

FINANCIAL REPORT

2007



Hamilton

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

City of Hamilton
Financial Report
2007

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Other Financial Information Available on Request includes:

- 2007 Financial Statements for the Pension Funds for the Hamilton Municipal Retirement Fund Pension Plan ("HMRF")
- 2007 Financial Statements for the Pension Funds for the Hamilton Wentworth Retirement Fund Pension Plan ("HWRF")
- 2007 Financial Statements for the Employees of the Hamilton Street Railway Pension Plan ("HSR Pension Plan")
- 2007 Financial Statements for the CityHamilton Housing
- 2007 Financial Statements for the Hamilton Entertainment and Convention Facilities Inc. ("HECFI")
- 2007 Financial Statements for the Hamilton Public Library
- 2007 Financial Statements for Hamilton Business Improvement Areas ("BIAs")
- 2007 Financial Statements for Hamilton Renewal Power Inc.
- 2007 Financial Statements for Hamilton Utilities Corporation
- 2007 City of Hamilton Financial Information Return ("F.I.R.")

Section 1

City of Hamilton Five Year Financial and Statistical Review 2007

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)

	2007	2006	2005	2004	2003
	\$000's	\$000's	\$000's	\$000's	\$000's
Current Fund Operations					
Revenue					
Taxation/PIL	\$ 621,372	\$ 591,842	\$ 575,584	\$ 547,765	\$ 514,529
User fees and service charges	239,888	224,536	218,097	205,580	192,089
Grants	286,356	268,834	249,684	241,241	218,453
Investment & Dividend Income	11,291	12,516	34,387	8,290	8,751
Development Charges & Subdivider Contributions	382	3,762	2,350	1,652	2,837
Other	80,945	79,851	76,510	77,887	79,720
	<u>1,240,234</u>	<u>1,181,341</u>	<u>1,156,612</u>	<u>1,082,415</u>	<u>1,016,379</u>
Object of Operating Expenditures					
Salaries, wages and employee benefits	\$ 532,177	\$ 493,281	\$ 466,359	\$ 440,183	\$ 421,892
Long Term Debt Interest Charges	17,274	19,266	20,296	26,281	27,668
Materials	200,092	194,325	194,754	168,143	191,201
Contracted Services	137,544	124,616	119,185	132,592	98,950
Rents and Financial expenses	15,280	14,603	13,233	15,612	19,135
External Transfers	187,986	192,401	182,160	176,288	176,659
	<u>1,090,353</u>	<u>1,038,492</u>	<u>995,987</u>	<u>959,099</u>	<u>935,505</u>
Operating Expenditures by Function					
General government	\$ 67,217	\$ 61,137	\$ 62,358	\$ 65,136	\$ 70,952
Protection to persons and property	205,703	194,308	190,923	178,981	167,901
Transportation services	165,260	149,597	148,653	145,291	137,845
Environmental services	112,337	109,550	100,950	98,854	95,874
Health and emergency services	60,085	57,162	51,744	44,717	41,703
Social and family services	264,622	261,885	250,584	246,167	242,054
Social housing	82,481	79,565	73,619	70,108	71,563
Recreation and cultural services	102,783	98,387	91,662	86,659	85,667
Planning and development	29,865	26,901	25,494	23,186	21,946
	<u>1,090,353</u>	<u>1,038,492</u>	<u>995,987</u>	<u>959,099</u>	<u>935,505</u>
Financing and Transfers					
Debt principal repayments	\$ 22,210	\$ 22,660	\$ 17,319	\$ 19,559	\$ 17,655
Transfer to reserves and reserve funds	37,242	28,226	63,922	42,102	20,132
Transfer to capital operations	86,244	88,065	81,990	60,860	54,103
Change in amounts to be recovered	3,855	3,494	(1,322)	449	(10,703)
	<u>149,551</u>	<u>142,445</u>	<u>161,909</u>	<u>122,970</u>	<u>81,187</u>

Note: Amounts reported may have been restated from previous presentations of the consolidated financial statements to conform to 2007 Public Sector Accounting Board ("PSAB") requirements for local governments.

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)

Objects of Operating Expenditures as percentage of total

	2007	2006	2005	2004	2003
Salaries, wages and employee benefits	48.8%	47.5%	46.8%	45.9%	45.1%
Long Term Debt Charges (interest)	1.6%	1.9%	2.0%	2.7%	3.0%
Materials	18.4%	18.7%	19.6%	17.6%	20.4%
Contracted Services	12.6%	12.0%	12.0%	13.8%	10.6%
Rents and Financial expenses	1.4%	1.4%	1.3%	1.6%	2.0%
External Transfers	17.2%	18.5%	18.3%	18.4%	18.9%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

	2007	2006	2005	2004	2003
Capital Fund Operations	\$000's	\$000's	\$000's	\$000's	\$000's
Sources of Financing					
Government grants and contributions	\$ 52,220	\$ 96,800	\$ 66,596	\$ 30,515	\$ 15,638
Development charges & subdivider contributions	47,658	27,560	41,359	20,686	16,167
Sale of land and other capital assets	12,786	5,207	4,038	4,887	4,083
Investment income	10,944	10,004	7,893	8,065	8,326
Other	4,454	3,555	5,650	4,793	3,286
	<u>128,062</u>	<u>143,126</u>	<u>125,536</u>	<u>68,946</u>	<u>47,500</u>

Capital Expenditure by Function

General government	\$ 14,188	\$ 18,786	\$ 11,369	\$ 9,480	\$ 14,513
Protection to persons and property	3,327	7,266	1,249	5,158	11,209
Transportation services	89,329	90,532	124,545	72,401	56,422
Environmental services	90,410	120,403	107,828	62,508	65,660
Health and emergency services	1,181	1,014	1,046	267	2,581
Social and family services	2,032	5,174	15,704	1,565	1,158
Social housing	7,819	7,929	5,821	6,275	6,249
Recreation and cultural services	23,697	17,809	25,180	29,676	13,186
Planning and development	8,822	9,545	13,197	7,157	2,745
	<u>240,805</u>	<u>278,458</u>	<u>305,939</u>	<u>194,487</u>	<u>173,723</u>

Financing and Transfers

Long Term Debt Issued-Municipal	\$ 35,000	\$ 40,000	\$ 85,000	\$ 50,000	\$ -
Transfers from current fund	86,244	88,065	81,990	60,860	54,103
Transfers from reserve funds	37,731	33,398	74,578	27,133	32,152
Increase (decrease) in amounts to be recovered – Solid waste management facilities	(1,881)	(1,573)	(1,295)	(3,629)	(3,317)
	<u>157,094</u>	<u>159,890</u>	<u>240,273</u>	<u>134,364</u>	<u>82,938</u>

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Note: Amounts reported may have been restated from previous presentations of the consolidated financial statements to conform to 2007 Public Sector Accounting Board ("PSAB") requirements for local governments.

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)

	2007	2006	2005	2004	2003
	\$000's	\$000's	\$000's	\$000's	\$000's
Capital Fund Balance					
Opening Capital Fund Balance	\$ 175,227	\$ 150,669	\$ 90,799	\$ 81,976	\$ 125,261
Closing Capital Fund Balance	219,578	175,227	150,669	90,799	81,976
Change in Capital Fund	44,351	24,558	59,870	8,823	(43,285)
Reserve and Reserve Funds					
Revenue					
Investment Income	\$ 15,547	\$ 18,073	\$ 18,062	\$ 13,184	\$ 14,548
Transfers					
Transfers from current fund	\$ 37,242	\$ 28,226	\$ 63,922	\$ 42,102	\$ 20,132
Transfers to capital fund	(37,731)	(33,398)	(74,578)	(27,133)	(32,152)
Proceeds from Hamilton Utilities Corporation	-	-	-	-	-
	<u>(489)</u>	<u>(5,172)</u>	<u>(10,656)</u>	<u>14,969</u>	<u>(12,020)</u>
Reserves and Reserve Fund Balance					
Opening Reserve and Reserve Fund Balance	\$ 377,972	\$ 365,071	\$ 357,665	\$ 329,512	\$ 332,290
Closing Reserve and Reserve Fund Balance	393,030	377,972	365,071	357,665	334,818
Change in Reserve and Reserve Fund Balance	15,058	12,901	7,406	28,153	2,528
Obligatory Reserve Funds (not included in Reserves and Reserve Fund balances)					
	\$ 37,748	\$ 45,098	\$ 33,918	\$ 40,196	\$ 38,408
Municipal Position					
Fund Balances					
Current Fund	\$ 3,681	\$ 3,351	\$ 2,947	\$ 4,231	\$ 3,886
Capital Fund	219,578	175,227	150,669	90,799	81,976
Reserves set aside for specific purposes by Council, legislation regulation or agreement	393,030	377,972	365,071	357,665	334,818
Current Fund – Investment in Government Business Enterprise	188,418	180,719	169,716	165,491	157,537
Total	<u>804,707</u>	<u>737,269</u>	<u>688,403</u>	<u>618,186</u>	<u>578,217</u>
Amounts to be recovered in the Future	<u>\$ (608,717)</u>	<u>\$ (601,999)</u>	<u>\$ (581,675)</u>	<u>\$ (514,095)</u>	<u>\$ (496,028)</u>
Net Municipal Position	<u>\$ 195,990</u>	<u>\$ 135,270</u>	<u>\$ 106,728</u>	<u>\$ 104,091</u>	<u>\$ 82,189</u>

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)

