

2012

Annual Financial Report



The Regional Municipality of Halton, Ontario. For the year ended December 31, 2012.

The *2012 Annual Financial Report* for the Regional Municipality of Halton, Ontario, Canada.

For the fiscal period ending December 31, 2012.

Produced by the Finance Department of Halton Region, in cooperation with all Regional departments.

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The *2012 Annual Financial Report* is available at www.halton.ca.





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Halton at a glance

969km²

Land Area

423km²

Greenbelt area

25km

Lake Ontario shoreline frontage

505,678

Population

Halton Region Best Planning Estimates 2011

\$129,861

Average income per household

Financial Post Markets Canadian Demographics 2012

310,906

Total labour force residing in Halton (2012)

Financial Post Markets Canadian Demographics 2012

38,955

Number of enterprises*

Statistics Canada 2012

183,678

Number of households

Halton Region Best Planning Estimates 2011

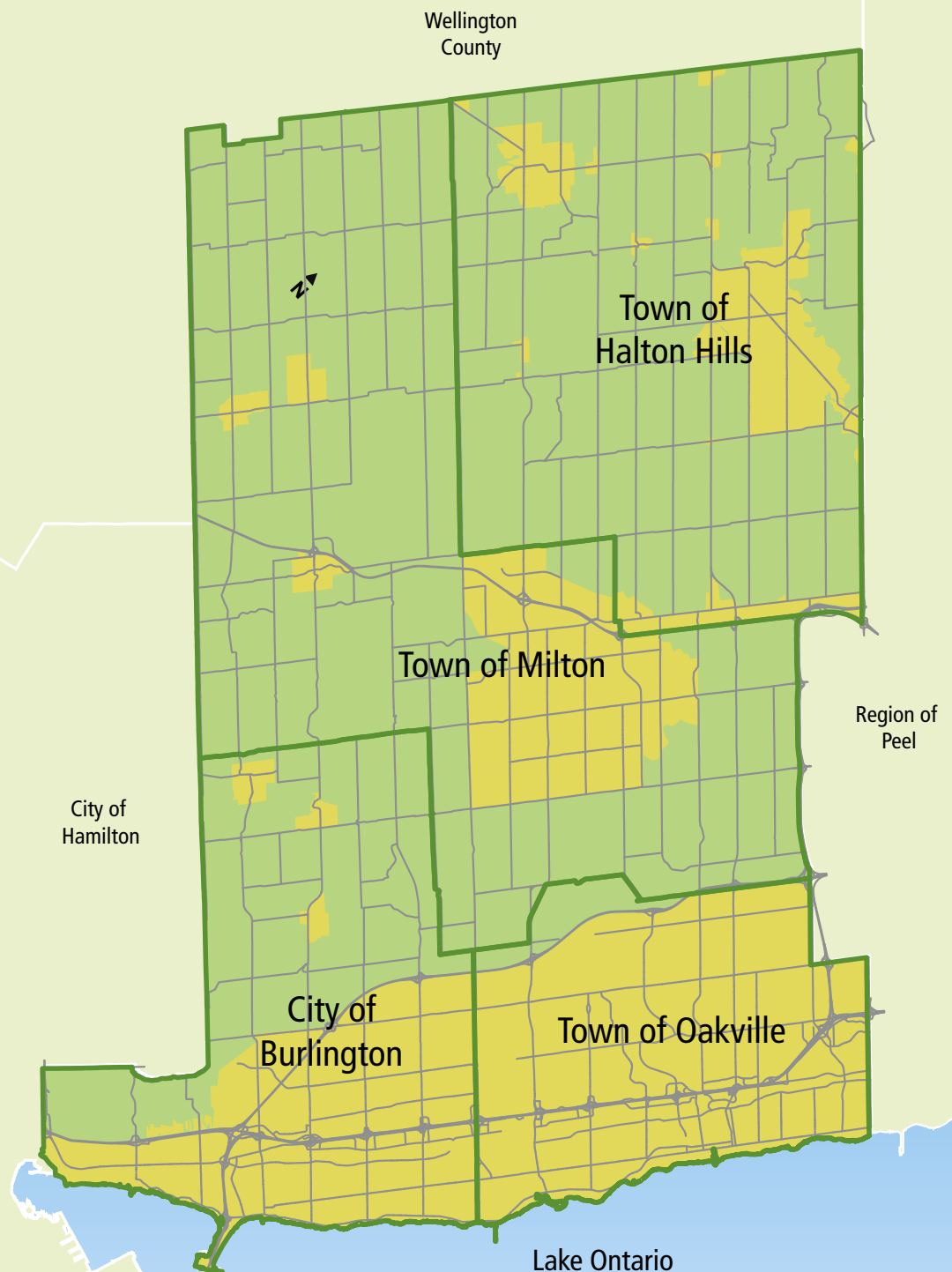
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Number of Hospitals

AAA

Credit Rating

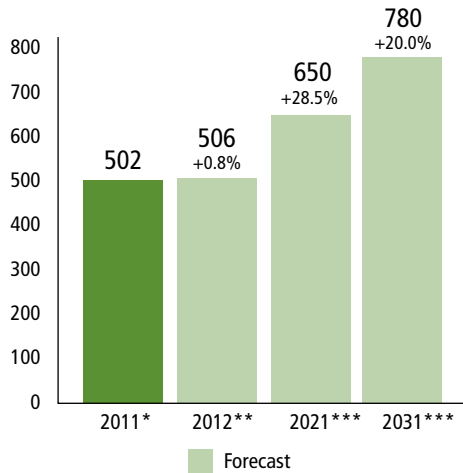
(22 consecutive years)



*Enterprises that had a minimum of \$30,000 in annual sales revenue or are incorporated under a Federal or Provincial act and have filed a Federal corporate income tax form within the past three years.

Population

(thousands)



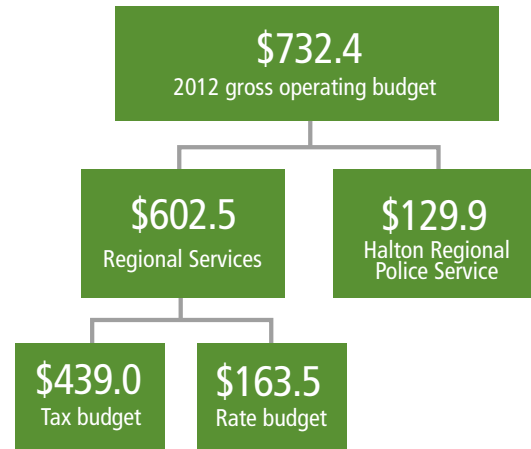
* Statistics Canada, 2012, Halton Ontario Census Profile

** Halton Region Best Planning Estimates 2011

*** Growth Plan for the Greater Golden Horseshoe, 2006

Halton Region's Annual Budget

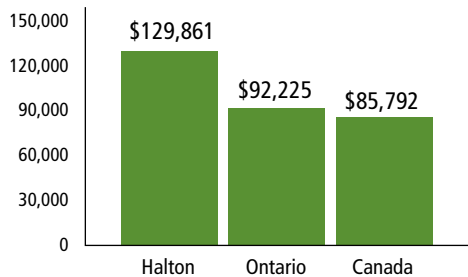
(millions)



The 2012 gross capital budget totalled \$689.9 million.

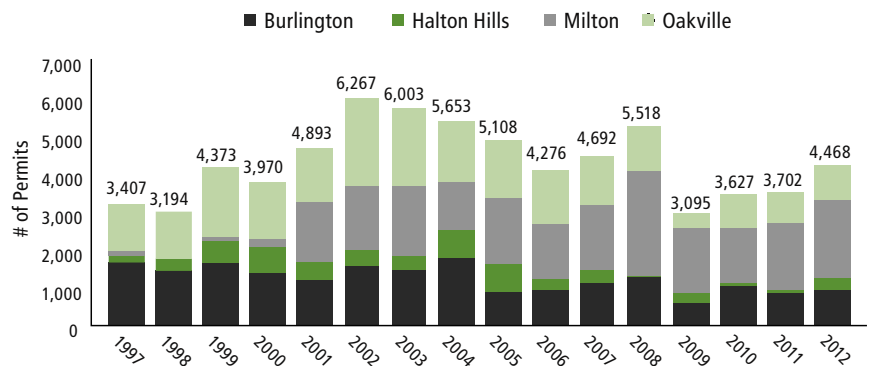
Average income per household

(2012)



Financial Post Markets Canadian Demographics 2012

Residential Permits



Area Development Charge Collections

Halton Region Services



Children's Services

A dedicated team of professionals provides a wide range of programs and services including child care centres (Maple Avenue in Georgetown and Margaret Drive and Sedgewick Crescent in Oakville), child care subsidy, and services for children with special needs.

Economic Development

Halton Region's Economic Development division offers one-window access to government programs and services as well as information on Halton's business environment to first-stage entrepreneurs, small companies, and innovative firms to help them establish and grow in Halton. In collaboration with numerous partners, Economic Development promotes Halton as a location of choice for new and expanding businesses, including physician practices.

Paramedic Services

Paramedics provide emergency pre-hospital care out of 11 ambulance stations throughout the Region, and respond to more than 50,000 calls each year.

Emergency Management

Halton's Emergency Management program ensures Halton is a disaster-resilient community, ready to deal with any potential, imminent or actual emergency situation. Staff coordinate numerous projects and activities including public education and awareness activities, developing and maintaining emergency response plans, conducting training and exercises and working closely with emergency services, Local Municipalities, external agencies, the Province and other stakeholders.

Employment and Social Services

Employment and Social Services provides a range of supports and services including job placement programs, youth employment programs, skills development services, mental health support and social assistance to help people prepare for, search for and obtain jobs so they may become financially independent.

Halton Regional Police Service

The Halton Regional Police Service (HRPS) provides top quality policing service for Halton Region. HRPS's motto is Progress through Participation and working together with Halton Region, the community, and community groups, Halton has been named the safest regional municipality in Canada for five consecutive years. As mandated by the provincial Police Services Act, the HRPS is overseen by the Halton Regional Police Services Board, a seven member civilian board which is responsible for the provision of adequate and effective police services for Halton Region.

Housing

To meet the housing needs of its residents, and create a healthy and diverse Halton, Regional Council endorsed a Comprehensive Housing Strategy (CHS) in 2006. The CHS incorporates a continuum of housing types for all incomes and all stages of life, from emergency shelters and government-assisted housing, to private sector affordable housing. As the system steward for housing, the Region is responsible for the planning, development, funding and policy setting for housing programs and initiatives.



Services for Seniors

Halton Region helps seniors live with independence and dignity through our long term care homes (Allendale in Milton, Creek Way Village in Burlington, and Post Inn Village in Oakville), adult day programs and supportive housing services.

Public Health Programs & Services

Halton Region offers a complete range of public health programs designed to promote positive health, along with healthy lifestyles and communities. Services seek to educate and advocate for healthy pregnancies and child development, strong family units, increased youth engagement, and healthy, active older adults. Halton's health programs aim to prevent chronic disease, substance abuse, tobacco use and injuries, as well as protect our communities from communicable and infectious diseases and environmental hazards.

Regional Planning & Growth Management

Halton Region, in conjunction with the Local Municipalities, is committed to long-term planning that ensures Halton's high quality of life while addressing issues such as growth, affordable housing, environmental protection and a strong agricultural community.

Regional Roads & Transportation

Working with all levels of government and guided by a Transportation Master Plan, Halton Region provides a safe, well-managed transportation network, which includes 980 lane kms of roads, 225 signalized intersections and 219 bridges and large culverts. This network supports our vibrant local economy and the needs of residents and businesses.

Wastewater/Sewage Treatment

The Region operates seven treatment plants where wastewater is collected, appropriately treated, and returned to the natural environment. Halton Region's wastewater facilities provide levels of treatment that are among the best of any community along Lake Ontario, continually meeting or exceeding the quality standards established by the Ontario Ministry of the Environment.

Waste Collection, Blue Box & GreenCart

Halton Region Waste Management Services provides 3R (reduce, reuse, recycle) programs to help residents, schools and businesses reduce their waste. Programs like Blue Box for recycling, GreenCart for composting organics and bi-weekly garbage collection help to ensure healthy, clean communities for decades to come.

Water Purification

Halton Region delivers safe and high-quality drinking water through six Halton-owned and operated water purification plants. The provision of clean, safe drinking water is an important responsibility, and Halton continues to be a leader in water purification.



