



2013 Annual Financial Report



The Regional Municipality of Halton, Ontario.
For the year ended December 31, 2013.

The *2013 Annual Financial Report* for the
Regional Municipality of Halton, Ontario, Canada.
For the fiscal period ending December 31, 2013.

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

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The *2013 Annual Financial Report* is available at
Halton.ca.



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49 Principal Corporate Taxpayers



Message from Regional Chair Gary Carr

On behalf of Halton Regional Council, I am pleased to share Halton Region's 2013 Annual Financial Report.

Halton Region has maintained its AAA credit rating for the past 23 years—a testament to the financial position, policies and practices of the Region and the Local Municipalities.

We are committed to being an effective, fiscally responsible and transparent government that delivers high quality programs and services. Prudent budgeting and solid financial planning are key to ensuring we continue to contribute to the high quality of life residents expect.

Our commitment to high quality customer service and value for your tax dollars drives our budget planning process. In fact, we have been able to maintain service levels with no tax increases for Regional services for eight years, one of the best records in Canada.

Municipalities receive only 11 per cent of every tax dollar paid. With this small amount, we provide cost effective and high quality programs and services that touch our residents every day—from well planned and sustainable infrastructure to programs and services that enhance the safety and health of all residents.

Among our accomplishments, we:

- Maintained our AAA credit rating and delivered a 0.4 per cent tax reduction for Regional programs and services for 2014;
- Made substantial investments in wastewater and water plant upgrades and in our regional road network;

- Delivered new assisted housing units and implemented the Housing Help Centre;
- Approved the Development Financing Plan that ensures growth pays for itself.

A more detailed look at Halton Region's accomplishments is available in our *2013 Citizens' Report*, which is appended to this report and available online at Halton.ca/actionplan.

Residents rate the overall quality of life in Halton very high at 99 per cent. Satisfaction with Halton Regional services is also very high with 97 per cent of Halton Region residents satisfied with the job that the Region is doing. We are committed to maintaining these high satisfaction levels and continuing to deliver cost effective services that meet the needs of our growing community.

Great things are happening in Halton Region. I invite you to read this report and learn more about our efforts to ensure Halton Region remains a great place to live, work, raise a family and retire. You can contact us by dialing 311, connect with us by visiting Halton.ca or find us on Facebook or Twitter @RegionofHalton.



Gary Carr
Regional Chair

99%

OF HALTON REGION RESIDENTS
RATE OVERALL QUALITY
OF LIFE VERY HIGH

AAA

CREDIT RATING

0%

AVERAGE TAX INCREASE
FOR REGIONAL SERVICES
FOR 8 YEARS



518,311

2013 POPULATION¹

189,124

NUMBER OF HOUSEHOLDS¹

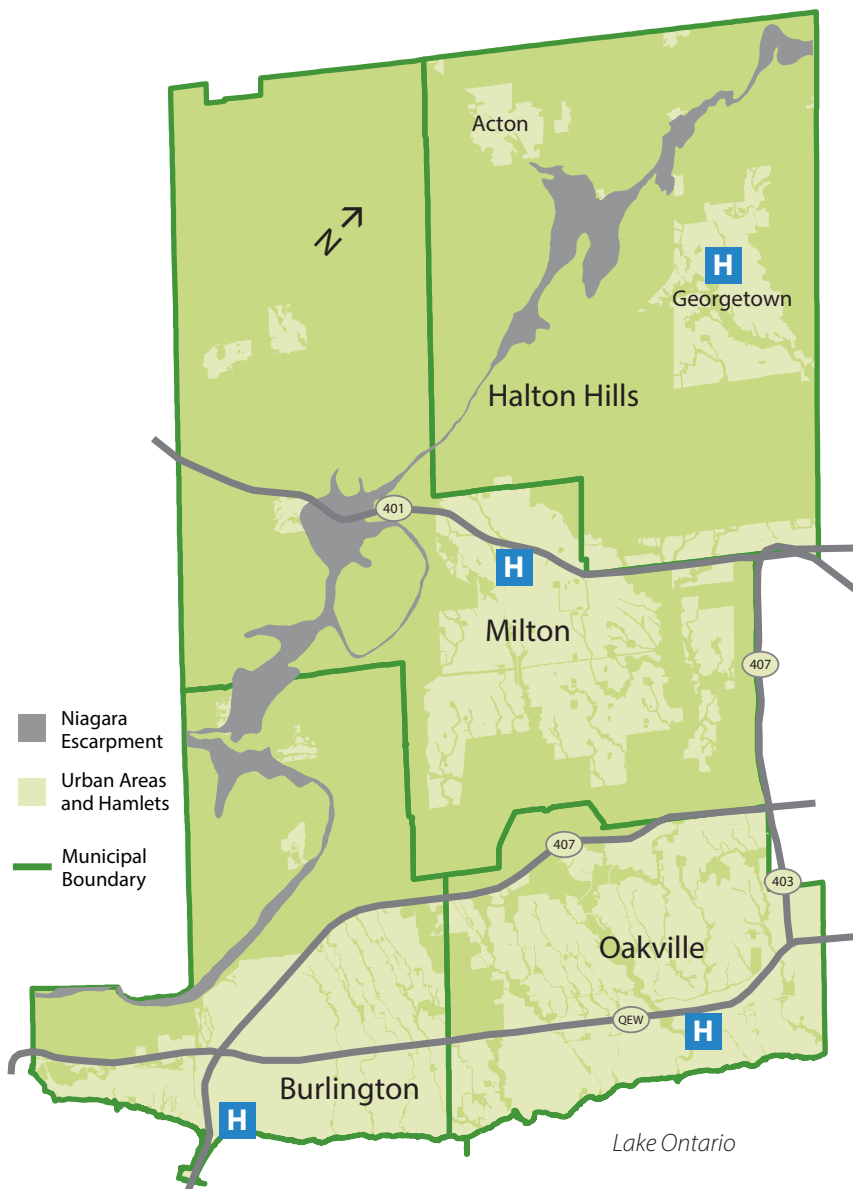
310,906

TOTAL LABOUR FORCE²

38,955

NUMBER OF BUSINESSES³

Halton Region at a Glance



A unique blend of vibrant urban centres, flourishing rural communities and beautiful natural spaces.

969

KM² LAND AREA

423

KM² GREENBELT AREA

25

KM WATERFRONT

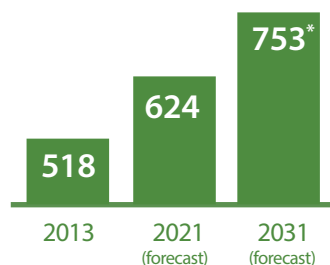
8

CONSERVATION HALTON PARKS

Halton Region is home to the Niagara Escarpment, a UNESCO World Biosphere Reserve.



POPULATION GROWTH¹ (thousands)



Halton Region is a growing community. To meet the requirements of the Provincial *Places to Grow Act*, Halton is expected to grow to more than 753,000* people by 2031.

*Note: 780,000 including census undercount.

INDUSTRIAL AND COMMERCIAL DEVELOPMENT BUILDING PERMIT VALUE⁴ (millions)



Halton Region's commercial and industrial sectors have seen average growth of 13% and 14% respectively over the past 10 years.

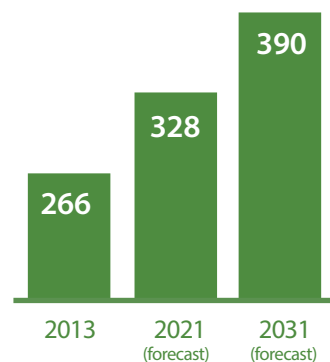
AVERAGE HOUSEHOLD INCOME² (thousands, 2012)



Halton Region residents enjoy a higher average household income than residents in the rest of the province.

Residents are also well educated—74% of adults over the age of 25 have some level of post secondary education⁵.

EMPLOYMENT¹ (thousands)



Halton Region's unemployment rate was 4.7% in 2013, which is below the unemployment levels in the wider Greater Toronto Area and Ontario (8.1% and 7.5%, respectively)⁶.



SAFEST REGION IN CANADA
FOR 5 CONSECUTIVE YEARS

Halton.ca 311



- 1 June 2011 Best Planning Estimates
- 2 Financial Post Markets – Canadian Demographics 2012
- 3 Statistics Canada 2012 (min \$30K in sales)
- 4 Statistics Canada, Building Permits Survey
- 5 2013 OSSLT, Halton District School Board
- 6 2013 average, unadjusted from the Labour Force Survey

Halton Regional Council

Halton Regional Council acts as the decision-making body for Halton Region. 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 Region residents. The mayors of each Local Municipality are also members of Regional Council.

Council agendas, meeting schedules and streaming video of Council meetings are available online at **Halton.ca/agendas**.