	2007	2006	2005	2004	2003
	\$000's	\$000's	\$000's	\$000's	\$000's
Long Term Debt – Municipal					
Long Term Debt incurred by the City	\$ 334,580	\$ 321,962	\$ 378,615	\$ 309,754	\$ 395,900
Long Term Debt incurred by the City for which other entities have assumed responsibility	(32,200)	(34,807)	(55,829)	(58,148)	(71,263)
Sinking funds accumulated to the end of the year to retire the City's related long term debt			(54,316)	(49,503)	(146,331)
Net long term debt	<u>302,380</u>	<u>287,155</u>	<u>268,470</u>	<u>202,103</u>	<u>178,306</u>
Long Term Debt recovered from:					
General Tax Rates	\$ 291,249	\$ 274,006	\$ 251,570	\$ 181,613	\$ 151,158
Reserves and reserve funds	8,486	9,929	11,304	12,619	17,028
User Rates	2,614	3,187	5,553	7,816	9,986
Nonconsolidated entities	31	33	43	55	134
Total	<u>302,380</u>	<u>287,155</u>	<u>268,470</u>	<u>202,103</u>	<u>178,306</u>
Long term debt as a % of Reserves	76.90%	76.00%	73.50%	56.50%	53.30%
Charges for long term debt – principal	\$ 19,773	\$ 20,447	\$ 15,483	\$ 17,930	\$ 16,117
Charges for long term debt – interest	13,207	15,100	16,407	22,148	23,950
	<u>32,980</u>	<u>35,547</u>	<u>31,890</u>	<u>40,078</u>	<u>40,067</u>
Charges for long term debt as a % of Operating Expenditures including Principal	2.97%	3.36%	3.15%	4.10%	4.21%
Long Term Debt – Housing					
Mortgages	\$ 77,710	\$ 80,147	\$ 73,275	\$ 75,111	\$ 76,763
Non-consolidated debentures	\$ 46,002	\$ 48,427	\$ 50,703	\$ 52,899	\$ 54,962
	<u>123,712</u>	<u>128,574</u>	<u>123,978</u>	<u>128,010</u>	<u>131,725</u>
Taxation					
Taxation from real property	\$ 786,784	\$ 755,576	\$ 734,654	\$ 708,705	\$ 684,541
Taxation from other governments/payments in lieu of taxes	11,492	11,349	11,594	12,182	13,573
Taxation collected on behalf of school boards	(176,904)	(175,083)	(170,664)	(173,122)	(183,585)
Net taxes available for municipal purposes	<u>621,372</u>	<u>591,842</u>	<u>575,584</u>	<u>547,765</u>	<u>514,529</u>

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)

	2007	2006	2005	2004	2003
	\$000's	\$000's	\$000's	\$000's	\$000's
Unweighted Taxable Assessment					
Residential	\$ 33,808,610	\$ 33,323,846	\$ 28,336,259	\$ 27,850,664	\$ 25,203,032
Non-Residential	<u>4,880,139</u>	<u>4,843,489</u>	<u>4,457,946</u>	<u>4,340,529</u>	<u>4,195,080</u>
Total Taxable Assessment (unweighted)	38,688,749	38,167,335	32,794,205	32,191,193	29,398,112
Weighted Taxable Assessment					
Residential	\$ 36,799,388	\$ 36,318,802	\$ 30,912,621	\$ 30,434,037	\$ 27,614,254
Non-Residential	<u>11,485,684</u>	<u>11,655,946</u>	<u>10,039,924</u>	<u>9,884,946</u>	<u>9,937,186</u>
Total Taxable Assessment (weighted)	48,285,072	47,974,748	40,952,545	40,318,983	37,551,440
Residential vs. Non-Residential Percentage of Total Weighted Taxable Assessment					
Residential	76%	76%	75%	75%	74%
Non-Residential	24%	24%	25%	25%	26%
Taxable Assessment Growth (weighted)	0.8%	1.0%	1.6%	1.7%	1.4%
Tax Levies					
	2007	2006	2005	2004	2003
	\$000's	\$000's	\$000's	\$000's	\$000's
for City purposes	\$ 601,620	\$ 574,371	\$ 555,348	\$ 527,420	\$ 495,494
for School purposes	<u>174,048</u>	<u>172,220</u>	<u>166,832</u>	<u>167,990</u>	<u>190,351</u>
Total Taxes Levied	775,668	746,591	722,180	695,410	685,845
Tax arrears					
Taxes receivable	\$ 56,518	\$ 54,026	\$ 58,689	\$ 70,613	\$ 79,230
Taxes receivable per capita	109	105	113	138	155
Taxes receivable as a percentage of current years' levies	7.3%	7.2%	8.1%	10.2%	11.6%

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)

	2007	2006	2005	2004	2003
Statistical Information					
Population	518,181	515,214	518,745	513,326	509,546
Households	202,209	200,063	203,236	200,812	198,569
Total Hectares	111,700	111,700	111,700	111,700	111,700
Building Permit Values	\$801,719,348	\$682,547,814	\$640,879,601	\$595,166,715	\$664,394,769
Housing Starts	1,241	1,407	1,683	1,467	1,160
New Residential Units – Building Permits	2,737	3,057	2,787	3,003	2,760
Average Monthly Social Assistance Case Load	9,753	10,128	10,290	10,585	10,614
Continuous Full Time Employees	6,042	5,931	5,732	5,583	5,807

Section 2

City of Hamilton Consolidated Financial Statements 2007

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Auditors' report

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

We have audited the consolidated statement of financial position of the Corporation of the City of Hamilton as at December 31, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the City's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Hamilton as at December 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express any opinion regarding the budget figures.

Grant Thornton LLP

Hamilton, Ontario
May 7, 2008

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

City of Hamilton

Consolidated Statement of Financial Position

As at December 31, 2007 (all numbers are in thousands of dollars)

	<u>2007</u>	<u>2006</u> (Note 1)
Assets		
Cash and temporary investments (Note 2)	\$ 25,953	\$ 22,341
Taxes receivable	56,518	54,026
Accounts receivable	85,611	64,757
Other assets	8,649	7,899
Long term receivables (Note 3)	21,933	21,684
Investments (Note 2)	658,170	634,826
Investment in Government Business Enterprises (Note 4)	<u>188,418</u>	<u>180,719</u>
Total assets	<u>\$ 1,045,252</u>	<u>\$ 986,252</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 186,865	\$ 187,373
Deferred revenue - general	14,476	15,696
Deferred revenue - obligatory reserve funds (Note 5)	37,748	45,098
Long term debt – Municipal Operations (Note 7)	302,380	287,155
Long term debt – Housing Corporations (Note 8)	77,710	80,147
Employee benefits and other obligations (Note 9)	194,928	198,477
Solid waste management facilities liabilities (Note 11)	<u>35,155</u>	<u>37,036</u>
Total liabilities	<u>849,262</u>	<u>850,982</u>
Municipal position		
Current fund (Note 12)	3,681	3,351
Current fund - Equity in investment in Government Business Enterprises (Note 12)	188,418	180,719
Capital fund (Note 12)	219,578	175,227
Reserves and Reserve Funds (Note 12)	<u>393,030</u>	<u>377,972</u>
Fund balances	804,707	737,269
Liabilities to be recovered in the future (Note 14)	<u>(608,717)</u>	<u>(601,999)</u>
Total municipal position	<u>195,990</u>	<u>135,270</u>
Total liabilities and municipal position	<u>\$ 1,045,252</u>	<u>\$ 986,252</u>

Contractual obligations (Note 20)

Contingent liabilities (Note 22)

See accompanying notes to the consolidated financial statements

City of Hamilton

Consolidated Statement of Financial Activities

For the year ended December 31, 2007 (all numbers are in thousands of dollars)

	Budget 2007 (unaudited)	Actual 2007	Actual 2006 (Note 1)
Revenue			
Taxation (Note 15)	\$ 618,914	\$ 621,372	\$ 591,842
Government grants and contributions	345,195	338,576	365,634
User charges	237,783	239,888	224,536
Development charges and subdivider contributions	57,583	48,040	31,322
Sale of land and other capital assets	3,876	12,786	5,207
Investment and dividend income	20,219	37,782	40,593
Other	88,463	85,399	83,406
Total revenue	<u>1,372,033</u>	<u>1,383,843</u>	<u>1,342,540</u>
Expenditures			
General government	89,427	81,405	79,923
Protection services	214,330	209,030	201,574
Transportation services	268,713	254,589	240,129
Environmental services	343,350	202,747	229,953
Health services	62,303	61,266	58,176
Social and family services	265,052	266,654	267,059
Social housing	91,329	90,300	87,494
Recreation and cultural services	137,249	126,480	116,196
Planning and development	56,079	38,687	36,446
Total expenditures	<u>1,527,832</u>	<u>1,331,158</u>	<u>1,316,950</u>
Net revenue (expenditures)	<u>(155,799)</u>	<u>52,685</u>	<u>25,590</u>
Financing			
Debt principal repayment - Municipal	(19,773)	(19,773)	(20,447)
Debt principal repayment – Housing	(2,437)	(2,437)	(2,213)
Long-term debt issued - Municipal	97,909	35,000	40,000
Increase (decrease) in amounts to be recovered - Municipal	-	(5,736)	(5,067)
Net financing	<u>75,699</u>	<u>7,054</u>	<u>12,273</u>
Net income from Government Business Enterprises	-	7,699	11,003
Change in fund balances	<u>\$ (80,100)</u>	<u>\$ 67,438</u>	<u>\$ 48,866</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 2007 (all numbers are in thousands of dollars)

	<u>2007</u>	<u>2006</u> (Note 1)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Net revenue (expenditures)	\$ 52,685	\$ 25,590
Decrease (increase) in taxes receivable	(2,492)	4,663
Decrease (increase) in accounts receivable	(20,854)	8,162
Decrease (increase) in other assets	(750)	1,705
Increase (decrease) in accounts payable and accrued liabilities	(509)	4,438
Increase (decrease) in deferred revenue - general	(1,220)	(2,776)
Increase (decrease) in deferred revenue - obligatory reserve fund	(7,350)	11,180
Increase (decrease) in employee benefit obligations and other liabilities	(3,549)	(3,144)
Increase (decrease) in solid waste facilities management liabilities	<u>(1,881)</u>	<u>(1,573)</u>
	<u>14,080</u>	<u>48,245</u>
Investing activities		
Decrease (increase) in investments	(23,344)	(56,176)
Decrease (increase) in long term receivables	(249)	(4,694)
Decrease (increase) in capital assets – Housing Corporations	<u>335</u>	<u>166</u>
	<u>(23,258)</u>	<u>(60,704)</u>
Financing activities		
Long term debt issued – Municipal Operations	35,000	40,000
Debt principal repayment – Municipal Operations	(19,773)	(20,447)
Debt principal repayment – Housing Corporations	<u>(2,437)</u>	<u>(2,213)</u>
	<u>12,790</u>	<u>17,340</u>
Net increase (decrease) in cash and cash equivalents	3,612	4,881
Cash and cash equivalents		
Beginning of year	<u>22,341</u>	<u>17,460</u>
End of year	<u>\$ 25,953</u>	<u>\$ 22,341</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Schedule of Current Fund Operations

For the year ended December 31, 2007 (all numbers are in thousands of dollars)

