,112,000 (2009 - \$20,249,000). Claim expenses for the year in the amount of \$6,135,000 (2009 - \$9,775,000) are reported as expenses 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, 2010 is \$202,000 (2009 - \$197,000).

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, 2010 is \$23,371,000 (2009 - \$26,494,000).
- (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 2010 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 2010 (2009 - Nil). 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, 2010. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund these settlements. Subsequent to December 31, 2010, there was a settlement with one of the unionized employee groups.
- (d) Pursuant to its order dated July 22, 2010 (the "Order"), the Ontario Superior Court of Justice approved the settlement of a class-action lawsuit which was served on the Toronto Hydro-Electric Commission on November 18, 1998. The original class action lawsuit of \$500 million against Toronto Hydro as the representative for all municipal electric utilities ("MEU") in Ontario that levied late payment charges on overdue utility bills at any time after April 1, 1981. The Order formalized the settlement against the defendant MEUs in the amount of \$17 million plus costs and taxes to be paid for all claims. Hamilton Utilities Corporation's share of \$1,100,000 is payable on June 30, 2011. On February 22, 2011, the Ontario Energy Board issued a decision and approved the recovery of all costs and damages arising from the settlement of this class action over a twelve month period commencing on May 1, 2011. H.U.C. has recorded the settlement as an operating expense and the regulatory recovery as electricity distribution revenue.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

19. Tangible Capital Assets

The City has tangible capital assets valued at cost in the amount of \$6,398,562,000 (2009 - \$5,955,260,000) and a net book value of \$4,127,014,000 (2009 - \$3,900,423,000).

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 2-35 and 2-36). The net book value of the tangible capital assets valued as at December 31, 2010 is as follows:

	<u>2010</u>	<u>2009</u>
General		
Land	\$ 218,870	\$ 193,416
Land improvements	104,292	106,577
Buildings	364,989	291,476
Vehicles	127,757	125,461
Computer hardware and software	4,857	4,323
Other	64,490	61,396
Infrastructure		
Roads	1,212,319	1,244,350
Bridges and structures	159,313	160,935
Water and wastewater facilities	158,535	151,110
Underground and other networks	<u>1,440,216</u>	<u>1,380,969</u>
Net Book Value	\$ 3,855,638	\$ 3,720,013
Assets under construction	<u>271,376</u>	<u>180,410</u>
	<u>\$ 4,127,014</u>	<u>\$ 3,900,423</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, 2010 (all numbers in columns are in thousands of dollars)

20. Reporting by Business Segment

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

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 HECFL.
- Planning and development: planning, zoning, commercial and industrial development and residential development

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

21. Budget figures

The 2010 operating budget and capital financing for the housing corporation was approved by the CityHousing Hamilton Board at a meeting on January 7, 2010. The 2010 operating budget and capital financing for municipal operations was approved by City Council at a meeting on April 14, 2010.

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, 2010 (all numbers in columns are in thousands of dollars)