Halton Regional Council 2010-2014



Regional Chair

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Town of Halton Hills



Mayor

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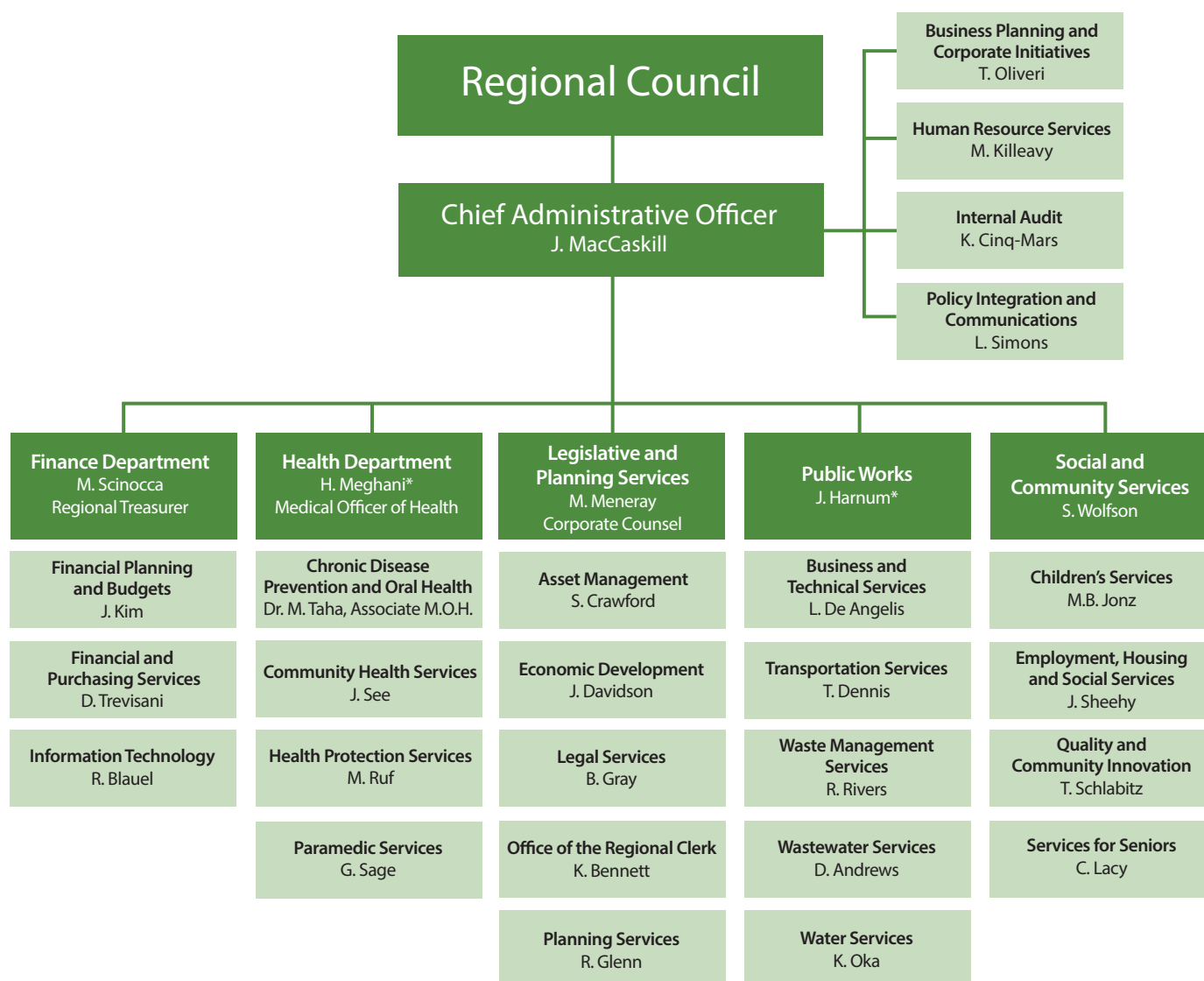


Ward 6

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*Joined Council in 2013 to fill vacancy.

Halton Region's Corporate Organization



*Dr. Hamidah K. Meghani was appointed Commissioner and Medical Officer of Health in April 2014, assuming the position previously held by Dr. Robert Nosal. James Harnum was appointed Commissioner of Public Works in April 2014, assuming the position previously held by Mitch Zamojc.

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 Halton Region's corporate administrative functions including business planning, corporate initiatives, human resource services and the delivery of high quality, frontline customer service through 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 to deliver on the Region's commitment to being an effective, fiscally responsible and transparent organization.

Health Department

The Health Department works to achieve the best possible health for all based on changing community needs. Working in the community and with community partners, the department delivers public health programs and services to enhance the health and safety of residents, 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 Region residents from communicable diseases and environmental hazards such as contaminated food and water.

Legislative and Planning Services

The Legislative and Planning Services Department provides legal support and advice to the corporation and direction on planning and policy initiatives in relation to land use planning and planning for growth.

The department also delivers Halton Region's emergency management, risk management, asset management and heritage services programs, provides economic development and small business services, delivers tourism and physician recruitment programs as well as administrative support services to the corporation and clerical and parliamentary support services to Regional Council and its Committees.

Public Works Department

The Public Works Department provides services that help sustain and enhance a high quality of life for the Region's residents, businesses and visitors by providing well-planned, environmentally sensitive, cost effective water, wastewater, solid waste and road infrastructure and services that promote public health, personal safety, mobility and economic growth.

Social and Community Services Department

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

RECOGNITION

2012 Annual Financial Report

2012 Canadian Award for Financial Reporting

The Government Finance Officers' Association of the United States and Canada

2013 Budget and Business Plan

Distinguished Budget Presentation Award

The Government Finance Officers' Association of the United States and Canada

North Halton Mental Health Clinic

Accreditation with Exemplary Standing

Accreditation Canada

Services for Seniors Division

Accreditation with Exemplary Standing

Accreditation Canada

Small Business Social Media

Gold Quill Award of Excellence

International Association of Business Communicators

Inlet Works, Acton Wastewater Treatment Plant

Award of Excellence

Consulting Engineers of Ontario

Stream of Dreams, Margaret Drive Child Centre

Award of Environmental Excellence

Conservation Halton

Halton's Drinking Water Systems

100% Compliance Rating

Ministry of the Environment

Halton Region's Fleet

Bronze E3 Fleet Rating

E3 Fleet Program



Treasurer's Report

Mark Scinocca

Commissioner of Finance and Regional Treasurer

I am pleased to present the Consolidated Financial Statements for the Regional Municipality of Halton (Halton Region) for the year ended December 31, 2013. 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

Chartered Professional Accountants of Canada 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 2013 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.

Community Profile

Halton Region includes the City of Burlington, the Town of Halton Hills, the Town of Milton and the Town of Oakville. Halton Region is situated on the northern shore of Lake Ontario and lies within the industrial and commercial heartland of Ontario, Canada. The Region of Halton is within a 640 km radius of some of the largest population centres and markets in North America. Halton Region's location within the Greater Toronto Area, as well as its close proximity to the United States, translates into expanded business and professional employment opportunities for Halton Region residents. Halton Region's infrastructure includes an integrated transportation network of roads and bridges, storm water management, water purification and distribution, wastewater collection and treatment, waste management collection, disposal and recycling, paramedic services, public health services, services for vulnerable residents (social housing, long-term care for seniors and child care facilities and subsidies) and administration facilities for police and other service departments.

Projected Growth and Financing

Halton Region is a rapidly growing community. It is expected to grow from 520,000 people in 2011 to 780,000 people by 2031 as set out in the Halton Regional Official Plan, which conforms to the Provincial Growth Plan. Financing infrastructure required to accommodate the Provincial Growth Plan continues to be a key challenge faced by Halton Region.

In order to support the Provincial Growth Plan between 2012 and 2031, Halton Regional Council has approved water, wastewater and transportation Master Plans, including \$4.3 billion of infrastructure requirements. When the water and wastewater state-of-good-repair program is combined, Halton Region's infrastructure capital program requires a total of \$5.6 billion to be funded to 2031.

Growth Financing Principle

While the Provincial Growth Plan has imposed significant infrastructure pressures and related financial challenges on Halton Region, Halton Regional Council has committed to support the planned growth, while maintaining one of its core objectives in managing growth: to protect Halton Region's tax and rate payers from impacts related to financing growth related infrastructure and to protect Halton Region's strong financial position.

Halton Region's long-standing principle that an acceptable development financing plan must be approved by Council prior to growth proceeding is rooted in Halton Region's history in the financing of growth related infrastructure over the past 30 years. This principle has ensured that Halton Region's tax and rate payers are protected from the impacts related to the financing of growth.

Development Allocation Program Approved

Halton Region plans for growth consistent with the Provincial requirements through the Development Allocation Program. The Allocation Program ensures that growth is consistent with Halton Region's Official Plan, that infrastructure requirements are identified to support the growth and that there is an acceptable development financing plan for the delivery of required infrastructure. The Allocation Program approved in 2013 (Report No. LPS 95-13/FN-29-13/PW-56-13) includes water, wastewater and transportation infrastructure at an estimated cost of \$1.4 billion. This \$1.4 billion will be funded primarily by development charges paid by the development industry including \$962 million collected upfront from the residential developers.

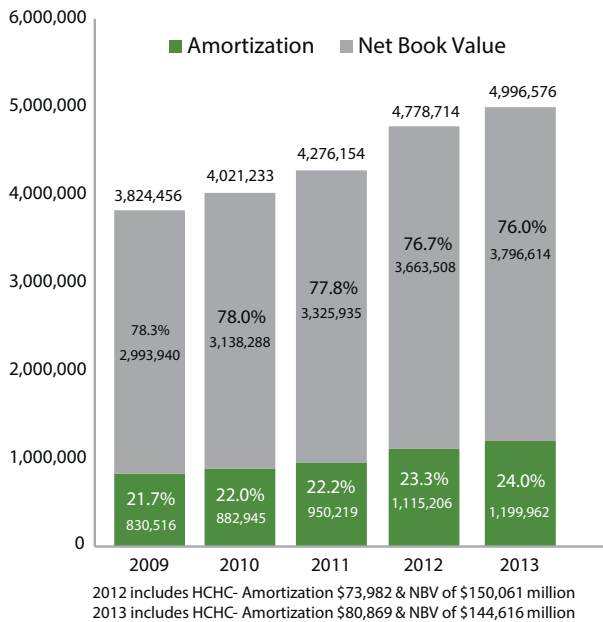
Asset Management Planning

Halton Region's infrastructure assets are key resources used to provide services to the public. These services include the provision of a safe and efficient road network, safe drinking water, environmentally sound wastewater treatment, effective waste collection and processing, and the provision of social housing and facilities for other key services such as long term care. All of these services contribute to the local economy and improve the quality of life for residents.

Tangible Capital Assets

With a growing community, Halton Region continues to invest in capital assets which must be maintained in a state of good repair. As shown in the following table, capital assets have grown from \$3.8 billion in 2009 to \$5.0 billion in 2014, an increase of over 30%. In 2013, the total historical cost of \$5.0 billion and total accumulated amortization of \$1.2 billion shows that 76% of the potential useful life remains to provide services to Halton Region residents. This ratio has been in the range of 76% to 78% since 2009.