Message from the Regional Chair

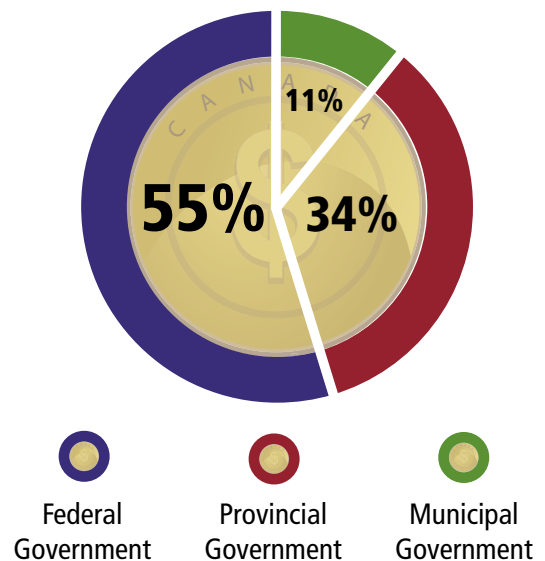
On behalf of Halton Regional Council, I am proud to share with you Halton Region's 2012 *Annual Financial Report*. The report details Halton's financial picture over 2012, and demonstrates why Halton has achieved the highest credit rating available, AAA, for 22 consecutive years.

Halton Region delivers a wide range of services that impact your daily life — programs like providing clean and safe drinking water, paramedic services, waste management, public health, economic development, emergency management and so much more. In Canada, municipalities receive only 11 per cent of every tax dollar paid by taxpayers. With two levels of government in Halton — Local and Regional — Halton Region receives only a portion of the 11 per cent.

To help provide context for Halton's financial statements, you will also find our 2012 Report to the Citizens appended, which highlights many of our accomplishments related to the actions identified in the Citizens' Priorities — Halton Region's 2010-2014 Action Plan.

Preparing a sound budget with solid financial planning is a cornerstone to Halton's high quality of life and a key

Average Family Tax Bill Breakdown



Source: The Fraser Institute's Canadian Tax Simulator, 2012



We have been able to maintain service levels with no tax increase for seven years, one of the best records in Canada.

priority for Regional Council. A commitment to high quality customer service and value for your tax dollars is integral to our budget planning process. Halton is a growing community and we have been able to maintain service levels with no tax increase for Regional services for seven years, one of the best records in Canada.

Among several accomplishments in 2012, we were able to:

- Maintain our AAA credit rating and deliver a zero per cent tax increase for Regional programs and services.
- Complete timely and necessary upgrades, expansion and rehabilitation to Halton's infrastructure, including the Sixteen Mile Creek bridge, the new Todd Road water tower, numerous watermain installations and replacements, and improvements to several wastewater treatment plants.
- Invest in important social programs, including rental assistance programs, and partnering with the non-profit and private sectors to build 57 new affordable housing units.
- Add an additional 5.2 paramedics to maintain and improve service levels in our growing communities.

Through continued work on the Citizens' Priorities Action Plan and our commitment to providing our residents with a high quality of life, Regional Council and staff are ensuring Halton remains a great place to live, work, raise a family and retire. In fact, a recent survey found that 97 per cent of residents are satisfied with the overall services provided by Halton Region and 98 per cent rate the quality of life in Halton as very high. We are committed to maintaining these high levels of satisfaction and continuing to deliver services in a cost-effective and efficient manner.

Your feedback is important to me—please don't hesitate to email me with any of your comments or questions at gary.carr@halton.ca. For more information on Halton's programs and services, dial 311 or visit our website at **www.halton.ca** for current and important information.



Gary Carr,
Regional Chair





Halton Regional Council

Halton Regional Council acts as the decision-making body for Halton Region and meets Wednesdays at 9:30 a.m. on a three-week cycle. The Regional Chair is the Chief Executive Officer of the corporation and head of Regional Council. Halton Regional Council is comprised of the Regional Chair, seven members from the City of Burlington, seven members from the Town of Oakville, and three members each from the Town of Halton Hills and the Town of Milton, all elected by Halton residents. The mayors of each Local Municipality are included.

Halton Regional Council 2010-2014

From left to right

Back row: Clark Somerville, Halton Hills; Jack Dennison, Burlington; Jeff Knoll, Oakville; Paul Sharman, Burlington; Alan Johnston, Oakville; Tom Adams, Oakville.

Middle row:

Blair Lancaster, Burlington; Tony Lambert, Milton; Allan Elgar, Oakville; Colin Best, Milton; Keith Bird, Oakville; John Taylor, Burlington; Rick Craven, Burlington; Jane Fogal, Halton Hills.

Front row:

Cathy Duddeck, Oakville; Rob Burton, Mayor, Oakville; Gordon Krantz, Mayor, Milton; Gary Carr, Regional Chair; Rick Bonnette, Mayor, Halton Hills; Rick Goldring, Mayor, Burlington; Marianne Meed Ward, Burlington.



Regional Chair

Gary Carr
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City of Burlington

Mayor

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Ward 2

Marianne Meed Ward
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Ward 4

Jack Dennison
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Ward 5

Paul Sharman
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Ward 6

Blair Lancaster
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Town of Halton Hills

Mayor

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Wards 3 & 4

Jane Fogal
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Town of Milton

Mayor

Gordon Krantz
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Wards 1, 6, 7 & 8

Tony Lambert
Cell: 647-220-9728
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Wards 2, 3, 4 & 5

Colin Best
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Town of Oakville

Mayor

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Ward 3

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Ward 5

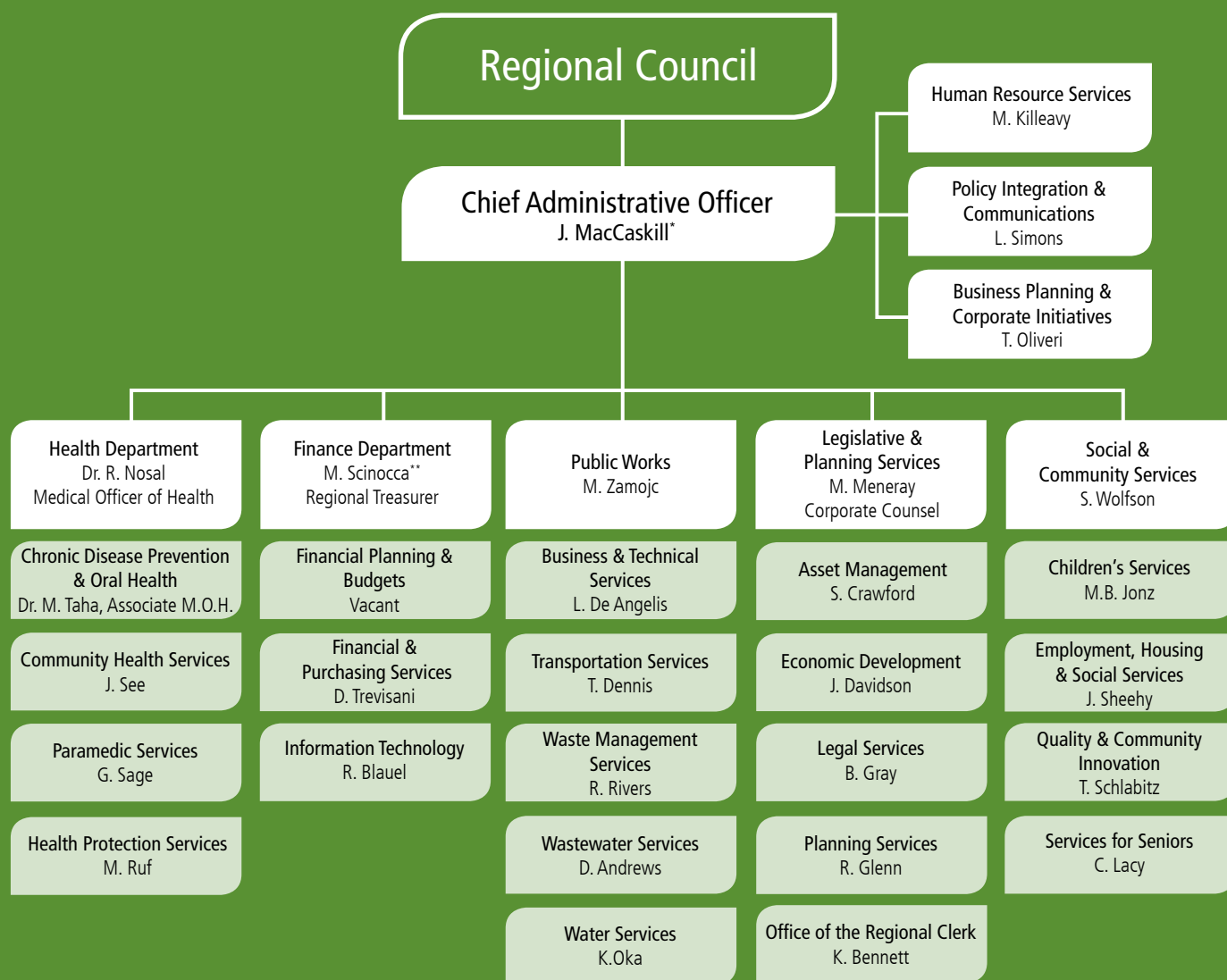
Jeff Knoll
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Ward 6

Tom Adams
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tadams@oakville.ca



Halton Region's Corporate Organization



*Jane MacCaskill was appointed Chief Administrative Officer in February 2013, assuming the position previously held by Patrick Moyle.

**Mark Scinocca was appointed Commissioner of Finance and Regional Treasurer in April 2013, assuming the position previously held by Jane MacCaskill.

Halton Region's Departments

The Chief Administrative Officer (CAO)

The CAO's office provides the leadership, strategic planning, communications, intergovernmental relations and policy framework to support the implementation of Regional Council's directions. The CAO's office oversees the corporate administrative functions of the Region, including business planning and corporate initiatives, and human resource services. Front-line customer service is also delivered through the CAO's office by Access Halton, the Region's 311 call centre.

Finance Department

The Finance Department performs financial planning and provides internal support services, including budgeting, purchasing, accounting, auditing, and information technology.

Health Department

The Health Department works in the community and with community partners to deliver a variety of public health programs and services, including Paramedic Services, nutrition, tobacco use prevention, air quality, mental health, baby and parent health, immunization, parenting, sexual health, substance abuse prevention, injury prevention, oral health and health protection. Members of the Health Department also conduct investigations and inspections to protect Halton residents from communicable diseases and environmental hazards such as contaminated food and water.

Legislative & Planning Services

The Legislative and Planning Services Department provides comprehensive legal support and advice to the Regional Corporation and direction on planning and policy initiatives in relation to land use planning, planning for growth, and economic development. The department also delivers the Region's emergency management, risk management, asset management and heritage services programs. Administrative, clerical, and parliamentary support services to Regional Council and its Committees are provided through the Clerk's office.

Public Works Department

The Public Works Department provides critical and essential services that impact the lives of Halton residents every day, including the construction of new roads, the delivery of safe, clean drinking water, the treatment of sewage in state-of-the-art facilities, and the collection of compost, recycling and waste.

Social & Community Services Department

The Social and Community Services Department delivers programs and services that enhance the independence and quality of life of Halton residents. Social and Community Services works progressively and collaboratively with the community to provide residents with the social support services they need, including services for children, youth, families and seniors.



Treasurer's Report

Mark Scinocca

Commissioner of Finance & Regional Treasurer

I am pleased to present the Consolidated Financial Statements for the Regional Municipality of Halton for the year ended December 31, 2012. Management at Halton Region is responsible for the information contained in the annual financial report, which includes the Consolidated Financial Statements, Notes to the Financial Statements and other financial information. These financial statements and accompanying notes meet the accounting principles and disclosure requirements of the Canadian Institute of Chartered Accountants guidelines included in the Public Sector Accounting and Auditing Standards Manual.

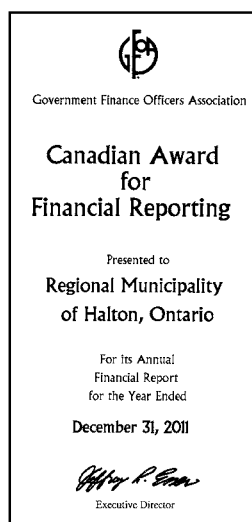
The purpose of the Treasurer's Report is to analyze and comment on the principal features of the 2012 audited financial statements and to highlight key financial results that occurred during the year. This report gives the reader an excellent opportunity to assess Halton Region's financial activities and available resources.

The *Municipal Act* requires the Region to engage independent auditors to express an opinion that the financial statements presented accurately reflect the Region's financial position and operating results. In fulfilling this duty, the external auditors are provided full access to all Regional records and transactions and meet periodically with staff to address matters arising from the audit or from new policies and procedures introduced during the fiscal year. Prior to their submission to Halton Regional Council's Audit Sub-committee, the Consolidated Financial Statements are reviewed by Halton Region's external auditors, KPMG LLP. The external auditors performed an audit of the statements in accordance with Generally Accepted Auditing Standards, and expressed an unqualified or "clean" opinion that the statements "present fairly, in all material respects" Halton Region's financial position. The auditors are responsible for advising Halton Regional management and Council of any control or operational issues that may be identified during their audit procedures. The role of the Audit

Sub-committee is to establish a high level of public accountability and to provide assurance to the public that municipal services are administered in an efficient, effective and economical manner.