2010 Schedule of Tangible Capital Assets

	General							Infrastructure					
	Land	Land Improvements	Buildings	Vehicles	Computer	Other		Roads	Bridges & Other Structures	W/WW Facilities	Linear Network W/WW/SW	Assets Under Construction	TOTAL
Cost													
Balance, Dec 31, 2009	\$ 193,416	\$ 197,508	\$ 716,126	\$ 244,774	\$ 10,331	\$ 88,715	\$	1,932,173	\$ 199,353	\$ 420,142	\$ 1,772,312	\$ 180,410	\$ 5,955,260
Additions & Betterments in 2010	23,270	4,055	89,882	23,648	3,339	10,024		35,586	1,039	16,766	52,938	217,363	477,910
Disposals & Writedowns in 2010	(70)	(64)	(3,762)	(26,686)	(4,521)	(4,911)		(7,242)	(6)	(132)	(2,010)	(852)	(50,256)
Donations and Transfers in 2010	2,254	457	-	22	-	-		9,386	-	-	29,074	-	41,193
WIP Transfer to TCA in 2010	-	-	-	-	-	-		-	-	-	-	(125,545)	(125,545)
Balance, Dec 31, 2010	\$ 218,870	\$ 201,956	\$ 802,246	\$ 241,758	\$ 9,149	\$ 93,828	\$	1,969,903	\$ 200,386	\$ 436,776	\$ 1,852,314	\$ 271,376	\$ 6,298,562
Accumulated amortization													
Balance, Dec 31, 2009	\$ -	\$ 90,931	\$ 424,650	\$ 119,313	\$ 6,008	\$ 27,319	\$	687,823	\$ 38,418	\$ 269,032	\$ 391,343	\$ -	\$ 2,054,837
Amortization in 2010	-	6,768	16,276	20,111	2,805	6,930		76,243	2,660	9,209	22,765	-	163,767
Amortization on Disposals in 2010	-	(35)	(3,669)	(25,423)	(4,521)	(4,911)		(6,482)	(5)	-	(2,010)	-	(47,056)
Balance, Dec 31, 2010	\$ -	\$ 97,664	\$ 437,257	\$ 114,001	\$ 4,292	\$ 29,338	\$	757,584	\$ 41,073	\$ 278,241	\$ 412,098	\$ -	\$ 2,171,548
Net Book Value Dec 31, 2010	\$ 218,870	\$ 104,292	\$ 364,989	\$ 127,757	\$ 4,857	\$ 64,490	\$	1,212,319	\$ 159,313	\$ 158,535	\$ 1,440,216	\$ 271,376	\$ 4,127,014
Assets Under Construction	\$ -	\$ 16,708	\$ 73,599	\$ 1,158	\$ 1,734	\$ 11,185	\$	15,087	\$ 13,536	\$ 124,162	\$ 14,207	\$ 271,376	
Total	\$ 218,870	\$ 121,000	\$ 438,588	\$ 128,915	\$ 6,591	\$ 75,675	\$	1,227,406	\$ 172,849	\$ 282,697	\$ 1,454,423	\$ 271,376	\$ 4,127,014

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

2009 Schedule of Tangible Capital Assets

	General							Infrastructure						
	Land	Land Improvements	Buildings	Vehicles	Computer	Other		Roads	Bridges & Other Structures	W/WW Facilities	Linear Network W/WW/SW	Assets Under Construction	TOTAL	
Cost														
Balance, Dec 31, 2008	\$ 170,956	\$ 191,867	\$ 678,487	\$ 215,873	\$ 9,946	\$ 76,344	\$	1,888,986	\$ 198,637	\$ 410,271	\$ 1,702,657	\$ 89,391	\$ 5,633,415	
Additions & Betterments in 2009	17,928	5,663	39,887	37,931	2,528	16,178		45,230	724	6,593	42,530	155,482	370,674	
Disposals & Writedowns in 2009	(1,034)	(407)	(2,248)	(9,130)	(2,143)	(3,807)		(7,500)	(8)	(121)	(1,613)	(1,936)	(29,947)	
Donations and Transfers in 2009	5,566	385	-	100	-	-		5,457	-	3,399	28,738	-	43,645	
WIP Transfer to TCA in 2009	-	-	-	-	-	-		-	-	-	-	(62,527)	(62,527)	
Balance, Dec 31, 2009	\$ 193,416	\$ 197,508	\$ 716,126	\$ 244,774	\$ 10,331	\$ 88,715	\$	1,932,173	\$ 199,353	\$ 420,142	\$ 1,772,312	\$ 180,410	\$ 5,955,260	
Accumulated amortization														
Balance, Dec 31, 2008	\$ -	\$ 84,517	\$ 411,210	\$ 108,530	\$ 5,222	\$ 24,592	\$	620,138	\$ 35,776	\$ 260,106	\$ 371,466	\$ -	\$ 1,921,556	
Amortization in 2009	-	6,618	15,688	18,948	2,929	6,534		73,289	2,649	9,032	21,490	-	157,177	
Amortization on Disposals in 2009	-	(204)	(2,248)	(8,165)	(2,143)	(3,807)		(5,604)	(7)	(106)	(1,613)	-	(23,896)	
Balance, Dec 31, 2009	\$ -	\$ 90,931	\$ 424,650	\$ 119,313	\$ 6,008	\$ 27,319	\$	687,823	\$ 38,418	\$ 269,032	\$ 391,343	\$ -	\$ 2,054,837	
Net Book Value Dec 31, 2009	\$ 193,416	\$ 106,577	\$ 291,476	\$ 125,461	\$ 4,323	\$ 61,396	\$	1,244,350	\$ 160,935	\$ 151,110	\$ 1,380,969	\$ 180,410	\$ 3,900,423	
Assets Under Construction	\$ -	\$ 9,120	\$ 72,984	\$ -	\$ 769	\$ 8,973	\$	11,183	\$ 4,128	\$ 58,341	\$ 14,912	\$ 180,410		
Total	\$ 193,416	\$ 115,697	\$ 364,460	\$ 125,461	\$ 5,092	\$ 70,369	\$	1,255,533	\$ 165,063	\$ 209,451	\$ 1,395,881	\$ 180,410	\$ 3,900,423	