Tangible Capital Assets: Net Book Value and Amortization (in Millions)



As reported in the Asset Management Plan, Halton Region's asset management practices have allowed for the desired levels of service to be met and assets to be maintained in a state-of-good-repair. This has resulted in the majority of assets rated to be in "Good" condition. The Corporate Asset Management Plan ensures sound stewardship of Halton Region's existing assets to support services at desired levels and to ensure the support of Halton Region's infrastructure is financially sustainable.

One of the key objectives of Halton Region's annual budget is to continue to invest appropriately in the state-of-good-repair of Halton Region's assets and to maintain the overall condition of Halton Region's infrastructure. The state-of-good-repair capital budget primarily finances major repair and replacement of Halton Region's capital assets. Halton Region's 2014, 10-year state-of-good-repair capital budget included \$1.1 billion as follows:

- Water and wastewater: \$650.5 million
- Transportation: \$231.7 million
- Other (i.e. Waste management, long-term care, paramedic services, etc.): \$274.1 million

Halton Region continues to move forward with its Asset Management Plan. The level of investment required over the next 10 years is expected to grow in order to ensure the proper maintenance of Halton Region's existing assets as well as new assets.

Corporate Asset Management Plan

In 2013, Halton Region's Corporate Asset Management Plan (PW-55-13/FN-27-13/LPS91-13), was approved by Council with a purpose to ensure the best possible decisions are made regarding the construction, operation, maintenance, renewal, replacement, expansion and disposal of infrastructure assets while minimizing risk and cost to Halton residents/businesses and maximizing service delivery. The Corporate Asset Management Plan allows Halton Region to:

- Provide input into long-term infrastructure master plans and the Budget and Business Plan
- Document existing and planned work practices and procedures
- Provide a business case for key infrastructure investments to support Regional services
- Maintain financial sustainability
- Facilitate better decisions with respect to resource allocation
- Support community engagement regarding customer desired levels of service derived from the infrastructure assets
- Meet legislative requirements
- Pursue funding applications to the Province

Long-term Financial Management

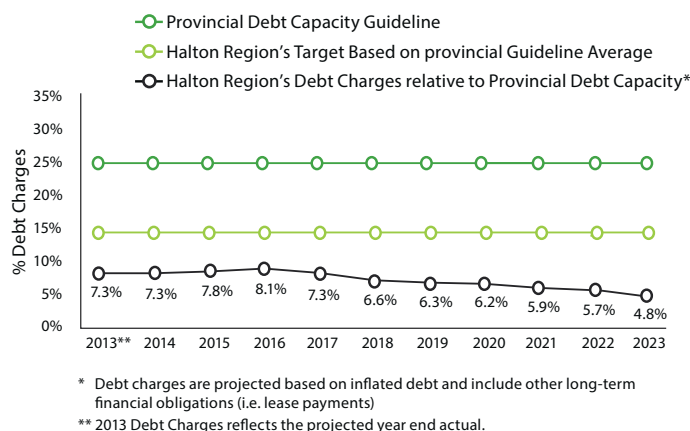
The long-term maintenance of Halton Region's solid fiscal foundation is one of the primary goals established by Halton Regional Council through "The Citizens' Priorities: Halton Region's 2011-2014 Action Plan." Continued diligence in managing debt levels and maintaining adequate reserves will be required to sustain Halton Region's fiscal position.

Long-term financing requirements are driven by the long-term capital infrastructure plan and Asset Management needs. As outlined in the 2014 Budget and Business Plan, Halton Region's funding strategy is to recover the cost of growth through development charges to fund the growth related infrastructure and to use a balance of reserve / reserve funds and debt to fund the state-of-good-repair capital program. Halton Region's well-balanced funding strategy has been reflected in the key financial indicators as discussed on the following page.

Debt Capacity

The Province sets a debt capacity guideline for municipalities of 25% of own revenues. Halton Region's own guidelines (10% of total operating expenditures) translate to approximately 13% of own revenues. The following chart illustrates Halton Region's projected position relative to the Province's debt guideline as presented in the 2014 budget. Halton Region's ratios continue to remain well below the guideline.

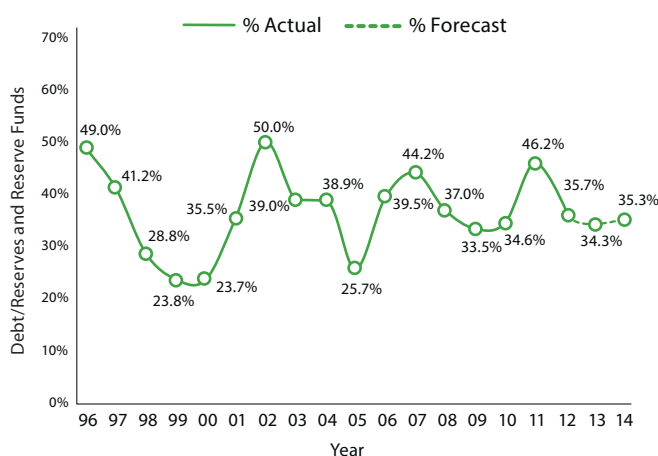
Projected Debt Charge Position Relative to Provincial Guideline (2013 – 2023)



Debt to Reserve Ratio

The Outstanding Debt to Reserve/Reserve Fund chart below illustrates the impact of Halton 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 Halton Region's overall financial position. The ratios over the past 15 years have been fluctuating based on capital infrastructure funding needs over time, but have been declining in recent years.

Outstanding Debt to Reserves and Reserve Funds



Operating Results Highlights

The Consolidated Statement of Operations summarizes the revenue and expenses for 2013. The focus of this statement is Net Revenues which is the difference between revenues of \$905.1 million and operating expenses of \$692.7 million for the reporting period. Halton Region reported a Net Revenue of \$212.4 million in 2013 compared to \$262.9 million in 2012. Net Revenues are required to fund future capital replacement, to finance current TCA acquisitions and to fund debt principal repayments which are included in the annual budget.

Revenues as reported on the Consolidated Statement of Operations total \$905.1 million in 2013. The following provides a summary of the source of the revenue used to fund Halton Region's operations and capital investments.

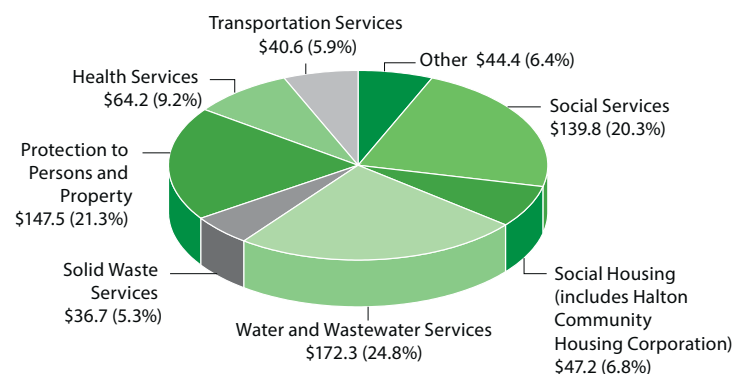
2013 Consolidated Revenues
Total \$905.1 Million:

Taxation	\$357.6 (39.5%)
User Charges	\$189.5 (21.0%)
Grants	\$168 (18.6%)
Development Charges & Developer Contributions	\$95.4 (10.5%)
Investment Income	\$68.4 (7.6%)
Federal Gas Tax	\$12.8 (1.4%)
Other	\$13.4 (1.4%)

Expenses for Operations from the Consolidated Statement of Operations totalled \$692.7 million in 2013.

The following provides a summary of services provided to the community for these expenses by program.

Halton Region 2013 Consolidated Operating Expenses
Total \$692.7 Million



\$139.8M

SOCIAL AND COMMUNITY
SERVICES



\$47.2M

SOCIAL HOUSING



\$172.3M

WATER AND WASTEWATER
SERVICES



\$36.7M

SOLID WASTE SERVICES



Regional Programs and Services

Year-end Operating Results Highlights

Social Services

Operations of \$139.8 million

- Financial assistance to an average of 1,865 Halton caseloads per month
- Childcare fee assistance to 4,123 children
- Direct care and service to approximately 555 seniors at the Regionally operated long-term care homes

Social Housing

Operations of \$47.2 million

- Oversight of 4,376 housing units of which 1,961 are directly operated by Halton Community Housing Corporation (HCHC) which is wholly owned by Halton Region

Water and Wastewater

Services totalling \$172.3 million

- Treatment of 61 million cubic metres of water and 86 million cubic metres of wastewater
- Operation of six water purification plants (treatment provided prior to distribution) and seven wastewater treatment plants

Solid Waste

Expenses of \$36.7 million

- Collection and disposal of 90,585 tonnes of residential garbage and the diversion of 125,586 tonnes of residential Blue Box and organic materials as per the Waste Diversion Ontario report

Health Services

Expenses of \$64.2 million

- Ambulance Services through the deployment of 22 emergency vehicles and 188 paramedics
- 8,149 seasonal influenza immunizations delivered at Health Department clinics
- 9,651 clients served at dental, mental health, sexual health, tobacco cessation and travel clinics
- 18,474 parents of children and youth provided education on positive parenting practices
- 5,732 inspections of food premises completed
- 16,941 children screened for oral health in elementary schools

Protection to Persons and Property

Police and Conservation Authority

Expenses of \$147.5 million

- Police services through the deployment of 659 police officers
- Emergency services for the operation of 911 call centre which received 113,531 calls
- Contributions to Conservation Halton which consists of eight parks, 969 sq. km of land with 25 km of Lake Ontario shoreline, Grand River Conservation Authority which consists of 12 parks and 200 sq. km of land, and Credit Valley Conservation which consists of 1,000 sq. km of land and 12 conservation areas

Transportation Services

Expenses of \$40.6 million

- Maintenance of 1013.61 paved lane kilometres (kilometres multiplied by the number of lanes), 73.7% of which were rated as good to very good condition

Other Services

Expenses of \$44.4 million

- In 2013 there were 224 staff reports approved by Council and 150 bylaws for a total of 374 documents
- For planning purposes, Halton has 28,638 hectares of land designated as development land
- The Halton Region Museum hosted 15,769 visitors

\$64.2M

HEALTH SERVICES



\$147.5M

PROTECTION TO PERSONS
AND PROPERTY



\$40.6M

TRANSPORTATION SERVICES



\$44.4M

OTHER SERVICES



As shown in the Consolidated Statement of Operations, the main contributor to the \$21.3 million decrease in year over year revenues was the reduction of Development Charges received in 2013 due to the timing of development. Development Charge revenues are expected to increase in 2014. The major contributing factors to the \$29.1 million increase in expenses in 2013 compared to 2012 can be attributed to year over year changes in tangible capital assets (TCA) valuations, amortization and disposals for Water, wastewater and transportation services.

