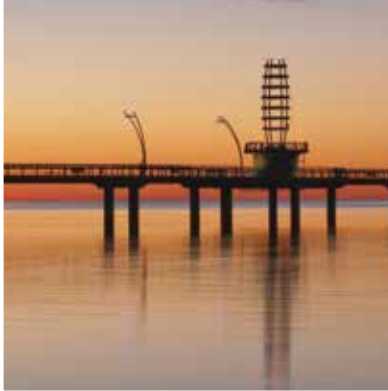


2016



Annual Financial Report



The Regional Municipality Of Halton, Ontario
For the year ended December 31, 2016

Message from Halton Regional Chair

Gary Carr



On behalf of Regional Council, I am pleased to present the 2016 Annual Financial Report for Halton Region. This report demonstrates how we invest in the future while keeping property taxes low and preserving our top credit rating. Halton's financial reporting practices highlight the Region's achievements, providing insight into our prudent budgetary and financial management practices.

Our strong financial position—the result of diligent planning and transparent reporting—helps us support a high quality of life in Halton. It is essential to keeping property taxes low as we serve the Halton community, now and into the future. Halton's fiscally responsible approach to providing high quality programs and services ensures top value for taxpayer dollars—a key priority for Halton Region.

Halton's AAA credit rating ranks us at the top end of Canadian municipalities. Maintaining a AAA credit rating allows Halton and its local municipalities to finance major investments at the lowest possible long-term costs by providing continued access to the best capital financing rates available. It helps the Region maximize investments in Halton's future while minimizing costs for taxpayers.

In 2016, over 4,000 new jobs were created in Halton thanks to low taxes, easy access to major markets and investments in our residential and business communities. A strong labour market and a highly educated workforce give Halton businesses a competitive edge.

Halton's unemployment rate is 5.5 per cent, which is lower than the GTA, Ontario and Canadian averages of 7.0 per cent, 6.6 per cent and 7.0 per cent, respectively. Halton is a major employment area and key market in Ontario.

By maintaining our strong economy we are also planning responsibly for the future. Halton's population is projected to grow to 1 million by 2041. Investing in infrastructure and services to maintain a high quality of life for today and generations to come remains a high priority for Halton Region.

Highlights of investments:

- Halton Region has currently budgeted over \$4.1 billion in infrastructure capital over the next 10 years, which includes \$2.2 billion in water and wastewater investments.
- Halton Region's 10-year transportation capital program is \$1.5 billion, an increase of \$735.7 million from the 2007 10-year capital program.
- Halton Region plans to invest \$90 million in our social infrastructure through our 10-year Comprehensive Housing Strategy (2014-2024), which provides government assisted housing options for low income residents.
- Since 2007, we have expanded our Paramedic Services adding 51 new positions and four new stations to meet the increasing demand in the community.
- The Halton Region Community Investment Fund (HRCIF) provides over \$2 million in funding annually for one-year and multi-year grants to non-profit social service and community health programs that support the health, well-being and safety of Halton residents. In 2016, we expanded HRCIF to create a new funding stream that provides over \$200,000 to non-profit and community organizations working on projects to improve access to sufficient, safe and nutritious food.

Planning for the future and making strategic investments today ensures we maintain a high quality of life and keep Halton Region a great place to live, work, raise a family and retire. To learn more about Halton's approach to fiscal planning, visit halton.ca/budget.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gary Carr'. The signature is fluid and cursive, with a large 'G' and 'C'.

Gary Carr
Halton Regional Chair

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

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Halton Regional Council

2014 - 2018

Halton Regional Council acts as the decision-making body for Halton Region. The Regional Chair is the head of Regional Council, which is made up of 21 elected representatives including the Mayors of each Local Municipality.

Council agendas, meeting schedules and streaming video of council meetings are available online at **halton.ca/agendas**. Council meetings are also broadcast on TV Cogeco with closed captioning. Check your local listings for broadcast dates and times.



FRONT ROW: Blair Lancaster, Burlington; Rick Goldring, Mayor, Burlington; Rick Bonnette, Mayor, Halton Hills; Gary Carr, Regional Chair; Gord Krantz, Mayor, Milton; Rob Burton, Mayor, Oakville; Cathy Duddeck, Oakville

MIDDLE ROW: Mike Cluett, Milton; Allan Elgar, Oakville; Sean O'Meara, Oakville; John Taylor, Burlington; Colin Best, Milton; Rick Craven, Burlington; Clark Somerville, Halton Hills; Marianne Meed Ward, Burlington

BACK ROW: Jane Fogal, Halton Hills; Dave Gittings, Oakville; Paul Sharman, Burlington; Jeff Knoll, Oakville; Tom Adams, Oakville; Jack Dennison, Burlington

Recent Awards

Accreditation

Services for Seniors Division
Accreditation Canada

Canadian Award for Financial Reporting

2015 Annual Financial Report
The Government Finance Officers Association of the United States and Canada

Distinguished Budget Presentation Award

2016 Budget and Business Plan
The Government Finance Officers Association of the United States and Canada

Edwin F. Guth Memorial Award for Interior Lighting Design

Skyway Wastewater Treatment Plant Laboratory and Operations Building project

Energy + Environmental Lighting Design Award

Skyway Wastewater Treatment Plant Laboratory and Operations Building project

Greater Toronto's Top Employers 2017

Halton Region
Mediacorp Canada Inc.

Local Municipal Champions Award 2017

Housing Division – Halton Region
Ontario Municipal Social Services Association

Project of the Year Award

Derry Road Grade Separation
Concrete Association

2016 Conservation Halton Award

Tremaine Road Crossing Wildlife Passage
Conservation Halton

2016 Highest Customer Satisfaction Industry Award for Government

Halton Region
Service Quality Measurement Group

2016 Project of the Year Award for the Boyne Trunk Sanitary Sewer Project

Environmental greater than \$50 million category
Ontario Public Works Association

United Way 2016 Joint Union/Management Campaign

Awarded to Halton Region and CUPE 2620, 3732, 2620A, OPSEU 261, 265, 282, 207, 261A, ONA



Halton is a Great Place to Live

Halton is a vibrant and growing community with more than 550,000 residents and four distinct communities – Burlington, Halton Hills, Milton and Oakville. Recognized for its high quality of life, innovative programs and services, and strong financial position, Halton Region is committed to enhancing the lives of all residents and continuing to be a great place to live, work, raise a family and retire.



Close to major markets in Canada and the U.S., Halton's central location translates to expanded business and professional employment opportunities for Halton residents. Just 30 minutes from Toronto and 45 minutes from Niagara, Halton is accessible via three airports, a well-maintained road and highway system, public transit and GO train service.

Halton combines vibrant agricultural communities and the charm of small-town life with the amenities, shopping and culinary delights of major urban centres. It offers ample access to nature, arts, culture, heritage, leisure, sporting activities and more—all year round. For more information, visit **halton.ca**, download our OneHalton app or follow us on Twitter, Instagram, Facebook, LinkedIn, YouTube or call 311.

556,210

2016 POPULATION⁶

205,461

NUMBER OF HOUSEHOLDS
IN 2016⁶

13,287

NUMBER OF BUSINESSES
IN 2016³

5.5%

HALTON UNEMPLOYMENT RATE
IN 2016⁵

67.1%

HALTON LABOUR FORCE
PARTICIPATION RATE
IN 2016⁵

224,299

JOBS IN HALTON
IN 2016³

1 Provincial Places to Grow Act, Proposed Growth Plan for the Greater Golden Horseshoe 2016

2 Statistics Canada National Household Survey 2011

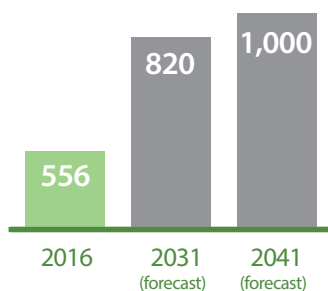
3 Halton Region 2016 Employment Survey Results (LPS25-17 Economic Development-Economic Review 2016)

4 Statistics Canada, Building Permits Survey February 2017 (LPS25-17 Economic Development-Economic Review 2016)

5 Statistics Canada, Labour Force Survey Estimates (custom tabulation, three-month moving average, unadjusted), (LPS25-17 Economic Development-Economic Review 2016)

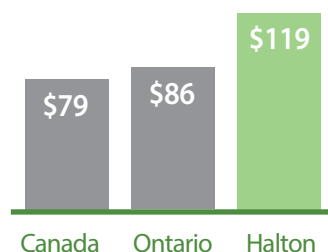
6 June 2011 Best Planning Estimates (see note)

POPULATION GROWTH¹
(thousands)



Halton Region is a growing community. To meet the requirements of the *Provincial Places to Grow Act, Proposed Growth Plan for the Greater Golden Horseshoe 2016*, Halton is expected to grow to 1 million people by 2041¹.

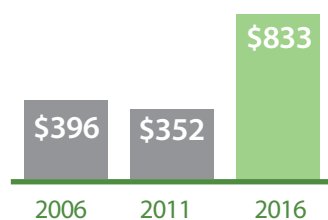
AVERAGE HOUSEHOLD INCOME²
(thousands)



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

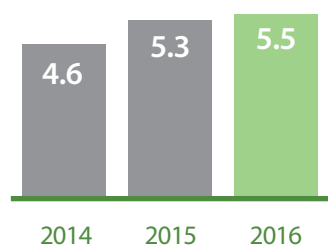
Residents are also well-educated, 74 per cent of adults have some level of post secondary education².

INDUSTRIAL, COMMERCIAL AND
INSTITUTIONAL CONSTRUCTION VALUE⁴
(millions)



Over the last decade, Halton's average annual Industrial, Commercial and Institutional (ICI) development growth increased nearly 7.0 per cent⁴.

UNEMPLOYMENT RATE⁵
(per cent)



In 2016, the unemployment rate in Halton averaged 5.5 per cent, significantly lower than the averages provincially and nationally⁵.

Note: The 2011 Best Planning Estimates (BPEs) are the official numbers used for planning Regional services and infrastructure. The 2016 BPEs exceeded the Census population by 1.4 per cent and dwellings by 6 per cent. Please see report no. LPS43-17 for a thorough comparison of the 2016 BPEs and Census counts.