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (all numbers in columns are in thousands of dollars)

2010 Schedule of Operations for Business Segments

	General Government	Protection Services	Transportation services	Environmental services	Health services	Social and family services	Social housing	Recreation and cultural services	Planning and development	TOTAL 2010
Revenue										
Taxation	\$ 700,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700,257
Government grants and contributions	30,220	17,212	40,737	126,066	44,879	194,681	48,883	17,631	587	520,896
User charges	3,934	7,004	52,981	160,277	3,753	12,091	328	15,520	9,228	265,116
Development charges and subdivider contributions	32,100	613	3,107	6,560	208	381	1,253	1,591	2,814	48,627
Donated tangible capital assets	-	673	18,245	(6,854)	11	40	(13)	2,299	1,977	16,378
Investment and dividend income	-	22	10,817	29,074	-	-	-	1,280	-	41,193
Income from Government Business	3,421	-	-	-	-	-	-	-	-	3,421
Other	17,667	17,565	8,082	1,109	153	13	32,786	9,504	1,644	88,523
Total	\$ 787,599	\$ 43,089	\$ 133,969	\$ 316,232	\$ 49,004	\$ 207,206	\$ 83,237	\$ 47,825	\$ 16,250	\$ 1,684,411
Expenses										
Salaries and benefits	\$ 43,273	\$ 212,623	\$ 86,697	\$ 38,188	\$ 58,979	\$ 67,836	\$ 9,347	\$ 67,401	\$ 22,590	\$ 606,934
Interest on long term debt	128	821	8,847	1,692	2	1,089	4,013	1,031	248	17,871
Materials and supplies	31,399	16,164	43,968	32,188	7,228	7,758	39,284	26,495	6,156	210,640
Contracted services	14,426	2,264	30,225	62,254	3,185	54,024	10,945	15,182	4,689	197,194
Rents and financial expenses	3,345	1,485	1,028	1,782	1,677	2,471	271	1,984	775	14,818
External transfers	-	4,483	-	-	31	159,586	57,107	5,228	835	227,270
Amortization	4,850	5,102	95,558	35,117	1,531	1,596	4,190	13,094	2,729	163,767
Interfunctional transfers	(31,088)	1,677	12,889	5,042	4,158	1,194	13	5,626	489	-
Total	\$ 66,333	\$ 244,619	\$ 279,212	\$ 176,263	\$ 76,791	\$ 295,554	\$ 125,170	\$ 136,041	\$ 38,511	\$ 1,438,494
Annual Surplus	\$ 721,266	\$ (201,530)	\$ (145,243)	\$ 139,969	\$ (27,787)	\$ (88,348)	\$ (41,933)	\$ (88,216)	\$ (22,261)	\$ 245,917