Throughout the year, the external auditors meet periodically with management to approve the scope and timing of the audit of specific activities and to review their findings and recommend procedural changes if needed.

Our commitment to developing fiscally responsible budgets and presenting financial information to Regional taxpayers in a clear and easy to understand format was recognized by the Government Finance Officers Association of the United States and Canada (GFOA).



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting (CanFR) to The Regional Municipality of Halton for its annual financial report for the fiscal year ended December 31, 2011. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical

guidance to finance officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of Generally Accepted

Accounting Principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. This is the sixth time Halton has received the award. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting it to the GFOA.

Additionally, the GFOA of the United States and Canada presented The Regional Municipality of Halton with its Distinguished Budget Presentation Award for the 2012 Budget and Business Plan. This award reflects the commitment of the governing body and staff to meeting the highest principles of governmental budgeting. This is the eighth time Halton Region has received the award and it represents a significant achievement.

Economic Outlook

Halton Region is comprised of the Local Municipalities of Burlington, Halton Hills, Milton and Oakville. The 2011 Census indicates that Milton remains the fastest growing municipality in Canada. Halton's advantageous location, close to Toronto Pearson International Airport, and between Toronto and most key business destinations in southwestern Ontario and the United States, supports over 12,211 active business locations as identified in Halton's annual employment survey. In terms of total business entities, Statistics Canada reports that Halton was home to 38,955 business enterprises in 2012 which refers to all incorporated businesses with earnings in excess of \$30,000 and which may be operating from a business location, home-based office, or with no fixed place of work. Halton continues to see expansion and reinvestment in its key employment areas along the Highway 401, Queen Elizabeth Way, Highway 403 and Highway 407 corridors. Regional Official Plan Amendment No. 38 has added over 1,100 hectares of new designated employment lands to allow continued business growth. Ontario's Growth Plan for the Greater Golden Horseshoe 2006 (Places to Grow) forecasts that from 2012 to 2031 Halton's population will grow from 505,678 to 780,000 and employment (jobs in Halton) will increase from 258,444 to 390,000 over the same time period.

Within Halton, there has been an average of 4,082 residential building permits (figure 1) issued per year over the past five years, and an average 181 non-residential permits (figure 2) issued per year since 1997.

Figure 1
Residential Permits

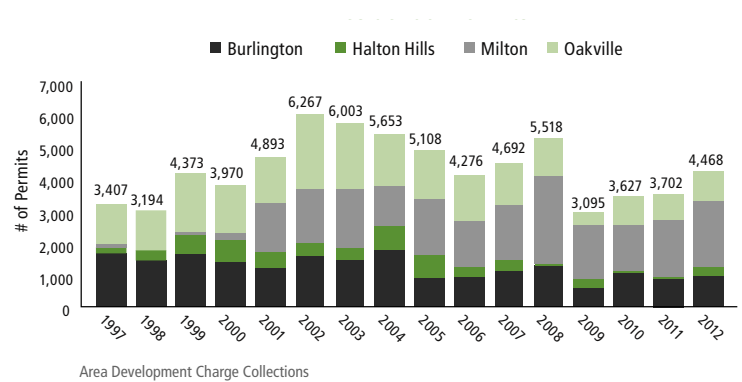
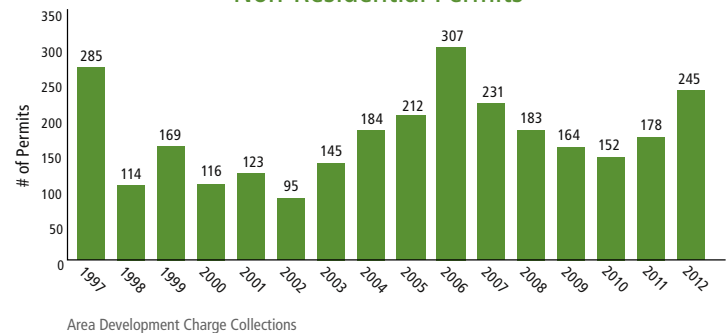


Figure 2
Non-Residential Permits



The Region's strong liquidity, its well-diversified economic base and its history of strong budgetary performance are primary factors in the Region achieving a AAA credit rating from both Moody's Investors Service and Standard & Poor's, the highest credit rating available.

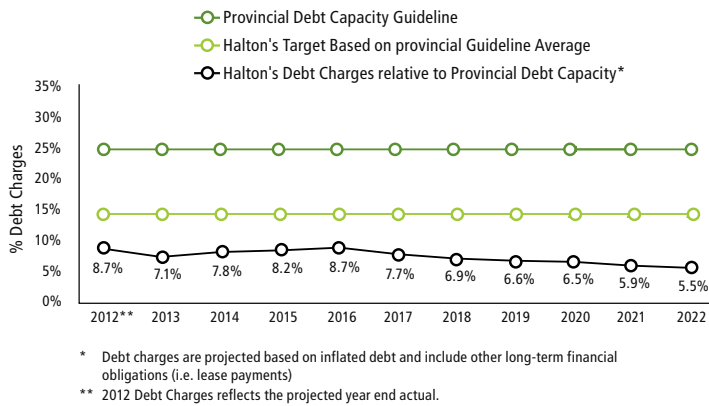
Capital Infrastructure

Significant capital expenses in 2012 include:

- Road infrastructure widening and rehabilitation (\$79.6M)
- Wastewater linear and facility rehabilitation, upgrades and expansions (\$95.7M)
- Water linear and facility rehabilitation, upgrades and expansions (\$83.1M)

The Province sets a debt capacity guideline for municipalities of 25% of own revenues. The Region's own guidelines (10% of total operating expenditures) translate to approximately 13.3% of own revenues. Figure 3 illustrates the Region's projected position relative to the Province's debt guideline as presented in the 2013 budget. The Region's ratios continue to remain well below the guideline.

Figure 3
Projected Debt Charge Position Relative to Provincial Guideline (2012 – 2022)



Although the trend in Halton's debt charges relative to the Provincial guideline remains similar to the one presented in the 2012 Budget, there has been a decrease in the overall debt to own revenue ratio.

The Outstanding Debt to Reserve/Reserve Fund chart (figure 4) illustrates the impact of the Region's Financial Plan in terms of the debt to reserve ratio. The lower the ratio the more financial flexibility is available to respond to new requirements, and the more secure the Region's overall financial position. The ratios over the past 15 years have been fluctuating based on capital infrastructure funding needs over time. The ratio rose significantly in 2007 as debt financing spiked to support major projects including the Burloak Water Purification Plant construction, Mid-Halton Phase 3 expansion, and the Dundas Street widening (including the Bridge over Sixteen Mile Creek). Reduction in the 2012 ratio is due to the deferred debt financing resulting from the delay in the 2012 Development Allocation Program. The 2013 ratio is currently projected at 47.9% based on the implementation of the development capital program.

Figure 4
Outstanding Debt to Reserves & Reserve Funds

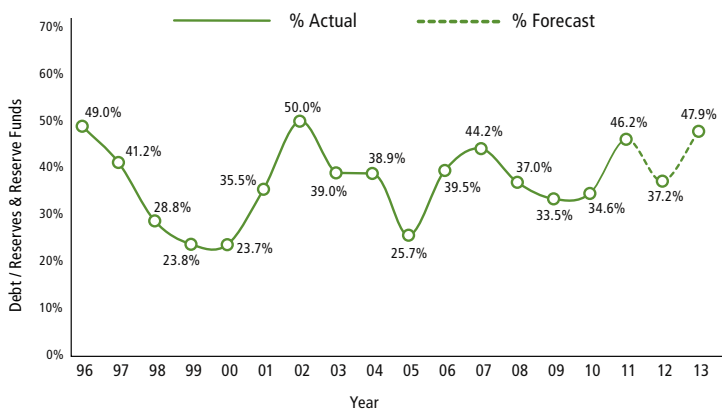
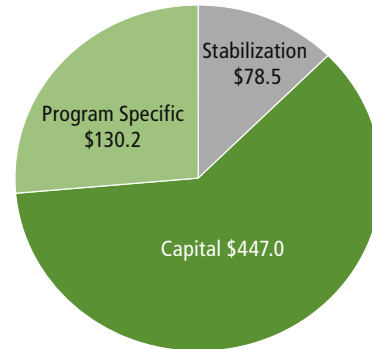


Figure 5 shows the 2012 Reserves and Reserve Funds balance of \$655.7 million (as found in Note 13 Accumulated Surplus on the 2012 notes to the Consolidated Financial Statements) has been set aside to address future capital and/or operating needs.

Figure 5
Halton Region 2012 Reserves & Reserve Funds
Total \$655.7 Million



The Consolidated Statement of Operations summarizes the revenue and expenses for a given period. The focus of this statement is Net Revenues which is the difference between revenues and operating expenses for the reporting period. Halton Region reported a Net Revenue of \$262.9 million in 2012 compared to \$254.4 million in 2011. Net Revenues are available to fund future capital replacement, to finance current tangible capital asset (TCA) acquisitions and to fund debt principal repayments. The major contributors to the \$19.6 million increase in year over year revenues was the addition of the \$11.0 million in rental revenue due to the first year of consolidating Halton Community Housing Corporation (HCHC) with the Region as described in Note 1 (b) of the financial statements. The other major contributor was the \$10.3 million increase in water and wastewater user fees as a consequence of the warmer than normal 2012 spring and summer. The major contributing factor to the \$11.0 million increase in expenses in 2012 compared to 2011 is the \$11.6 million dollar loss on the disposal of assets. As a requirement of meeting PSAB accounting for TCA and full accrual reporting, when existing assets are upgraded or replaced before the end of their useful life the net unamortized balance must be expensed, resulting in a loss on disposal. This loss is a result of a growing community where many of Halton's assets, (roads, bridges and linear infrastructure) must be upgraded to support growth prior to the end of their useful life.

Regional Programs & Services

Year-end Operating Results Highlights

Expenses for Operations totalled **\$663.5 million** in 2012.

Water & Wastewater Services

Totalling **\$150.9 million** to provide:

- Treatment of **66.8 million** cubic metres of water and **81.1 million** cubic metres of wastewater
- Operation of **six** water purification plants (treatment provided prior to distribution) and **seven** wastewater treatment plants.

Social Services

Operations of **\$139.0 million** including:

- Financial assistance to an average of **2,028** Halton households per month
- Childcare fee assistance to **3,693** children
- Direct care and service to approximately **555** seniors at the Regionally-operated long-term care homes
- **\$3.4 million** GTA Social Assistance pooling expenses

Protection to Persons & Property

Expenses of **\$138.4 million** included costs to provide:

- Police services through the deployment of **665** police officers
- Emergency services for the operation of 911 call centre
- Funding contributions to the Conservation Authorities of **\$7.5 million**

Health Services

Expenses of **\$60.3 million** to provide:

- Ambulance Services through the deployment of **20** emergency vehicles and **184** paramedics
- **10,532** seasonal influenza immunizations delivered at Health Department clinics
- **11,067** clients served at dental, mental health, sexual health, tobacco cessation and travel clinics
- **22,261** parents of children and youth provided education on positive parenting practices
- **5,614** inspections of food premises completed
- **15,707** children screened for oral health in elementary schools

Transportation Services

Expenses of **\$51.1 million** to provide:

- Maintenance of **980.34** paved lane kilometres (kilometres multiplied by the number of lanes), 73.8% of which were rated as good to very good condition

Social Housing

Operations of **\$50.4 million** including:

- Social housing through a network of **4,383** housing units
- **\$2.4 million** in GTA Social Housing pooling expenses

Other Services

Expenses of **\$38.5 million**:

- Planning & Development expenses of **\$7.4 million**: *For planning purposes, Halton has **30,641** hectares of land designated as development land*
- The Halton Region Museum hosted **19,569** visitors

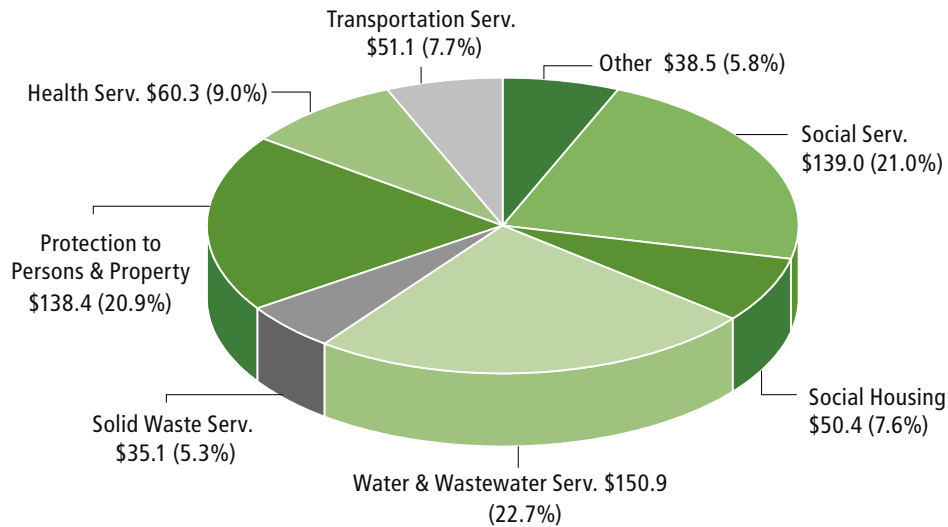
Solid Waste

Expenses of **\$35.1 million** to provide:

- Collection and disposal of **91,745** tonnes of residential garbage and the diversion of **122,998** tonnes of residential Blue Box and organic materials

Halton Region 2012 Operating Expenses

Total \$663.5 Million



Financial Management

Financial Management and Control

The financial management and control of Halton Region is largely governed through by-laws that prescribe purchasing, accounting, investment, risk management procedures and debt policy. Halton Regional Council has sole authority to allocate funds through the annual approval of the operating and capital budgets.

resources are appropriately managed to achieve Council's objectives. The 2013 tax and rate operating budgets total \$584.0 million (tax), and \$173.2 million (rate) in gross expenses, and \$505.0 million in net expenses. It is expected that the typical household in Halton (having current value assessment of \$350,000) will experience a 0.2% increase in their tax bill in 2013, 0.8% decrease related to Regional services and a 2.1% increase for Halton Regional Police Service. In addition, the impact on the typical household (with annual water consumption of 274 cubic meters) for water and wastewater services is 4.8% rate increase in 2013.