Shaping Halton's Future

Halton Region is one of the fastest-growing regions in the province. Residents value the quality of life and services offered by the Region. Halton's strategic planning framework recognizes the importance of long-term planning and priority setting.

The Halton Region Strategic Action Plan 2015 – 2018 sets out the priorities for the four-year term of Council. Supporting this plan are the strategies and service delivery plans for the Region's many program areas.

The Action Plan identifies six strategic priority areas



Planning healthy, complete communities

focuses on planning for complete, active, healthy communities served by high-quality infrastructure.



Governing for the future focuses on ensuring the Region continues to maintain a strong financial foundation.



Growing the regional economy focuses on what is needed to support and sustain a strong regional economy and agricultural sector.



Adapting to climate change focuses on ensuring Halton Region is prepared to respond to weather-related events and other emergencies.



Connecting people and services focuses on ensuring all residents have easy access to the services they require.

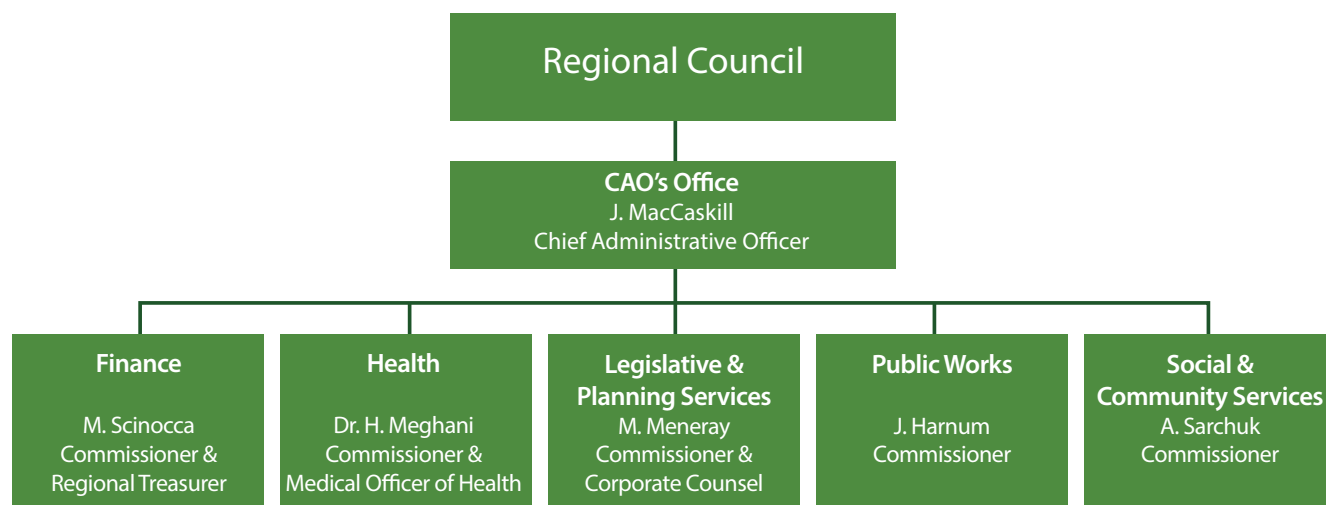


Protecting the natural environment focuses on protecting and enhancing Halton's natural environment and reducing our ecological footprint.

Visit halton.ca/actionplan to learn more.



Halton Region's Corporate Organization



What We Do

Halton Region provides programs and services to residents in the City of Burlington, the Town of Halton Hills, the Town of Milton and the Town of Oakville.

Halton is committed to protecting the health, safety and well-being of all residents by providing high-quality customer services to connect residents to programs and services they need.

For information about Halton's programs or services:



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Some of our programs and services



Children's services



Economic development



Emergency planning



Financial assistance



Heritage services



Paramedic services



Public health programs and services



Regional planning and growth management



Regional roads and transportation



Services for seniors



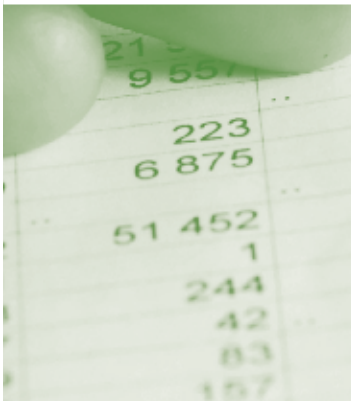
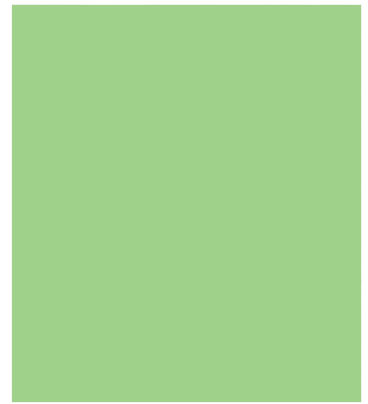
Waste management



Wastewater treatment



Water purification



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, 2016. These consolidated financial statements and accompanying notes are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

Management at Halton Region is responsible for the information contained in the Annual Financial Report, which includes the Consolidated Financial Statements, Notes to the Consolidated Financial Statements and other financial information.

The purpose of the Treasurer's Report is to analyze and comment on the principal features of the 2016 audited consolidated 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 is an upper-tier municipality providing services to residents in the City of Burlington, the Town of Halton Hills, the Town of Milton and the Town of Oakville. Close to major markets in Canada and the United States, Halton Region is located within the rapidly growing Greater Toronto Area, offering expanded business and employment opportunities for 556,210 local residents. Halton Region features 25 km of frontage along Lake Ontario and covers 969 km² of total land area, including portions of the Niagara Escarpment.

Regional Economy Highlights

Halton Region has a robust economy with a strong labour market and a highly educated workforce with a higher average household income level when compared to the rest of the province. In 2016, the unemployment rate averaged 5.5 per cent, which is significantly lower than the rest of the Greater Toronto and Hamilton Area (GTHA), Ontario and Canada. Halton's labour participation rate continued to be high at 67.1 per cent.

Business growth continued with 28 new places of employment and 4,273 new jobs created in 2016. The Region's economic outlook is positive with one third of Halton business owners planning on hiring additional staff in 2017 and the majority of business owners anticipating steady or higher profits for the coming year. Commercial, industrial and institutional construction values increased by 21 per cent over 2015. Over the last decade, Halton has averaged 22 per cent annual non-residential development growth, with a combined total of 25.8 million square feet of new non-residential floor area built.



Strategic Action Plan 2015 - 2018

As noted on page 7, the Halton Region Strategic Action Plan 2015 - 2018 outlines six key priority areas for the current term of Council. One of the six priority areas of the plan is Governing for the future, which focuses on ensuring the Region continues to maintain a strong long-term financial position and Regional assets and infrastructure in a state of good repair. This priority area ensures the Region's capabilities to accommodate future growth and expansion requirements for businesses, communities and infrastructure investment. A Governing for the future approach also highlights the Region's commitment to public accountability, transparency and engagement, as well as ensuring that the Region maintains a AAA credit rating and the annual tax rate for Regional services at or below the rate of inflation.

AAA credit rating

Halton Region's AAA credit rating was reaffirmed by both Moody's Investors Services (Aaa) and Standard & Poor's Rating Services (AAA) in 2016. The primary factors that contributed to this achievement are Halton's history of strong budgetary performance, prudent fiscal management, declining debt levels and a positive financial outlook for the region. Financial policies that reduce the risks associated with debt servicing include the front-end financing agreement with developers for growth infrastructure, included in the *2012 Allocation Program and Financing Plan*, which is unique to Halton and supports the Region's growing economic base.

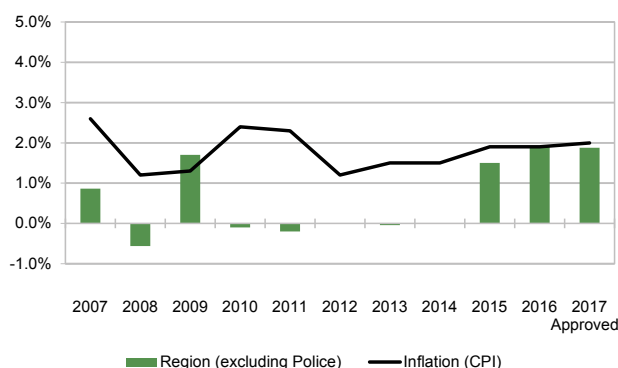
Halton's commitment to multi-year planning for operating and capital budgets allows the Region to anticipate spending pressures early, resulting in strong financial outcomes. The AAA rating is the highest credit rating available, allowing the Region to issue debt at the lowest possible cost, which in turn reduces the financial impact to tax and rate payers. Halton Region has maintained its AAA credit rating for 28 years, which is a testament to the financial position, policies and practices of Halton Region.

Property taxes

The annual budget continues to maintain service levels in the Region's core service areas and ensures delivery of the priorities identified by Council through the Strategic Action Plan.

The 2017 Budget and Business Plan includes a 1.9 per cent increase in the Regional tax levy, maintaining the annual tax rate increase for Regional services at or below the rate of inflation, a key Council priority identified in the Halton Region Strategic Action Plan 2015 - 2018. As shown in the graph below, despite facing significant budgetary pressures, Halton continues to keep taxes low while delivering high-quality services to residents through efficiency improvements, cost containment initiatives and assignment of resources to strategic priority areas.

Region Tax Impact (excluding Police)
2007 to 2017



The key priority for developing the tax budget is to prepare the tax-supported budget with an increase at or below the rate of inflation that is based on the following principles:

- The annual budget is prepared in accordance with the financial plans, annual targets and policies approved by Regional Council.
- Investment in additional financial and staff resources resulting from growth, program enhancements or additional Federal/Provincial funding will require a business case to be considered by Council as part of the annual budget process.
- The annual budget includes investment in the state of good repair of the Region's assets to maintain a good overall condition of the assets as the Region's infrastructure continues to age and expand.
- Regional programs are funded from sustainable revenues to ensure ongoing expenditures are not funded from temporary or one-time revenues.
- 10-year Operation and Capital Budget forecasts will be prepared.