Accountability and Transparency

Financial Management and Control

The financial management and control of Halton Region is largely governed through bylaws 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.

The Municipal Act requires Halton Region to engage independent auditors to express an opinion that the financial statements presented accurately reflect Halton Region's financial position and operating results. In fulfilling this duty, the external auditors are provided full access to all Halton Region 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 Subcommittee, 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 assist Regional Council in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control and the audit process. The Audit Sub-committee also provides a high level of public accountability and assurance 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.

Credit Ratings

Halton Region's AAA credit rating has been re-affirmed by credit rating agencies in 2013. Halton Region's strong liquidity, its well-diversified economic base and its history of strong budgetary performance are primary factors in Halton Region achieving an AAA credit rating from both Moody's Investors Service and Standard & Poor's, the highest credit rating available. Halton Region has maintained its AAA credit rating for the past 23 years which is a testament to the financial position, policies and practices of Halton Region.

Financial Statement Comparison to 2013 Budget

Note 19 to the Financial Statements provides a conversion of the Council approved budget from a cash based budget to a full accrual based budget. This Note has been enhanced in the 2013 Financial Statements to facilitate the reader's ability to compare the 2013 Council approved Budget Book to the PSAB full accrual based Financial Statements. Although there is no requirement to prepare a budget on a full accrual basis, PS1201 requires the budget be presented in the Financial Statements to provide a comparison to the actual results. Note 19 matches the gross revenues and expenses as reported in the Financial Statements with the Council approved 2013 budget. The programs as presented in the Council approved Budget Book are converted into the format presented in the Financial Statements. The format presented in the Financial Statements is in alignment with the Ministry of Municipal Affairs and Housing's annual Financial Information Returns. It should be noted that the reporting of budgeted spending to actual spending is done through regular variance reporting to Regional Council which is available on the Region's website at Halton.ca/finances.

Awards for Financial Reporting and Budget Presentation

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

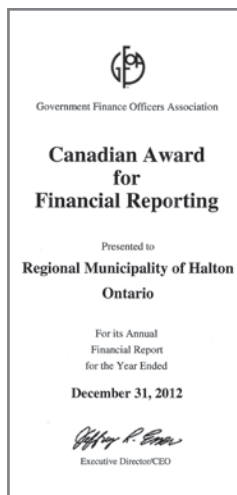
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award

for Financial Reporting (CanFR) to The Regional Municipality of Halton for its annual financial report for the fiscal year ended December 31, 2012. 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 seventh time Halton Region 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.

The GFOA of the United States and Canada also presented The Regional Municipality of Halton with its Distinguished Budget Presentation Award for the 2013 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 ninth time Halton Region has received the award and it represents a significant achievement.



Conclusion

Halton Region continues to maintain a strong financial position, a key reason both Moody's and Standard and Poor's have rated Halton Region AAA, the highest financial rating available. The 2013 Consolidated Financial Statements, Notes to the Consolidated Financial Statements and supporting schedules have been independently audited by KPMG LLP. The Independent Auditors' Report notes the fair presentation of Halton Region's consolidated financial statements which comprise of the financial position, operations, change in net financial assets and cash flows for the year ended December 31, 2013 and notes, are included in the 2013 Annual Report.

A handwritten signature in black ink, appearing to read "Mark Scinocca".

Mark Scinocca
Commissioner of Finance and Regional Treasurer

June 18, 2014

The background of the slide is a collage of financial data visualizations. It includes a bar chart with values ranging from 200 to 1000, a line graph with a fluctuating trend, a pie chart with a 12% segment highlighted, and another bar chart with values from 0 to 300. A hand holding a pen is visible in the lower right corner, appearing to be working on the documents. The entire image has a green tint.

Financial Statements

For the year ended December 31, 2013

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 Professional Accountants of Canada. The adoption of these standards provides the reader of the financial statements a more complete view of the Region of Halton'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 Halton Region are properly safeguarded and that the business transactions of 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 2013 Financial Statements have been examined by Halton's external auditors, KPMG, Chartered Accountants, and their report precedes the financial statements.



Mark Scinocca

Commissioner of Finance and Regional Treasurer

Oakville, Canada

June 18, 2014



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Chartered Accountants
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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, 2013, the consolidated statements of operations, change 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, 2013, 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 Professional Accountants, Licensed Public Accountants

June 18, 2014
Hamilton, Canada

Consolidated Statement of Financial Position

as at December 31, 2013 (with comparative figures as at December 31, 2012)

(Dollars in Thousands)

	2013	2012
FINANCIAL ASSETS		
Cash and short term deposits	\$ 45,210	\$ 88,328
Accounts receivable:		
Water/wastewater	29,247	27,546
Ontario and Federal grants	18,973	12,956
Other receivable	30,180	35,161
Other current assets	183	158
Investments (Note 2)	1,558,900	1,481,758
Loans receivable (Note 7)	1,282	1,063
Recoverable gross long-term debt from:		
Local Municipalities (Note 5)	183,075	185,689
Total financial assets	1,867,050	1,832,659
LIABILITIES		
Accounts payable and accrued liabilities	174,132	185,097
Gross long-term liabilities (Notes 5 and 6)	389,920	413,008
Sinking fund debentures (Note 5)	106,000	106,000
Deferred revenue (Note 10)	344,401	358,340
Landfill closure and post closure liabilities (Note 11)	10,459	12,875
Employee benefits payable (Note 12)	61,203	55,762
Total liabilities	1,086,115	1,131,082
NET FINANCIAL ASSETS	780,935	701,577
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	3,796,614	3,663,508
Prepaid expenses	1,144	1,498
Inventory	3,489	3,189
Total non-financial assets	3,801,247	3,668,195
ACCUMULATED SURPLUS (Note 13)	\$ 4,582,182	\$ 4,369,772

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

For the year ended December 31, 2013 (with comparative figures for the year ended December 31, 2012)

(Dollars in Thousands)

	2013	2012
REVENUES		
Taxation	\$ 357,615	\$ 348,927
User charges	189,545	196,345
Grants	168,056	161,115
Investment income	68,371	71,871
Development charges and developer contributions	95,432	119,192
Federal gas tax	12,757	16,057
Other revenue	13,356	12,969
Total revenues	905,132	926,476
EXPENSES		
General government	31,674	28,776
Social services	139,783	138,957
Social housing	47,233	50,423
Water and wastewater services	172,339	150,693
Solid waste services	36,679	35,055
Protection to persons and property	147,508	138,391
Health services	64,158	60,251
Transportation services	40,647	51,299
Planning and development	9,923	7,375
Recreation and cultural services	2,778	2,309
Total expenses	692,722	663,529
NET REVENUES	212,410	262,947
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,369,772	4,017,418
HCHC ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	89,407
ACCUMULATED SURPLUS, END OF YEAR	\$ 4,582,182	\$ 4,369,772

See accompanying notes to consolidated financial statements.

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2013 (with comparative figures for the year ended December 31, 2012)

(Dollars in Thousands)

	2013	2012
Net revenues	\$ 212,410	\$ 262,947
Acquisition of tangible capital assets	(231,559)	(304,051)
Amortization of tangible capital assets	92,240	108,565
Loss on disposal of tangible capital assets	5,804	11,553
Proceeds on disposal of tangible capital assets	409	481
Change in inventory and prepaid expenses	54	(215)
Change in net financial assets	79,358	79,280
NET FINANCIAL ASSETS, BEGINNING OF YEAR	701,577	687,254
HCHC NET DEBT, BEGINNING OF YEAR	-	(64,957)
NET FINANCIAL ASSETS, END OF YEAR	\$ 780,935	\$ 701,577

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2013 (with comparative figures for the year ended December 31, 2012)

	(Dollars in Thousands)	
	2013	2012
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net revenues	\$ 212,410	\$ 262,947
HCHC cash, beginning of the year	-	3,695
Items not involving cash:		
Amortization	92,240	108,565
Loss on disposal of tangible capital assets	5,804	11,553
Contributed tangible capital assets	(20,280)	(12,272)
Change in non-cash assets and liabilities:		
Accounts receivable	(2,737)	(2,844)
Accounts payable and accrued liabilities	(10,965)	11,816
Other current assets	(25)	(10)
Deferred revenue	(13,939)	2,120
Inventory and prepaid expenses	54	(215)
Employee benefits payable and other liabilities	3,025	7,027
Change in HCHC working capital non-TCA	-	(68,652)
Net change in cash from operating activities	265,587	323,730
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	409	481
Cash used to acquire tangible capital assets	(211,279)	(291,779)
Net change in cash from capital activities	(210,870)	(291,298)
INVESTING ACTIVITIES		
Loans receivable	(219)	4,247
Investments	(77,142)	(86,968)
Net change in cash from investing activities	(77,361)	(82,721)
FINANCING ACTIVITIES		
Long-term debt issued and assumed	9,399	47,968
Long-term debt repaid	(27,074)	(30,303)
Mortgages payable and repayment	(2,799)	58,832
Net change in cash from financing activities	(20,474)	76,497
NET CHANGE IN CASH	(43,118)	26,208
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	88,328	62,120
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 45,210	\$ 88,328

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidated Statements

The consolidated financial statements for the Regional Municipality of Halton (Halton Region) 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 Chartered Professional Accountants of Canada (CPA). Significant accounting policies adopted by Halton Region are as follows:

(b) Basis of Consolidation

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

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

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

(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	10 to 95 years
Computer hardware	3 to 7 years
Computer Software	5 to 10 years
Land	Not amortized
Land improvements	5 to 70 years
Leasehold improvements	Based on lease term
Machinery and equipment	5 to 60 years

Vehicles	3 to 10 years
<u>Infrastructure:</u>	
Buildings and building improvements	5 to 60 years
Land	Not amortized
Land improvements	10 to 25 years
Linear	15 to 90 years
Machinery and equipment	5 to 50 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 is calculated on a straight-line basis and 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 Halton 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 Region 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

On January 1, 2013 the Region adopted Public Sector Accounting Standards PS 3410, Government Transfers. This standard was adopted on a prospective basis from the date of adoption. Under PS 3410, government transfers received or receivable are recognized in revenue once the eligibility criteria, if any, are met unless they meet the definition of a liability. Government transfers paid are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

As a result of the adoption of this new standard there were no adjustments to the financial statements. Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished. Major categories of government transfers are reported in Note 16, Note 17 and Note 18.