	Budget 2007 (unaudited)	Actual 2007	Actual 2006 (Note 1)
Revenue			
Taxation	\$ 618,914	\$ 621,372	\$ 591,842
Government grants and contributions	271,863	286,356	268,834
User Charges	237,783	239,888	224,536
Development charges and subdivider contributions	-	382	3,762
Investment and dividend income	10,019	11,291	12,516
Other	78,573	80,945	79,851
Total revenue	<u>1,217,152</u>	<u>1,240,234</u>	<u>1,181,341</u>
Expenditures			
General government	62,190	67,217	61,137
Protection services	208,037	205,703	194,308
Transportation services	161,865	165,260	149,597
Environmental services	126,807	112,337	109,550
Health services	60,273	60,085	57,162
Social and family services	262,459	264,622	261,885
Social housing	84,170	82,481	79,565
Recreation and cultural services	99,003	102,783	98,387
Planning and development	31,092	29,865	26,901
Total expenditures	<u>1,095,896</u>	<u>1,090,353</u>	<u>1,038,492</u>
Net revenue	<u>121,256</u>	<u>149,881</u>	<u>142,849</u>
Financing and transfers			
Debt principal repayments	(22,210)	(22,210)	(22,660)
Transfers to reserves and reserve funds	(19,932)	(31,864)	(22,093)
Transfers to capital fund	(82,208)	(86,244)	(88,065)
Increase (decrease) in amounts to be recovered	-	(3,855)	(3,494)
Net financing and transfers	<u>(124,350)</u>	<u>(144,173)</u>	<u>(136,312)</u>
Change in current fund before Operating surplus	(3,094)	5,708	6,537
Operating Surplus – Net transfer to reserves			
Water and Wastewater operations	-	(7,353)	(5,833)
Tax supported operations	-	1,975	(300)
Net transfer to reserves	<u>-</u>	<u>(5,378)</u>	<u>(6,133)</u>
Change in current fund after surplus	(3,094)	330	404
Current fund balance, beginning of year	3,351	3,351	2,947
Current fund balance, end of year	<u>\$ 257</u>	<u>\$ 3,681</u>	<u>\$ 3,351</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Schedule of Capital Fund Operations

For the year ended December 31, 2007 (all numbers are in thousands of dollars)

	Budget 2007 (unaudited)	Actual 2007	Actual 2006 (Note 1)
Revenue			
Government grants and contributions	\$ 73,332	\$ 52,220	\$ 96,800
Development charges and subdivider contributions	57,583	47,658	27,560
Sale of land and other capital assets	3,876	12,786	5,207
Investment income	-	10,944	10,004
Other	9,890	4,454	3,555
Total revenue	<u>144,681</u>	<u>128,062</u>	<u>143,126</u>
Expenditures			
General government	27,237	14,188	18,786
Protection services	6,293	3,327	7,266
Transportation services	106,848	89,329	90,532
Environmental services	216,543	90,410	120,403
Health services	2,030	1,181	1,014
Social and family services	2,593	2,032	5,174
Social Housing	7,159	7,819	7,929
Recreation and cultural services	38,246	23,697	17,809
Planning and development	24,987	8,822	9,545
Total expenditures	<u>431,936</u>	<u>240,805</u>	<u>278,458</u>
Net expenditures	<u>(287,255)</u>	<u>(112,743)</u>	<u>(135,332)</u>
Financing and transfers			
Long term debt issued	97,909	35,000	40,000
Transfers from current fund	82,208	86,244	88,065
Transfers from reserves and reserve funds	60,743	37,731	33,398
Decrease in amounts to be recovered - solid waste management facilities	-	(1,881)	(1,573)
Net financing and transfers	<u>240,860</u>	<u>157,094</u>	<u>159,890</u>
Change in capital fund balance	(46,395)	44,351	24,558
Capital fund balance, beginning of year	<u>175,227</u>	<u>175,227</u>	<u>150,669</u>
Capital fund balance, end of year	<u>\$ 128,832</u>	<u>\$ 219,578</u>	<u>\$ 175,227</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Schedule of Reserves and Reserve Funds

For the year ended December 31, 2007 (all numbers are in thousands of dollars)

	Budget 2007 (unaudited)	Actual 2007	Actual 2006 (Note 1)
Revenue			
Investment income	\$ 10,200	\$ 15,547	\$ 18,073
Total revenue	<u>10,200</u>	<u>15,547</u>	<u>18,073</u>
Transfers			
Transfers from current fund	19,932	37,242	28,226
Transfers to capital fund	<u>(60,743)</u>	<u>(37,731)</u>	<u>(33,398)</u>
Total net transfers	<u>(40,811)</u>	<u>(489)</u>	<u>(5,172)</u>
Change in reserves and reserve funds balance	(30,611)	15,058	12,901
Reserves and reserve funds			
Beginning of year	<u>377,972</u>	<u>377,972</u>	<u>365,071</u>
End of year	<u>\$ 347,361</u>	<u>\$ 393,030</u>	<u>\$ 377,972</u>

See accompanying notes to the consolidated financial statements.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (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 of Hamilton adopted a change in accounting policy for the recording of investments during 2007. The City's investments are valued using the weighted average cost to be consistent with the reporting of investments by the custodian and trustee. Prior to 2007, the City's investments were valued using the cost of each investment on a first-in first-out basis causing identical investments to be valued at different amounts due to market conditions at the time of acquisition. The City's investment portfolio contained identical investments with the same yield at maturity but with a different cost as some investments were purchased at a premium and the other investments were purchased at a discount.

Therefore, certain comparative figures in these consolidated financial statements have been restated from statements previously reported. Other comparative figures have been reclassified from statements previously presented to conform to the presentation adopted for the current year.

The revisions to the 2006 comparative figures in these financial statements for the change in accounting for investments are as follows:

Assets:

Increase in Accounts Receivable	\$ 347
Decrease in Investments	(1,364)

Municipal Position:

Decrease in Reserves and Reserve Funds	\$ (700)
Decrease in Capital Fund	(317)

Significant aspects of the accounting policies adopted by the City are as follows:

(a) Reporting entity

- (i) The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and in financial position of the reporting entity. The current fund, capital fund and reserves and reserve funds 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 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, 2007 (all numbers in columns are in thousands of dollars)

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

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.

Hamilton Housing Corporation was incorporated 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

The City's housing 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.

The statements exclude trust assets that are administered for the benefit of external parties (Note 19).

- (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 Statements of Financial Activities. The entities that are not consolidated are as follows:

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

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

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

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

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(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) Fund accounting

Funds within the consolidated financial statements consist of the current (operating) fund, capital fund and reserve and reserve funds. Transfers between funds are recorded as adjustments to the appropriate municipal fund balance.

The current or operating fund reflects the financial activities associated with the provision of municipal government services.

The capital fund reflects the financial activities associated with the acquisition, construction and funding of capital assets.

The reserves and reserve fund reflects funds authorized by City Council to be set aside for the funding of future operations or capital expenditures.

(d) Tangible capital assets

Effective January 1, 2007, the City of Hamilton adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section PS3150 *Tangible Capital Assets* of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, the City of Hamilton continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, the City has completed listings and values for roads linear assets (Note 23). A complete listing of assets and values for all other assets is currently underway and expected to be completed by June 30, 2009.

Donated or contributed roads linear assets are capitalized and recorded at their estimated fair value upon acquisition. Certain road linear 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 asset is calculated on a consumption basis using road deterioration curves for estimated useful lives of road types for 18 years to 50 years.

The cost, accumulated amortization, net book value and amortization expenditure of municipal tangible capital assets have not been reported in these consolidated financial statements. Tangible capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

(e) Cash and cash equivalents

Cash and temporary investments are comprised of cash on hand, cash held in financial institutions and temporary investments with maturities of 365 days or less.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

1. Significant accounting policies (continued)

(f) Foreign currency translation

Gains and losses on foreign currency are charged to operations when they are realized.

(g) Inventory

Inventory is valued at the lower of cost and net realizable value.

(h) 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.

(i) 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.

(j) Investment income

Investment income earned on surplus current, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charge reserve funds is added to the fund balance and forms part of the deferred revenue balances.

(k) 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 expenditures 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.

(l) Pension costs and obligations

Pension obligations for any excess of accrued pension plan benefits over pension plan assets are reported on the Consolidated Statement of Financial Position. The pension obligations are determined using management's best estimates of expected investment yields, wage and salary escalation, mortality rates, termination and retirement ages. Adjustments arising from pension plan amendments, experience gains and losses and assumption changes are amortized to earnings over the average remaining services lives of the pension plan members.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

2. Cash and investments

	<u>2007</u>	<u>2006</u>
Cash and temporary investments are comprised of:		
Cash on hand	\$ 269	\$ 234
Cash held in banks	20,557	20,258
Temporary investments	<u>5,127</u>	<u>1,849</u>
	<u>\$ 25,953</u>	<u>\$ 22,341</u>
Long term portfolio investments are comprised of:		
Unrestricted investments	\$ 545,409	\$ 507,382
Restricted investments (obligatory reserve funds)	37,748	45,098
Designated investments (Hamilton Future Fund)	<u>75,013</u>	<u>82,346</u>
	<u>\$ 658,170</u>	<u>\$ 634,826</u>

Long term portfolio investments includes investments in City debentures - unrestricted investments of \$20,126,000 (2006 - \$15,380,000). The total long-term investments listed above have a market value of \$676,558,000 (2006 - \$648,743,000).

Long term portfolio investments includes third party sponsored and bank sponsored asset-backed commercial paper ("ABCP") of \$82,641,000 with a cost of \$97,038,000.

On August 13, 2007, certain third party sponsors of ABCP programs were unable to meet the funding requirements of maturing obligations with funds from new or existing investors or from drawing on liquidity arrangements. As a result, the third party sponsored ABCP obligations became illiquid. A consortium representing banks, asset providers and major investors had agreed in principle to a long-term proposal and interim agreement regarding the ABCP (commonly referred to as "the Montreal Accord") in August 2007. Under this proposal, the affected ABCP would be converted into term floating rate notes maturing no earlier than the scheduled termination dates of the underlying assets. On September 6, 2007, a Pan-Canadian Investors Committee consisting of major investors was formed to oversee the proposed restructuring process of the ABCP. On March 20, 2008, the Investors Committee announced that voting to approve the restructuring plan would take place on April 25, 2008 with implementation on or about May 23, 2008.