- All growth-related capital costs that can be recovered under the *Development Charges Act* (DCA) will be recovered from growth in the annual budget.
- Halton's own debt limits are not exceeded throughout the 10-year forecasts.
- Reserves are maintained at levels to ensure financial sustainability to support the state of good repair of Regional assets, tax and rate stabilization reserves targets and to fund specific program requirements.
- Halton's strong financial position and financial planning principles will be continued to ensure the Region's AAA credit rating is maintained.

Key Priorities

Growth management

Halton Region is a rapidly growing community. It is expected to grow from 556,000 people in 2016 to 1 million people by 2041 as set out in the *Provincial Places to Grow Act, Proposed Growth Plan for the Greater Golden Horseshoe 2016*. The Provincial Growth Plan has imposed significant infrastructure pressures and related financial challenges on the Region. Halton Regional Council remains committed to support the planned growth while maintaining their priority objective and principle that "growth pays for growth."

Halton Region's long-standing practice that an acceptable development financing plan must be approved by Council prior to growth proceeding is rooted in the Region's history. For more than 20 years, the Region has worked in partnership with the development community to enable development to proceed while protecting the Region's tax and rate payers from the impacts related to the financing of growth. The Region's development financing plans state that all growth-related costs that can be recovered in accordance with the Development Charge By-law will be recovered from development charges.

The current Development Charge By-law No.48-12 (Residential and Non-residential Water, Wastewater, Roads and General Services DC for Build Boundary and Greenfield Areas) was approved by Council on April 18, 2012 and effective September 5, 2012. Under this legislation, a development charge by-law must be updated every five years, or sooner, to reflect updated growth forecasts and infrastructure costs.

For the 2017 Development Charge (DC) update, the Region engaged in an extensive consultation process, which included the Development Charges Advisory Committee (DCAC) process and a public consultation process. In the fall of 2016, the Region held four DCAC meetings, the discussions of which were presented to Council under Report No. FN-36-16 (re: Update on the Activity of the Development Charges Advisory Committee (DCAC) in December 2016). Subsequently, the 2017

DC Background Study was released to the public on December 14, 2016. Staff initiated the public consultation process through a number of stakeholder meetings. A public meeting (required by the *Development Charges Act, 1997*) was held at the Administration and Finance (A&F) Committee on March 22, 2017. The final DC proposals will be presented to Council in May 2017 and the final DC by-law will be considered by Council in June 2017. The DC update will be followed up by the preparation of the financial and implication plan for the 2018 Allocation Program.

As part of the 2017 DC update, Halton Region is reviewing the development charge process to identify capital costs not being recovered from growth, based on the principle “growth pays for growth”. Funding gaps related to infrastructure growth need to be financed to support the Provincially mandated growth plan. Despite Halton Region’s rigorous planning processes, a significant amount of growth-related costs cannot be recovered under the current *Development Charges Act (DCA)*.

Under the current DCA, Halton Region’s DC revenues are estimated to be, at minimum, \$14.0 million per year lower than a calculation based on a “growth pays for growth” principle. This is equivalent to a 5.8 per cent tax increase. This cost represents the growth-related infrastructure funding gap, which needs to be financed to support the Provincially mandated growth plan. The costs of servicing growth that cannot be recovered through DCs will need to be funded by Halton taxpayers, which will be addressed as part of the next development financing plan in support of the 2018 Allocation Program.

Investment in public health

Strong public health programs and services contribute to residents’ high quality of life. Halton Region is committed to meeting provincially mandated requirements and maintaining the core public health programs and services required to support the health and well-being of all Halton residents.

There is increasing budgetary pressure on the Region’s ability to meet the public health needs of Halton, one of the fastest-growing communities in Ontario. Funding levels for shared and Provincially funded programs have not kept pace with the increased costs for public health programs for many years. Changing Provincially mandated public health service delivery targets, new accountability requirements and proposed changes to the health system announced through the release of the Ministry of Health and Long-Term Care’s discussion paper, *Patients First: A Proposal to Strengthen Patient-Centered Health Care in Ontario*, are adding to the pressure.

Additionally, in 2015, the Ministry of Health and Long-Term Care implemented a new funding model to distribute Provincial funding for mandatory public health programs.

Under the new model, Halton did not receive an increase in funding in 2015 and 2016 for public health programs cost-shared with the Province, and has a projected increase of zero per cent for 2017. Halton Region’s 100 per cent Provincially funded public health programs and mental health programs also continue to be underfunded. Accordingly, despite growing program needs in Halton as a growing community, the public health subsidy has not kept pace with program costs for many years. The total accumulated Provincial funding shortfall for all Health Department programs is projected to be \$9.7 million for 2017. This funding gap represents a 4.2 per cent increase in property taxes.

Funding shortfalls are supported through an increase in Regional financial contributions. Halton Region will continue its efforts to advocate for more Provincial funding for health programs to keep pace with growth in the community.

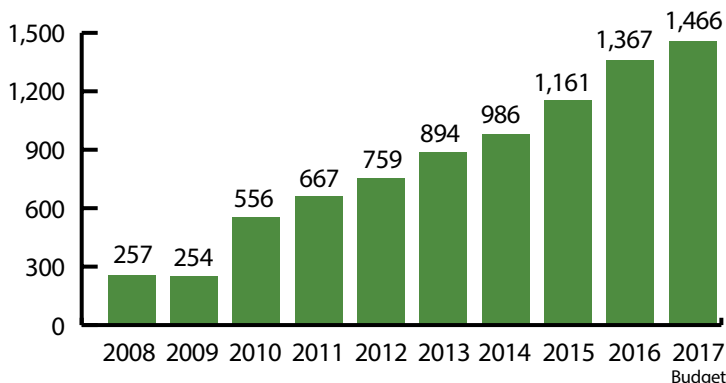
Investment in social infrastructure

Halton Region is committed to ensuring the availability of safe, affordable and accessible housing to meet the increasing need for affordable housing in the community. The Region is investing in social infrastructure through its 10-year Comprehensive Housing Strategy (CHS, 2014-2024), which was updated and approved by Council in 2013 to reflect current housing priorities. Annual funding for new assisted housing opportunities continues at \$7.8 million in 2016. This annual funding will continue at this level and is required to deliver the 550-900 unit target for new assisted housing opportunities over the next 10 years as set out in the CHS. The CHS highlights that housing is a shared responsibility with the Federal and Provincial governments, and a funding commitment from senior levels of government will be required in order to achieve the upper limit of the 550-900 target and meet community needs.

In 2014, the Province extended the Investment in Affordable Housing (IAH) for Ontario program. Halton Region has been allotted a total of \$20.9 million in funding over the program extension period from 2014 to 2020. The funding is used to acquire new units and to provide renovations and home ownership assistance. As of 2016, \$5.7 million of the total \$15.2 million in IAH program funding has been distributed towards the acquisition of new housing units and home ownership and renovations grants. In 2017, an additional \$1.0 million will be provided to expand operating programs for rental assistance and home ownership.

Based on the Region’s significant investment and the Provincial IAH program, Halton has been very successful in the delivery of additional new housing opportunities through the Regional CHS since 2008 as shown in the chart on page 13.

New Assisted Housing Opportunities in Halton (Total cumulative new opportunities since 2008)



Between 2008 and 2016 Halton has created an additional 1,367 assisted housing opportunities and provided sustainable rental assistance. It is expected that an additional 99 housing opportunities will be created in Halton in 2017, resulting in a total of 1,466 opportunities created since 2008.

Protecting the Natural Environment

The Region's role in providing environmental technical review continues to increase in terms of both geography and scope. Fifty per cent of Halton Region is protected in the Regional Official Plan (ROP) as part of the Regional Natural Heritage System (RNHS). The commitment to protecting and enhancing Halton's natural environment is a high priority for the future.

A number of initiatives approved in prior years in support of this strategic priority have been carried into the 2017 Budget.

Waterfront master plans

Council approved the Burlington Beach Waterfront Master Plan and the related financing plan in 2015 (Report No. LPS54-15 The Burlington Beach Regional Waterfront Park – 2015 Master Plan and Report No. LPS59-15 The Burlington Beach Acquisition Implementation/Strategy (T5800D)), committing approximately \$52.0 million of Regional Investment between 2015 and 2035. The Halton Waterfront Parks program was designed to recognize the significant environmental, economic, cultural and recreational importance of the Lake Ontario (and the Burlington Bay) shoreline to the people of Halton and the province. The program will provide an opportunity to maximize public accessibility to the Halton waterfront by increasing the amount of well-distributed public space and a variety of recreational, cultural, and tourism opportunities along the Halton waterfront. In addition, the Region continues to move forward with the Burloak Waterfront Master Plan (Report No.

LPS13-14 The Burloak Regional Waterfront Park Master Plan Update) and will begin the process of restoring the natural ecosystem along the shoreline and western boundaries of the park.

Biodiversity Strategy for Regional Forests

Through Report No. LPS37-14 (The 75th Anniversary of the Halton Regional Forests), Council endorsed the implementation of the Biodiversity Strategy for Regional Forests. As an owner and manager of 665 hectares of Regional forests, the Region contributes towards maintaining the function and integrity of the Regional Natural Heritage System (RNHS) and increasing the certainty that biological diversity and ecological functions will be preserved and enhanced for future generations.

Alternate energy technologies

The Region continues to investigate alternate energy technologies to reduce Regional energy costs and further reduce greenhouse gas emissions. As set out in Report No. PW-28-16 (The Region of Halton Street Light Conversion Program), the Region is moving forward with converting the Region's approximately 5,000 existing high-pressure sodium street lights to LED technology over five years (2016-2020) at an estimated cost of \$2.6 million, with \$650,000 required in 2017. Based on the current market trend, the potential energy savings resulting from this program has been estimated at approximately \$42,000 in 2017, which would grow to approximately \$500,000 by 2020 when the conversion will be completed.

Adapting to Climate Change

The increasing frequency of severe weather events caused by climate change is a reality that is impacting Halton residents. Ensuring Halton Region is prepared to respond to weather-related events and other emergencies is a high priority for the Region. Halton Region is committed to ensuring its infrastructure and services are resilient and that risks associated with severe weather events are mitigated where possible.