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2010 (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	73,943	3,475	14,834	17,111	45,129	184,411	34,797	2,215	368	376,283
User charges	5,836	6,446	45,261	152,271	2,776	11,728	1,336	18,111	10,593	254,358
Development charges and subdivider contributions	5,349	998	18,182	(7,668)	174	-	-	6,251	-	23,286
Donated tangible capital assets	100	4,352	32,939	-	-	-	-	6,254	-	43,645
Investment and dividend income	34,045	768	3,661	5,162	921	617	1,504	1,902	3,020	51,600
Income from Government Business	241	-	-	-	-	-	-	-	-	241
Other	17,164	16,801	5,974	(795)	368	94	32,038	14,064	1,738	87,446
Total	\$ 812,284	\$ 32,840	\$ 120,851	\$ 166,081	\$ 49,368	\$ 196,850	\$ 69,675	\$ 48,797	\$ 15,719	\$ 1,512,465
Expenses										
Salaries and benefits	\$ 44,987	\$ 201,964	\$ 136,818	\$ 37,354	\$ 56,798	\$ 64,276	\$ 9,086	\$ 68,430	\$ 23,694	\$ 643,407
Interest on long term debt	311	898	9,010	1,888	3	1,158	3,738	1,117	272	18,395
Materials and supplies	42,871	14,771	34,547	31,500	7,975	8,637	36,773	25,993	6,321	209,388
Contracted services	13,397	3,290	41,831	52,881	3,419	53,304	8,821	10,564	3,993	191,500
Rents and financial expenses	3,417	1,331	1,990	805	931	3,617	792	1,682	902	15,467
External transfers	-	4,913	-	-	22	168,047	42,812	5,913	1,656	223,363
Amortization	4,394	4,855	91,020	33,597	1,473	1,563	4,785	12,815	2,675	157,177
Interfunctional transfers	(38,245)	3,303	14,954	7,798	3,816	414	(21)	6,889	1,092	-
Total	\$ 71,132	\$ 235,325	\$ 330,170	\$ 165,823	\$ 74,437	\$ 301,016	\$ 106,786	\$ 133,403	\$ 40,605	\$ 1,458,697
Annual Surplus	\$ 741,152	\$ (202,485)	\$ (209,319)	\$ 258	\$ (25,069)	\$ (104,166)	\$ (37,111)	\$ (84,606)	\$ (24,886)	\$ 53,768

Section 3

City of Hamilton Financial Statements for the Trust Funds Cemetery, Library and General Trusts December 31, 2010

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Independent Auditor's Report

Grant Thornton LLP
33 Main Street East
Hamilton, ON
L8N 4K5

T +1 905 523 7732
F +1 905 572 9333
www.GrantThornton.ca

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

We have audited the accompanying financial statements of the Trust Funds of the City of Hamilton, which comprise the statement of financial position as at December 31, 2010, and the statement of operations of the Cemetery, Library and Other trust funds and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions prescribed for Ontario municipalities by the Ministry of Municipal Affairs

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of the City of Hamilton as at December 31, 2010, and the results of its operations for the year then ended in accordance with the financial reporting provisions of the Ministry of Municipal Affairs and Housing.

Basis of accounting and restriction on use

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

Hamilton, Canada
June 8, 2011



Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

City of Hamilton

Trust Funds - Consolidated

As at December 31, 2010

Statement of Financial Position

	<u>2010</u>	<u>2009</u>
Financial Assets		
Cash	\$ 1,601,627	\$ 1,109,528
Accrued interest receivable	768,476	702,968
Investments (Note 2)	11,932,022	11,537,278
Deposits Hamilton Community Foundation (Note 3)	1,253,959	1,253,959
Due from City of Hamilton – Cemetery	373,232	323,573
Due from City of Hamilton – Library Trust Funds	363,586	363,263
Due from City of Hamilton – Other Trust Funds	<u>102,388</u>	<u>182,407</u>
Total financial assets	\$ 16,395,290	\$ 15,472,976
Liabilities		
Deposits	<u>\$ 198,945</u>	<u>\$ 253,362</u>
Accumulated surplus	\$ 16,196,345	\$ 15,219,614

Statement of Operations

Year ended December 31, 2010

Revenue		
Cemetery lots and interments	\$ 1,134,144	\$ 666,100
Investment income	845,259	832,736
Transfer from other trust funds	-	9,831
Other revenue	<u>21,000</u>	<u>21,000</u>
Total revenue	\$ 2,000,403	\$ 1,529,667
Expenses		
Investment loss	\$ 112	\$ 226
Other	190,743	65,530
Transfer to other trust funds	<u>832,817</u>	<u>769,885</u>
Total expenses	\$ 1,023,672	\$ 835,641
Annual surplus	\$ 976,731	\$ 694,026
Accumulated surplus at the beginning of the year	<u>15,219,614</u>	<u>14,525,588</u>
Accumulated surplus at the end of the year	\$ 16,196,345	\$ 15,219,614