Approved 2013 Budget and Business Plan

The planning, development and monitoring of the annual operating and capital budgets is a fundamental component of Halton Region's financial administration. Halton Region's 2013 budget was prepared to reflect the full cost of delivering programs and services. This cost allocation framework is largely consistent with the Province's guidelines for the Municipal Performance Measurement Program, a series of performance measures describing service efficiency, volume levels and outcomes is also used to ensure

Mark Scinocca
Commissioner of Finance and Regional Treasurer
June 2013

The background of the entire page is a blurred image of a financial table. It contains various numerical values, some in green and some in black, arranged in rows and columns. The numbers are slightly out of focus, creating a sense of depth. A solid green horizontal band is positioned across the middle of the page, serving as a backdrop for the title and subtitle.

Financial Statements

For the year ended December 31, 2012

Management Report

The management of The Regional Municipality of Halton has prepared the accompanying financial statements and is responsible for their accuracy and integrity. These statements consolidate all operations for which Halton has legislative and financial responsibility, as well as the operations of the Halton Regional Police Service and Halton Community Housing Corporation.

The financial statements have been prepared by management in accordance with the local government accounting standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The adoption of these standards provides the reader of the financial statements a more complete view of Halton Region's assets and financial obligations. The reader is encouraged to review the summary of the significant accounting policies that are disclosed in Note 1 to the financial statements.

To meet its responsibility, management has developed and maintained a comprehensive system of financial and internal controls which includes an organizational structure that appropriately segregates authorization and recording functions, employs highly qualified professional staff, and is built on sound budget policies, all of which are subject to a continuing program of internal audit. These controls ensure that the assets of the Halton Region are properly safeguarded and that the business transactions of the Halton Region are carried out within the legislative authority of the Province of Ontario and within the policies authorized by Regional Council and that these transactions are completely and accurately reflected in Halton's financial statements and reports.

The Audit Sub-Committee of Regional Council reviews and approves the financial statements before such statements are submitted to the Administration and Finance Committee, Regional Council and published for the residents of Halton. As mandated by resolution of Council, the internal and external auditors have access to and regularly meet with, the Audit Sub-Committee to discuss their audits and the results of their examination.

The 2012 Financial Statements have been examined by Halton's external auditors, KPMG, Chartered Accountants, and their report precedes the financial statements.



Oakville, Canada
May 29, 2013

Mark Scinocca
Commissioner of Finance
and Regional Treasurer



KPMG LLP
Chartered Accountants
Box 976
21 King Street West Suite 700
Hamilton ON L8N 3R1

Telephone (905) 523-8200
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www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Regional Municipality of Halton

We have audited the accompanying consolidated financial statements of the Corporation of the Regional Municipality of Halton, which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Regional Municipality of Halton as at December 31, 2012, and its consolidated results of operations, and its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Accountants, Licensed Public Accountants

May 29, 2013
Hamilton, Canada

Consolidated Statement of Financial Position

as at December 31, 2012 (with comparative figures as at December 31, 2011)

(Dollars in Thousands)

	2012	2011
FINANCIAL ASSETS		
Cash and short term deposits	\$ 88,328	\$ 62,120
Accounts receivable:		
Water/wastewater	27,546	27,720
Ontario and Federal grants	12,956	8,109
Other receivable	35,161	36,990
Other current assets	158	148
Investments (Note 2)	1,481,758	1,394,790
Loan receivable (Note 7)	1,063	5,310
Recoverable gross long-term debt from:		
Local Municipalities (Note 5)	185,689	179,694
Total financial assets	1,832,659	1,714,881
LIABILITIES		
Accounts payable and accrued liabilities	185,097	173,281
Gross long term liabilities (Notes 5 and 6)	413,008	330,516
Sinking Fund Debentures (Note 5)	106,000	106,000
Deferred revenue (Note 10)	358,340	356,220
Landfill Closure and Post Closure Liabilities (Note 11)	12,875	13,480
Employee benefits payable (Note 12)	55,762	48,130
Total liabilities	1,131,082	1,027,627
NET FINANCIAL ASSETS	701,577	687,254
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 3)	3,663,508	3,325,935
Prepaid expenses	1,498	1,499
Inventory	3,189	2,730
Total non-financial assets	3,668,195	3,330,164
ACCUMULATED SURPLUS (Note 13)	\$ 4,369,772	\$ 4,017,418

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

For the year ended December 31, 2012 (with comparative figures for the year ended December 31, 2011)

(Dollars in Thousands)

	2012	2011
REVENUES		
Taxation	\$ 348,927	\$ 340,129
User charges	196,345	182,756
Grants	161,115	170,073
Investment income	71,871	65,167
Development charges and developer contributions	119,192	133,073
Federal Gas tax	16,057	14,352
Other revenue	12,969	1,334
Total Revenues	926,476	906,884
EXPENSES		
General government	28,776	31,239
Social services	138,957	145,046
Social housing	50,423	47,616
Water and Wastewater services	150,912	159,470
Solid waste services	35,055	34,317
Protection to persons and property	138,391	126,668
Health services	60,251	55,520
Transportation services	51,080	41,911
Planning and development	7,375	7,961
Recreation and cultural services	2,309	2,768
Total Expenses	663,529	652,516
NET REVENUES	262,947	254,368
HALTON ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,017,418	3,763,050
HCHC ACCUMULATED SURPLUS, BEGINNING OF YEAR	89,407	-
ACCUMULATED SURPLUS, END OF YEAR	\$ 4,369,772	\$ 4,017,418

See accompanying notes to consolidated financial statements.

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2012 (with comparative figures for the year ended December 31, 2011)

(Dollars in Thousands)

	2012	2011
Net revenues	\$ 262,947	\$ 254,368
Acquisition of tangible capital assets	(304,051)	(266,346)
Amortization of tangible capital assets	108,565	74,841
Loss on disposal of tangible capital assets	11,553	745
Proceeds on disposal of tangible capital assets	481	3,113
Change in inventories and prepaid expenses	(215)	(377)
Change in net financial assets	79,280	66,344
HALTON NET FINANCIAL ASSETS, BEGINNING OF YEAR	687,254	620,910
HCHC NET DEBT, BEGINNING OF YEAR	(64,957)	-
NET FINANCIAL ASSETS, END OF YEAR	\$ 701,577	\$ 687,254

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2012 (with comparative figures for the year ended December 31, 2011)

(Dollars in Thousands)

Cash provided by (used in):	2012	2011
OPERATING ACTIVITIES		
Net revenues	\$ 262,947	\$ 254,368
HCHC cash, beginning of the year	3,695	-
Items not involving cash:		
Amortization	108,565	74,841
Loss on disposal of tangible capital assets	11,553	745
Contributed tangible capital assets	(12,272)	(11,564)
Change in non-cash assets and liabilities:		
Accounts receivable	(2,844)	(11,838)
Accounts payable and accrued liabilities	11,816	30,646
Other current assets	(10)	(24)
Deferred revenue	2,120	10,349
Inventory and prepaid expenses	(215)	(377)
Employee benefits payable and other liabilities	7,027	5,211
Change in HCHC working capital non-TCA	(68,652)	-
Net change in cash from operating activities	323,730	352,357
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	481	3,113
Cash used to acquire tangible capital assets	(291,779)	(254,782)
Net change in cash from capital activities	(291,298)	(251,669)
INVESTING ACTIVITIES		
Loans receivable	4,247	191
Investments	(86,968)	(145,804)
Net change in cash from investing activities	(82,721)	(145,613)
FINANCING ACTIVITIES		
Debt issued and assumed	47,968	115,086
Long-term debt repaid	(30,303)	(34,102)
Mortgages payable	58,832	-
Net change in cash from financing activities	76,497	80,984
NET CHANGE IN CASH	26,208	36,059
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	62,120	26,061
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 88,328	\$ 62,120

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidated Statements

The consolidated financial statements for the Regional Municipality of Halton (Halton) have been prepared in accordance with accounting principles prescribed for municipalities by the Province of Ontario, which are local government accounting standards issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Significant accounting policies adopted by the Region are as follows:

(b) Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of Halton, and include the Halton Regional Police Service Board and the Halton Community Housing Corporation (HCHC). Inter-organizational transactions and balances between HCHC and the Region are eliminated.

The *Housing Services Act* (HSA), which governs the provision of social housing services in Ontario, was proclaimed into law on January 1, 2012 replacing and repealing the *Social Housing Reform Act* (SHRA). A control assessment was performed and it was determined that due to the changes in legislation HCHC is controlled by Halton for reporting purposes under the Canadian Public Sector Accounting Standards. These financial statements are the first financial statements reporting consolidated results including HCHC. This change was applied as of January 1, 2012 which is the date HCHC is eligible for inclusion in Halton's consolidated financial statements. Accordingly, the 2011 comparative amounts do not include the financial results of HCHC.

The financial activities of the Royal Botanical Gardens and the Conservation Authorities are excluded from these financial statements except to the extent of Halton's contributions to these entities.

The Sinking Fund, established for the retirement of sinking fund debentures issued by Halton, is administered by Halton.

(c) Basis of Accounting

(i) Basis of Accounting

Halton follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services.

(ii) Foreign Currency Translation

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

(iii) Deferred Revenue

Deferred revenue represents revenues which have been collected but for which the related services have yet to be performed or eligible expenses incurred. Deferred revenue is comprised of general deferred revenue, development charges and gas tax funds. Government transfers, such as Federal gas tax funds are recognized when the transfer can be reasonably estimated, is authorized and has met eligibility criteria if required. Development charges and other externally restricted funds are recognized as revenue when the funds are spent for the purpose intended.

(iv) Amortization Methods

The cost, less residual value, of tangible capital assets is amortized on a straight-line basis over their estimated useful lives. Estimated useful lives for major categories of tangible capital assets are as follows:

General Capital:

Buildings and Building Improvements	15 to 95 years
Computer Hardware	4 to 5 years
Computer Software	5 to 10 years
Land	Not Amortized
Land Improvements	15 to 70 years
Leasehold Improvements	Based on lease term
Machinery and Equipment	5 to 60 years
Vehicles	3 to 10 years

Infrastructure:

Buildings and Building Improvements	20 to 60 years
Land	Not Amortized
Land Improvements	20 to 70 years
Linear	15 to 70 years
Machinery and Equipment	5 to 60 years

For vehicle and computer tangible capital assets, one half of a full year's amortization is charged in the year of acquisition and in the final year of useful life. Land tangible capital assets are not amortized. The Landfill site is amortized based on units of production (capacity used during the year). For all other tangible capital assets, amortization commences in the year following acquisition, with a full year's amortization charged in the final year of useful life. No amortization is calculated for assets not in service or under construction until they are available to be put into service.

(v) Contributed Assets

All assets contributed to the Region are valued at the fair value of the assets at the time of contribution. Revenue at an equal amount is recognized at the time of contribution.

(vi) Excluded Assets

Intangible assets, works of art, historical treasures, crown lands, and natural resources have not been recorded and therefore are not recognized on the Consolidated Statement of Financial Position.