In addition, the 2017 Budget includes the continued implementation of the Region Wide Basement Flooding Mitigation Program as set out in Report No. PW-18-16 (The Region Wide Basement Flooding Mitigation Program) and Report No. PW-22-15 (The Region Wide Basement Flooding Mitigation Study: Final Report and Recommendations) and the related financial plan. Through Report No. PW-22-15, Council approved a high-level strategy to reduce the potential for future basement flooding. This included the voluntary downspout and weeping tile disconnection program that encourages homeowners to complete private side disconnections to help prevent future flooding and the capital program to address system improvements related to wastewater flows.

As set out in Report No. PW-18-16, the Region Wide Basement Flooding Mitigation Program has been expanded to increase the financial assistance for the voluntary downspout and weeping tile disconnections and to provide subsidies for lateral lining and repair work. The Region continues to invest in the sewer system optimization capital program and flow monitoring to address sources of infiltration and improve system performance, thereby further increasing the resilience of the system to the impacts of future storm events.

This program is expected to require \$85.3 million between 2016 and 2025 in support of the annual grant for the Region Wide Basement Flooding Mitigation Program (voluntary downspout/weeping tile disconnections and lateral lining repair—\$24.9 million) and the 10-year capital program (\$60.4 million).

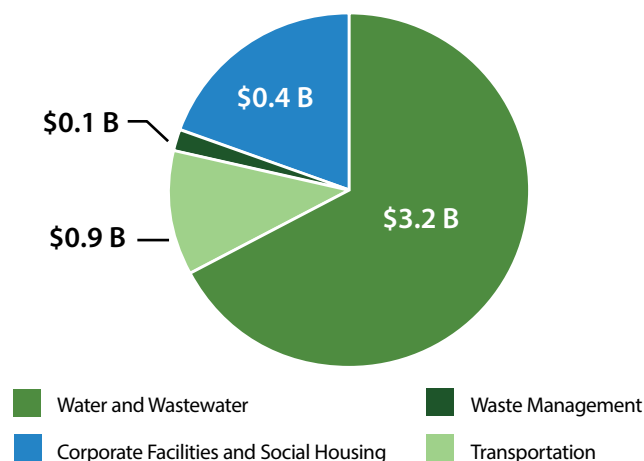
Maintaining Financial Sustainability

The Region continues to closely monitor funding sources and financing strategies to maintain long-term financial sustainability over the next 10 years. In particular, the declining consumption trend over the past several years has been a major challenge in maintaining a financially sustainable water and wastewater budget. To address the financial gap generated by the consistently lower than projected consumption growth and to help ensure Halton's rate structure remains fair to all customers and continues to promote water conservation, the 2017 Budget proposed adjustments to the water consumption projection and implementation of a unified rate structure (to replace the current humpback structure). In addition, the 2017 Budget proposed to phase out the wastewater cap. The cost of these budget measures was \$5.1 million.

Asset Management Plan

Investment in transportation, water and wastewater infrastructure is necessary to keep Halton resilient and meet the needs of the community. The Halton Region Corporate Asset Management Plan demonstrates sound stewardship of the Region's existing assets to support services at desired levels and to ensure financial sustainability. The Corporate Asset Management Plan supports decision making for future investments regarding the construction, operation, maintenance, renewal, replacement, expansion and disposal of infrastructure assets while minimizing risk and cost to the Region and its residents. Halton's asset management program has produced a condition rating of "good" and has met desired service levels on most infrastructure assets.

Tangible Capital Asset Net Book Value 2016
Total \$4.6 Billion



A key objective of the 2017 Budget is to maintain a strong long-term financial position by investing in the state of good repair of the Region's assets, infrastructure and core services delivery.

Infrastructure assets have significant value and are the key resources used to provide services to the public and improve the quality of life for residents. Infrastructure assets contained within the Corporate Asset Management Plan include Public Works assets, corporate facilities and government assisted housing with a replacement cost estimated in 2016 at \$10.6 billion. The net book value of the Region's Tangible Capital Assets were \$4.6 billion in 2016, including \$3.2 billion for water and waste water assets.

Investments in water and wastewater infrastructure are an integral part of service delivery through the Corporate Asset Management Plan. The 10-year capital program for state of good repair of water and wastewater assets will invest \$1.1 billion in the renewal and management of existing water and wastewater infrastructure assets.

Transportation continues to be a priority issue facing Halton residents. Halton Region is committed to improving the transportation networks to strengthen the economy and reduce gridlock for residents, employees and goods movement. The Region's planned investment in the 10-year Transportation Capital Program for the state of good repair (non-growth share) is \$323.5 million.

As stated previously, investments in social infrastructure are a key focus of capital spending. In addition to ongoing building condition assessment studies, which are integral to maintain the housing stock in a state of good repair, Halton Region has received \$3.4 million in senior government funding for the Social Housing Improvement Program and the critical repair of existing social housing buildings.

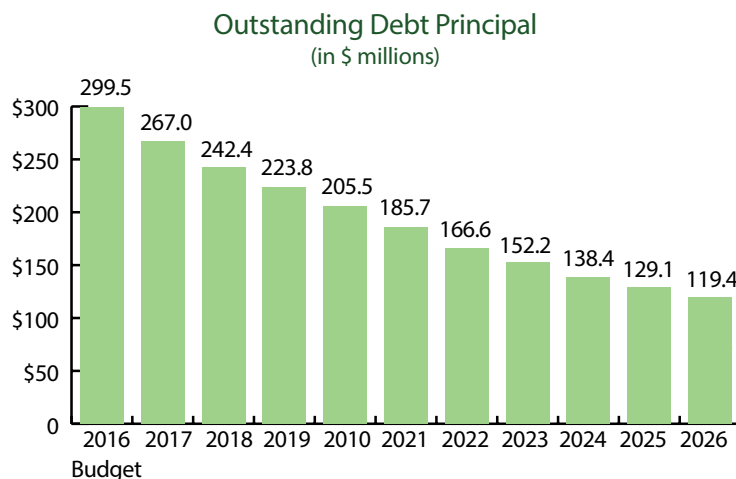
In 2017, Halton Region's Corporate Asset Management Plan will be updated. The plan supports decision-making for future investments in construction, operation, maintenance, renewal, replacement, expansion and disposal of infrastructure assets, while minimizing risk and cost to the Region and its residents. The Halton Region Asset Management Roadmap Implementation Plan, currently underway, will provide further refinements to expand asset management decision making frameworks by detailing service level targets, risk assessment requirements and lifecycle strategies.

Financial Management

Maintaining Halton Region's strong long-term financial position is one of the priorities established by Halton Regional Council through the Halton Region Strategic Action Plan 2015 - 2018. Continued diligence in managing debt levels and maintaining adequate reserves is required to sustain Halton Region's strong financial position.

Long-term financing requirements are driven by the long-term capital infrastructure plan and asset management needs. The Region utilizes reserves and debt in the financing of the state of good repair capital program for existing infrastructure. Reserves are a key component of the financial plan and are used to support the Region's pay-as-you-go approach for recurring lifecycle requirements. Debt financing is used for significant upgrade and rehabilitation initiatives to ensure the operating impact of the investment remains smooth and to match revenue recovery from tax and rate payers with the benefit of the infrastructure. The 2017 Budget continues to include increasing operating contributions to reserves over the forecast period in order to provide sustainable investment for the growing of assets and to move forward with the pay-as-you-go financing strategy for the state of good repair capital program, while reducing reliance on debt.

The following chart illustrates the annual projected debt levels over the next 10 years. Debt levels reflect a peak in 2016, mainly due to debt incurred in 2015 for funding requirements related to the Police Headquarters expansion. Debt levels will decline substantially over the forecast period as the Region moves forward with the pay-as-you-go funding approach for the state of good repair capital program and as existing debt retires.



The Region's pay-as-you-go financing strategy and the relating reduction in debt and debt charges provides Halton with the flexibility to respond to unexpected requirements in priority areas without significant impact to tax and rate payers. As part of the 2017 Budget preparation, Halton Region was able to offset consumption and rate adjustments for water and wastewater programs at a cost of \$5.1 million with debt charges savings as noted above.

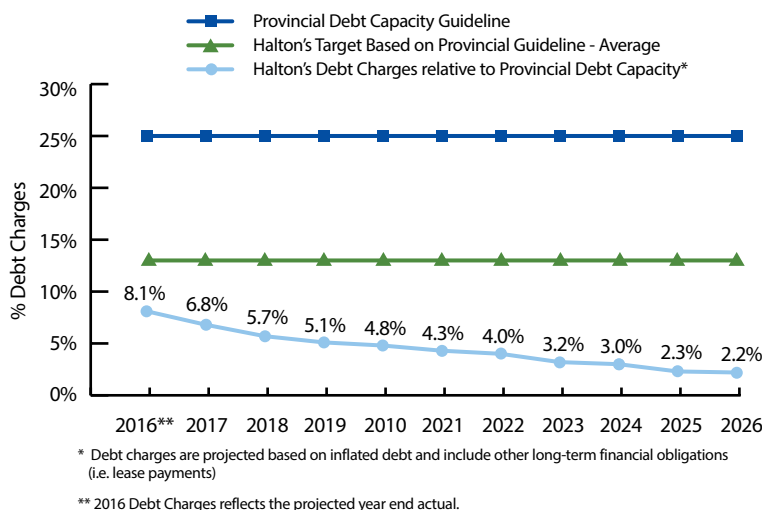
Halton Region relies on development charges to finance infrastructure required for growth. Development charges combined with Regional interim financing through reserves and debt are used to fund growth-related projects consistent with the 2012 Development Financing Plan. Regional interim financing is provided for the non-residential employment capital cost share and will be recovered from future development charges, including any carrying costs for the financing. This plan ensures that the maximum amount of growth-related costs are recovered from development charges in accordance with the development charge by-law to ensure Halton's strong financial position is not compromised and tax and rate payers are protected from the impact of growth financing. As stated previously, the *Development Charges Act* does not allow for full cost recovery relating to growth.

Halton Region's well-balanced funding strategy is reflected in the key financial indicators that follow.

Debt capacity

The Province has set a debt capacity guideline for municipalities at 25 per cent of own revenues. Halton Region's own guideline (10 per cent of total gross operating expenditures) translates to approximately 13 per cent of own revenues. The chart on page 16 illustrates Halton Region's projected ratios as presented in the 2017 Budget. Debt as a percentage of program costs will remain well below the Region's guideline and the trend relative to the Provincial guideline will decline substantially over the forecast period due to the reduction of debt financing discussed above.