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2010

1. Significant accounting policies

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

(a) Basis of Consolidation

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

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

(b) Basis of Accounting

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

City of Hamilton

Trust Funds

Notes To The Financial Statements

As at December 31, 2010

2. Investments

The total investments recorded at the lower of cost or market value in the balance sheet are \$11,932,022 (2009 - \$11,537,278). These investments have a market value of \$12,220,284 (2009- \$12,196,151) at the end of the year.

3. Deposits – Hamilton Community Foundation

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

4. Accumulated Surplus	<u>2010</u>	<u>2009</u>
The accumulated surplus consists of:		
Cemeteries	<u>\$ 12,774,273</u>	<u>\$ 11,784,382</u>
Library		
M. Waldon Thompson Estate	18,891	19,003
Special Gift Fund Central	1,950,196	1,897,725
Permanent Endowment Fund	594,190	571,485
Keetha McLaren Memorial Fund	27,808	26,972
F. Waldon Library Bequest	61,582	60,763
Waterdown Library Fundraising	<u>40,423</u>	<u>39,379</u>
	<u>2,693,090</u>	<u>2,615,327</u>
Other		
Fieldcote Farmer (Ancaster)	343,144	344,673
Knowles Bequest (Dundas)	260,082	259,541
F. Waldon Dundurn Castle (Hamilton)	5,337	5,199
Ellen Grafton (Dundas)	7,064	7,010
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election (Hamilton)	2,091	11,112
Balfour Estate Chedoke (Hamilton)	<u>100,954</u>	<u>182,060</u>
	<u>728,982</u>	<u>819,905</u>
	<u>\$ 16,196,345</u>	<u>\$ 15,219,614</u>

City of Hamilton

Trust Funds - Cemetery

As at December 31, 2010

Statement of Financial Position

	<u>2010</u>	<u>2009</u>
Financial Assets		
Cash	\$ 1,032,167	\$ 543,950
Due from City of Hamilton	363,586	323,573
Investments	<u>11,577,465</u>	<u>11,170,221</u>
Total financial assets	<u>\$ 12,973,218</u>	<u>\$ 12,037,744</u>
Liabilities		
Deposits	<u>\$ 198,945</u>	<u>\$ 253,362</u>
Accumulated surplus	<u>\$ 12,774,273</u>	<u>\$ 11,784,382</u>

Statement of Operations

Year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
Revenue		
Cemetery lots and interments	\$ 1,134,144	\$ 666,100
Investment income	<u>672,613</u>	<u>610,842</u>
Total revenue	<u>\$ 1,806,757</u>	<u>\$ 1,276,942</u>
Expenses		
Other	\$ 11,654	\$ 11,562
Transfer to other trust funds	<u>805,212</u>	<u>701,041</u>
Total expenses	<u>\$ 816,866</u>	<u>\$ 712,603</u>
Annual surplus	<u>\$ 989,891</u>	<u>\$ 564,339</u>
Accumulated surplus at the beginning of the year	<u>11,784,382</u>	<u>11,220,043</u>
Accumulated surplus at the end of the year	<u>\$ 12,774,273</u>	<u>\$ 11,784,382</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds - Library

As at December 31, 2010

Statement of Financial Position

	<u>2010</u>	<u>2009</u>
Financial Assets		
Cash	\$ 297,423	\$ 295,137
Accrued interest receivable	768,476	702,968
Deposits Hamilton Community Foundation	1,253,959	1,253,959
Due from City of Hamilton	<u>373,232</u>	<u>363,263</u>
Total financial assets	<u>\$ 2,693,090</u>	<u>\$ 2,615,327</u>
Accumulated surplus	<u>\$ 2,693,090</u>	<u>\$ 2,615,327</u>