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. Loans Receivable

The loans receivable is valued at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability has been impaired. The loans 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. Loans 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

Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. Total annual tax revenue recognized by major category is reported in Note 18.

xvi. Pensions and Employee Benefits

Halton Region 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 Region.

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 Region'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 Region 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 \$1,558,900,395 (2012 - \$1,481,757,766) are carried at cost. The investments have a market value of \$1,602,160,339 (2012 - \$1,610,418,005) 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, 2013. Halton Region'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 Halton Region's 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. Halton Region has tangible capital assets with a net book value of \$331,306,544 (2012 - \$298,908,770) that are not being amortized as they are under construction. During the year there were no write-downs of assets (2012 - \$nil). Roads and underground water and sewer systems in the amount of \$20,280,293 (2012 - \$12,272,491) were contributed to Halton Region and were recorded at their fair value at the time of contribution. Halton Region has no tangible capital assets recognized at a nominal value. As per Halton Region's policy, there was no interest capitalized during the year (2012 - \$nil). Halton 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 Artifacts or Museum Archival Materials.

The following charts summarize tangible capital asset balances by category for the years 2013 and 2012:

(Dollars in Thousands)									
Asset Type	Opening Balance	Additions	Disposals	Ending Balance	Opening Accumulated Amortization Balance	Amortization	Disposals	Ending Accumulated Amortization Balance	Ending Net Book Value
	1-Jan-13			31-Dec-13	1-Jan-13			31-Dec-13	31-Dec-13
General									
Buildings and building improvements	\$221,450	\$1,160	\$15	\$222,595	\$64,850	\$7,353	\$15	\$72,188	\$150,407
Computer hardware	17,776	2,426	83	20,119	12,409	2,323	82	14,650	5,469
Computer software	12,783	3,373	-	16,156	8,022	1,641	-	9,663	6,493
Land	146,398	5	-	146,403	-	-	-	-	146,403
Land improvements	62,596	2,685	-	65,281	24,374	1,749	-	26,123	39,158
Leasehold improvements	3,440	827	-	4,267	952	300	-	1,252	3,015
Machinery and equipment	182,994	5,734	1,445	187,283	86,490	9,293	1,246	94,537	92,746
Vehicles	22,921	3,894	1,677	25,138	13,372	3,186	1,423	15,135	10,003
Total General Capital	670,358	20,104	3,220	687,242	210,469	25,845	2,766	233,548	453,694
Infrastructure									
Buildings and building improvements	356,931	9,729	26	366,634	106,839	7,496	17	114,318	252,316
Land	62,389	810	-	63,199	-	-	-	-	63,199
Land improvements	84,042	2,382	25	86,399	43,679	2,467	23	46,123	40,276
Linear	2,893,980	148,844	10,097	3,032,727	578,037	42,608	4,358	616,287	2,416,440
Machinery and equipment	412,105	17,292	329	429,068	176,182	13,824	320	189,686	239,382
Total Infrastructure	3,809,447	179,057	10,477	3,978,027	904,737	66,395	4,718	966,414	3,011,613
Assets Under Construction	298,909	32,398	-	331,307	-	-	-	-	331,307
Total Tangible Capital Assets	\$4,778,714	\$231,559	\$13,697	\$4,996,576	\$1,115,206	\$92,240	\$7,484	\$1,199,962	\$3,796,614

(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

4. RESERVES AND RESERVE FUNDS FOR TANGIBLE CAPITAL ASSETS

The Consolidated Statement of Operations reports historical amortization costs for 2013 totalling \$92,239,576 (2012 - \$108,564,989). Reserve and reserve fund contributions totaling \$241,660,013 (2012 - \$236,735,242) and development charges proceeds totalling \$60,543,316 (2012 - \$120,619,032) have been made in 2013. 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 Region exclusive authority to issue long-term debt for both Halton Region and Local Municipal purposes. The legislation also permits Halton Region 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 Region. The debentures are direct, joint and several obligations of Halton Region 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)	
	2013	2012
Long-term liabilities incurred by Halton Region	\$333,886	\$354,176
Mortgages payable by HCHC	56,034	58,832
Sinking fund debentures	106,000	106,000
Total long-term liabilities incurred by Halton Region	495,920	519,008
Less recoverable from:		
Local Municipalities	183,075	185,689
Total recoverable from others	183,075	185,689
Net Long-Term Liabilities at Year End	\$312,845	\$333,319

Long-term liabilities include Sinking Fund debentures issued in 2012 for the amount of \$106,000,000 of which Halton Region holds the entire share. As at December 31, 2013, contributions to and earnings of the Sinking Investment Fund are \$3,246,238 (2012 - 1,595,452). Annual payments of \$1,595,452 to the Sinking Investment Fund will be made to finance the repayment of the debentures as they mature.

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

	(Dollars in Thousands)	
	2013	2012
Property taxes – general purpose	\$12,550	\$15,364
Water	61,950	61,443
Wastewater	47,316	54,945
Development charges	134,995	142,735
HCHC	56,034	58,832
Net Long-Term Liabilities at Year End	\$312,845	\$333,319

6. CHARGES FOR LONG-TERM LIABILITIES

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

	(Dollars in Thousands)	
	2013	2012
Gross principal repayment	\$50,223	\$52,251
Principal repayment - HCHC mortgages	2,799	2,631
Less amounts recovered	23,149	21,948
Net principal	29,873	32,934
Gross interest paid	17,305	17,788
Interest paid - HCHC mortgages	2,379	2,612
Less amount recovered	7,215	7,208
Net interest	12,469	13,192
Total Net Principal and Interest	\$42,342	\$46,126

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

	(Dollars in Thousands)	
	2013	2012
Property taxes – general	\$2,248	\$3,866
Water and wastewater revenues	22,378	24,002
Development charges	12,538	13,015
HCHC mortgages	5,178	5,243
Total	\$42,342	\$46,126

Debentures bear interest at rates ranging from 1.0% to 5.05%. Mortgages of \$56,033,651 (2012 - \$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 2.442% and 5.94%.

The principal amounts required for long-term liabilities are as follows:

	(Dollars in Thousands)			
	Instalment Principal	Sinking Fund	HCHC Mortgages	Total
2014	\$28,907	\$1,760	\$2,915	\$33,582
2015	26,569	1,849	14,155	42,573
2016	26,434	1,943	5,393	33,770
2017	19,543	2,041	10,786	32,370
2018	13,743	2,144	19,314	35,201
2019	11,134	2,252	278	13,664
2020 - 2041	24,956	93,536	3,193	121,685
Total	\$151,286	\$105,525	\$56,034	\$312,845

7. LOANS RECEIVABLE

Halton Region has loans receivables in the amount of \$1,282,051 (2012 - \$1,062,998) from Conservation Halton. 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 2013 the repayment amount is \$245,553 (2012 - \$219,435) based on an interest rate of 4.51% (2012 - 5.54%).

8. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

- (a) Halton Region has outstanding contractual obligations of \$166,359,440 for capital works. Regional Council has authorized the required financing for these obligations.
- (b) Halton Region has entered into operating leases for various office premises and equipment requiring the following payments over the next five years:

2014 -	\$2,973,147
2015 -	1,852,703
2016 -	1,536,873
2017 -	689,828
2018 -	628,771

- (c) Halton Region has made provision for the use of \$376,424,709 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 Region 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 Region'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 Region has obligatory development charge reserve funds in the amount of \$241,536,215 (2012 - \$254,604,546) and an obligatory reserve fund for the Federal gas tax funds in the amount of \$15,391,746 (2012 - \$14,107,643). These reserve funds are considered obligatory as Provincial and Federal 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 Region 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	2013	2012
Balance, beginning of year	\$268,712	\$268,712	\$245,437
Development charges collected	60,543	60,543	120,619
Interest earned	1,582	1,582	2,122
Federal funding collected	13,474	13,474	13,474
	344,311	344,311	381,652
General deferred revenue	-	87,473	89,628
Less:			
Contributions used in operations	87,383	87,383	112,940
Balance, End of Year	\$256,928	\$344,401	\$358,340

11. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

Halton 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 4,999,668 m³ (2012 – 5,116,159m³) for an estimated life expectancy of 29 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 5.0% net of inflation of 2.0%. Estimated expenses for closure and post-closure care are \$14,032,925 (2012 - \$15,229,247). The expenses remaining to be recognized are \$3,573,600 (2012 - \$2,354,157). The estimated length of time required for post-closure care is 40 years. A liability of \$10,459,325 (2012 - \$12,875,091) has been reported on the Consolidated Statement of Financial Position. Reserve funds totalling \$15,386,539 (2012 - \$13,871,222) have been established for this liability and are reported as a reserve fund in Note 13. Halton Region also monitors seven closed landfill sites owned by the Local Municipalities. Under agreements with the four Local Municipalities, Halton Region may recover the cost of capital rehabilitation that may be required and 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

Halton 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)	
	2013	2012
Retiree benefits	\$32,969	\$30,640
Future payments required to WSIB	10,770	10,039
Long-term disability	13,657	11,206
Vacation pay	3,734	3,771
Vested sick leave entitlements	73	106
Total	\$61,203	\$55,762