(vii) Interest on Debt to Construct Tangible Capital Assets

All interest on debt incurred during construction of related tangible capital assets is expensed in operations in the year incurred.

(viii) Inventory

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

(ix) Reserves and Reserve Funds

Halton follows the practice of appropriating revenues and current operating surpluses into reserves and reserve funds that are retained for general and specific purposes. These reserves and reserve funds are established by Council resolution or by by-law and are available for future uses. Amounts are only expended in accordance with the terms and policies established by Council. Balances appropriated in respect of items for which the reserves have been created are included in accumulated surplus and are reported in Note 13.

(x) Government Transfers

Government transfers received relate to social services, social housing, seniors' services, child care, health programs, infrastructure, heritage services, economic development and police services. Government transfers paid relate to social services, social housing, child care and conservation authorities. Halton recognizes the transfer of government funding as expenses or revenues when authorized and eligibility criteria have been met. Government transfers are reported within revenues and expenses on the Consolidated Statement of Operations.

(xi) Investments

Investments consist of bonds, money market bond funds and money market notes and are stated at the lower of cost and market value. Gains and losses on investments are recorded when incurred and interest is recorded when received or receivable.

(xii) Use of Estimates

The preparation of financial statements, in conformity with PSAB, 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 dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(xiii) Loan Receivable

The loan receivable is valued at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability has been impaired. The loan receivable is written off when it is no longer recoverable. Recoveries of loans receivable previously written off are recognized in the year received. Interest revenue is recognized as it is earned. Loans with significant concessionary terms, (such as non-interest bearing loans), are accounted for as a grant which is shown as an expense on the Consolidated Statement of Operations. Loan receivable is reported in Note 7.

(xiv) Cash and Cash Equivalents

Cash and cash equivalents include short term investments with a term to maturity of 90 days or less at acquisition.

(xv) Tax Revenue

Tax concessions are recorded net of the related revenue in accordance with PS 3510 Tax Revenue. Transfers through the tax system are recorded as expenses at the gross amount.

(xvi) Pensions and Employee Benefits

Halton accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund as a defined contribution plan.

Vacation entitlements are accrued for as entitlements are earned.

Sick leave benefits were discontinued in 1974. The remaining balance is adjusted for contract increases subject to payout when an employee leaves Halton.

Other post-employment benefits and compensated absences are accrued in accordance with the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation was determined by reference to Halton's cost of borrowing. Unamortized actuarial gains/losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Unamortized gains/losses for event triggered liabilities, such as those determined as claims related to the Workers Safety and Insurance Board (WSIB), are recognized when determined.

Costs related to prior-period employee services arising from plan amendments are recognized in the period in which the plan is amended.

Where applicable, Halton has set aside reserves intended to fund these obligations, either in full or in part. These reserves were created under municipal by-law and do not meet the definition of a plan asset under PS 3250 Retirement Benefits. Therefore, for the purposes of these financial statements, the plans are considered unfunded.

2. INVESTMENTS

Investments of \$1,481,757,766 (2011 - \$1,394,789,520) are carried at cost. The investments have a market value of \$1,610,418,005 (2011 - \$1,534,278,269) at the end of the year. The market value represents the realizable value of the investments if they were to be sold at December 31, 2012. Halton's investment policy as approved by Regional Council has an emphasis on the preservation and safety of capital while ensuring the liquidity of funds needed to meet Regional obligations. Accordingly, only realized gains and losses are recognized in the financial statements.

3. TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost on the Consolidated Statement of Financial Position. The Region has tangible capital assets with a net book value of \$298,908,770 (2011 - \$272,287,279) that are not being amortized as they are under construction. During the year there were no write-downs of assets (2011 - \$nil). Roads and underground water and sewer systems in the amount of \$12,272,491 (2011 - \$11,563,553) were contributed to the Region and were recorded at their fair value at the time of contribution. The Region has no tangible capital assets recognized at a nominal value. As per Halton's policy, there was no interest capitalized during the year (2011 - \$nil). The Region owns various works of art and historical treasures that have not been included as tangible capital assets. These items are categorized as Museum Historical Artefacts or Museum Archival Materials.

The following charts summarize tangible capital asset balances by category for the years 2012 and 2011:

(Dollars in Thousands)									
Asset Type	Opening Balance 1-Jan-12	Additions	Disposals	Ending Balance 31-Dec-12	Opening Accumulated Amortization Balance 1-Jan-12	Amortization	Disposals	Ending Accumulated Amortization Balance 31-Dec-12	Ending Net Book Value 31-Dec-12
General									
Buildings and Building Improvements	\$207,105	\$14,432	\$87	\$221,450	\$59,297	\$5,632	\$79	\$64,850	\$156,600
Computer Hardware	16,085	1,944	253	17,776	10,258	2,405	254	12,409	5,367
Computer Software	11,790	993	-	12,783	6,495	1,527	-	8,022	4,761
Land	146,398	-	-	146,398	-	-	-	-	146,398
Land Improvements	58,602	4,159	165	62,596	23,175	1,265	66	24,374	38,222
Leasehold Improvements	3,018	422	-	3,440	709	243	-	952	2,488
Machinery and Equipment	170,332	13,573	911	182,994	80,058	6,967	535	86,490	96,504
Vehicles	23,987	2,548	3,614	22,921	13,580	2,993	3,201	13,372	9,549
Total General Capital	637,317	38,071	5,030	670,358	193,572	21,032	4,135	210,469	459,889
Infrastructure									
Buildings and Building Improvements	317,186	40,675	930	356,931	88,752	18,907	820	106,839	250,092
Land	53,951	8,438	-	62,389	-	-	-	-	62,389
Land Improvements	76,489	7,764	211	84,042	37,953	5,937	211	43,679	40,363
Linear	2,763,174	146,760	15,954	2,893,980	543,489	39,734	5,186	578,037	2,315,943
Machinery and Equipment	377,100	36,017	1,012	412,105	153,979	22,955	752	176,182	235,923
Total Infrastructure	3,587,900	239,654	18,107	3,809,447	824,173	87,533	6,969	904,737	2,904,710
Assets Under Construction	272,583	26,326	-	298,909	-	-	-	-	298,909
Total Tangible Capital Assets	\$4,497,800	\$304,051	\$23,137	\$4,778,714	\$1,017,745	\$108,565	\$11,104	\$1,115,206	\$3,663,508

(Dollars in Thousands)

Asset Type	Opening Balance 1-Jan-11	Additions	Disposals	Ending Balance 31-Dec-11	Opening Accumulated Amortization Balance 1-Jan-11	Amort- ization	Disposals	Ending Accumulated Amortization Balance 31-Dec-11	Ending Net Book Value 31-Dec-11
General									
Buildings and Building Improvements	\$90,122	\$1,678	\$1,673	\$90,127	\$20,569	\$2,106	\$1,667	\$21,008	\$69,119
Computer Hardware	12,802	3,434	151	16,085	8,045	2,362	149	10,258	5,827
Computer Software	10,726	1,063	-	11,789	5,017	1,478	-	6,495	5,294
Land	94,575	2,665	1,414	95,826	-	-	-	-	95,826
Land Improvements	47,673	2,349	22	50,000	17,270	598	22	17,846	32,154
Leasehold Improvements	2,570	448	-	3,018	556	153	-	709	2,309
Machinery and Equipment	126,702	(676)	892	125,134	52,144	4,843	839	56,148	68,986
Vehicles	23,946	3,160	3,119	23,987	13,109	3,109	2,638	13,580	10,407
Total General Capital	409,116	14,121	7,271	415,966	116,710	14,649	5,315	126,044	289,922
Infrastructure									
Buildings and Building Improvements	286,595	30,591	-	317,186	82,637	6,115	-	88,752	228,434
Land	45,677	8,273	-	53,950	-	-	-	-	53,950
Land Improvements	70,586	5,979	77	76,488	35,789	2,241	77	37,953	38,535
Linear	2,614,130	152,965	3,918	2,763,177	504,893	40,652	2,054	543,491	2,219,686
Machinery and Equipment	345,399	31,860	159	377,100	142,916	11,184	121	153,979	223,121
Total Infrastructure	3,362,387	229,668	4,154	3,587,901	766,235	60,192	2,252	824,175	2,763,726
Assets Under Construction	249,730	22,557	-	272,287	-	-	-	-	272,287
Total Tangible Capital Assets	\$4,021,233	\$266,346	\$11,425	\$4,276,154	\$882,945	\$74,841	\$7,567	\$950,219	\$3,325,935

4. RESERVES AND RESERVE FUNDS FOR TANGIBLE CAPITAL ASSETS

The Consolidated Statement of Operations reports historical amortization costs for 2012 totalling \$108,564,989 (2011 - \$74,840,932). Reserve and reserve fund contributions have been made in 2012 totalling \$236,735,242 (2011 - \$203,832,917) and development charges proceeds totalling \$120,619,032 (2011 - \$157,222,015). These funds will be used to finance the replacement of existing tangible capital assets, capital acquisitions resulting from growth due to development and service enhancements, and the impact of inflation.

5. LONG-TERM LIABILITIES

The use of long-term liabilities to finance capital expenses is governed by provincial legislation. Provincial legislation gives Halton exclusive authority to issue long-term debt for both Regional and Local Municipal purposes. The legislation also permits Halton to issue debt on behalf of the Halton District School Board and the Halton Catholic District School Board, at the request of these Boards. The responsibility for raising the amounts required to service these liabilities lies with the respective Local Municipalities, School Boards and Halton. The debentures are direct, joint and several obligations of Halton and all its Local Municipalities.

Long-term liabilities, reported on the Consolidated Statement of Financial Position, are made up of the following:

(Dollars in Thousands)		
	2012	2011
Long-Term Liabilities incurred by Halton	\$354,176	\$330,516
Mortgages payable by HCHC	58,832	-
Sinking Fund debentures	106,000	106,000
Total Long-Term Liabilities incurred by Halton	519,008	436,516
Less recoverable from:		
Local Municipalities	185,689	179,694
Total recoverable from others	185,689	179,694
Net Long-Term Liabilities at year end	\$333,319	\$256,822

Mortgages of \$58,832,109 on the properties of HCHC are secured by a first charge on the assets of HCHC with amortization periods ranging between 15 and 30 years and interest rates ranging between 2.75% and 5.94%.

Long-term liabilities include Sinking Fund debentures issued in 2011 for the amount of \$106,000,000 of which Halton holds the entire share. As at December 31, 2012, contributions to and earnings of the Sinking Fund are \$1,595,452 (2011 - nil). Annual payments to the Sinking Fund will be made to finance the repayment of the debentures as they mature.

Halton's long-term liabilities at the end of the year are to be recovered from:

(Dollars in Thousands)		
	2012	2011
Property Taxes – General Purpose	\$15,364	\$19,343
Water	61,443	50,991
Wastewater	54,945	48,294
Development Charges	142,735	138,194
HCHC	58,832	-
Net Long-Term Liabilities at year end	\$333,319	\$256,822

6. CHARGES FOR LONG-TERM LIABILITIES

The charges for the year required to service the long-term liabilities are:

(Dollars in Thousands)		
	2012	2011
Gross principal repayment	\$53,864	\$53,180
Principal repayment - HCHC mortgages	2,631	-
Less amounts recovered	21,948	19,078
Net Principal	34,547	34,102
Gross Interest Paid	17,788	14,331
Interest Paid - HCHC mortgages	2,612	-
Less amount recovered	7,208	6,282
Net Interest	13,192	8,049
Total Net Principal and Interest	\$47,739	\$42,151

The charges shown on the previous chart are recovered as follows:

(Dollars in Thousands)		
	2012	2011
Property Taxes – General	\$3,866	\$7,105
Water and Wastewater Revenues	25,615	28,004
Development Charges	13,015	7,042
HCHC Mortgages	5,243	-
Total	\$47,739	\$42,151

Debentures bear interest at rates ranging from 1.4% to 5.05%. The amounts required for principal and interest for long-term liabilities are as follows:

(Dollars in Thousands)				
	Installment Principal	Sinking Fund	Interest	Total
2013	\$27,037	\$1,676	\$10,172	\$38,885
2014	28,064	1,760	9,203	39,027
2015	25,708	1,849	8,208	35,765
2016	25,552	1,943	7,247	34,742
2017	18,642	2,041	6,263	26,946
2018	12,820	2,144	5,647	20,611
2019 - 2041	31,156	94,094	100,639	225,889
Total	\$168,979	\$105,507	\$147,379	\$421,865

7. MORTGAGE/LOAN RECEIVABLE

Halton Region has mortgage and loans receivables in the amount of \$1,062,998 (2011 - \$5,310,212) from HCHC and Conservation Halton. The mortgages receivable from HCHC were eliminated as inter-organizational balances in 2012. The mortgage and loans receivables are comprised of:

(Dollars in Thousands)			
		2012	2011
Mortgage Receivable:	Nature:		
HCHC	Project Development – Ontario Street (Milton)	\$ -	\$ 2,308
HCHC	Project Development – Plains Road (Burlington)	-	1,851
Subtotal HCHC		-	4,159
Loan Receivable:			
Conservation Halton	Capital Projects	1,063	1,151
Subtotal Conservation Halton		1,063	1,151
Total Mortgage and Loans Receivable		\$ 1,063	\$ 5,310

The mortgages receivable have an interest rate of 4.5%. The amendment to the Affordable Housing Program (AHP) agreements changed the mortgage term to twenty years commencing ten months after the Occupancy Permit is issued, (Interest Adjustment Date), from the original one month after the Occupancy Permit is issued. HCHC, if not in default, will have the privilege of increasing the monthly payment to any amount without penalty and/or repay, in full, the remaining principal amount owing to Halton Region without penalty.