Statement of Operations

Year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
Revenue		
Investment income	\$ 146,900	\$ 212,589
Other revenue	-	9,831
Total revenue	<u>\$ 146,900</u>	<u>\$ 222,420</u>
Expenses		
Investment loss	\$ 112	\$ 226
Other	69,025	27,316
Transfer to other trust funds	-	68,844
Total expenses	<u>\$ 69,137</u>	<u>\$ 96,386</u>
Annual surplus	<u>\$ 77,763</u>	<u>\$ 126,034</u>
Accumulated surplus at the beginning of the year	<u>2,615,327</u>	<u>2,489,293</u>
Accumulated surplus at the end of the year	<u>\$ 2,693,090</u>	<u>\$ 2,615,327</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds - Other

As at December 31, 2010

Statement of Financial Position

	<u>2010</u>	<u>2009</u>
Financial Assets		
Cash	\$ 272,037	\$ 270,441
Investments	354,557	367,057
Due from City of Hamilton	<u>102,388</u>	<u>182,407</u>
Total financial assets	<u>\$ 728,982</u>	<u>\$ 819,905</u>
Accumulated surplus	<u>\$ 728,982</u>	<u>\$ 819,905</u>

Statement of Operations

Year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
Revenue		
Investment income	\$ 25,746	\$ 9,305
Other revenue	<u>21,000</u>	<u>21,000</u>
Total revenue	<u>\$ 46,746</u>	<u>\$ 30,305</u>
Expenses		
Transfer to other trust funds	\$ 27,605	\$ -
Other	<u>110,064</u>	<u>26,652</u>
Total expenses	<u>\$ 137,669</u>	<u>\$ 26,652</u>
Annual (deficit) surplus	<u>\$ (90,923)</u>	<u>\$ 3,653</u>
Accumulated surplus at the beginning of the year	<u>819,905</u>	<u>816,252</u>
Accumulated surplus at the end of the year	<u>\$ 728,982</u>	<u>\$ 819,905</u>

See accompanying notes to the financial statements

Section 4

City of Hamilton Financial Statements for the Trust Funds – Homes for the Aged December 31, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Trust Funds - Homes for the Aged, City of Hamilton, which comprise the statement of financial position as at December 31, 2010, and the statement of operations and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trust Funds - Homes for the Aged, City of Hamilton as at December 31, 2010, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

Hamilton, Canada
June 8, 2011



Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

City of Hamilton

Trust Funds – Homes for the Aged

As at December 31, 2010

Statement of Financial Position

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2010	Total 2009
Financial assets						
Cash	\$ 50,179	\$ 57,518	\$ 63,404	\$ 528,983	\$ 700,084	\$ 755,607
Liabilities						
Due to City	\$ -	\$ -	\$ -	\$ 3,274	\$ 3,274	\$ -
Accumulated surplus	\$ 50,179	\$ 57,518	\$ 63,404	\$ 525,709	\$ 696,810	\$ 755,607

Statement of Operations

Year ended December 31, 2010

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2010	Total 2009
Revenue						
Residents' deposits	\$ 129,025	\$ 132,798	\$ 8,624	\$ 13,106	\$ 283,553	\$ 238,763
Investment income	329	487	464	4,171	5,451	6,482
Donations	-	-	889	1,963	2,852	21,659
	<u>129,354</u>	<u>133,285</u>	<u>9,977</u>	<u>19,240</u>	<u>291,856</u>	<u>266,904</u>
Expenses						
Maintenance payments	13,576	48,244	-	-	61,820	53,946
Residents' charges	105,372	95,381	4,611	10,548	215,912	235,347
Payments to estates	6,165	9,722	-	-	15,887	15,800
Payments on discharge	-	-	-	-	-	237
Program purchases	-	-	-	57,034	57,034	4,792
	<u>125,113</u>	<u>153,347</u>	<u>4,611</u>	<u>67,582</u>	<u>350,653</u>	<u>310,122</u>
Annual surplus	4,241	(20,062)	5,366	(48,342)	(58,797)	(43,218)
Accumulated surplus at the beginning 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>
Accumulated surplus at the end of the year	\$ 50,179	\$ 57,518	\$ 63,404	\$ 525,709	\$ 696,810	\$ 755,607

See accompanying notes to the financial statements.