Halton 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)	
	2013	2012
WSIB	\$7,950	\$7,471
Long-term disability	7,272	5,612
Sick leave	114	190
Employee benefits	34,582	29,534
Total	\$49,918	\$42,807

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

	(Dollars in Thousands)	
	2013	2012
Accrued benefit obligation:		
Balance, beginning of year	\$61,898	\$55,154
Current benefit cost	6,947	6,597
Interest	2,670	2,366
Benefits paid	(5,064)	(4,719)
Plan amendment	-	2,500
Actuarial gain	(9,481)	-
Balance, end of year	56,970	61,898
Unamortized actuarial gain/(loss)	*4,233	(6,136)
Liability for benefits	61,203	55,762
Amortization of Actuarial Loss	\$888	\$888

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

Employee benefits	\$2,067,086	14 years
WSIB	(64,208)	10 years
LTD	2,229,875	8-10 years

Workplace Safety and Insurance Board (WSIB)

As a Schedule 2 employer, Halton Region has assumed the liability for any costs awarded under the *Workplace Safety and Insurance Board Act*. During 2013 Halton Region paid \$nil (2012 - \$67,168) in pension awards and \$100,167 (2012 - \$312,849) in lost wages. The liability was determined by an actuarial valuation undertaken as at December 31, 2013, using a discount rate of 4.5% 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 Region'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 Region 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, 2013 using a discount rate of 5%. Medical costs were assumed to increase at the rate of 6% per year decreasing in 2020 to 4% per year. Dental costs were assumed to increase at the rate of 4% per year. Halton Region 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, 2013.

Extended Health, Dental and Long-Term Disabilities Benefit Plans

Halton Region 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, 2013 using a discount rate of 4% 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 2013, payments out of the vested sick leave plan amounted to \$32,433 (2012 - \$30,238) and have been reported on the Consolidated Statement of Operations. The sick leave benefits of \$72,587 are anticipated to be paid out in 2014.

13. ACCUMULATED SURPLUS

Accumulated surplus consists of general surplus and reserves and reserve funds as follows:

	(Dollars in Thousands)		
	2013	2012	Difference
Unexpended capital financing	\$470,600	\$466,114	\$4,486
Reserves (detailed below)	613,773	571,709	42,064
Reserve funds (detailed below)	94,314	81,775	12,539
Sinking investment fund	3,246	1,595	1,651
Tangible capital assets	3,796,614	3,663,508	133,106
Developer financed assets	(11,360)	(12,295)	935
Other	104	(32)	136
Amounts to be recovered in future years:			
From reserves and reserve funds on hand	(65,305)	(56,678)	(8,627)
From future revenues	(319,804)	(345,924)	26,120
Total Accumulated Surplus	\$4,582,182	\$4,369,772	\$212,410
Reserves set aside by Council:			
Stabilization – rate	\$25,973	\$22,526	
Stabilization – tax	58,128	55,981	
Program Specific	50,932	44,745	
Equipment replacement – vehicle	5,030	6,026	
Equipment replacement – building	19,837	17,545	
Equipment replacement – equipment	5,755	13,404	
Capital – rate	151,813	118,706	
Capital – tax	227,459	227,540	
Capital – investment	64,656	63,840	
Other	4,190	1,396	
Subtotal reserves	613,773	571,709	
Reserve Funds set aside for specific purpose by Council:			
Landfill closure and post closure	15,387	13,871	
Workplace Safety and Insurance Board	7,950	7,471	
Self-insurance – general	3,965	3,566	
Self-insurance – employee benefits	41,968	35,336	
Other	25,044	21,531	
Subtotal reserve funds	94,314	81,775	
Total Reserve and Reserve Funds	\$708,087	\$653,484	

14. PENSION AGREEMENTS

Halton Region 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 Primary Pension Plan concluded 2013 with a \$1.3 billion reduction in unfunded liability, an improvement in its funded ratio by 3% to 88%, \$4 billion in total investment income, and a stronger balance sheet and cash flows to secure its long-term obligation to pay defined pension benefits to its 440,000 plan members.

Contributions from employees and employers, together with OMERS' investment returns, fund pensions that employees receive. Halton Region and its employees each contributed to OMERS in 2013 \$23,708,563 (2012 - \$20,424,196) for current service, and it is Halton Region'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 9% for earnings up to the yearly maximum pensionable earnings of \$51,100 and at a rate of 14.6% for earnings greater than the yearly maximum pensionable earnings. For uniformed police officers with a normal retirement age of 60, those rates were 9.3% and 15.9% respectively.

15. TRUST FUNDS

Trust funds, in the amount of \$77,930 (2012 - \$72,122), of the residents of Allendale, Post Inn Village and Creek Way Village, which are administered by Halton Region, 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

Halton Region has one service contract with the Ministry of Community and Social Services and one with the Ministry of Community and Youth Services. 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 some 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, 2013:

(Dollars in Thousands)				
Detail Code	Service Name	Grant	Expenses	Surplus (deficit)
Child Care Service Contracts				
A386	Child care delivery agent resource centres	\$198	\$198	\$-
A466	Data analysis co-ordinator	67	67	-
A476	SCS – children infant development	686	1,108	(422)
A525	Early child development planning	59	49	10
A556	C&FI operating non-resident	5	5	-
9253	SCS – children behaviour intervention	237	367	(130)
Total		\$1,252	\$1,794	\$(542)

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

Halton Region has a child care service contract with the Ministry of Education. A requirement of the service contract is the production of supplementary information by auspice which summarizes all revenues and expenditures relating to the service contract. A review of these revenues and expenditures, by auspice, are outlined below. Halton Region contributes more than the legislated requirement to ensure services are delivered based on community need.

(Dollars in Thousands)			
	Revenues		
	Ministry of Education (Most Recent Amended Service Agreement)	Legislated Cost Share	2013 Total
Full Flexibility			
1.1 Core services delivery (100% provincial)	\$6,824	\$-	\$6,824
1.2 Core services delivery – Cost Shared Requirement 80/20	11,698	2,925	14,623
1.3 Core service delivery – Cost Shared Requirement 50/50 - Admin	785	785	1,570
2.1 Language	516	-	516
2.2 Aboriginal	31	-	31
2.3 Cost of living	882	-	882
2.4 Rural/remote	39	-	39
2.5 Full day kindergarten (FDK) transition	1,668	-	1,668
2.10 Repairs and maintenance	101	-	101
2.11 Utilization adjustment	4,971	-	4,971
Total Full Flexibility	27,515	3,710	31,225
2.6 Transformation	345	-	345
Limited Flexibility			
2.7 Capacity building	230	-	230
4.1 Capital retrofits	406	-	406
2.8 Small water works	-	-	-
Total Limited Flexibility	636	-	636
No Flexibility			
2.9 Territory without municipal organization	-	-	-
Total	\$28,496	\$3,710	\$32,206

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(Dollars in Thousands)									
	Non-Profit			Profit			Directly Operated		
	Gross Expenditures	Offsetting Revenues	Adjusted Gross Expenditures	Gross Expenditures	Offsetting Revenues	Adjusted Gross Expenditures	Gross Expenditures	Offsetting Revenues	Adjusted Gross Expenditures
	Sch. 2.3, Col. 1	Sch. 2.3, Col. 2+3	Sch. 2.3, Col. 4	Sch. 2.3, Col. 5	Sch. 2.3, Col. 6+7	Sch. 2.3, Col. 8	Sch. 2.3, Col. 9	Sch. .3, Col. 10+11+12	Sch. 2.3, Col. 4
Full Flexibility									
1.1 General operating	\$5,978	\$-	\$5,978	\$3,957	\$-	\$3,957	\$75	\$-	\$75
1.2 Regular fee subsidy	5,018	(214)	4,804	10,061	-	10,061	2,501	(767)	1,734
1.3 Extended day fee subsidy	559	-	559	32	-	32	-	-	-
1.4 Recreation fee subsidy	358	-	358	-	-	-	-	-	-
1.5 Ontario Works formal	333	-	333	625	-	625	-	-	-
1.6 Ontario Works informal	-	-	-	-	-	-	-	-	-
1.7 Pay equity memorandum	257	-	257	-	-	-	-	-	-
1.8 Special needs resourcing	3,322	-	3,322	-	-	-	2,812	(6)	2,806
1.9 Administration	-	-	-	-	-	-	-	-	-
1.10 Repairs and maintenance	100	-	100	20	-	20	-	-	-
1.11 Play-based material	-	-	-	-	-	-	-	-	-
Total Full Flexibility	15,925	(214)	15,711	14,695	-	14,695	5,388	(773)	4,615
1.13 Transformation	182	-	182	-	-	-	-	-	-
Limited Flexibility									
1.12 Capacity building	230	-	230	-	-	-	-	-	-
2.1 Capital retrofits	84	-	84	-	-	-	-	-	-
3.1 Small water works	-	-	-	-	-	-	-	-	-
Total Limited Flexibility	314	-	314	-	-	-	-	-	-
No Flexibility									
3.2 Territory without municipal organization	-	-	-	-	-	-	-	-	-
Total	\$16,421	(\$214)	\$16,207	\$14,695	\$-	\$14,695	\$5,388	(\$773)	\$4,615

	Other			Total Expenditures 2013		
	Gross Expenditures	Offsetting Revenues	Adjusted Gross Expenditures	Gross Expenditures	*Offsetting Revenues	Adjusted Gross Expenditures
	Sch 2.3, Col. 14	Sch 2.3, Col. 15	Sch 2.3, Col. 16			
Full Flexibility						
1.1 General operating	\$-	\$-	\$-	\$10,010	\$-	\$10,010
1.2 Regular fee subsidy	-	-	-	17,580	(981)	16,599
1.3 Extended day fee subsidy	-	-	-	591	-	591
1.4 Recreation fee subsidy	-	-	-	358	-	358
1.5 Ontario Works formal	-	-	-	958	-	958
1.6 Ontario Works informal	19	-	19	19	-	19
1.7 Pay equity memorandum	-	-	-	257	-	257
1.8 Special needs resourcing	-	-	-	6,134	(6)	6,128
1.9 Administration	5,111	(2)	5,109	5,111	(2)	5,109
1.10 Repairs and maintenance	-	-	-	120	-	120
1.11 Play-based material	-	-	-	-	-	-
Total Full Flexibility	5,130	(2)	5,128	41,138	(989)	40,149
1.13 Transformation	-	-	-	182	-	182
Limited Flexibility						
1.12 Capacity building	-	-	-	230	-	230
2.1 Capital retrofits	-	-	-	84	-	84
3.1 Small water works	-	-	-	-	-	-
Total Limited Flexibility	-	-	-	314	-	314
No Flexibility						
3.2 Territory without Municipal Organization	-	-	-	-	-	-
Total	\$5,130	(\$2)	\$5,128	\$41,634	(\$989)	\$40,645

* Parent Contribution & Other Offsetting Revenues

18. SEGMENTED INFORMATION

Segmented information has been identified based on lines of service provided by Halton Region. Halton Region's 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 paramedic services, 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 Region 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 and by user fees for water and wastewater services. 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 2013 and 2012.