The mortgages receivable from HCHC, are secured by registered security documents which include a Charge/Mortgage of Land and assignments of rents against the title to the property, and a general security agreement for chattels registered under the *Personal Property and Security Act*.

As per Council report CS-07-07, Halton Region has agreed to provide Conservation Halton with debt financing on an annual basis on projects that are significant in funding requirements and are capital in nature. Loans are repayable over a 10 year period at a variable interest rate based on Halton Region's investment rate. For 2012 the repayment amount is \$219,435 based on an interest rate of 5.54%.

8. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

- (a) Halton has outstanding contractual obligations of \$230,110,941 for capital works. Regional Council has authorized the required financing for these obligations.
- (b) Halton has entered into operating leases for various office premises and equipment requiring the following payments over the next five years:

2013 -	\$3,083,391
2014 -	2,305,790
2015 -	1,215,254
2016 -	976,371
2017 -	149,545

- (c) Halton has made provision for the use of \$943,458,914 in reserves, reserve funds, and deferred revenues to finance projects approved for construction in the Capital Budget.

9. CONTINGENT LIABILITIES

Certain legal claims against Halton are currently outstanding. The outcome and potential liability of these claims are yet to be determined and, therefore, no provision has been made in the financial statements.

10. DEFERRED REVENUE

Halton's deferred revenue is comprised of obligatory reserve funds and general deferred revenues. A requirement of PSAB is that obligatory reserve funds be reported as deferred revenue. Halton has obligatory development charge reserve funds in the amount of \$254,604,546 (2011 - \$229,377,822) and an obligatory reserve fund for the Federal Gas tax funds in the amount of \$14,107,643 (2011 - \$16,059,362). These reserve funds are considered obligatory as Provincial legislation restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

In the case of development charges, revenue recognition occurs after the funds have been collected and when Halton has approved and incurred the expenses for the capital projects for which the development charges were raised. These funds have been set aside, as required by the *Development Charges Act*, to defray the cost of growth related capital projects associated with new development.

The Deferred Revenues, reported on the Consolidated Statement of Financial Position, are made up of the following:

		(Dollars in Thousands)	
	Obligatory Reserve	2012	2011
Balance, beginning of year	\$245,437	\$245,437	\$208,892
Development charges collected	120,619	120,619	157,222
Interest earned	2,122	2,122	1,527
Federal Funding	13,474	13,474	13,474
	381,652	381,652	381,115
General Deferred Revenue	-	89,628	110,783
Less:			
Contributions used in operations	112,940	112,940	135,678
Balance, end of year	\$268,712	\$358,340	\$356,220

11. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The Region owns and operates one open landfill site and it owns and monitors four closed landfill sites. The open site has a remaining capacity of 5,116,159 m³ (2011 – 5,140,000 m³) for an estimated life expectancy of 30 years, assuming the waste diversion targets are met. The present value of the expected closure and post closure care costs of the open landfill site and the present value of expected monitoring and capital rehabilitation costs of the closed landfill sites have been reported as a liability on the Consolidated Statement of Financial Position. The liability was estimated using a discount factor of 6.0% net of inflation of 2.0%. Estimated expenses for closure and post-closure care are \$15,229,247 (2011 - \$16,249,683). The expenses remaining to be recognized are \$2,354,157 (2011 - \$2,769,464). The estimated length of time required for post-closure care is 40 years. A liability of \$12,875,091 (2011 - \$13,480,218) has been reported on the Consolidated Statement of Financial Position. Reserve funds totalling \$13,871,222 (2011 - \$10,657,042) have been established for this liability and are reported as a reserve fund in Note 13. Halton also monitors seven closed landfill sites owned by the Local Municipalities. Under agreements with the four Local Municipalities, Halton may recover the cost of capital rehabilitation that may be required and Halton is not responsible for any third party claims that may result from these closed sites. The Local Municipalities bear the cost of monitoring the closed sites and therefore these costs have not been included in the landfill post closure liability.

12. EMPLOYEE BENEFITS PAYABLE

The Region provides certain employee benefits, which will require funding in future periods. These benefits include sick leave benefits, benefits under the *Workplace Safety and Insurance Board ("WSIB") Act*, life insurance, early retirement plan, travel benefit, extended health and dental benefits.

	(Dollars in Thousands)	
	2012	2011
Retiree Benefits	\$30,640	\$26,116
Future payments required to WSIB	10,039	9,290
Long-Term Disability	11,206	8,910
Vacation Pay	3,771	3,697
Vested Sick Leave entitlements	106	117
Total	\$55,762	\$48,130

The Region has established reserve funds to mitigate the future impact of these obligations and this has been reported in Note 13. Reserves relating to these liabilities are as follows:

	(Dollars in Thousands)	
	2012	2011
Workplace Safety and Insurance	\$7,471	\$7,413
Long-Term Disability	5,612	5,696
Sick Leave	190	213
Employee Benefits	29,534	22,560
Total	\$42,807	\$35,882

Information about the Region's benefit plan is as follows:

	(Dollars in Thousands)	
	2012	2011
Accrued benefit obligation:		
Balance, beginning of year	\$55,154	\$51,072
Current Benefit Cost	6,597	6,265
Interest	2,366	2,195
Benefits Paid	(4,719)	(4,378)
Plan Amendment	2,500	-
Actuarial Loss	-	-
Balance, end of year	61,898	55,154
Unamortized Actuarial Loss	(6,136)*	(7,024)*
Liability for Benefits	55,762	48,130
Amortization of Actuarial Loss	\$888	\$898

*The unamortized actuarial (loss)/gain are amortized over the expected average remaining service life as listed below:

Employee Benefits	\$(3,271,082)	14 years
WSIB	498,768	10 years
LTD	(3,367,535)	8-10 years
Sick Leave	3,503	3-4 years

Workplace Safety and Insurance Board (WSIB)

As a Schedule 2 employer, Halton has assumed the liability for any costs awarded under the *Workplace Safety and Insurance Board Act*. During 2012 Halton paid \$67,168 (2011 - \$228,512) in pension awards and \$312,849 (2011 - \$596,090) in lost wages. The liability was determined by an actuarial valuation undertaken as at December 31, 2010, using a discount rate of 4.75% which has been reported as a liability on the Consolidated Statement of Financial Position. Projected annual rate of increase in health care benefits provided by the WSIB is 6%.

Retirement Benefits

Halton's full time employees may be eligible for a retirement allowance, paid-up life insurance, an early retirement plan, extended health, dental, and travel benefit coverage upon retirement, up to the age of 65. The liability for these retirement benefits has been reported on the Consolidated Statement of Financial Position. Halton recognizes these retirement benefits in the period in which the employees rendered the services. The liability was determined by actuarial valuation as at December 31, 2010 using a discount rate of 4.75%. Medical costs were assumed to increase at the rate of 7% per year reducing in 2020 to 4% per year. Dental costs were assumed to increase at the rate of 4% per year. Halton commissions actuarial reviews of the employee retirement benefits, LTD and WSIB obligations every three years. The last review measured the liabilities as at December 31, 2010.

Extended Health, Dental and Long Term Disabilities Benefit Plans

Halton is self-insured for extended health, dental and long-term disability (LTD) employee benefit plans. The liability was determined by an actuarial valuation as at December 31, 2010 using a discount rate of 3.85% which has been reported as a liability on the Consolidated Statement of Operations.

Sick Leave Benefit Plan

Under a former sick leave benefit plan, some employees hired prior to January 1, 1974, are entitled to receive cash payments for unused sick leave upon termination of employment. The liability was determined by an actuarial valuation as at December 31, 2010 using a discount rate of 4.75% and has been reported on the Consolidated Statement of Financial Position. In 2012, payments out of the vested sick leave plan amounted to \$30,238 (2011 - \$74,235) and have been reported on the Consolidated Statement of Operations.

Anticipated future payments to employees who are eligible are:

2013	\$ 67,373
2014	31,770
2015	6,561

13. ACCUMULATED SURPLUS

Accumulated Surplus consists of individual fund surplus and reserves and reserve funds as follows:

	(Dollars in Thousands)		
	2012	2011	Difference
Unexpended Capital Financing	\$466,114	\$506,188	\$(40,074)
Reserves (detailed below)	573,951	446,037	127,914
Reserve Funds (detailed below)	81,775	67,460	14,315
Tangible Capital Assets	3,663,508	3,325,935	337,573
HCHC Other	126	-	126
Developer Financed Assets	(12,295)	(9,132)	(3,163)
Amounts to be recovered in future years:			
From reserves and reserve funds on hand	(56,678)	(44,969)	(11,709)
From future revenues	(346,729)	(274,101)	(72,628)
Total Accumulated Surplus	\$4,369,772	\$4,017,418	\$352,354
Reserves set aside by Council:			
Stabilization - Rate	\$22,526	\$16,499	
Stabilization - Tax	55,981	48,255	
Program Specific	46,987	29,784	
Equipment Replacement - Vehicle	6,026	6,752	
Equipment Replacement - Building	17,545	17,284	
Equipment Replacement - Equipment	13,404	15,360	
Capital - Rate	118,706	104,378	
Capital - Tax	227,540	157,029	
Capital - Investment	63,840	42,208	
Other	1,396	8,488	
Subtotal reserves	573,951	446,037	
Reserve Funds set aside for specific purpose by Council:			
Landfill Closure and Post Closure	13,871	10,657	
Workplace Safety and Insurance	7,471	7,413	
Self-insurance - General	3,566	3,101	
Self-insurance - Employee benefits	35,336	28,469	
Other	21,531	17,820	
Subtotal reserve funds	81,775	67,460	
Total Reserve & Reserve Funds	\$655,726	\$513,497	

14. PENSION AGREEMENTS

Halton makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its entire permanent staff. This plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees. The amount of the retirement benefit is based on the length of service and rates of pay. As OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. The OMERS plan's 2012 funding deficit was \$10 billion versus \$7.3 billion a year earlier.

Contributions from employees and employers, together with OMERS' investment returns, fund pensions that employees receive. Halton and its employees each contributed to OMERS in 2012 \$20,424,196 (2011 - \$17,487,169) for current service, and it is Halton's portion that is included as an expense on the Consolidated Statement of Operations.

Contributions for employees with a normal retirement age of 65 were made at a rate of 8.3% for earnings up to the yearly maximum pensionable earnings of \$50,100 and at a rate of 12.8% for earnings greater than the yearly maximum pensionable earnings. For uniformed police officers with a normal retirement age of 60, those rates were 9.4% and 13.9% respectively.

15. TRUST FUNDS

Trust Funds, in the amount of \$72,122 (2011 - \$87,475), of the residents of Allendale, Post Inn Village and Creek Way Village, which are administered by Halton, have not been included in the financial statements, and are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

16. GRANTS FROM THE MINISTRY OF COMMUNITY AND SOCIAL SERVICES AND MINISTRY OF COMMUNITY AND YOUTH SERVICES

The Municipality of the Region of Halton has one contract with the Ministry of Community and Social Services (generic) and one contract with the Ministry of Community and Social Services, one with the Ministry of Community and Youth Services (children's), and another contract with the Ministry of Education. One requirement of the contracts is the completion of the Transfer Payment Annual Reconciliation (TPAR) which shows a summary of all revenues and expenses and any resulting surpluses or deficits that relate to the contract. Surplus amounts, which can be used to offset a deficit, are reflected in the amounts repayable to the Ministry. The reported surplus/deficit reflects that of the Ministry assuming historic cost-sharing levels continued for all programs; however, in many cases Halton has contributed more than the legislated requirement to ensure services are delivered based on community need.