The ABCP investments, purchased in July 2007, were rated by the Dominion Bond Rating Service ("DBRS") as R-1 (high), the highest credit rating for commercial paper since the ABCP are backed by AAA (high) rated assets. These ABCP investments were initially classified as held-to-maturity instruments and were carried at a cost of \$97,038,000. Due to the lack of liquidity, an estimate of the potential loss of \$14,397,000 was recognized in 2007. The City did not record interest income on these ABCP investments in 2007. This estimate is subject to measurement uncertainty and is dependent on the likelihood, nature and timing of the restructuring. It is likely that the amount ultimately recovered will differ from the estimate. The City continues to monitor the implications of the ABCP investments.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

3. Long term receivables

The City has long-term receivables in the amount of \$21,933,000 (2006 - \$21,684,000). The long term receivables are comprised of:

	<u>2007</u>	<u>2006</u>
Development charge deferral agreements	\$ 5,333	\$ 3,486
Mortgages receivable:		
Downtown convert to rent program	4,596	4,845
Hamilton Renewable Power Inc.	2,124	3,420
Art Gallery of Hamilton loan	1,755	2,062
Sheraton Hotel loan	1,643	1,670
Hamilton Housing Corporation loan	1,015	1,029
Hamilton Firefighters Drum Corps loan	48	80
Theatre Aquarius	256	428
Other City loan programs	80	91
Loans to other agencies and organizations	6,933	6,673
Less: Provision for loans with concessionary terms	(1,850)	(2,100)
	<u>\$ 21,933</u>	<u>\$ 21,684</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-two years.

Loans to other agencies and organizations consist of loans to the Hamilton Conservation Authority, Canadian Football Hall of Fame, Wentworth Minor Football Association, Glendale Golf Club, Catholic Children's Aid Society, Winona Peach Festival and the Bob Kemp Hospice, with interest rates varying from 0% to 8.25% for terms of one year to nineteen years.

4. Investment in Government Business Enterprises

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

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

The amounts related to government business enterprises as reported in the Consolidated Statement of Financial Activities for 2007 and 2006 is as reported by the Hamilton Utilities Corporation and Hamilton Renewable Power Inc.

	<u>2007</u>	<u>2006</u>
Net income from H.U.C.	\$ 7,504	\$ 11,217
Net income (loss) from H.R.P.I.	195	(214)
Net income from Government Business Enterprises	<u>\$ 7,699</u>	<u>\$ 11,003</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

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

	<u>2007</u>	<u>2006</u>
Investment in H.U.C.	\$ 188,713	\$ 181,209
Investment in H.R.P.I.	<u>(295)</u>	<u>(490)</u>
	<u>\$ 188,418</u>	<u>\$ 180,719</u>
Current fund – Equity investment in H.U.C.	\$ 188,713	\$ 181,209
Current fund – Equity investment in H.R.P.I.	<u>(295)</u>	<u>(490)</u>
	<u>\$ 188,418</u>	<u>\$ 180,719</u>

The following table provides condensed supplementary financial information for Hamilton Utilities Corporation reported by H.U.C. at December 31, 2007 and December 31, 2006 respectively.

	<u>2007</u>	<u>2006</u>
Financial position		
Current assets	\$ 144,654	\$ 125,041
Capital assets	296,022	297,437
Goodwill	18,923	18,923
Deferred debt issuance costs	-	1,674
Future payments in lieu of taxes	<u>5,465</u>	<u>3,014</u>
Total assets	<u>465,064</u>	<u>446,089</u>
Current liabilities (including current portion of long term debt)	98,280	93,941
Long term liabilities	<u>142,169</u>	<u>135,943</u>
Total liabilities	240,449	229,884
Minority Interest	<u>35,902</u>	<u>34,996</u>
Net assets	<u>\$ 188,713</u>	<u>\$ 181,209</u>
Results of operations		
Revenues	\$ 97,353	\$ 91,941
Operating expenses	(65,439)	(60,130)
Financing expenses	(8,229)	(7,809)
Other income	<u>(4,589)</u>	<u>4,118</u>
Equity earnings from operations	19,096	28,027
Payment in lieu of taxes	(7,150)	(9,622)
Interest from discontinued operations	10,274	985
Minority Interest	<u>(3,111)</u>	<u>(3,148)</u>
Net Income	19,109	16,242
Dividends paid	(11,125)	(5,016)
Contributed Surplus	-	-
Refundable Dividend tax on hand	<u>(360)</u>	<u>(9)</u>
	<u>\$ 7,504</u>	<u>\$ 11,217</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

4. Investment in Government Business Enterprises (continued)

The following table provides condensed supplementary financial information for Hamilton Renewable Power Inc. reported at December 31, 2007 and December 31, 2006 respectively.

	<u>2007</u>	<u>2006</u>
Financial position		
Current assets	\$ 1,088	\$ 677
Capital assets	8,926	4,496
Other assets	<u>32</u>	<u>53</u>
Total assets	<u>10,046</u>	<u>5,226</u>
Current liabilities (including current portion of long term debt)	2,402	1,398
Long term debt	<u>1,939</u>	<u>2,118</u>
Total liabilities	4,341	3,516
Shareholders equity	<u>6,000</u>	<u>2,200</u>
Net assets	<u>\$ (295)</u>	<u>\$ (490)</u>
Results of operations		
Revenues	\$ 1,435	\$ 625
Expenses	<u>(1,240)</u>	<u>(839)</u>
Net income (loss)	<u>\$ 195</u>	<u>\$ (214)</u>

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

The notes to Hamilton Utilities Corporation's consolidated financial statements and Hamilton Renewable Power Inc.'s consolidated financial statements include commitments, contingencies and subsequent events that are disclosed in the City's notes to the consolidated financial statements as contractual obligations (note 20) and contingent liabilities (note 22).

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (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>2007</u>	<u>2006</u>
Revenue		
Dividend revenue from H.U.C.	\$ 11,245	\$ 5,016
Property and other taxes received by the City from H.U.C.	462	554
Sale of Methane to H.R.P.I.	268	124
Expenditures		
Hydro purchased by the City from H.U.C.	22,976	22,372
Water and sewer billing contracted service with H.U.C.	3,076	2,901
Thermal and Electrical Energy purchased from H.U.C.	2,155	2,090
Thermal Energy purchased from H.R.P.I.	396	183
Assets		
Water user charges receivable from H.U.C.	10,214	8,839
Accounts receivable from H.R.P.I.	968	1,277
Long term receivable from H.R.P.I.	2,124	2,290
Liabilities		
Accounts Payable – H.U.C.	878	1,416

5. Deferred revenue - obligatory reserve funds

	<u>2007</u>	<u>2006</u>
Development charge reserve funds (Note 6)	\$ 10,231	\$ 19,187
Subdivider contributions	44	43
Recreational land dedicated under the Planning Act	7,022	4,892
Gasoline tax revenue: Provincial	14,439	9,404
Federal	610	413
Building Permit Revenue	5,402	6,170
Federal Public Transit Fund	-	4,989
	<u>\$ 37,748</u>	<u>\$ 45,098</u>

6. Continuity of development charge reserve funds

	<u>2007</u>	<u>2006</u>
Balance at the beginning of the year	\$ 19,187	\$ 12,649
Development charge collections	38,338	35,118
Investment Income	709	420
Capital fund expenditures	(47,621)	(25,069)
Current fund expenditures	(382)	(3,931)
Balance at the end of the year	<u>\$ 10,231</u>	<u>\$ 19,187</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

7. Long term debt – municipal operations

(a) The balance of net long term debt consists of the following:

	<u>2007</u>	<u>2006</u>
Long term debt incurred by the City	\$ 334,580	\$ 321,962
Long term debt incurred by the City for which other entities have assumed responsibility	(32,200)	(34,807)
Sinking funds accumulated to the end of the year to retire the City's related long term debt	-	-
Net long term debt	<u>\$ 302,380</u>	<u>\$ 287,155</u>

(b) In addition to long term debt incurred for City purposes, the City assumed the responsibility for the charges on 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 nonconsolidated 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 nonconsolidated boards. The total amount of this contingent liability outstanding at December 31, 2007 is \$32,200,000 (2006 - \$34,807,000).

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

(c) Of the \$302,380,000 long term debt (2006 - \$287,155,000) 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>2007</u>	<u>2006</u>
General revenues	\$ 291,249	\$ 274,006
Reserves and reserve funds	8,486	9,929
Wastewater user charges	2,614	3,187
Nonconsolidated entities	31	33
	<u>\$ 302,380</u>	<u>\$ 287,155</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

7. Long term debt – municipal operations (continued)

The total City principal repayments in each of the next five years and thereafter are due as follows:

	General Revenues	Reserves and Reserve Funds	Wastewater User Charges	Nonconsolidated Entities	2007 Total
2008	\$ 20,061	\$ 1,518	\$ 602	\$ 10	\$ 22,191
2009	20,859	1,600	634	5	23,098
2010	21,720	1,690	670	5	24,085
2011	37,375	1,787	708	4	39,874
2012	20,759	1,891	-	2	22,652
2013 and thereafter	\$ 170,475	\$ -	\$ -	\$ 5	\$ 170,480
Total	\$ 291,249	\$ 8,486	\$ 2,614	\$ 31	\$ 302,380

(d) Total charges for the year for long term debt which are reported on the Consolidated Statement of Financial Activities are as follows:

	<u>2007</u>	<u>2006</u>
Principal repayments	\$ 19,773	\$ 20,447
Interest	<u>13,207</u>	<u>15,100</u>
	<u>\$ 32,980</u>	<u>\$ 35,547</u>

(e) Total charges for the year for long term debt were recovered as follows:

	<u>2007</u>	<u>2006</u>
General tax rates	\$ 27,839	\$ 28,629
Reserves and reserve funds	4,392	4,273
Wastewater user charges	<u>749</u>	<u>2,645</u>
	<u>\$ 32,980</u>	<u>\$ 35,547</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

8. Long term debt – housing corporations

(a) The balance of long term debt – housing corporations reported on the Consolidated Statement of Financial Position represents capital assets of the City's Housing Corporations that are financed by mortgages. The mortgages mature in the years 2007 to 2024 with interest rates varying between 4.05% and 7.23%. The mortgage obligations for CityHousing Hamilton are \$77,710,000 (2006 - \$80,147,000).