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	(Dollars in Thousands)								
	Protection Services	Transportation Services	Water and Wastewater	Solid Waste	Health Services	Social and Community Services	Social Housing	**Other Services	Total Consolidated 2013
Revenues									
Taxation*									
General purpose levy	\$128,811	\$43,934	\$ -	\$14,905	\$30,802	\$77,822	\$ -	\$33,572	\$329,846
Solid waste levy	-	-	-	23,626	-	-	-	-	23,626
Payment in lieu	1,695	578	-	-	404	1,024	-	442	4,143
Users fees and service charges	6,089	306	157,453	7,096	684	14,597	1,059	2,261	189,545
Ontario grants	4,177	452	34,958	(58)	37,617	82,393	7,509	297	167,345
Canada grants	-	2,852	9,904	-	97	267	339	9	13,468
Investment income	-	-	-	-	-	-	-	68,371	68,371
Development charges and developer contributions	1,431	41,262	44,274	92	1,084	908	1,373	5,008	95,432
Other	38	-	122	160	15	-	12,082	939	13,356
Total Revenues	142,241	89,384	246,711	45,821	70,703	177,011	22,362	110,899	905,132
Expenses									
Salaries, wages and employee benefits	115,418	1,307	30,753	3,664	45,127	57,661	4,689	36,064	294,683
Materials	8,067	5,161	22,923	1,531	3,130	4,925	2,926	7,139	55,802
Contracted services	6,345	7,147	48,731	26,120	4,328	24,377	7,159	25,739	149,946
Rents and financial expenses	282	3,410	2,601	354	348	682	3,330	2,637	13,644
Government transfers	7,706	7	139	239	45	37,044	18,509	4,887	68,576
Debt expense	684	175	9,179	-	52	-	2,379	-	12,469
Allowance for taxes written off	-	-	-	-	-	-	-	5,362	5,362
Amortization	7,380	18,559	47,933	1,628	1,761	2,753	6,908	5,318	92,240
Program support	1,626	1,626	10,080	3,143	9,367	12,341	1,333	(39,516)	-
Total Expenses	147,508	37,392	172,339	36,679	64,158	139,783	47,233	47,630	692,722
Net Revenues	(\$5,267)	\$51,992	\$74,372	\$9,142	\$6,545	\$37,228	(\$24,871)	\$63,269	\$212,410

*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 31-13 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 and GO Transit.

	(Dollars in Thousands)								
	Protection Services	Transportation Services	Water and Wastewater	Solid Waste	Health Services	Social and Community Services	Social Housing	Other Services**	Total Consolidated 2012
Revenues									
Taxation*									
General purpose levy	\$121,446	\$41,848	\$ -	\$ -	\$27,783	\$73,607	\$ -	\$42,687	\$307,371
Solid waste levy	-	-	-	37,449	-	-	-	-	37,449
Payment in lieu	1,654	570	-	-	378	1,003	-	502	4,107
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	0	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
Government 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	17,630	69,827	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	48,045	150,693	35,055	60,251	135,530	48,000	47,564	663,529
Net Revenues	(\$4,124)	\$67,918	\$90,899	\$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.

19. BUDGET COMPARISON

Halton Regional Council approves Halton 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 2013 is as follows:

(Dollars in Thousands)											
2013 Approved Operating Budget											
	Property Tax Revenue	Supple- mentary Taxes	Water & Wastewater Rate Revenue	Provincial Subsidies	Federal Subsidies	Program Revenues	Investment Income	Other	Police Services	Total	
Statement of Operations:											
Revenues											
Taxation (including Police)	\$221,964	\$8,600	\$-	\$-	\$-	\$-	\$-	\$3,868	\$126,955	\$361,387	
User charges, developer fees and other	-	-	156,041	-	-	33,003	-	1,656	4,156	194,856	
Grants	-	-	-	128,007	13,949	-	-	-	4,008	145,964	
Investment income	-	-	-	-	-	-	55,000	-	-	55,000	
Total Revenues	\$221,964	\$8,600	\$156,041	\$128,007	\$13,949	\$33,003	\$55,000	\$5,524	\$135,119	\$757,207	
2013 Approved Operating Budget											
	Social Services	Waste Manage- ment	Trans- portation Services	Public Health	Paramedic Services	Planning & Economic Development	Conservation Authorities	Non-Program & Fiscal Transactions	Water & Wastewater	Police Services	Total
Expenditures											
General government	\$-	\$-	\$-	\$-	\$-	\$253	\$-	\$81,356	\$-	\$-	\$81,609
Social services	142,292	-	-	-	-	-	-	-	-	-	142,292
Social housing	40,554	-	-	-	-	-	-	4,224	-	-	44,778
Water and wastewater services	-	-	168	-	-	-	-	-	173,163	-	173,331
Solid waste	-	45,499	-	-	-	-	-	-	-	-	45,499
Protection to persons and property	-	-	-	-	-	-	7,708	-	-	135,119	142,827
Health services	-	-	-	38,922	28,571	-	-	-	-	-	67,493
Transportation services	-	-	43,382	-	-	-	-	3,255	-	-	46,637
Planning and development	-	-	-	-	-	10,346	-	-	-	-	10,346
Recreation and cultural services	-	-	-	-	-	1,181	714	500	-	-	2,395
Total Expenditures	\$182,846	\$45,499	\$43,550	\$38,922	\$28,571	\$11,780	\$8,422	\$89,335	\$173,163	\$135,119	\$757,207

(Dollars in Thousands)						
	Total 2013 Approved Operating Budget	In-Year Changes	2013 Final Operating Budget	PSAB Adjustments*	2013 Full Accrual Budget	2013 Actual
Statement of Operations:						
Revenues						
Taxation (including Police)	\$361,387	\$-	\$361,387	(\$1,298)	\$360,089	\$357,615
User charges, developer fees and other	194,856	38	194,894	119,099	313,993	298,333
Grants	145,964	1,840	147,804	35,635	183,439	180,813
Investment income	55,000	-	55,000	192	55,192	68,371
Total Revenues	\$757,207	\$1,878	\$759,085	\$153,628	\$912,713	\$905,132
Expenditures						
General government	\$81,609	\$-	\$81,609	(\$51,021)	\$30,588	\$31,674
Social services	142,292	8,204	150,496	(3,475)	147,021	139,783
Social housing	44,778	(6,700)	38,078	15,370	53,448	47,233
Water and wastewater services	173,331	-	173,331	(46)	173,285	172,339
Solid waste	45,499	-	45,499	(6,910)	38,589	36,679
Protection to persons and property	142,827	-	142,827	3,314	146,141	147,508
Health services	67,493	159	67,652	(652)	67,000	64,158
Transportation services	46,637	-	46,637	(2,334)	44,303	40,647
Planning and development	10,346	215	10,561	26	10,587	9,923
Recreation and cultural services	2,395	-	2,395	344	2,739	2,778
Total Expenditures	\$757,207	\$1,878	\$759,085	(\$45,384)	\$713,701	\$692,722
					2013 Full Accrual Budget	2013 Actual
Statement of Change in Net Financial Assets:						
Net Revenues					\$199,012	\$212,410
Acquisition of tangible capital assets					(231,559)	(231,559)
Amortization of tangible capital assets					92,240	92,240
Loss/Gain on disposal of tangible capital assets					5,804	5,804
Proceeds on disposal of tangible capital assets					409	409
Change in inventories and prepaids					54	54
Increase in Net Financial Assets					\$65,960	\$79,358

*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 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 program for the period November 1, 2013 to November 1, 2014 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 \$293,949,300 replacement cost basis (subject to a \$5,000 per claim deductible on Property All Risks Form); all HCHC insurance claims deductibles and claims costs not covered by insurance are expensed. Halton Region's purchased insurance program for the period January 1, 2014 to January 1, 2015 provides coverage for third party public liability claims up to a maximum of \$35,000,000 per occurrence (subject to a \$150,000 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 \$150,000 deductible) and provides coverage for Halton Region properties on a blanket limit of \$1,396,474,100 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 2013 amounted to \$573,444 (2012 – \$757,554), and have been reported as an expense on the Consolidated Statement of Operations at December 31, 2013. There were no property claims incurred during the year by Halton Region. Payments within the prescribed deductible for HCHC property claims during 2013 amounted to \$nil (2012 – \$10,000); there was no liability claims expense incurred during the year by HCHC. At December 31, 2013 HCHC had nine outstanding property claims with a total estimated insurance recovery of \$59,935. There were no liability claims against HCHC outstanding as at December 31, 2013. Halton Region's outstanding claims and litigation are estimated to be \$1,234,700 which includes the areas of Municipal Liability, Automobile and Property. 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. Halton Region's Self-Insurance Reserve fund, as at December 31, 2013 totalled \$3,965,115 (2012 – \$3,565,492) and is reported in Note 13 as part of the Self-Insurance – General Reserve Fund.