A review of these reports shows the following services to be in a surplus (deficit) position as at December 31, 2012:

(Dollars in Thousands)				
Detail Code	Service Name	Grant	Expenses	Surplus (deficit)
Homelessness Service Contract				
8758	Energy Emergency Fund	\$64	\$34	\$30
8766	Domiciliary Hostels	1,120	1,091	29
8770	Consolidated Homelessness Prevention Program	171	172	(1)
	Subtotal	1,355	1,297	58
Child Care Service Contracts				
A386	Child Care Delivery Agent Resource Centres	198	198	-
A465	Child Outcome Measurement	140	140	-
A466	Data Analysis Co-ordinator	67	67	-
A476	SCS - Children Infant Development	686	1,064	(378)
A515	Small Water Works - Child Care	-	-	-
A525	Early Child Development Planning	54	53	1
9253	SCS - Children Behaviour Intervention	237	449	(212)
	Subtotal	1,382	1,971	(589)
Total		\$2,737	\$3,268	\$(531)

The surplus amounts that do not qualify for financial flexibility are reflected in liability accounts reported on the Consolidated Statement of Financial Position.

17. GRANTS FROM THE MINISTRY OF EDUCATION

The Municipality of the Region of Halton has a child care service contract with the Ministry of Education. A requirement of the service contract is the production of supplementary information by detail code (funding type) which summarizes all revenues and expenditures relating to the service contract. A review of these revenues and expenditures, by detail code, are outlined below. The identified surplus/(deficit) position is reflected prior to the application of flexibility in accordance with the Child Care Business Practice Guidelines. The reported surplus / (deficit) reflects that of the Ministry assuming historic cost-sharing levels continued for all programs; however, in many cases, Halton has contributed more than the legislated requirement to ensure services are delivered based on community need.

(Dollars in Thousands)							
Detail Code	Service Name	Revenue			Expense		Surplus/ (Deficit)
		Ministry of Education Cash Flow	Legislated Cost Share	Other	Total Revenue		
A380	Administration	\$691	\$691	\$6	\$1,388	\$3,870	\$(1,241)
A425	Administration, ELCC	95	95	-	190	183	3
A371	Fee Subsidy, DNA	5,794	1,448	811	8,053	11,502	(2,759)
A429	Fee Subsidy, ELCC	1,059	265	1	1,325	966	287
A663	Fee Subsidy, ELCD	229	-	-	229	255	(26)
A664	Fee Subsidy, Ext. Day	526	-	-	526	329	197
A400	Ontario Works, Formal	786	196	-	982	891	73
A401	Ontario Works, Informal	4	1	-	5	11	(4)
A412	Capacity Fund., Supp. Transformation	38	-	-	38	-	38
A661	Operating, ELCD	12,405	-	20	12,425	12,624	(199)
A393	Pay Equity Union Settlement	257	-	-	257	257	-
A376	Special Needs Resourcing	1,483	371	7	1,861	2,441	(464)
A430	Special Needs Resourcing, ELCC	-	-	-	-	328	(262)
A713	Transition, Capital	200	-	-	200	144	56
A665	Transition, Operating	533	-	-	533	465	68
A446	Wage Improvement, Non- Profit	997	-	-	997	718	279
A644	Wage Improvement, Commercial	-	-	-	-	279	(279)
A391	Wage Subsidy, Commercial	416	104	-	520	890	(296)
A432	Wage Subsidy, Comm., ELCC	-	-	-	-	163	(131)
A390	Wage Subsidy, Non-Profit	2,158	540	-	2,698	2,749	(41)
A431	Wage Sub., Non-Profit, ELCC	-	-	-	-	31	(25)
Total		\$27,671	\$3,711	\$845	\$32,227	\$39,096	\$(4,726)

18. SEGMENTED INFORMATION

Segmented information has been identified based on lines of service provided by the Region. Regional services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of services that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Protection Services

The mandate of the Protection Services programs is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law.

Transportation Services

The Transportation Services division is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems and street lighting.

Water and Wastewater Services

The Water and Wastewater Services divisions are responsible for the collection and treatment of wastewater and the treatment and distribution of drinking water in order to provide high quality drinking water to residents of Halton Region.

Solid Waste Services

The Waste Management Services division is responsible for the planning, collection and disposal of solid waste, administering the green cart program and recycling, including minimization programs and facilities for solid waste.

Health Services

The Health Department delivers a variety of public health programs and services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement. Staff work in the community to deliver programs such as ambulance service, immunization, nutrition, mental health, sexual health, insect control and health inspection.

Social and Community Services

The Social and Community Services department provides programs and services that enhance the quality of life of Halton residents and provides them with social support services, including services for children, youth, families and seniors.

Social Housing

Through implementation of the Comprehensive Housing Strategy, Halton Region continues to advocate for the provision of housing types for all incomes and all stages of life from emergency shelters and government assisted housing to private sector affordable housing. Operations of HCHC are included as part of the Social Housing segment.

Certain allocation methodologies are employed in the preparation of segmented financial information. Services are funded primarily by taxation such as property tax revenues. Certain government grants and other revenues have been apportioned based on a percentage of budgeted expenses. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

For additional information see the Consolidated Schedule of Segment Disclosure below for the years 2012 and 2011.

(Dollars in Thousands)									
	Protection Services	Transportation Services	Water/ Wastewater	Solid Waste	Health Services	Social & Community Services	Social Housing	Other Services**	Total Consolidated 2012***
Revenues									
Taxation*	\$123,100	\$42,418	\$-	\$37,449	\$28,161	\$74,610	\$-	\$43,189	\$348,927
Users fees and service charges	5,842	1,268	159,605	6,845	965	14,307	5,096	2,417	196,345
Ontario grants	3,776	3,001	32,001	102	36,459	79,685	4,761	278	160,063
Canada grants	-	5,961	10,096	-	126	393	474	59	17,109
Investment Income	-	-	-	-	-	-	-	71,871	71,871
Development charges and developer contributions	1,503	63,315	39,733	4	925	812	9,691	3,209	119,192
Other	46	-	157	274	25	-	11,682	785	12,969
Total Revenues	134,267	115,963	241,592	44,674	66,661	169,807	31,704	121,808	926,476
Expenses									
Salaries, wages and employee benefits	110,479	3,111	37,084	3,408	43,390	56,848	4,447	33,262	292,029
Materials	6,551	6,884	22,270	1,036	2,803	4,630	2,748	6,661	53,583
Contracted Services	6,820	9,849	482	25,505	3,555	21,863	11,256	21,070	100,400
Rents and financial expenses	347	8,630	2,936	684	524	703	3,196	2,700	19,720
External transfers	7,510	8	130	197	93	37,170	15,957	10,671	71,736
Debt Expense	788	205	9,488	-	68	31	2,612	-	13,192
Allowance for taxes written off	-	-	-	-	-	-	-	4,304	4,304
Amortization	4,272	17,411	70,046	1,327	1,347	2,699	6,524	4,939	108,565
Program Support	1,624	1,728	8,476	2,898	8,471	11,586	1,260	(36,043)	-
Total Expenses	138,391	47,826	150,912	35,055	60,251	135,530	48,000	47,564	663,529
Net Revenues	\$(4,124)	\$68,137	\$90,680	\$9,619	\$6,410	\$34,277	\$(16,296)	\$74,244	\$262,947

* The allocation of taxation amount is based on a percentage of budgeted net expenditures except for Solid Waste as this amount is collected through By-Law 39-12 and is not allocated to other services. **Other Services consists of General Government, Legislative and Planning Services, Recreation and Cultural Services (includes Museum) and contributions to Royal Botanical Gardens, GO Transit and GTA Pooling. ***Figures for 2012 have been consolidated with HCHC - see note 1(b).

(Dollars in Thousands)									
	Protection Services	Transportation Services	Water/ Wastewater	Solid Waste	Health Services	Social & Community Services	Social Housing	Other Services**	Total Consolidated 2011***
Revenues									
Taxation*	\$115,287	\$39,092	\$-	\$35,109	\$25,161	\$44,298	\$25,567	\$55,615	\$340,129
Users fees and service charges	5,746	603	148,434	7,022	627	14,262	3,948	2,114	182,756
Ontario grants	3,161	1,115	35,158	131	34,926	84,022	10,359	289	169,161
Canada grants	-	6,484	7,868	-	69	451	376	16	15,264
Investment Income	-	-	-	-	-	-	-	65,167	65,167
Development charges and developer contributions	1,366	13,815	112,833	-	70	810	-	4,179	133,073
Other	170	-	15	60	79	-	-	1,010	1,334
Total Revenues	125,730	61,109	304,308	42,322	60,933	143,842	40,250	128,390	906,884
Expenses									
Salaries, wages and employee benefits	102,571	2,780	33,895	3,190	39,828	53,232	4,129	33,906	273,531
Materials	6,194	2,973	22,772	870	2,857	4,096	135	5,498	45,395
Contracted Services	5,348	13,236	41,974	25,419	3,512	21,844	504	20,569	132,406
Rents and financial expenses	(1,108)	389	2,592	285	498	836	4	2,523	6,019
External transfers	7,090	-	68	195	75	45,134	37,044	16,371	105,977
Debt Expense	869	234	6,593	-	89	265	-	-	8,050
Allowance for taxes written off	-	-	-	-	-	-	-	6,297	6,297
Amortization	4,222	17,358	42,929	1,234	1,270	2,593	-	5,235	74,841
Program Support	1,481	1,686	8,647	3,124	7,391	10,194	955	(33,478)	-
Total Expenses	126,668	38,656	159,470	34,317	55,520	138,194	42,771	56,920	652,516
Net Revenues	\$(938)	\$22,453	\$144,838	\$8,005	\$5,413	\$5,649	\$(2,521)	\$71,470	\$254,368

*The allocation of taxation amount is based on a percentage of budgeted net expenditures except for Solid Waste as this amount is collected through By-Law 53-11 and is not allocated to other services. **Other Services consists of General Government, Legislative and Planning Services, Recreation and Cultural Services (includes Museum) and contributions to Royal Botanical Gardens, GO Transit and GTA Pooling. ***Figures for 2011 have not been consolidated with HCHC - see note 1(b).

19. BUDGET COMPARISON

Halton Council approves the Region's operating and capital budgets each year on a cash basis. Since the audited financial statements are prepared on a full accrual basis, reconciliation must be performed in order to present the annual budget. A summary of that reconciliation for 2012 is as follows:

(Dollars in Thousands)				
Statement of Operations:	2012 Approved Operating Budget	Adjustments*	2012 Full Accrual Budget	2012 Actual
Revenues				
Taxation	\$353,080	\$ -	\$353,080	\$348,927
User charges, Developer fees and other	297,469	25,723	323,192	344,563
Grants	146,668	35,370	182,038	161,115
Investment income	50,000	9	50,009	71,871
Total Revenues	847,218	61,102	908,320	926,476
Expenses				
General government	25,826	12,020	37,846	28,776
Social services	140,727	2,933	143,660	138,957
Social housing	36,379	12,852	49,231	50,423
Water and Wastewater services	96,800	46,193	142,993	150,912
Solid Waste services	35,318	1,429	36,747	35,055
Protection to persons and property	131,159	8,341	139,500	138,391
Health services	59,248	1,200	60,448	60,251
Transportation services	12,558	36,870	49,428	51,080
Planning and development	7,960	931	8,891	7,375
Recreation and cultural services	2,178	79	2,257	2,309
Total Expenses	548,153	122,848	671,001	663,529
Net Revenues	299,065	(61,746)	237,319	262,947
Financing and Transfers	(299,065)			
Net Operating Budget	\$ -			

Statement of Changes in Net Financial Assets:	2012 Full Accrual Budget
Net Revenues	\$262,947
Acquisition of tangible capital assets	(304,051)
Amortization of tangible capital assets	108,565
Loss/(Gain) on disposal of tangible capital assets	11,553
Proceeds on disposal of tangible capital assets	481
Change in inventories and prepaid	(215)
Increase in Net Financial Assets	\$79,280

*Adjustments were required to convert the budget from a cash basis to a full accrual basis. These adjustments include revenues and expenses which were budgeted in the capital budget, contributed assets recognized as revenues and amortization expense. The adjustments have been reduced for capital assets budgeted in operations and increased to include the HCHC budget. Given that certain budget information is not available in full accrual format, the assumption of using budget adjustments that equal the actual full accrual adjustments was used. These full accrual budget estimates are unaudited and for financial statement presentation only.

20. PUBLIC LIABILITY INSURANCE

Both Halton Region and The Halton Community Housing Corporation (HCHC) have a comprehensive program of risk identification, evaluation and control to minimize the risk of injury to third parties and to minimize the risk of damage to its property and the property of others. HCHC uses purchased insurance and Halton Region uses a combination of self-insurance and purchased insurance to protect themselves financially against the risks that they cannot reasonably control. HCHC's purchased insurance provides coverage for third party public liability claims up to a maximum of \$10,000,000 per occurrence (subject to a \$5,000 per occurrence deductible) and provides coverage for HCHC properties on a blanket limit of \$270,205,400 replacement cost basis (subject to a \$5,000 per claim deductible on Property All Risks Form); all HCHC insurance claims deductibles and claims not covered by insurance are expensed within HCHC's operating budgets. Halton Region's purchased insurance provides coverage for third party public liability claims up to a maximum of \$35,000,000 per occurrence (subject to a \$100,000 per occurrence deductible, with the exception of multiple third party sewer back-up claims arising from a single occurrence which are each subject to a \$100,000 deductible) and provides coverage for Halton Region properties on a blanket limit of \$1,371,178,100 replacement cost basis (subject to a \$100,000 per claim deductible). Halton Region is self-insured for certain uninsured claims such as environmental liability, and councillor and employee legal indemnification claims, which are expensed within current operating budgets and flowed through the Self-Insurance Reserve Fund at year-end, as are all Halton Region's insurance claims deductibles.