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

2008	\$	5,414
2009		36,543
2010		1,562
2011		6,647
2012		14,130
2013 and thereafter		13,414
		<u>\$ 77,710</u>

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

	<u>2007</u>	<u>2006</u>
Principal repayments	\$ 2,437	\$ 2,213
Interest	<u>4,066</u>	<u>4,166</u>
	<u>\$ 6,503</u>	<u>\$ 6,379</u>

The principal repayments of \$2,437,000 (2006 - \$2,213,000) are reflected on the Consolidated Statement of Financial Activities. The interest charges of \$4,066,000 (2006 - \$4,166,000) are recorded as expenditures in the Consolidated Statement of Financial Activities.

(d) Other long term debt incurred by the City of Hamilton's housing corporations, representing capital assets financed by debentures issued by the Ontario Housing Corporation of \$46,002,000 (2006 - \$48,427,000), is not included in the Consolidated Statement of Financial Position. The Social Housing Reform Act, 2000 transferred the ownership and responsibility for the administration of Province of Ontario public housing to the City of Hamilton as a local housing corporation. The transfer, effective January 1, 2001, included land and buildings at no cost. The servicing of long term debt remains the obligation of the Province of Ontario.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

9. Employee 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>2007</u>	<u>2006</u>
Accrued Benefit Obligation		
Vested sick leave liability	\$ 35,995	\$ 20,605
Long term disability	9,744	8,126
Workplace safety and insurance board liabilities (WSIB)	51,128	49,673
Retirement benefits	83,806	84,498
Vacation pay liabilities	20,998	20,318
Accrued pension liability (Note 10)	<u>17,592</u>	<u>12,919</u>
	219,263	196,139
Net unamortized actuarial gain (loss)	<u>(24,335)</u>	<u>2,338</u>
Accrued Liability	<u>\$ 194,928</u>	<u>\$ 198,477</u>

The City has established reserves to provide for some of these liabilities and other amounts have been recorded as liabilities. These amounts totalling \$64,551,000 (2006 - \$65,484,000) are described in the following notes.

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

	<u>2007</u>	<u>2006</u>
Liability for Employee Benefits and Other Obligations		
balance at beginning of the year	\$ 198,477	\$ 201,621
Benefit expenditure	13,308	11,223
Interest expenditure	7,629	8,337
Amortization of actuarial loss on accrued benefit obligations	2,669	1,157
Amortization of actuarial gain on earnings on pension assets	(3,447)	(2,308)
Benefit payments	<u>(23,708)</u>	<u>(21,553)</u>
Liability for Employee Benefits and Other Obligations		
balance at end of the year	<u>\$ 194,928</u>	<u>\$ 198,477</u>

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

	<u>2007</u>	<u>2006</u>
Benefit expenditure	\$ 13,308	\$ 11,223
Interest expenditure	7,629	8,337
Amortization of net actuarial gains	<u>(778)</u>	<u>(1,151)</u>
	<u>\$ 20,159</u>	<u>\$ 18,409</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

9. Employee benefits and other obligations (continued)

Actuarial valuations are performed on post employment and retirement 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	12-14
Long term disability	5%	NA	2%	3%	NA	10
Workplace safety and insurance	5%	NA	2%	3%	NA	10
Retirement Benefits – Health and Dental	6%	NA	3%	3%	4.5% (1)	12-14
Pensions Benefits (non-OMERS)	5%	6%	2.5%	NA (2)	NA	11

Note (1): Medical costs were assumed to increase at a rate of 6% in 2007 and reduce by 0.5% per year to 4.5% in 2011 and thereafter.

(2): There is no estimate for future salary and wage increases as there are no active employees in the pension plans.

(a) Liability for vested sick leave

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, 2007 has estimated the accrued benefit obligation at \$35,995,000. Changes in valuation assumptions have resulted in an increase in the liability to \$35,995,000 from the expected liability of \$29,690,000. The actuarial loss as at December 31, 2007 of \$6,305,000 is being amortized over the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$9,150,000 (2006 - \$9,459,000).

(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, 2007 has estimated the accrued benefit obligation at \$9,744,000. Changes in valuation assumptions have resulted in a decrease in the liability to \$9,744,000 from the expected liability of \$12,428,000. The actuarial gain as at December 31, 2007 of \$6,305,000 is being amortized over the expected average remaining life expectancy of the members of the employee groups. Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$9,251,000 (2006 - \$11,108,000).

(c) Liability for workplace safety and insurance

The City is liable for compensation related to workplace injuries as stipulated by the Workplace Safety & Insurance Board (WSIB) Act. An actuarial valuation as at December 31, 2006 estimated the accrued benefit obligation for existing Workplace Safety & Insurance Board present and future pension awards at December 31, 2007 at \$51,128,000 (2006 - \$49,673,000). Changes in valuation assumptions have resulted in an increase in the liability to \$51,128,000 from the expected liability of \$40,082,000. The actuarial loss of \$11,046,000 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 \$29,375,000 (2006 - \$28,936,000).

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

9. Employee benefits and other obligations (continued)

(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, 2005 estimated the accrued benefit obligation at December 31, 2007 at \$83,806,000. Changes in valuation assumptions have resulted in an increase in the liability to \$83,806,000 from the expected liability of \$63,964,000. The actuarial loss of \$19,842,000 is being amortized over the expected average remaining life expectancy of the plan members in various groups.

(e) Liability for accrued vacation

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, 2007 has been estimated at \$20,998,000 (2006 - \$20,318,000). Reserves established to provide for this liability are included on the Consolidated Statement of Financial Position in the amount of \$1,158,000 (2006 - \$1,118,000).

(f) Liability for pensions

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, 2007 estimated the combined accrued benefit obligation of the pension plans at \$17,592,000 (2006 - \$12,919,000). Changes in valuation assumptions resulted in a decrease in the liability to \$17,592,000 from an expected liability of \$27,765,000 at December 31, 2007. The net unamortized actuarial gain of \$10,173,000 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 5,718 members of City staff and councillors. The plan is a defined benefit, which specifies the amount of the retirement benefit to be received by the employees, based on the length of credited service and average earnings.

The latest actuarial valuation as at December 31, 2007 indicates a "going concern" Actuarial Surplus based on the plan's current member and employer contribution rates. Contributions were made in the 2007 calendar year at rates ranging from 6.5% to 10.7% depending on the member's designated retirement age and the level of earnings. As a result \$26,723,000 (2006 - \$24,456,000) was contributed to OMERS for current service.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

10(b) Pension agreements - Other pension plans

Approximately 540 employees of the City are members of three defined benefit pension plans and will be future beneficiaries under their terms and conditions. Actuarial valuations of the pension plans for funding purposes are required under the Pension Benefits Act every three years. One of the pension plans is in a deficit position and two of the pension plans are in surplus positions under the valuations for funding purposes. The actuarial valuations of the pension plans for accounting purposes provides different results than the valuations for funding purposes resulting in a net asset position in two of the pension plans and a net liability in the other pension plan.

While the City and employees may be required to contribute equal amounts into the pension plans, the City retains the risk of the accrued pension benefit obligation.

The actuarial valuation of the Hamilton Wentworth Retirement Fund ("HWRF") pension plan as at December 31, 2007 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>2007</u>	<u>2006</u>
Accrued pension benefit obligation	\$ 103,729	\$ 102,625
Pension plan assets:		
Marketable securities	<u>(79,221)</u>	<u>(80,332)</u>
Net pension benefit liability	24,508	22,923
Unamortized actuarial gains	<u>2,689</u>	11,889
Accrued pension liability - HWRF	<u>\$ 27,197</u>	<u>\$ 34,183</u>

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

	<u>2007</u>	<u>2006</u>
Expected pension fund assets at end of year	\$ 82,131	\$ 75,273
Actual pension fund assets at end of year	<u>79,221</u>	<u>80,332</u>
Actuarial gain (loss) on pension fund assets – HWRF	<u>(2,910)</u>	<u>\$ 5,059</u>
Expected accrued pension benefit obligation at end of year	\$ 98,759	\$ 102,625
Actual accrued pension benefit obligation at end of year	<u>103,729</u>	<u>102,625</u>
Actuarial loss on accrued pension benefit obligation - HWRF	<u>(4,970)</u>	<u>-</u>

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

	<u>2007</u>	<u>2006</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ 99	\$ 99
Amortization of net actuarial gain on pension plan assets	<u>(1,420)</u>	<u>(858)</u>
Net Amortization	<u>(1,321)</u>	<u>(759)</u>
Interest on average accrued pension benefit obligation	\$ 4,912	\$ 6,068
Expected return on average pension plan assets	<u>(4,732)</u>	<u>(5,037)</u>
Net Interest	<u>180</u>	<u>1,031</u>
Total expenditure	<u>\$ (1,141)</u>	<u>\$ 272</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

10(b) Pension agreements – Other pension plans (continued)

Payments of \$5,844,000 (2006 - \$5,705,000) 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, 2007 will be funded by the City with payments as follows:

2008	\$	4,164
2009		4,510
2010		3,899
2011		3,307
2012 and thereafter		29,919
Total	\$	<u>45,799</u>

The actuarial valuation of the Hamilton Municipal Retirement Fund (“HMRF”) pension plan as at December 31, 2007 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The net unamortized actuarial loss on plan assets and gain on the accrued benefit obligation is being amortized over eleven years representing the expected average remaining life expectancy of the plan members. The accrued pension liability reported in the Consolidated Statement of Financial Position is comprised as follows:

	<u>2007</u>	<u>2006</u>
Accrued pension benefit obligation	\$ 103,721	\$ 107,000
Pension plan assets:		
Marketable securities	<u>(110,637)</u>	<u>(116,374)</u>
Net Pension benefit asset	<u>(6,916)</u>	<u>(9,374)</u>
Unamortized actuarial gains	<u>7,484</u>	<u>12,976</u>
Accrued pension liability - HMRF	<u>\$ 568</u>	<u>\$ 3,602</u>

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

	<u>2007</u>	<u>2006</u>
Expected pension fund assets at end of year	\$ 114,686	\$ 109,448
Actual pension fund assets at end of year	<u>110,637</u>	<u>116,374</u>
Actuarial gain (loss) on pension fund assets – HMRF	<u>(4,048)</u>	<u>6,926</u>
Expected accrued pension benefit obligation at end of year	\$ 103,721	\$ 100,003
Actual accrued pension benefit obligation at end of year	<u>103,721</u>	<u>107,000</u>
Actuarial gain on accrued pension benefit obligation - HMRF	<u>-</u>	<u>6,997</u>