21. COMPARATIVE FIGURES

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

For the year ended December 31, 2013

Statistical Data

For the year ended December 31, 2013

08	233 536	270 888	247 986
68	7 608	8 693	9 143
50	4 284	4 478	4 705
29	29	36	35
52	37	14	19

Five-Year Financial Statistics (unaudited)

(Dollars in Thousands)

	2013	2012	2011	2010	2009
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Financial assets	\$1,867,050	\$1,832,659	\$1,714,881	\$1,495,058	\$1,334,151
Non-financial assets	3,801,247	3,668,195	3,330,164	3,142,140	2,997,877
Assets	5,668,297	5,500,854	5,045,045	4,637,198	4,332,028
Accounts payable and accrued liabilities	174,132	185,097	173,281	142,635	134,968
Gross long term liabilities	389,920	413,008	330,516	322,103	312,432
Sinking fund debentures	106,000	106,000	106,000	7,140	11,090
Deferred revenue	344,401	358,340	356,220	345,871	287,963
Landfill closure and post closure liabilities	10,459	12,875	13,480	13,249	13,331
Employee benefits payable	61,203	55,762	48,130	43,150	40,333
Total Liabilities	1,086,115	1,131,082	1,027,627	874,148	800,117
Accumulated Surplus	\$4,582,182	\$4,369,772	\$4,017,418	\$3,763,050	\$3,531,911
CONSOLIDATED OPERATIONS					
Sources of Revenue					
Property taxes - general purpose	\$333,989	\$311,478	\$305,020	\$298,130	\$291,750
- solid Waste	23,626	37,449	35,109	34,973	32,120
Government transfers - Ontario	167,345	160,063	169,161	169,854	121,766
- Canada	711	1,052	912	1,028	581
User charges	189,545	196,345	182,756	177,871	172,343
Investment income	68,371	71,871	65,167	54,750	46,734
Development charges and developer contributions	95,432	119,192	133,073	112,559	73,799
Federal gas tax	12,757	16,057	14,352	11,096	11,692
Other revenue	13,356	12,969	1,334	3,953	1,714
Total Revenue	905,132	926,476	906,884	864,214	752,499
Expenses by Function					
General government	31,674	28,776	31,239	24,164	32,840
Social services	139,783	138,957	145,046	147,908	141,363
Social housing	47,233	50,423	47,616	50,478	40,513
Water and wastewater services	172,339	150,693	159,470	130,313	138,299
Solid waste services	36,679	35,055	34,317	33,336	36,348
Protection to persons and property	147,508	138,391	126,668	122,723	113,915
Health services	64,158	60,251	55,520	52,468	52,366
Transportation services	40,647	51,299	41,911	61,500	37,932
Planning and development	9,923	7,375	7,961	7,817	8,995
Recreation and cultural services	2,778	2,309	2,768	2,368	1,818
Total Expenses by Function	692,722	663,529	652,516	633,075	604,389
Net Revenues	212,410	262,947	254,368	231,139	148,110
Accumulated Surplus, Beginning of Year	4,369,772	4,017,418	3,763,050	3,531,911	3,383,801
HCHC Accumulated Surplus, Beginning of Year	-	89,407	-	-	-
Accumulated Surplus, End of Year	\$4,582,182	\$4,369,772	\$4,017,418	\$3,763,050	\$3,531,911

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 2009-2011 comparative amounts do not include the financial results of HCHC.

Five-Year Financial Statistics (unaudited)

	(Dollars in Thousands)				
	2013	2012	2011	2010	2009
ANALYSIS OF EXPENSE BY OBJECT					
Salaries, wages and employee benefits	\$294,683	\$292,029	\$273,531	\$265,625	\$252,138
Materials	55,802	53,583	45,395	29,310	24,052
Contracted services	149,946	100,400	132,406	116,519	124,687
Financial expenses	13,644	19,720	6,019	30,067	16,318
Government transfers	68,576	71,736	105,977	114,356	102,993
Debt services	12,469	13,192	8,050	7,909	8,667
Allowance for taxes written off	5,362	4,304	6,297	5,575	3,685
Amortization	92,240	108,565	74,841	64,784	71,849
Total Expense	\$692,722	\$663,529	\$652,516	\$634,145	\$604,389
Consolidated Statement of Change in Net Financial Assets					
Net revenues	\$212,410	\$262,947	\$254,368	\$231,139	\$148,110
Acquisition of tangible capital assets	(231,559)	(304,051)	(266,346)	(235,031)	(146,299)
Amortization of tangible capital assets	92,240	108,565	74,841	64,784	71,849
Loss on disposal of tangible capital assets	5,804	11,553	745	24,317	11,184
Proceeds on disposal of tangible capital assets	409	481	3,113	1,582	896
Change in inventories and prepaids	54	(215)	(377)	85	(364)
Change in net financial assets	79,358	79,280	66,344	86,876	85,376
Halton Net Financial Assets, Beginning of Year	701,577	687,254	620,910	534,034	448,658
HCHC Net Debt, Beginning of Year	-	(64,957)	-	-	-
Net Financial Assets, End of Year	\$780,935	\$701,577	\$687,254	\$620,910	\$534,034
NET LONG-TERM LIABILITIES					
Total long-term liabilities	\$495,920	\$519,008	\$436,516	\$329,243	\$323,522
Recoverable debt (overlapping):					
Local Municipalities and School Boards	(183,075)	(185,689)	(179,694)	(153,405)	(143,367)
Net long-term liabilities	312,845	333,319	256,822	175,838	180,155
Recovered from:					
Tax levy	12,550	15,364	19,343	25,460	28,882
Rate supported	109,266	116,388	99,285	113,698	116,381
Development charges	134,995	142,735	138,194	36,680	34,892
HCHC	56,034	58,832	-	-	-
	312,845	333,319	256,822	175,838	180,155
Annual Repayment Limit*	\$102,047	\$96,890	\$92,322	\$81,926	\$80,864
RESERVES AND RESERVE FUNDS					
Reserves	\$613,775	\$573,951	\$446,037	\$368,668	\$378,277
Reserve funds	94,314	81,775	67,460	55,241	42,878
Closing Reserve Balance	\$708,089	\$655,726	\$513,497	\$423,909	\$421,155

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 2009-2011 comparative amounts do not include the financial results of HCHC.

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

Five-Year Financial Statistics (unaudited)

(Dollars in Thousands)

	2013	2012	2011	2010	2009
EXPENDITURE ANALYSIS					
Consolidated expenditure per capita	\$1,336	\$1,312	\$1,323	\$1,289	\$1,259
Net debt per capita	\$604	\$659	\$521	\$357	\$375
Net debt per household	\$1,654	\$1,815	\$1,441	\$998	\$1,051
Debt charges as a % of consolidated expenditure	4.3%	5.0%	5.2%	5.0%	4.9%
REVENUE ANALYSIS					
Property taxes and user charges as a % of consolidated revenue	72.5%	73.1%	72.5%	72.6%	77.5%
Total grants as a % of consolidated revenue	20.0%	19.1%	20.3%	21.0%	16.3%
Debt charges as a % of consolidated non-grant revenue	4.1%	4.4%	4.7%	4.6%	4.7%
STATISTICS					
Population (a)	518,311	505,678	493,045	492,100	480,000
Households (a)	189,124	183,678	178,232	176,222	171,478
Average unemployment rate (b)					
Toronto CMA	8.1%	8.6%	8.3%	9.2%	9.3%
Hamilton CMA	6.4%	6.6%	6.4%	7.8%	8.2%
Area in hectares (a)	96,925	96,925	96,925	96,925	97,283
Continuous full-time employees (actual as of December 31st)					
Police (including civilians)	1,003	979	958	929	852
Other full-time	1,785	1,768	1,691	1,663	1,680
TYPICAL RESIDENT'S ANNUAL REGIONAL PROPERTY TAXES AND USER CHARGES					
Property taxes - general purpose	\$1,203	\$1,255	\$1,303	\$1,357	\$1,229
Water billings	\$382	\$364	\$362	\$363	\$370
Wastewater surcharge	\$433	\$414	\$90	\$404	\$397
2011-2013 based on Value Assessment of \$350,000 and annual water consumption of 274m ³ 2009-2010 based on Value Assessment of \$300,000 and annual water consumption of 300m ³					
Taxable Assessment (\$ Thousands)					
Residential & farm	\$ 79,688,134	\$ 74,331,506	\$ 69,577,604	\$ 64,472,931	\$ 59,355,664
Commercial & industrial (C/I)	\$22,052,093	\$21,287,632	\$19,926,725	\$18,246,699	\$16,604,424
	\$ 101,740,227	\$ 95,619,138	\$ 89,504,329	\$ 82,719,630	\$ 75,960,090
Annual Assessment Growth Rate	6.4%	6.8%	8.2%	8.9%	22.1%
Ratio of C/I to Total Taxable Assessment	21.7%	22.3%	22.3%	22.1%	21.9%
Permits Issued					
Residential	2,445	4,468	3,702	3,627	3,095
Non-Residential	170	245	178	152	164

Source:

(a) Region of Halton Planning Department unaudited statistics

(b) 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 2009-2011 comparative amounts do not include the financial results of HCHC.

Top 10 Private Sector Employers in Halton in 2013

Ford Motor Company of Canada	Oakville
Fearmans Pork Inc.	Burlington
Evertz Microsystems Ltd.	Burlington
Karmax Heavy Stamping	Milton
L-3 Communications Wescam Inc.	Burlington
The TDL Group Corporation	Oakville
Mold-Masters Ltd.	Halton Hills
Gordon Food Service	Milton
AMEC Ltd.	Oakville
GE Water + Process Technologies	Oakville

Principal Corporate Taxpayers in 2013

Canapen (Halton) Limited (Mapleview)	Burlington
Ford Motor Company of Canada Limited	Oakville
Sun Life Assurance of Canada	Burlington, Halton Hills, Oakville
Rk Inc. (Burlington Mall)	Burlington
Union Gas	Burlington, Halton Hills, Milton, Oakville
Riocan Holdings Inc.	Burlington, Halton Hills, Milton
Oakville Place Holdings Inc	Oakville
2121049 Ontario Limited	Oakville
Calloway Reit	Halton Hills, Oakville
Target Canada T-7300	Milton