Payments within the prescribed deductible for public liability claims made against Halton Region during the year amounted to \$757,554 (2011 – \$397,179), and have been reported as an expense on the Consolidated Statement of Operations at December 31, 2012. There were no Property claims incurred during the year by Halton Region. Payments within the prescribed deductible for HCHC Property claims during the year amounted to \$10,000 (2011- nil); There was no liability claims expense incurred during the year by HCHC. At December 31, 2012 HCHC had 6 outstanding Property claims with a total estimated insurance recovery of \$40,300, and one liability claim which is in litigation with an estimated reserve of \$5,000 (insurance deductible). Halton Region's outstanding claims and litigation are estimated to be \$1,427,150 which includes the areas of Municipal Liability, Automobile and Property. Halton Region's Self-Insurance Reserve fund, as at December 31, 2012 totalled \$3,565,492 (2011 - \$3,101,341) and is reported in Note 13 as part of the Self-Insurance – General Reserve Fund.

These estimated outstanding claims have not been accrued in the Financial Statements because the outcome of these claims is not known and the loss will be accounted for in the period in which the loss, if any, becomes known with certainty.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.



Statistical Data

For the year ended December 31, 2012

Five-Year Financial Statistics (unaudited)

	(Dollars in Thousands)				
	2012	2011	2010	2009	2008
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Financial assets	\$ 1,832,659	\$ 1,714,881	\$ 1,495,058	\$ 1,334,151	\$ 1,246,045
Non-Financial assets	3,668,195	3,330,164	3,142,140	2,997,877	2,935,143
Total Assets	5,500,854	5,045,045	4,637,198	4,332,028	4,181,188
Accounts payable and accrued liabilities	185,097	173,281	142,635	134,968	141,006
Gross long-term liabilities	413,008	330,516	322,103	312,432	317,084
Sinking Fund Debentures	106,000	106,000	7,140	11,090	11,090
Deferred Revenue	358,340	356,220	345,871	287,963	280,108
Landfill Closure and Post Closure Liabilities	12,875	13,480	13,249	13,331	10,785
Employee benefits payable	55,762	48,130	43,150	40,333	37,314
Total Liabilities	1,131,082	1,027,627	874,148	800,117	797,387
Accumulated Surplus	\$ 4,369,772	\$ 4,017,418	\$ 3,763,050	\$ 3,531,911	\$ 3,383,801
CONSOLIDATED STATEMENT OF OPERATIONS					
Sources of Revenue					
Property taxes - General purpose	\$ 311,478	\$ 305,020	\$ 298,130	\$ 291,750	\$ 279,092
- Solid Waste	37,449	35,109	34,973	32,120	29,578
Government transfers - Ontario	160,063	169,161	169,854	121,766	102,758
- Canada	1,052	912	1,028	581	7,906
User charges	196,345	182,756	177,871	172,343	168,581
Investment income	71,871	65,167	54,750	46,734	37,537
Development charges and developer contributions	119,192	133,073	112,559	73,799	96,820
Federal Gas Tax	16,057	14,352	11,096	11,692	4,982
Other revenue	12,969	1,334	3,953	1,714	3,618
Total Revenue	926,476	906,884	864,214	752,499	730,872
Expenses by Function					
General government	28,776	31,239	24,164	32,840	25,282
Social services	138,957	145,046	147,908	141,363	136,535
Social housing	50,423	47,616	50,478	40,513	40,978
Water and wastewater services	150,912	159,470	130,313	138,299	134,817
Solid waste services	35,055	34,317	33,336	36,348	39,122
Protection to persons and property	138,391	126,668	122,723	113,915	106,596
Health services	60,251	55,520	52,468	52,366	46,004
Transportation services	51,080	41,911	61,500	37,932	44,427
Planning and development	7,375	7,961	7,817	8,995	7,466
Recreation and cultural services	2,309	2,768	2,368	1,818	1,770
Total Expenses by Function	663,529	652,516	633,075	604,389	582,997
Net Revenues	262,947	254,368	231,139	148,110	147,875
Accumulated Surplus, Beginning of Year	4,017,418	3,763,050	3,531,911	3,383,801	3,235,926
HCHC Accumulated Surplus, Beginning of Year	89,407	-	-	-	-
Accumulated Surplus, End of Year	\$ 4,369,772	\$ 4,017,418	\$ 3,763,050	\$ 3,531,911	\$ 3,383,801

Note: Due to legislative changes governing the provision of social housing services in Ontario, Halton Community Housing Corporation (HCHC) is controlled by Halton for reporting purposes under the Canadian Public Sector Accounting Standards. This change was applied as of January 1, 2012 which is the date HCHC is eligible for inclusion in Halton's consolidated financial statements. Accordingly, the 2008-2011 comparative amounts do not include the financial results of HCHC.

Five-Year Financial Statistics (unaudited)

	(Dollars in Thousands)				
	2012	2011	2010	2009	2008
ANALYSIS OF EXPENSE BY OBJECT					
Salaries, wages and employee benefits	\$ 292,029	\$ 273,531	\$ 265,625	\$ 252,138	\$ 230,805
Materials	53,583	45,395	29,310	24,052	22,203
Contracted Services	100,400	132,406	116,519	124,687	143,373
Financial expenses	19,720	6,019	30,067	16,318	4,122
External transfers	71,736	105,977	114,356	102,993	105,514
Debt services	13,192	8,050	7,909	8,667	9,398
Allowance for taxes written off	4,304	6,297	5,575	3,685	2,919
Amortization	108,565	74,841	64,784	71,849	64,663
Total Expense	\$ 663,529	\$ 652,516	\$ 634,145	\$ 604,389	\$ 582,997
Consolidated Statement of Change in Net Financial Assets					
Net Revenues	\$ 262,947	\$ 254,368	\$ 231,139	\$ 148,110	\$ 147,875
Acquisition of tangible capital assets	(304,051)	(266,346)	(235,031)	(146,299)	(157,343)
Amortization of tangible capital assets	108,565	74,841	64,784	71,849	64,663
Loss on disposal of tangible capital assets	11,553	745	24,317	11,184	612
Proceeds on disposal of tangible capital assets	481	3,113	1,582	896	805
Change in inventories and prepaids	(215)	(377)	85	(364)	(300)
Change in net financial assets	79,280	66,344	86,876	85,376	56,312
Halton Net Financial Assets, Beginning of Year	687,254	620,910	534,034	448,658	392,346
HCHC Net Debt, Beginning of Year	(64,957)	-	-	-	-
Net Financial Assets, End of Year	\$ 701,577	\$ 687,254	\$ 620,910	\$ 534,034	\$ 448,658
NET LONG-TERM LIABILITIES					
Total long-term liabilities	\$ 519,008	\$ 436,516	\$ 329,243	\$ 323,522	\$ 328,174
Recoverable debt (Overlapping):					
Local Municipalities and School Boards	(185,689)	(179,694)	(153,405)	(143,367)	(127,964)
Net long-term liabilities	333,319	256,822	175,838	180,155	200,210
Recovered from:					
Tax levy	15,364	19,343	25,460	28,882	34,028
Rate supported	116,388	99,285	113,698	116,381	128,700
Development charges	142,735	138,194	36,680	34,892	37,482
HCHC	58,832	-	-	-	-
	333,319	256,822	175,838	180,155	200,210
Annual Repayment Limit*	\$ 96,890	\$ 92,322	\$ 81,926	\$ 80,864	\$ 81,395
RESERVES AND RESERVE FUNDS					
Reserves	\$ 573,951	\$ 446,037	\$ 368,668	\$ 378,277	\$ 350,113
Reserve funds	81,775	67,460	55,241	42,878	34,735
Closing Reserve Balance	\$ 655,726	\$ 513,497	\$ 423,909	\$ 421,155	\$ 384,848

Note: Due to legislative changes governing the provision of social housing services in Ontario, Halton Community Housing Corporation (HCHC) is controlled by Halton for reporting purposes under the Canadian Public Sector Accounting Standards. This change was applied as of January 1, 2012 which is the date HCHC is eligible for inclusion in Halton's consolidated financial statements. Accordingly, the 2008-2011 comparative amounts do not include the financial results of HCHC.

*The annual repayment limit is calculated at 25% of the Municipalities own source revenues less net debt charges.

Five-Year Financial Statistics (unaudited)

	(Dollars in Thousands)				
	2012	2011	2010	2009	2008
EXPENDITURE ANALYSIS					
Consolidated expenditure per capita	\$ 1,312	\$ 1,323	\$ 1,289	\$ 1,259	\$ 1,248
Net debt per capita	\$ 659	\$ 521	\$ 357	\$ 375	\$ 429
Net debt per household	\$ 1,815	\$ 1,441	\$ 998	\$ 1,051	\$ 1,201
Debt charges as a % of consolidated expenditure	5.21%	5.23%	5.01%	4.89%	4.48%
REVENUE ANALYSIS					
Property taxes and user charges as a % of consolidated revenue	73.1%	72.5%	72.6%	77.5%	79.7%
Total grants as a % of consolidated revenue	19.1%	20.3%	21.0%	16.3%	15.8%
Debt charges as a % of consolidated non-grant revenue	4.6%	4.7%	4.6%	4.7%	4.3%
STATISTICS					
Population (a)	505,678	493,045	492,100	480,000	467,200
Households (a)	183,678	178,232	176,222	171,478	166,722
Per Capita personal income (b)	46,919	45,512	44,381	45,313	40,840
Average unemployment rate (c)					
Toronto CMA	8.6%	8.3%	9.2%	9.3%	6.8%
Hamilton CMA	6.6%	6.4%	7.8%	8.2%	6.0%
Area in hectares (a)	96,925	96,925	96,925	97,283	97,283
Continuous full-time employees (actual as of December 31st)					
Police (including civilians)	979	958	929	852	826
Other full-time	1,768	1,691	1,663	1,680	1,630
TYPICAL RESIDENT'S ANNUAL REGIONAL PROPERTY TAXES AND USER CHARGES					
Property taxes - general purpose	\$ 1,255	\$ 1,303	\$ 1,357	\$ 1,229	\$ 1,275
Water billings	364	362	363	370	344
Wastewater surcharge	414	390	404	397	375
Based on 2011 Value Assessment of \$350,000 and annual water consumption of 274m³					
Taxable Assessment (\$ Thousands)					
Residential & farm	\$ 74,331,506	\$ 69,577,604	\$ 64,472,931	\$ 59,355,664	\$ 53,096,795
Commercial & industrial (C/I)	21,287,632	19,926,725	18,246,699	16,604,424	9,113,364
	\$ 95,619,138	\$ 89,504,329	\$ 82,719,630	\$ 75,960,090	\$ 62,210,159
Annual Assessment Growth Rate	6.8%	8.2%	8.9%	22.1%	2.6%
Ratio of C/I to Total Taxable Assessment	22.3%	22.3%	22.1%	21.9%	14.6%
Permits Issued					
Residential	4,468	3,702	3,627	3,095	5,518
Non-Residential	245	178	152	164	183

Source:

(a) Halton Region Planning Department unaudited statistics

(b) FP Markets Canadian Demographics

(c) Statistics Canada Table 282-0109

Note: Due to legislative changes governing the provision of social housing services in Ontario, Halton Community Housing Corporation (HCHC) is controlled by Halton for reporting purposes under the Canadian Public Sector Accounting Standards. This change was applied as of January 1, 2012 which is the date HCHC is eligible for inclusion in Halton's consolidated financial statements. Accordingly, the 2008-2011 comparative amounts do not include the financial results of HCHC.

Top Ten Taxpayers in 2012

Canapen (Halton) Limited, Burlington \$4,241,604

Ford Motor Company of Canada, Oakville \$3,628,881

Sun Life Assurance Company of Canada, Burlington, Halton Hills, Oakville \$3,583,350

MI Developments (857529 Ontario Inc.), Milton \$3,263,874

Burlington Mall Holdings Inc., Burlington \$3,227,750

Union Gas Limited, Burlington, Halton Hills, Milton, Oakville \$3,140,664

Riocan Holdings Inc., Burlington, Halton Hills \$2,942,443

Oakville Place Holdings Inc, Oakville \$2,669,343

2121049 Ontario Limited, Oakville \$2,430,709

Silgold Developments Inc., Oakville \$1,985,805









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