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

	<u>2007</u>	<u>2006</u>
Amortization of net actuarial loss on accrued pension benefit obligation	\$ 583	\$ -
Amortization of net actuarial gain on pension plan assets	<u>(2,027)</u>	<u>(1,450)</u>
Net Amortization	<u>(1,444)</u>	<u>(1,450)</u>
Interest on average accrued pension benefit obligation	\$ 5,140	\$ 5,909
Expected return on average pension plan assets	<u>(6,730)</u>	<u>(7,447)</u>
Net Interest	<u>(1,590)</u>	<u>(1,538)</u>
Total expenditure	<u>(3,034)</u>	<u>(2,988)</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

10(b) Pension agreements – Other pension plans (continued)

The actuarial valuation of the HSR pension plan as at December 31, 2007 is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. The results are summarized as follows:

	<u>2007</u>	<u>2006</u>
Accrued pension benefit obligation	\$ 169,108	\$ 164,028
Pension plan assets:		
Marketable securities	<u>(188,741)</u>	<u>(191,891)</u>
Net pension benefit asset	<u>(19,633)</u>	<u>(27,863)</u>
Unamortized actuarial gains	<u>9,847</u>	<u>18,933</u>
Accrued pension benefit asset - HSR	<u>(9,786)</u>	<u>(8,930)</u>

The accrued pension benefit asset for the HSR pension plan has not been reported on the Consolidated Statement of Financial Position as there is uncertainty about the City's right to the future benefit from this asset.

11. Solid waste management facilities 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 11,857,000 cubic metres of waste. As at December 31, 2007 the remaining capacity of the site is estimated at 6,439,000 cubic metres, representing 54% of the total capacity. In 2007 approximately 37% of waste generated was diverted from landfills (2006 - 35.7%). The City's Solid Waste Management Master Plan has been updated to include a solid waste diversion target of 65% by 2011. The open landfill site is estimated to reach its capacity and close in 2034 (27 years).

The closure costs for the open Glanbrook landfill site and post closure care costs for the closed sites were based upon 2008 capital budget estimates, adjusted by 3% inflation, unexpended capital projects that were in progress in 2007 and estimates of operational support costs. These costs were then discounted back to December 31, 2007 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 \$35,155,000 (2006 - \$37,036,000) for closure of the operational site and post closure care of the closed sites has been reported on the Consolidated Statement of Financial Position.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

12. Municipal fund balances

(a) The current fund balance is comprised of the following:

	<u>2007</u>	<u>2006</u>
Current Fund - Municipal Operations:		
Flamborough recreation sub-committees	\$ 196	\$ 170
Business improvement areas	<u>149</u>	<u>128</u>
	\$ 345	\$ 298
Current Fund – Housing Operations	<u>\$ 3,336</u>	<u>\$ 3,053</u>
	<u>\$ 3,681</u>	<u>\$ 3,351</u>
Current Fund - Equity in investment in Government Business Enterprises (Note 4)	<u>\$ 188,418</u>	<u>\$ 180,719</u>

(b) The capital fund balance is comprised of the following:

Capital Fund – Municipal Operations	\$ 205,693	\$ 164,336
Capital Fund – Housing Operations	<u>13,885</u>	<u>\$ 10,891</u>
	<u>\$ 219,578</u>	<u>\$ 175,227</u>
Funds available for future capital fund expenditures	\$ 366,444	\$ 315,931
Funding yet to be provided from:		
Taxation or user charges	(969)	(1,174)
Long term debt	(122,495)	(112,968)
Reserves and reserve funds	(8,921)	(12,043)
Grants, subsidies and other unspecified revenue	<u>(14,481)</u>	<u>(14,519)</u>
	<u>\$ 219,578</u>	<u>\$ 175,227</u>

(c) Reserves and discretionary reserve funds set aside for specific purposes by Council are comprised of the following:

Working funds	\$ 47,727	\$ 50,562
Contingencies	2,271	2,192
Replacement of equipment	19,328	22,190
Sick leave (Note 9)	9,150	9,459
Workplace Safety and Insurance Board (WSIB)(Note 9)	29,375	28,936
Pension Plans	4,699	6,759
Self insurance (Note 21)	183	177
Current purposes	18,762	17,307
Capital purposes	<u>186,522</u>	<u>158,044</u>
Total reserves	318,017	295,626
Hamilton Future Fund (Note 13)	<u>75,013</u>	<u>82,346</u>
Total reserves and discretionary reserve funds	<u>\$ 393,030</u>	<u>\$ 377,972</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (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>2007</u>	<u>2006</u>
Balance at the beginning of the year	\$ 82,346	\$ 111,103
Revenues		
Investment Income	<u>4,084</u>	<u>4,741</u>
Current Expenditures		
Property Tax Reduction	(1,640)	(1,933)
Mohawk College Grant	(1,125)	(375)
Workers Art & Heritage Centre	-	(450)
Contribution to Art Gallery of Hamilton	-	(260)
Other	(38)	(593)
Repayment of Waste Management Projects	<u>4,046</u>	<u>1,826</u>
	<u>1,243</u>	<u>(1,785)</u>
Capital Expenditures		
Waste Management Projects	(3,944)	(17,330)
Roads and Bridges	(7,634)	(13,097)
Housing	-	(729)
Municipal Wireless Project	(384)	-
Waterfront Trail Extension	(354)	-
Scenic Waterfall Program	(107)	(311)
Other	<u>(237)</u>	<u>(246)</u>
	<u>(12,660)</u>	<u>(31,713)</u>
Balance at the end of the year	<u>\$ 75,013</u>	<u>\$ 82,346</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

14. Liabilities to be recovered in the future	<u>2007</u>	<u>2006</u>
Municipal operations		
Long term debt	\$ 302,380	\$ 287,155
Employee benefit obligations (Note 9)	181,037	185,276
Stores inventory	9,712	9,327
Solid waste management (Note 11)	<u>35,155</u>	<u>37,036</u>
	528,284	518,794
Housing corporations		
Capital Assets	<u>80,433</u>	<u>83,205</u>
	\$ 608,717	\$ 601,999

15. Taxation	Budget <u>2007</u> (unaudited)	<u>Actual</u> <u>2007</u>	<u>Actual</u> <u>2006</u>
Taxation from real property	\$ 781,862	\$ 786,784	\$ 755,576
Taxation from other governments payments in lieu of taxes	<u>11,100</u> 792,962	<u>11,492</u> 798,276	<u>11,349</u> 766,925
Less: taxation collected on behalf of school boards (Note 16)	<u>(174,048)</u>	<u>(176,904)</u>	<u>(175,083)</u>
Net taxes available for municipal purposes	\$ 618,914	\$ 621,372	\$ 591,842

16. Collections for the school boards

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).

17. Current fund expenditures by object

The following is a summary of the current fund expenditures as reported in the Schedule of Current Fund Operations:

	<u>2007</u>	<u>2006</u>
Salaries, wages and benefits	\$ 532,177	\$ 493,281
Interest on long term debt	17,274	19,266
Materials	200,092	194,325
Contracted services	137,544	124,616
Rents and financial expenses	15,280	14,603
External transfers	<u>187,986</u>	<u>192,401</u>
Total current expenditures	\$ 1,090,353	\$ 1,038,492

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

18. 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 Financial Activities 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 2007 the City received payments from the provincial and federal governments in the amount of \$325,787,000 (2006 - \$367,269,000) as follows:

	<u>2007</u>	<u>2006</u>
Government of the Province of Ontario	\$ 261,507	\$ 325,571
Government of Canada	<u>64,280</u>	<u>41,698</u>
Total	<u>\$ 325,787</u>	<u>\$ 367,269</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 Financial Activities 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 2007, the City issued payments as government transfers in the amount of \$208,418,000 (2006 - \$211,964,000) as follows:

	<u>2007</u>	<u>2006</u>
Payments for social assistance entitlements	\$ 145,661	\$ 151,844
Payments for housing subsidies	50,255	47,796
Grants to agencies and institutions	<u>12,502</u>	<u>12,324</u>
Total	<u>\$ 208,418</u>	<u>\$ 211,964</u>

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

19. Trust funds

Cemetery, library trust and general trust funds administered by the City amounting to \$14,594,000 (2006 - \$14,188,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Financial Activities. Separate financial statements have been prepared.

Homes for the Aged trust funds administered by the City amounting to \$788,000 (2006 - \$834,000) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Financial Activities. Separate financial statements have been prepared.

20. Contractual obligations

- (a) The City has outstanding contractual obligations of approximately \$198,452,000 at December 31, 2007 for capital works (2006 - \$171,201,000) City Council has authorized the financing of these obligations.
- (b) The City has agreements with the Ministry of Government Services, an agency of the Provincial Government of Ontario, for various capital projects. The outstanding future obligations at December 31, 2007 amounting to \$4,995,000 (2006 - \$5,091,000) are not reflected in the Consolidated Financial Statements. Payments made to the Ontario Realty Corporation amounting to \$96,000 in 2007 (2006 - \$68,000) are reported in the Consolidated Statement of Financial Activities.
- (c) The City has an agreement with a developer to design and install services in the Binbrook community and Glanbrook Industrial Park 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 City repaid the commitment with the developer of \$1,056,000 plus interest in 2007 for the industrial park. The outstanding future obligations at December 31, 2007 amounting to \$2,713,000 (2006 - \$4,965,000) 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 \$3,280,000 in 2007 (2006 - \$3,543,000) are reported in the Consolidated Statement of Financial Activities.
- (d) The City has an agreement with a developer to design and install services in the Dundas and Waterdown community of the City of Hamilton. The City is committed to repaying the developer \$8,150,000 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, 2007 amounting to \$8,426,000 (2006 - \$8,287,000) 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 \$255,000 in 2007 (2006 - \$126,000) are reported in the Consolidated Statement of Financial Activities.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