Projected Debt Charge Position Relative to Provincial Guideline (2016 – 2026)

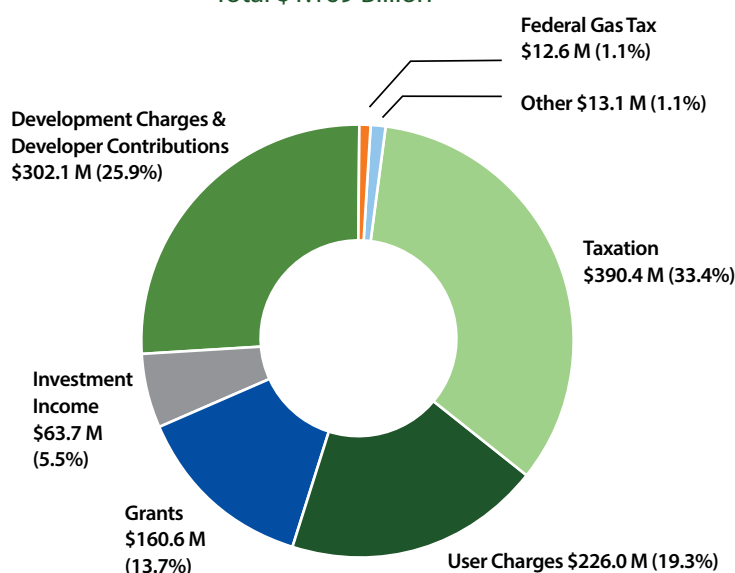


Operating Results Highlights

The Consolidated Statement of Operations summarizes the revenue and expenses for 2016. The focus of this statement is net revenues, which is the difference between revenues of \$1.169 billion and operating expenses of \$770.7 million for the reporting period. Halton Region reported net revenue of \$397.8 million in 2016, compared to \$393.2 million in 2015. Net revenues are required to fund future capital replacement to finance current tangible capital asset acquisitions and to fund debt principal repayments, which are included in the annual budget.

Revenues as reported on the Consolidated Statement of Operations total \$1.169 billion in 2016. The following provides a summary of the source of the revenue used to fund Halton Region's operations and capital investments.

Halton Region 2016 Consolidated Revenues Total \$1.169 Billion

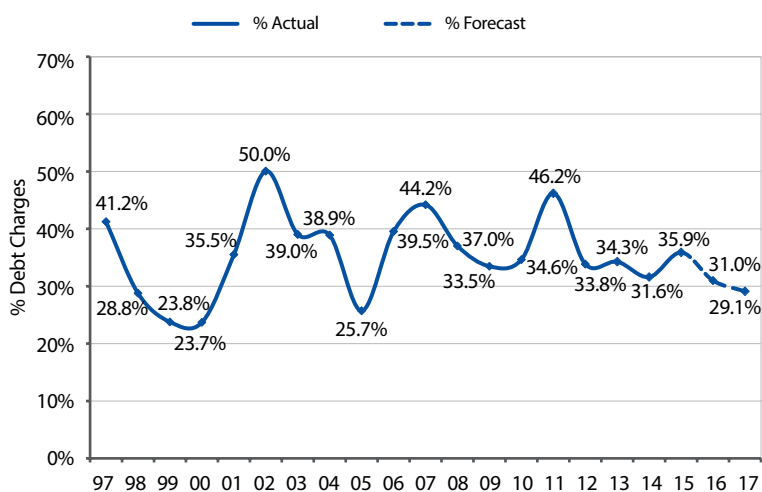


Overall, revenue increased by \$37.5 million, or 3.3 per cent, from 2015. The change is mainly driven by a large increase in development charge revenue due to increased development project activity in 2016, related to the impacts of the 2012 Allocation Program discussed earlier and regional growth. Taxation revenue generally increased in-line with expectations based on the property tax rate and assessment base increases for 2016. User charge increases included a utility rate increase of 5.1 per cent as well as additional recoveries from housing service providers and higher recyclable materials revenue. Investment income increased due to higher capital gains as interest earnings remained consistent with 2015 due to a continued low interest rate environment.

Debt to Reserve Ratio

The following Outstanding Debt to Reserves/Reserve Funds chart illustrates the impact of Halton Region's financial plans 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 2017 ratio is expected to decrease slightly from 2016 as a result of decreased debt levels relating to the pay-as-you-go financing strategy for the state of good repair budget.

Outstanding Debt to Reserves and Reserve Funds



Regional Programs and Services

Expenses in the Consolidated Statement of Operations totalled \$770.7 million in 2016. The following provides a summary of services provided to the community for these expenses by program.



Social services

Operations of \$158.6 million

- Financial assistance to an average of 2,006 Halton Ontario Works caseloads per month
- Child care fee assistance for 4,145 children
- Increase of 2,745 licensed child care spaces within Halton from 25,241 to 27,986
- Direct care and service to approximately 572 seniors at the Regionally operated long-term care homes
- Funding for 55 community projects and programs through the Halton Region Community Investment Fund using one-year and multi-year funds for a total of \$1.4 million



Water and wastewater

Operations of \$185.6 million

- Treatment of over 65 million cubic metres of water and over 84 million cubic metres of wastewater
- Operation and maintenance of 12 water treatment plants (treatment provided prior to distribution), 21 municipal wells, seven wastewater treatment plants and one biosolids facility
- Operation and maintenance of over 2,238 kilometres of watermains, seven bulk water stations, 22 reservoirs and storage facilities, 14 booster stations, over 1,894 kilometres of sewer mains, 79 pumping stations for water and two pumping stations previously listed re-categorized as part of the wastewater treatment plants



Social housing

Operations of \$43.0 million

- Oversight of 5,072 housing units, of which 1,989 are directly operated by Halton Community Housing Corporation
- Rental assistance directly from Halton Region for 963 units and 3,997 units through housing providers
- 206 new assisted housing opportunities for a cumulative total of 1,367 units since 2008



Solid waste

Operations of \$41.5 million

- Collection and disposal of 87,589 tonnes of residential garbage and the diversion of 122,356 tonnes of residential Blue Box and organic materials, representing a 58.3 per cent residential diversion rate

Regional Programs and Services (continued)



Health services

Operations of \$68.9 million

- Ambulance services through the deployment of 22 emergency vehicles and 228 paramedics
- 112,857 influenza vaccines delivered at Health Department clinics and through distribution to community partners
- 8,304 client appointments/clients served at oral health, mental health, sexual health and tobacco cessation clinics
- 12,782 contacts with parents of children and youth receiving parenting information at groups, seminars and consultations
- 5,076 inspections of food premises completed
- 21,664 children screened for oral health in elementary schools
- 46,374 paramedic calls answered and 29,806 patients transported



Protection to persons and property

Police, Emergency Management and Conservation Authorities

Operations of \$161.8 million

- Police services through the deployment of 697 police officers
- Emergency services for the operation of 911 call centre which received 108,611 emergency calls
- Contributions to Conservation Halton consisting of eight parks, 1,059 sq. km of land with 26 km of shoreline, Grand River Conservation Authority consisting of 12 parks and 6,800 sq. km of land, and Credit Valley Conservation consisting of 10 parks and 1,000 sq. km of land



Transportation services

Operations of \$59.1 million

- Maintenance of 1,103 lane kilometres of roadway (kilometres multiplied by the number of lanes), 65.1 per cent of which were rated as good to very good condition
- Maintenance and operation of 94 bridges, 173 major culverts, 249 signalized intersections and 6,200 streetlights



Other services

General Government, Planning and Development, and Recreation and Cultural Services

Operations of \$52.2 million

- In 2016, there were 268 staff reports approved by Council and 90 by-laws for a total of 358 documents
- For planning purposes, Halton has 30,162 hectares of land designated as development land
- The Halton Region Museum hosted 14,670 visitors

Financial Statement to Budget Comparison

The purpose of the financial statements is to provide users with an understanding of the financial position and operating results of the Region over the fiscal period. The annual financial statements of Halton Region are prepared on a full accrual basis in accordance with Public Sector Accounting Standards (PSAS) prescribed by the Chartered Professional Accountants of Canada. These accounting standards require the Region to record revenue when it is earned and expenses when incurred regardless of when the cash is received or paid. Accrual accounting requires tangible capital assets, which provide services for longer than one year, to be recorded at cost in the financial statements when they are placed into service. Each year, the book value of these long-lived assets is reduced by recording amortization expense, which represents the cost of services provided by the asset during the year. In addition, transfers to reserves and debt principal repayments are not recorded as expenses in the financial statements, representing a difference from the Council approved operating budget.

The key purpose of the budget is to set property tax and utility rate fees to collect sufficient cash to fund the various programs and services as well as infrastructure investment to ensure long-term financial sustainability. Debt financing is used in accordance with Regional policies to finance major infrastructure projects. As the Regional operating budget is prepared on a cash basis, transfers to reserves and debt principal repayments are considered as expenditures in the budget. In addition, the full cost of acquiring tangible capital assets is included in the capital budget to ensure sufficient funding is in place. Other items that are not recorded on an accrual basis in the budget include expenses for employee future benefits, liabilities for contaminated sites and the post-closure landfill liability.

Due to the differences in purpose and methodology, Halton Region must adjust the presentation of the budget figures from a cash basis to a PSAS accrual basis as part of the financial statement preparation and to provide transparency for budgetary performance. The details of the adjustments are included in Note 20 to the Financial Statements. The full accrual budget is also included in the Consolidated Statement of Operations and Consolidated Statement of Change in Net Financial Assets.

When comparing the adjusted operating PSAS accrual based budget to actual operating results, actual net revenues are higher than the budgeted amount by \$42.8 million, which represents a five per cent variance based on the expected expenditures of \$794.8 million. The favourable variance was driven by higher than anticipated revenue by \$18.7 million due to an increase in utility revenue due to warm summer weather

conditions, recycling contract savings and sales of recyclable materials, recoveries from social housing providers and higher than anticipated revenue from Child Care Services. In addition, there were expenditure savings of \$24.1 million related to temporary vacancies in various departments, implementation timing of new waste collection contracts and road resurfacing projects, lower fuel costs, general expenditure savings and net premium benefits transferred to the benefit reserve to ensure the reserves are financially sustainable.