City of Hamilton

Trust Funds – Homes for the Aged

Notes to the Financial Statements

As at December 31, 2010

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.

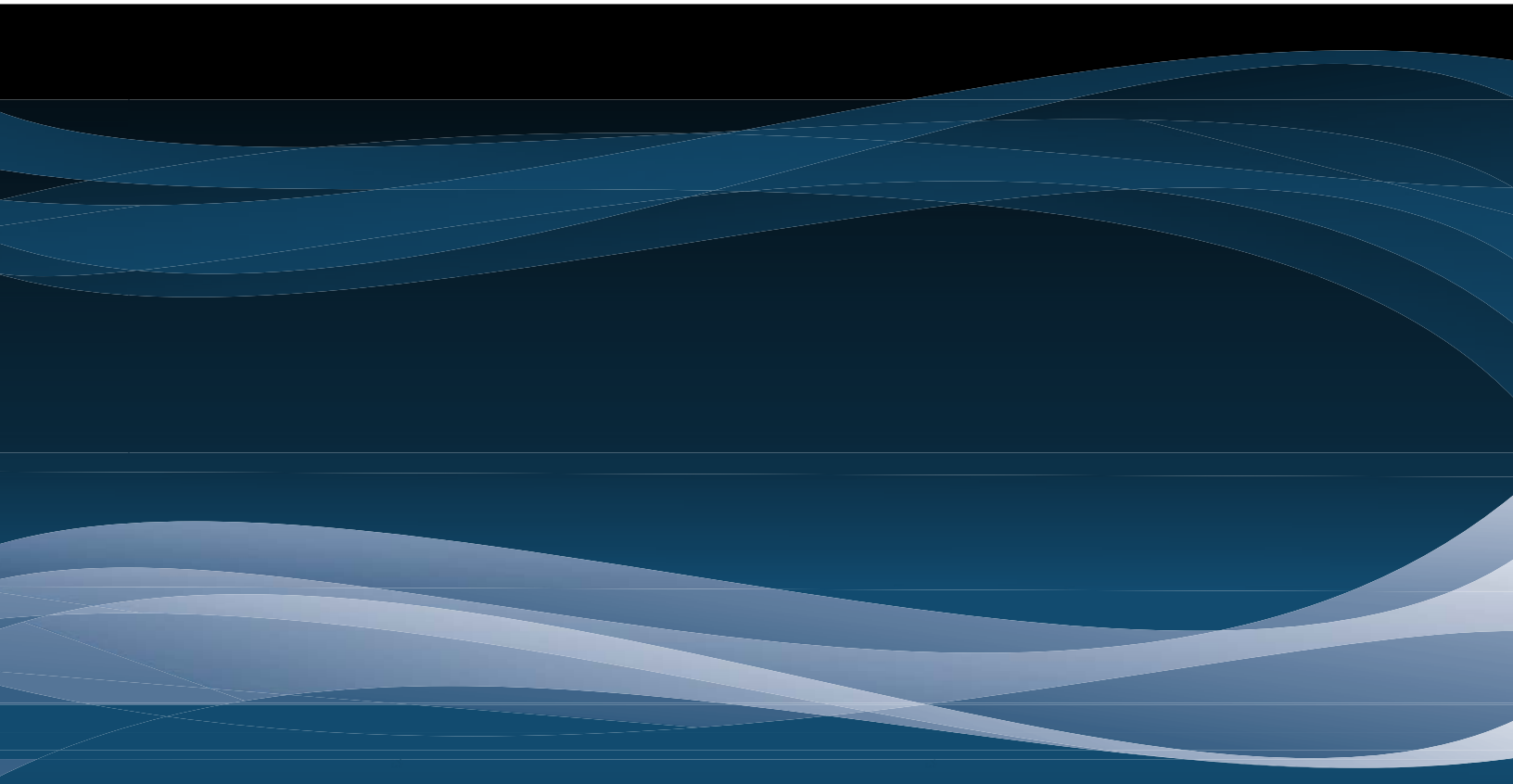
2. Significant accounting policies

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.



Hamilton