20. Contractual obligations (continued)

- (e) The City has agreements with Waste Management for the transfer, hauling and disposal on the City's solid waste. The term of the agreement is fourteen years for the period of January 1, 1996 to December 31, 2009. The contract fees amounting to \$6,044,000 for 2007 (2006 - \$6,925,000) are reported in the Consolidated Statement of Financial Activities. Contract fees for future years are based on the rate per tonne of solid waste processed adjusted annually for an industry specific modified escalation clause.
- (f) The City has an agreement with Halton Recycling Limited for the provision of curbside/roadside and automated recycling cart collection. The agreement ends on March 29, 2008. The contract fees amounting to \$6,026,000 for 2007 (2006 - \$6,099,000) are reported in the Consolidated Statement of Financial Activities
- (g) The City has lease agreements with Disabled and Aged Regional Transit System (D.A.R.T.S.) for the delivery of specialized transportation services. The term of the existing agreement is five years and expires on June 30, 2008. The annual contract fees amounting to \$8,927,000 (2006 - \$8,673,000) are reported in the Consolidated Statement of Financial Activities. Contract fees for future years are not expected to change significantly.
- (h) The City has lease agreements with Tradeport International Corporation for the management and operation of the City's airport. The term of the agreement is forty years for the period July 1, 1996 to June 30, 2036. Under the terms of the agreement, Tradeport is responsible for capital management and all operating costs. The City receives a share of revenue from the airport operation beginning in 2006. Revenue in the amount of \$163,000 (2006 - \$83,000) is reported on the Consolidated Statement of Financial Activities.
- (i) The City has executed lease agreements for administrative office space, modernization of building automation systems, computer equipment and radio communication equipment and infrastructure requiring annual payments in future years as they become due and payable in the amount of \$31,326,000 (2006 - \$31,490,000). The minimum lease payments for these leases over the next five years and thereafter are:
- | | |
|---------------------|-------------------------|
| 2008 | \$ 11,706 |
| 2009 | 7,594 |
| 2010 | 5,126 |
| 2011 | 3,255 |
| 2012 | 1,902 |
| 2013 and thereafter | <u>1,743</u> |
| | <u>\$ 31,326</u> |
- (j) The City has a credit agreement dated February 11, 2003 with a Canadian chartered bank to borrow up to \$65,000,000 in the form of unsecured lines of credit.

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

20. Contractual obligations (continued)

- (k) Hamilton Utilities Corporation (H.U.C.) has a credit agreement dated January 20, 2006 with a Canadian chartered bank to borrow up to \$100,000,000 to finance general corporate requirements, working capital requirements, and prudential obligations. Borrowings may be in the form of Bankers' Acceptances ("BAs"), prime rate loans, letters of credit, and/or current account overdrafts. The Amended Credit Facility matures on January 19, 2009. 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 (2006 - \$0).

The Corporation has issued a \$9,101,000 (2006 - \$23,500,000) 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.

- (l) Hamilton Utilities Corporation (H.U.C.) has an agreement to purchase a fixed quantity of natural gas at a fixed price over five years. The agreement dated April 1, 2003 has a total commitment over the term of \$4,460,000 and the remaining commitment at December 31, 2007 is \$311,000 (2006 - \$1,233,000). This commitment is part of a risk management strategy to provide H.U.C. with sufficient quantities of natural gas at a fixed price to meet the requirements to produce, sell and distribute electrical energy pursuant to an agreement with the City.

21. 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.

The City has reported liabilities for insurance claims on the Consolidated Statement of Financial position in the amount of \$20,248,000 (2006- \$20,394,000). Claim expenses for the year in the amount of \$6,919,000 (2006 - \$5,973,000) are reported as expenditures in the Consolidated Statement of Financial Activities. 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, 2007 is \$183,000 (2006 - \$177,000).

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

22. 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, 2007 is \$32,200,000 (2006 - \$34,807,000).
 - (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 2007 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 2007 (2006 - \$0). The amount of any additional loss will be recorded in the year in which the settlement occurs.
 - (c) The City has outstanding contractual obligations with its unionized employee groups as of December 31, 2007. An estimated liability has been recorded on the Consolidated Statement of Financial Position to fund these settlements. Subsequent to December 31, 2007, there has been a settlement with one of the unionized employee groups.
 - (d) A class-action lawsuit claiming \$500 million in restitutionary payments plus interest was served on the Toronto Hydro-Electric Commission on November 18, 1998. The action was initiated against Toronto Hydro as the representative for all municipal electric utilities in Ontario that levied late payment charges to their consumers at any time after April 1, 1981. A Supreme Court of Canada decision was rendered in April 2004 regarding a similar class-action lawsuit against The Consumers' Gas Company Limited (now Enbridge Gas Distribution Inc.) and Consumers' Gas was ordered to pay compensation to customers who were charged certain late payment fees. The parties have reached a tentative settlement of this class action, but the settlement is subject to the approval by the Ontario Superior Court of Justice. At the end of 2006, a mediation process resulted in the settlement of the damages payable by Consumers' Gas. H.U.C. is not a party to the Consumers' Gas class action, however, it is anticipated that the above noted class action will now proceed for determination in light of the reasons of the Supreme Court in the Consumers' Gas class action. Management of H.U.C. have advised that it is not possible to quantify the effect, if any, on the financial statements of H.U.C. Consequently, no provision was made in the statements.
 - (e) There are other legal actions against the City as of December 31, 2007. The outcome and potential liability arising from these actions are yet to be determined and, therefore, no provision has been made in the financial statements.
-

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

23. Tangible capital assets

The City has completed listings and values for roads linear tangible capital assets. Donated or contributed roads linear assets are capitalized and recorded at their estimated fair value upon acquisition. Certain road linear tangible capital assets for which historical cost information is not available have been recorded at current replacement cost deflated by a relevant inflation factor.

The roads linear assets have a cost of \$1,749,308,000 (2006 - \$1,583,572,000) and a net book value of \$1,226,814,000 (2006 - \$1,119,726,000). Amortization for road linear asset is calculated on a consumption basis using road deterioration curves for asset's estimated useful lives of 18 years to 50 years.

The cost, accumulated amortization, net book value and amortization expenditure have not been reported in these consolidated financial statements in accordance with the City's accounting policies for tangible capital assets.

Details of the roads tangible capital assets include:

	<u>2007</u>
Cost	
Balance, Beginning of Year	\$ 1,583,572
Additions and betterments during the year	171,132
Disposals and write-downs during the year	<u>(5,396)</u>
Balance, End of Year	<u>\$ 1,749,308</u>
Accumulated amortization	
Balance, Beginning of Year	\$ 463,846
Amortization for the year	61,184
Accumulated amortization on disposals	<u>(2,536)</u>
Balance, End of Year	<u>\$ 522,494</u>
Net book value	<u>\$ 1,226,814</u>
Works-in-progress	<u>\$ 14,544</u>

The continuity of the centreline kilometres of the City's road linear asset network is as follows:

	<u>2007</u>
Balance, Beginning of Year	\$ 2,907
Additions including reconstructions	46
Disposals	-
Reconstructions	<u>(9)</u>
Balance, End of Year	<u>\$ 2,944</u>

The replacement cost of the roads linear network as at December 31, 2007 is estimated at \$3,951,278,000 (2006 - \$3,569,512,000).

City of Hamilton

Notes to Consolidated Financial Statements

As at December 31, 2007 (all numbers in columns are in thousands of dollars)

24. Budget figures

The budget figures for the housing corporation reflected in the Consolidated Financial Statements were approved by the Housing Board at a meeting on December 4, 2006. The budget figures for municipal operations reflected in the Consolidated Financial Statements were approved by Council at a meeting on April 24, 2007. Capital budget figures are based on the capital forecast for the current year. Actual revenues and expenditures may be significantly different from the budget as the timing of the capital project may occur in a different year than originally budgeted.

Section 3

City of Hamilton Financial Statements for the Trust Funds

- **Cemetery Trusts**
- **Library Trusts**
- **Other Trusts**

December 31, 2007

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Auditors' report

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

We have audited the consolidated balance sheet of the trust funds of the City of Hamilton as at December 31, 2007 and the consolidated statement of continuity of trust funds, and the balance sheet and statement of continuity of the Cemetery, Library, OHRP and Other trust funds for the year then ended. These financial statements are the responsibility of the City's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of the trust funds of the City as at December 31, 2007 and the consolidated continuity of trust funds and the balance sheet and statement of continuity of the Cemetery, Library, OHRP and Other trust funds for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements.

Grant Thornton LLP

Hamilton, Ontario
May 1, 2008

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

City of Hamilton

Trust Funds - Consolidated

As at December 31, 2007

Balance Sheet		
	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 680,590	\$ 853,948
Accounts receivable	-	269
Accrued interest receivable	771,174	900,424
Investments (Note 2)	11,293,228	10,688,888
OHRP loans forgivable (Note 3)	226	226
Deposits Hamilton Community Foundation (Note 4)	1,253,958	1,211,213
Due from City of Hamilton – Library Trust Funds	416,836	385,631
Due from City of Hamilton – OHRP	11,370	8,465
Due from City of Hamilton – Other Trust Funds	<u>166,833</u>	<u>139,196</u>
Total assets	\$ 14,594,215	\$ 14,188,260
Liabilities		
Deposits	\$ 260,659	\$ 254,883
Due to City of Hamilton	<u>64,681</u>	<u>125,387</u>
	325,340	380,270
Fund balances (Note 5)	<u>14,268,875</u>	<u>13,807,990</u>
Total liabilities and fund balances	\$ 14,594,215	\$ 14,188,260
Statement of Continuity		
Revenue		
Cemetery lots and interments	\$ 588,410	\$ 625,609
Investment income	452,585	583,895
Transfer from other trust funds	136,727	364,395
Other revenue	<u>45,383</u>	<u>182,810</u>
Total revenue	\$ 1,223,105	\$ 1,756,709
Expenditures		
Other	\$ 53,225	\$ 71,296
Transfer to other trust funds	<u>708,995</u>	<u>691,266</u>
Total expenditures	\$ 762,220	\$ 762,562
Excess of revenues over expenditures	\$ 460,885	\$ 994,147
Fund balances at the beginning of the year	13,807,990	12,813,843
Fund balances at the end of the year	\$ 14,268,875	\$ 13,807,990

See accompanying notes to the financial statements

City of Hamilton

Trust Funds

Notes to the Financial Statements

As at December 31, 2007

1. Significant accounting policies

The financial statements of the City of Hamilton are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These 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. Walden 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
- Library - M. Walden Thompson Bequest
- Library - Central Library Special Gift Fund
- Library - Permanent Endowment Fund
- Library - Keetha McLaren Memorial Fund
- Library - F. Walden Library Bequest
- Library - Dundas Fundraising
- Library - Waterdown Fundraising

The trust funds – homes for the aged are reported in a separate financial statement.