Accountability and Transparency

Financial management and control

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

The Finance Department is responsible for advising program areas and providing oversight of the approved budget and the financial policies and procedures. The Finance Department is also responsible for maintaining accurate and reliable financial records, the safeguarding of Regional assets, and various reporting functions including budget variance reports presented to Council on a periodic basis, which are available for public review.

The Internal Audit program at Halton Region performs independent appraisals of systems, processes and controls to ensure compliance with Regional and legislated policies and by-laws. The appraisals assess efficiencies and risks and identify recommendations for improvement, which are communicated to program areas for implementation.

The *Municipal Act, 2001* requires Halton Region to engage independent auditors to express an opinion as to whether the financial statements present fairly the 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 Sub-committee, the Consolidated Financial Statements are examined 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 Region 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 audit specific activities and to review any findings and recommendations.

Awards for Financial Reporting and Budget Presentation

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

Halton Region was awarded the Canadian Award for Financial Reporting (CanFR) for its annual financial report for the fiscal year ended December 31, 2015. This is the 10th time the Region has received this award. In order to receive the award, a government unit must publish an easily readable and efficiently organized annual financial report including

content that conforms 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, address user needs and enhance user understanding of municipal financial reporting.

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

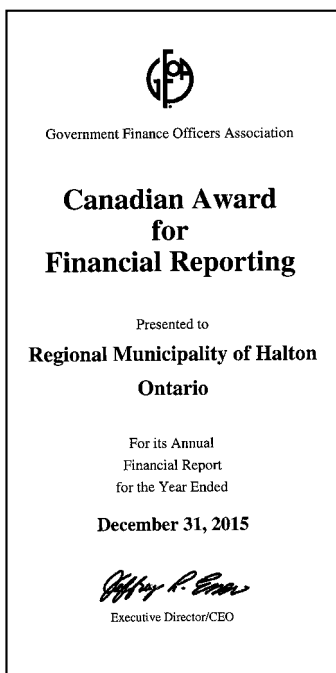


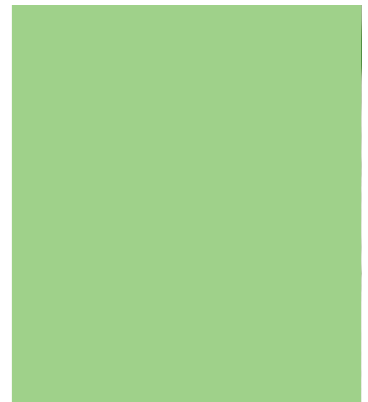
The GFOA of the United States and Canada also presented Halton Region with its Distinguished Budget Presentation Award for the 2016 Budget and Business Plan. This award reflects the commitment of Council, management and staff to meet the highest standards of governmental budgeting. Halton Region has received the award for 12 consecutive years, representing a significant achievement in budget development and reporting.

Conclusion

Halton Region’s strong financial position is the result of strong fiscal management through balanced financial policies, stringent internal controls and accurate, timely and relevant financial reporting. As the Region continues governing for the future while facing the financial challenges posed by growth, commitment to the highest standards in financial management will remain a key priority to achieve a strong sustainable long-term financial position.

Mark Scinocca
Commissioner of Finance and Regional Treasurer
May 17, 2017





Consolidated Financial Statements

For the year ended December 31, 2016

Management Report

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The adoption of these standards provides the reader of the consolidated financial statements a more complete view of Halton Region's assets and financial obligations. The reader is encouraged to review the summary of the significant accounting policies that are disclosed in Note 1 to the consolidated 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 Region's consolidated financial statements and reports.

The Audit Sub-Committee of Regional Council reviews and approves the consolidated financial statements before such statements are submitted to the Administration and Finance Committee, Regional Council and published for the residents of Halton Region. 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 2016 consolidated financial statements have been examined by Halton Region's external auditors, KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants and their report precedes the financial statements.



Mark Scinocca

Commissioner of Finance and Regional Treasurer

Oakville, Canada

May 17, 2017



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

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 Regional Municipality of Halton, which comprise the consolidated statement of financial position as at December 31, 2016, 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 the 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 Regional Municipality of Halton as at December 31, 2016, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

May 17, 2017
Hamilton, Canada

Consolidated Statement of Financial Position

as at December 31, 2016 (with comparative figures as at December 31, 2015)

(Dollars in Thousands)

	2016	2015
FINANCIAL ASSETS		
Cash and short-term deposits	\$113,374	\$109,173
Accounts receivable:		
Water and wastewater	33,178	32,744
Ontario and federal grants	16,787	15,400
Other receivables	57,074	71,634
Other current assets	277	212
Investments (Note 2)	1,867,879	1,765,882
Loans receivable (Note 7)	2,001	1,654
Recoverable gross long-term debt from:		
Local Municipalities (Note 5)	283,130	280,238
Total financial assets	2,373,700	2,276,937
LIABILITIES		
Accounts payable and accrued liabilities	265,440	244,033
Gross long-term liabilities (Notes 5 and 6)	361,831	358,625
Sinking fund debentures (Note 5)	273,500	273,500
Deferred revenue (Note 10)	236,859	220,730
Landfill closure and post-closure liabilities (Note 11)	14,663	13,940
Employee benefits payable (Note 13)	71,356	66,988
Total liabilities	1,223,649	1,177,816
NET FINANCIAL ASSETS	1,150,051	1,099,121
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	4,603,446	4,256,917
Prepaid expenses	1,963	1,782
Inventory	4,034	3,910
Total non-financial assets	4,609,443	4,262,609
ACCUMULATED SURPLUS (Note 14)	\$5,759,494	\$5,361,730

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

For the year ended December 31, 2016 (with comparative figures for the year ended December 31, 2015)

		(Dollars in Thousands)	
	2016 Budget (Note 20)	2016	2015
REVENUES			
Taxation	\$390,594	\$390,345	\$378,269
Development charges and developer contributions	302,134	302,134	292,385
User charges	217,754	226,023	216,495
Grants	160,751	160,543	155,231
Federal gas tax grant	15,252	12,623	7,818
Investment income	50,357	63,738	67,666
Other revenue	12,946	13,096	13,092
Total revenues	1,149,788	1,168,502	1,130,956
EXPENSES			
General government	44,424	36,996	35,313
Social services	158,966	158,583	150,815
Social housing	49,676	42,980	45,126
Water and wastewater services	189,647	185,565	176,301
Solid waste services	43,023	41,478	42,544
Protection to persons and property	162,859	161,762	155,710
Health services	69,516	68,934	68,656
Transportation services	60,887	59,148	47,334
Planning and development	13,158	12,626	13,326
Recreation and cultural services	2,651	2,666	2,667
Total expenses	794,807	770,738	737,792
NET REVENUES	354,981	397,764	393,164
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,361,730	5,361,730	4,968,566
ACCUMULATED SURPLUS, END OF YEAR	\$5,716,711	\$5,759,494	\$5,361,730

See accompanying notes to consolidated financial statements.

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2016 (with comparative figures for the year ended December 31, 2015)

(Dollars in Thousands)

	2016 Budget (Note 20)	2016	2015
Net revenues	\$354,981	\$397,764	\$393,164
Acquisition of tangible capital assets	(467,726)	(467,726)	(404,384)
Amortization of tangible capital assets	106,845	106,845	98,901
Loss on disposal of tangible capital assets	14,090	14,090	6,700
Proceeds on disposal of tangible capital assets	262	262	169
Change in inventory and prepaid expenses	(305)	(305)	(280)
Change in net financial assets	8,147	50,930	94,270
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,099,121	1,099,121	1,004,851
NET FINANCIAL ASSETS, END OF YEAR	\$1,107,268	\$1,150,051	\$1,099,121

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2016 (with comparative figures for the year ended December 31, 2015)

(Dollars in Thousands)

	2016	2015
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net revenues	\$397,764	\$393,164
Items not involving cash:		
Amortization	106,845	98,901
Loss on disposal of tangible capital assets	14,090	6,700
Contributed tangible capital assets	(13,733)	(21,771)
Change in non-cash assets and liabilities:		
Accounts receivable	12,739	(36,045)
Accounts payable and accrued liabilities	21,406	36,495
Other current assets	(65)	(60)
Deferred revenue	16,129	5,943
Inventory and prepaid expenses	(305)	(280)
Employee benefits payable and other liabilities	5,091	8,314
Net change in cash from operating activities	559,961	491,361
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	262	169
Cash used to acquire tangible capital assets	(453,992)	(382,613)
Net change in cash from capital activities	(453,730)	(382,444)
INVESTING ACTIVITIES		
Loans receivable	(347)	(437)
Investments	(101,997)	(81,103)
Net change in cash from investing activities	(102,344)	(81,540)
FINANCING ACTIVITIES		
Long-term debt issued and assumed	31,802	62,337
Long-term debt repaid	(30,361)	(30,455)
Mortgages payable and repayment	(3,307)	(3,078)
Sinking fund contributions from Local Municipalities	2,180	-
Net change in cash from financing activities	314	28,804
NET CHANGE IN CASH	4,201	56,181
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	109,173	52,992
CASH AND CASH EQUIVALENTS, END OF YEAR	\$113,374	\$109,173

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidated Statements

The consolidated financial statements for the Corporation of the Regional Municipality of Halton (Regional Municipality of Halton or Halton Region) have been prepared in accordance with Canadian public sector accounting standards (PSAS). 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 all entities which are accountable to and controlled by Halton Region. They include the activities of all committees of Council, Halton Regional Police Service 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 and/or the creation of a legal obligation to pay.