(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, 2007

2. Investments

The total investments recorded at lower cost or market value in the balance sheet are \$11,293,228 (2006 - \$10,688,888). These investments have a market value of \$11,709,230 (2006 - \$11,168,919) at the end of the year.

3. Ontario Home Renewal Program

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable portion is \$4,000.

Ontario Home Renewal Program loans receivable at December 31, 2007 is \$226 (2006 - \$226). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. In the event of the sale and lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

4. 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.

City of Hamilton

Trust Funds

Notes to the Financial Statements

As at December 31, 2007

5. Fund Balances	<u>2007</u>	<u>2006</u>
The fund balances are comprised of the following:		
Cemeteries	<u>\$ 10,716,693</u>	<u>\$ 10,262,502</u>
Library		
M. Walden Thompson Estate	33,155	31,987
Special Gift Fund Central	1,910,318	1,937,359
Permanent Endowment Fund	592,610	617,529
Keetha McLaren Memorial Fund	27,977	28,919
F. Walden Library Bequest	58,350	56,109
Dundas Library Fundraising	66,496	64,199
Waterdown Library Fundraising	<u>36,685</u>	<u>35,417</u>
	<u>2,725,591</u>	<u>2,771,429</u>
Ontario Home Renewal Program (OHRP)	<u>11,596</u>	<u>11,596</u>
Other		
Fieldcote Farmer (Ancaster)	363,897	349,181
Knowles Bequest (Dundas)	261,398	255,730
F. Walden Dundurn Castle (Hamilton)	4,843	4,676
Ellen Grafton (Dundas)	6,738	6,458
Fieldcote Livingstone-Clarke (Ancaster)	5,155	5,155
Fieldcote Shaver (Ancaster)	5,155	5,155
Municipal Election (Hamilton)	10,350	1,860
Balfour Estate Chedoke (Hamilton)	<u>157,459</u>	<u>134,248</u>
	<u>814,995</u>	<u>762,463</u>
	<u>\$ 14,268,875</u>	<u>\$ 13,807,990</u>

City of Hamilton

Trust Funds - Cemetery

As at December 31, 2007

Balance Sheet

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 124,940	\$ 291,727
Accrued interest receivable	-	402
Investments	<u>10,917,092</u>	<u>10,350,641</u>
Total assets	<u>\$ 11,042,032</u>	<u>\$ 10,642,770</u>
Liabilities		
Deposits	\$ 260,659	\$ 254,883
Due to City of Hamilton	<u>64,680</u>	<u>125,385</u>
	325,339	380,268
Fund balances	<u>10,716,693</u>	<u>10,262,502</u>
Total liabilities and fund balances	<u>\$ 11,042,032</u>	<u>\$ 10,642,770</u>

Statement of Continuity

	<u>2007</u>	<u>2006</u>
Revenue		
Cemetery lots and interments	\$ 588,410	\$ 625,609
Investment income	557,470	538,872
Other revenue	<u>-</u>	<u>511</u>
Total revenue	<u>\$ 1,145,880</u>	<u>\$ 1,164,992</u>
Expenditures		
Other	\$ 12,781	\$ 11,756
Transfer to other trust funds	<u>678,908</u>	<u>636,538</u>
Total expenditures	<u>\$ 691,689</u>	<u>\$ 648,294</u>
Excess of revenues over expenditures	\$ 454,191	\$ 516,698
Fund balances at the beginning of the year	10,262,502	9,745,804
Fund balances at the end of the year	<u>\$ 10,716,693</u>	<u>\$ 10,262,502</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds - Library

As at December 31, 2007

Balance Sheet

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 283,623	\$ 301,565
Accrued interest receivable	771,174	873,020
Deposits Hamilton Community Foundation	1,253,958	1,211,213
Due from City of Hamilton	<u>416,836</u>	<u>385,631</u>
Total assets	<u>\$ 2,725,591</u>	<u>\$ 2,771,429</u>

Fund balances	<u>\$ 2,725,591</u>	<u>\$ 2,771,429</u>
----------------------	----------------------------	----------------------------

Statement of Continuity

	<u>2007</u>	<u>2006</u>
Revenue		
Investment income (loss)	\$ (137,296)	\$ 28,392
Transfer from other trust funds	136,727	364,395
Other revenue	<u>16,154</u>	<u>161,150</u>
Total revenue	<u>\$ 15,585</u>	<u>\$ 553,937</u>

Expenditures		
Other	\$ 31,336	\$ 32,619
Transfer to other trust funds	<u>30,087</u>	<u>48,617</u>
Total expenditures	<u>\$ 61,423</u>	<u>\$ 81,236</u>

Excess of (expenditures over revenue)		
revenue over expenditures	\$ (45,838)	\$ 472,701
Fund balances at the beginning of the year	2,771,429	2,298,728
Fund balances at the end of the year	<u>\$ 2,725,591</u>	<u>\$ 2,771,429</u>

See accompanying notes to the financial statements

City of Hamilton
Trust Funds – Ontario Home Renewal Program (OHRP)

As at December 31, 2007

Balance Sheet

	<u>2007</u>	<u>2006</u>
Assets		
Investments	\$ -	\$ 2,905
OHRP loans forgivable	226	226
Due from City of Hamilton	<u>11,370</u>	<u>8,465</u>
Total Assets	\$ <u>11,596</u>	\$ <u>11,596</u>
<hr/>		
Fund balances	\$ <u>11,596</u>	\$ <u>11,596</u>

Statement of Continuity

	<u>2007</u>	<u>2006</u>
Revenue		
Grants-Province	\$ -	\$ -
Total revenue	\$ -	\$ -
<hr/>		
Expenditures		
Transfer to other trust funds	\$ -	<u>139</u>
Total expenditures	\$ -	\$ <u>139</u>
<hr/>		
Excess of expenditures over revenue	\$ -	\$ (139)
Fund balances at the beginning of the year	11,596	11,735
<hr/>		
Fund balances at the end of the year	\$ <u>11,596</u>	\$ <u>11,596</u>

See accompanying notes to the financial statements

City of Hamilton

Trust Funds - Other

As at December 31, 2007

Balance Sheet

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 272,027	\$ 260,656
Receivable	-	269
Accrued interest receivable	-	27,002
Investments	376,136	335,342
Due from City of Hamilton	<u>166,832</u>	<u>139,196</u>
Total Assets	<u>\$ 814,995</u>	<u>\$ 762,465</u>

Fund Balances	<u>\$ 814,995</u>	<u>\$ 762,465</u>
----------------------	--------------------------	--------------------------

Statement of Continuity

	<u>2007</u>	<u>2006</u>
Revenue		
Investment income	\$ 32,411	\$ 16,631
Other revenue	<u>29,229</u>	<u>21,149</u>
Total revenue	<u>\$ 61,640</u>	<u>\$ 37,780</u>

Expenditures

Transfer to other trust funds	\$ -	\$ 5,972
Other	<u>9,108</u>	<u>26,921</u>
Total expenditures	<u>\$ 9,108</u>	<u>\$ 32,893</u>

Excess of revenue over expenditures	\$ 52,532	\$ 4,887
Fund balances at the beginning of the year	762,463	757,576
Fund balances at the end of the year	<u>\$ 814,995</u>	<u>\$ 762,463</u>

See accompanying notes to the financial statements

Section 4

City of Hamilton Financial Statements for the Trust Funds – Homes for the Aged

Financial Statements

December 31, 2007

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Auditors' report

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

We have audited the balance sheet of the Trust Funds - Homes for the Aged, City of Hamilton as at December 31, 2007 and the statement of continuity for the year then ended. These financial statements are the responsibility of the City's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds - Homes for the Aged, City of Hamilton as at December 31, 2007 and the continuity of trust funds for the year then ended in accordance with the accounting principles disclosed in note 2 to the financial statements.

Grant Thornton LLP

Hamilton, Ontario
May 1, 2008

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

City of Hamilton

Trust Funds - Homes for the Aged

As at December 31, 2007

Balance Sheet

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2007	Total 2006
Assets						
Cash	\$ 102,392	\$ 106,064	\$ 29,626	\$ 549,683	\$ 787,765	\$ 834,294
Total assets	\$ 102,392	\$ 106,064	\$ 29,626	\$ 549,683	\$ 787,765	\$ 834,294
Liabilities						
Due to (from)						
City of Hamilton	\$ (176)	\$ 2,511	\$ -	\$ (171)	\$ 2,164	\$ 35,995
Fund balances	102,568	103,553	29,626	549,854	785,601	798,299
Total liabilities and fund balances	\$ 102,392	\$ 106,064	\$ 29,626	\$ 549,683	\$ 787,765	\$ 834,294

Statement of Continuity

Year ended December 31, 2007

	Macassa Lodge Resident Trusts	Wentworth Lodge Resident Trusts	Macassa Lodge Other Trusts	Wentworth Lodge Other Trusts	Total 2007	Total 2006
Receipts						
Residents' deposits	\$ 22,865	\$ 42,149	\$ 2,408	\$ 4,302	\$ 71,724	\$ 101,312
Investment income	5,243	4,862	964	23,301	34,370	32,349
Donations	-	-	11,919	14,538	26,457	30,246
	<u>28,108</u>	<u>47,011</u>	<u>15,291</u>	<u>42,141</u>	<u>132,551</u>	<u>163,907</u>
Disbursements						
Maintenance payments	29,536	40,037	-	-	69,573	81,749
Residents' charges	23,129	-	7,817	35,540	66,486	43,686
Payments to estates	6,075	2,877	-	-	8,952	89,772
Payments on discharges	201	37	-	-	238	1,491
	<u>58,941</u>	<u>42,951</u>	<u>7,817</u>	<u>35,540</u>	<u>145,249</u>	<u>216,698</u>
Change in fund balance	(30,833)	4,060	7,474	6,601	(12,698)	(52,791)
Fund balances at the beginning of the year	133,401	99,493	22,152	543,253	798,299	851,090
Fund balances at the end of the year	\$ 102,568	\$ 103,553	\$ 29,626	\$ 549,854	\$ 785,601	\$ 798,299

City of Hamilton

Trusts Funds - Homes for the Aged

Notes to the Financial Statements

As at December 31, 2007

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.

Basis of accounting

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

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