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 or are receivable but for which the related services have yet to be performed or eligible expenditures incurred. Deferred revenue is comprised of general deferred revenue, development charges and Gas Tax funds. Government transfers, such as federal Gas Tax Fund 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

Infrastructure:

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. **Contaminated Sites**

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- a. an environmental standard exists
- b. contamination exceeds the environmental standard
- c. the organization is directly responsible or accepts responsibility for the liability
- d. future economic benefits will be given up, and
- e. a reasonable estimate of the liability can be made

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ix. **Inventory**

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

x. **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 specific purposes including the state of good repair. 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 14.

xi. **Government Transfers**

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, all eligibility criteria are met (if applicable) 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 17, Note 18 and Note 19.

xii. **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.

xiii. **Use of Estimates**

The preparation of financial statements, in conformity with PSAS, 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.

xiv. **Loans Receivable**

The loans receivable are valued at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability has been impaired. The loans receivable are written off when they are 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 are reported in Note 7.

xv. **Cash and Cash Equivalents**

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

xvi. **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 19.

xvii. 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 Workplace 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

Halton Region's investment policy as approved by the 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. Investments are carried at cost. Only realized gains and losses are recognized in the financial statements.

(Dollars in Thousands)				
		2016		
	Cost	Market Value	Cost	Market Value
Investments	\$1,867,879	\$1,913,411	\$1,765,882	\$1,851,763

In addition, Halton includes in its investment portfolio a balance of \$62,716,324 (2015 - \$54,945,997) which is restricted, as the funds are those of a local municipality. These funds are offset in the Accounts Payable and Accrued Liabilities section of the Consolidated Statement of Financial Position

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 \$611,036,183 (2015 - \$390,730,654) that are not being amortized as they are under construction. During the year there were no write-downs of assets (2015 - \$nil). Roads and underground water and sewer systems in the amount of \$13,733,145 (2015 - \$21,770,798) 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 (2015 - \$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.

3. TANGIBLE CAPITAL ASSETS (continued)

The following charts summarize tangible capital asset balances by category for the years 2016 and 2015:

(Dollars in Thousands)

Asset Type	Opening Balance 1-Jan-16	Additions	Disposals	Ending Balance 31-Dec-16	Opening Accumulated Amortization Balance 1-Jan-16	Amortization	Disposals	Ending Accumulated Amortization Balance 31-Dec-16	Ending Net Book Value 31-Dec-16
General									
Buildings and building improvements	\$227,625	\$2,135	\$114	\$229,646	\$86,494	\$6,519	\$111	\$92,902	\$136,744
Computer hardware	15,133	2,658	243	17,548	8,241	2,681	242	10,680	6,868
Computer software	14,953	1,705	-	16,658	8,772	1,764	-	10,536	6,122
Land	153,703	4,235	98	157,840	-	-	-	-	157,840
Land improvements	69,569	311	61	69,819	30,347	1,979	12	32,314	37,505
Leasehold improvements	4,267	9	-	4,276	1,984	350	-	2,334	1,942
Machinery and equipment	185,410	1,865	255	187,020	101,617	7,832	223	109,226	77,794
Vehicles	28,031	3,075	3,365	27,741	16,443	3,438	2,980	16,901	10,840
Total general capital	698,691	15,993	4,136	710,548	253,898	24,563	3,568	274,893	435,655
Infrastructure									
Buildings and building improvements	444,221	22,133	2,427	463,927	128,772	9,945	1,168	137,549	326,378
Land	96,146	29,317	33	125,430	-	-	-	-	125,430
Land improvements	103,075	(9,987)	665	92,423	51,315	2,712	405	53,622	38,801
Linear	3,308,848	189,542	21,433	3,476,957	694,897	49,820	10,180	734,537	2,742,420
Machinery and equipment	558,172	423	3,362	555,233	214,085	19,805	2,383	231,507	323,726
Total infrastructure	4,510,462	231,428	27,920	4,713,970	1,089,069	82,282	14,136	1,157,215	3,556,755
Assets under construction	390,731	220,305	-	611,036	-	-	-	-	611,036
Total tangible capital assets	\$5,599,884	\$467,726	\$32,056	\$6,035,554	\$1,342,967	\$106,845	\$17,704	\$1,432,108	\$4,603,446

(Dollars in Thousands)

Asset Type	Opening Balance 1-Jan-15	Additions	Disposals	Ending Balance 31-Dec-15	Opening Accumulated Amortization Balance 1-Jan-15	Amortization	Disposals	Ending Accumulated Amortization Balance 31-Dec-15	Ending Net Book Value 31-Dec-15
General									
Buildings and building improvements	\$224,623	\$3,002	\$-	\$227,625	\$79,188	\$7,306	\$-	\$86,494	\$141,131
Computer hardware	20,116	3,939	8,922	15,133	14,674	2,489	8,922	8,241	6,892
Computer software	17,507	1,940	4,494	14,953	11,463	1,803	4,494	8,772	6,181
Land	146,262	7,441	-	153,703	-	-	-	-	153,703
Land improvements	66,502	3,067	-	69,569	28,226	2,121	-	30,347	39,222
Leasehold improvements	4,267	-	-	4,267	1,633	351	-	1,984	2,283
Machinery and equipment	179,842	5,641	73	185,410	92,322	9,345	50	101,617	83,793
Vehicles	25,826	3,726	1,521	28,031	14,481	3,313	1,351	16,443	11,588
Total general capital	684,945	28,756	15,010	698,691	241,987	26,728	14,817	253,898	444,793
Infrastructure									
Buildings and building improvements	389,624	55,616	1,019	444,221	121,435	8,057	720	128,772	315,449
Land	85,783	10,363	-	96,146	-	-	-	-	96,146
Land improvements	91,420	11,770	115	103,075	48,752	2,677	114	51,315	51,760
Linear	3,089,213	232,684	13,049	3,308,848	656,375	45,538	7,016	694,897	2,613,951
Machinery and equipment	461,874	100,200	3,902	558,172	201,743	15,901	3,559	214,085	344,087
Total infrastructure	4,117,914	410,633	18,085	4,510,462	1,028,305	72,173	11,409	1,089,069	3,421,393
Assets under construction	425,736	(35,005)	-	390,731	-	-	-	-	390,731
Total tangible capital assets	\$5,228,595	\$404,384	\$33,095	\$5,599,884	\$1,270,292	\$98,901	\$26,226	\$1,342,967	\$4,256,917

4. RESERVES AND RESERVE FUNDS FOR TANGIBLE CAPITAL ASSETS

The reserves and reserve funds for tangible capital assets 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. The Consolidated Statement of Operations reports historical amortization costs and Note 14 discloses further details on reserves and reserve fund balances.

(Dollars in Thousands)

	2016	2015
Reserve and reserve fund contribution for capital and operating	\$374,312	\$404,161
Development charges	285,695	268,457
Annual amortization	106,845	98,901

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.

Halton Region has purchased \$11,944,118 (2015 - \$8,028,533) of its own debentures which have not been cancelled. This investment in own debentures is included in the investments on the Consolidated Statement of Financial Position. The gross outstanding principal amount from these debentures for 2016 is \$196,498,000 (2015 - \$91,532,000).

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

	(Dollars in Thousands)	
	2016	2015
Long-term liabilities incurred by Halton Region	\$315,097	\$308,584
Mortgages payable by HCHC	46,734	50,041
Subtotal gross long-term liabilities	361,831	358,625
Sinking Fund debentures	273,500	273,500
Total long-term liabilities incurred by Halton Region	635,331	632,125
Less recoverable from Local Municipalities:		
Long-term debentures	180,310	175,238
Sinking Fund debentures	102,820	105,000
Subtotal Local Municipalities	283,130	280,238
Less Sinking Fund contributions from Local Municipalities	2,180	-
Net long-term liabilities at year end	\$350,021	\$351,887

Sinking Fund debentures consist of the following amounts:

	(Dollars in Thousands)	
	2016	2015
Sinking Fund #148-11 earnings to date		
Purchased April 11, 2011 – 30 year term		
Total value - \$106,000,000		
Opening earnings	\$6,710	\$4,972
Halton contributions	1,595	1,595
Interest earned	272	143
Sinking Fund #148-11 earnings to date	\$8,577	\$6,710

(Dollars in Thousands)

	2016	2015
Sinking Fund #43-15 Earnings to date		
Purchased April 06, 2015 – 30 year term		
Total value - \$167,500,000		
Halton - \$62,500,000		
Oakville - \$90,000,000		
Milton - \$15,000,000		
Opening earnings	\$ -	\$ -
Halton contributions	1,261	-
Oakville contributions	1,816	-
Milton contributions	303	-
Interest earned	97	-
Sinking Fund #43-15 earnings to date	\$3,477	\$ -

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

(Dollars in Thousands)

	2016	2015
Property taxes – general purpose levy	\$22,584	\$23,858
Water	74,361	57,326
Wastewater	49,665	56,353
Development charges	156,677	164,309
HCHC	46,734	50,041
Net long-term liabilities at year end	\$350,021	\$351,887

6. CHARGES FOR LONG-TERM LIABILITIES

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

	(Dollars in Thousands)	
	2016	2015
Gross principal repayment	\$57,395	\$56,169
HCHC Mortgages	3,307	3,078
Less amounts recovered	27,035	25,714
Net Principal	33,667	33,533
Gross interest paid	19,929	18,418
HCHC mortgages	1,644	2,037
Less amount recovered	9,603	7,845
Net Interest	11,970	12,610
Total net principal and interest	\$45,637	\$46,143

Net interest on long-term liabilities identified in the chart above, are included in the Consolidated Statement of Operations.

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

	(Dollars in Thousands)	
	2016	2015
Property taxes – general purpose levy	\$4,861	\$3,388
Water and wastewater revenues	24,629	24,752
Development charges	11,196	12,888
HCHC mortgages	4,951	5,115
Total	\$45,637	\$46,143

Debentures bear interest at rates ranging from 0.85% to 5.5%. Mortgages of \$46,734,097 (2015 - \$50,040,673) on the properties of HCHC are secured by a first charge on the assets of HCHC with amortization periods ranging between 9.7 and 30 years and interest rates ranging between 1.01% and 5.94%.

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

	(Dollars in Thousands)				
	Instalment Principal	Sinking Fund #148-11	Sinking Fund #43-15	HCHC Mortgages	Total
2017	\$26,452	\$2,041	\$1,326	\$9,266	\$39,085
2018	20,750	2,144	1,369	20,852	45,115
2019	18,262	2,252	1,414	1,837	23,765
2020	17,494	2,365	1,460	6,954	28,273
2021	14,752	2,485	1,508	2,613	21,358
2022-2045	37,707	94,292	55,214	5,212	192,425
Total	\$135,417	\$105,579	\$62,291	\$46,734	\$350,021

7. LOANS RECEIVABLE

Halton Region has loans receivable in the amount of \$2,001,106 (2015 - \$1,654,072) 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. Each loan is repayable over a ten year period at a variable interest rate based on Halton Region's investment rate. For 2016 the repayment amount is \$402,634 (2015 - \$329,279) based on an interest rate of 3.20% (2015 - 3.98%).

8. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

- (a) Halton Region has outstanding contractual obligations of \$498,031,109 for capital works still to be constructed. 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:

2017 -	\$3,692,409
2018 -	3,474,287
2019 -	3,134,205
2020 -	2,068,804
2021 -	269,598
- (c) Halton Region has made provision for the use of \$644,235,742 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. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are indeterminable. Liabilities for non-insured claims are recorded in the year in which they are settled.

10. DEFERRED REVENUE

Halton Region's deferred revenue is comprised of obligatory reserve funds and general deferred revenues. A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. Halton Region has obligatory development charge reserve funds in the amount of \$141,842,762 (2015 - \$132,937,562) and an obligatory reserve fund for the federal Gas Tax funds in the amount of \$22,439,920 (2015 - \$19,112,766). 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 or are receivable and when Halton Region has approved and incurred the expenditures for the capital projects for which the development charges were raised. The funds received before expenditures are incurred are 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:

	Balance at December 31, 2015	Inflows	Revenue Earned	(Dollars in Thousands) Balance at December 31, 2016
Development charges	\$132,937	\$289,812	\$280,906	\$141,843
Federal Gas Tax	19,113	15,950	12,623	22,440
	152,050	305,762	293,529	164,283
General - Region				
Unspent Capital Financing	56,755	4,615	2,910	58,460
Permits	1,579	1,571	1,610	1,540
Developer Accelerated (note 14)	6,558	5,846	5,570	6,834
Developer Water Meters	986	1,508	617	1,877
Other	2,802	2,855	1,792	3,865
	68,680	16,395	12,499	72,576
Total	\$220,730	\$322,157	\$306,028	\$236,859

11. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Halton Region owns and operates one active landfill site. It also, owns and monitors four inactive landfill sites. The active site has a life expectancy of 26 years, assuming the waste diversion targets are met. The present value of the expected closure and post-closure care costs of the active landfill site and the present value of expected monitoring and capital rehabilitation costs of the inactive 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%. The estimated length of time required for post-closure care is 40 years. Halton Region also monitors seven inactive 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 inactive sites. The Local Municipalities bear the cost of monitoring the inactive sites and therefore these costs have not been included in the landfill post-closure liability.

	2016	2015
Remaining capacity	4,690,575 m ³	4,791,235 m ³
Liability – Consolidated Statement of Financial Position		
Closure & post-closure care		
Estimated expenditures	\$18,800,356	\$18,043,087
Remaining expenditures to be recognized	4,137,246	4,102,943
Reserve funds (Note 14)	17,744,295	16,975,392

12. CONTAMINATED SITES

In 2016, Halton Region remediated four of the six properties owned at the end of 2015, and acquired three properties that were contaminated. It is Halton Region's practice to remediate all properties to an acceptable level based on the environmental standards for the intended use of the land. A liability of \$390,135 (2015 - \$272,625) is included in accrued liabilities on the Consolidated Statement of Financial Position. Estimated cost to remediate has been reported on the Consolidated Statement of Operations as follows:

(Dollars in Thousands)				
Property	Nature of Contamination	Basis of Estimate	2016	2015
Burlington 3 properties	Building/Property: Lead, asbestos, zinc, cadmium, molybdenum and PHC fraction F3.	Remaining remediation cost for 2015 tender.	\$ -	\$58
Burlington 1 property	Soil: Contaminated by septic system.	Management best estimate based on prior experience.	115	115
Milton 1 property	Building/Property: Lead paint.	Remaining remediation cost for 2015 tender.	-	5
Milton 1 property	Soil: Contaminated by septic system.	Management best estimate based on prior experience.	95	95
Burlington 1 property	Building: Asbestos and lead.	Remaining remediation cost for 2016 tender.	17	-
Halton Hills 1 property	Soil: Contaminated by septic system.	Management best estimate based on prior experience.	120	-
Oakville 1 property	Building/Property: Lead paint, soil contamination.	Remaining remediation cost for 2016 tender.	43	-
Total estimated contaminated site liability			\$390	\$273

13. 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. Halton Region has established reserve funds to mitigate the future impact of these obligations and this has been reported in Note 14. Employee benefits and reserves relating to these liabilities are as follows.

(Dollars in Thousands)

	2016		2015	
	Accrued Liability	Reserve	Accrued Liability	Reserve
Retiree benefits				
Halton employees	\$11,233	\$13,781	\$9,972	\$11,835
Halton Regional Police Service	28,620	29,108	27,084	28,096
WSIB				
Halton employees	8,514	9,138	8,217	7,620
Halton Regional Police Service	3,526	4,744	3,371	4,083
Long-term disability				
Halton employees	11,713	8,554	11,138	7,278
Halton Regional Police Service	3,855	3,020	3,552	2,127
Vested sick leave entitlements				
Halton Regional Police Service	61	86	59	83
Vacation pay	3,834	-	3,595	-
Total	\$71,356	\$68,431	\$66,988	\$61,122

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

	(Dollars in Thousands)	
	2016	2015
Accrued benefit obligation:		
Balance, beginning of year	\$69,840	\$66,918
Current benefit cost	6,892	6,617
Interest	2,932	2,786
Benefits paid	(6,154)	(6,440)
Plan amendment	-	(41)
Balance, end of year	73,510	69,840
Unamortized actuarial (loss)/gain	(2,154)*	(2,852)*
Liability for benefits	71,356	66,988
Amortization of actuarial loss/(gain)	\$698	\$699

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

Employee benefits	(\$2,033,387)	13 to 14 years
WSIB	(262,272)	10 years
LTD	(142,137)	8 to 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*. The liability was determined by an actuarial valuation undertaken as at December 31, 2014, using a discount rate of 4.25% 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 fulltime 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 75. 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, 2014 using a discount rate of 4.75%. Medical costs were assumed to increase at the rate of 5.667% 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, 2014.

Extended Health, Dental and Long-Term Disabilities Benefit Plans

Halton Region is self-insured for extended health, dental and LTD employee benefit plans. The liability was determined by an actuarial valuation as at December 31, 2014 using a discount rate of 3.75% 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. In 2016, payments out of the vested sick leave plan amounted to \$nil (2015 - \$nil) and have been reported on the Consolidated Statement of Operations. Sick leave benefits of \$61,333 (2015 - \$59,037) are anticipated to be paid out in 2017 and have been reported on the Consolidated Statement of Financial Position.

14. ACCUMULATED SURPLUS

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

	(Dollars in Thousands)		
	2016	2015	Difference
Unexpended capital financing	\$537,140	\$563,267	(\$26,127)
Reserves (detailed below)	869,263	803,382	65,881
Reserve funds (detailed below)	183,390	171,464	11,926
Sinking investment fund	9,875	6,710	3,165
Tangible capital assets	4,603,446	4,256,917	346,529
Developer financed assets	(6,833)	(6,558)	(275)
Other	-	126	(126)
Amounts to be recovered in future years:			
From reserves and reserve funds on hand	(78,192)	(71,451)	(6,741)
From future revenues	(358,595)	(362,127)	3,532
Total Accumulated Surplus	\$5,759,494	\$5,361,730	\$397,764
Reserves set aside by Council:			
Stabilization - rate	\$30,197	\$24,175	
Stabilization - tax	63,219	61,047	
Program specific	76,734	69,301	
Equipment replacement - vehicle	7,198	6,582	
Equipment replacement - building	19,805	18,117	
Equipment replacement - equipment	9,194	7,472	
Capital - rate	198,993	187,308	
Capital - tax	341,988	309,223	
Capital - investment	117,049	118,771	
Other	4,886	1,386	
Subtotal reserves	869,263	803,382	
Reserve funds set aside for specific purpose by Council:			
Landfill closure and post-closure	17,744	16,975	
WSIB	13,882	11,703	
Self-insurance - general	5,543	4,914	
Self-insurance - employee benefits	54,549	49,419	
Other	91,672	88,453	
Subtotal reserve funds	183,390	171,464	
Total Reserve & Reserve Funds	\$1,052,653	\$974,846	

15. PENSION AGREEMENTS

Halton Region makes contributions to the Ontario Municipal Employees' Retirement System (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 2016 with \$85.2 billion in net assets, an increase of \$8.1 billion over 2015, an improvement in its funded ratio from 91.5% to 93.4%, generated a 10.3% return for the year, and a stronger balance sheet and cash flows to secure its long-term obligation to pay defined pension benefits to its 470,000 plan members. The OMERS pension plan had a deficit of \$5.7 billion as at December 31, 2016 (2015 - \$7.0 billion) based on the actuarial valuation of the pension benefit obligation.

Contributions made by employees and employers, together with OMERS' investment returns, fund pensions that employees receive. Employee and employer contribution rates remained unchanged in 2016 (2015 - \$nil). Increases in contributions may be required if actuarial surpluses are not available to offset the existing deficit and subsidize future contributions. Halton Region and its employees each contributed to OMERS in 2016 \$26,059,161 (2015 - \$25,316,617) 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 \$54,900 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 9.2% and 15.8% respectively.

16. TRUST FUNDS

Trust Funds, in the amount of \$79,525 (2015 - \$69,700), for the residents of Allendale, Creek Way Village and Post Inn 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 Consolidated Statement of Financial Position.

17. GRANTS FROM THE MINISTRY OF COMMUNITY AND SOCIAL SERVICES AND MINISTRY OF CHILDREN AND YOUTH SERVICES

Halton Region has one combined service contract with the Ministry of Community and Social Services and the Ministry of Children and Youth Services. One requirement of the contract 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 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 both programs; however, 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, 2016:

(Dollars in Thousands)				
Detail Code	Service Name	Grant	Expenses	Surplus (Deficit)
Child Care Service Contract				
A476	Infant Development	\$686	\$2,114	(\$1,428)
9253	Spec Comm. Suppts – Child-Behaviour Intervention	237	376	(139)
Total		\$923	\$2,490	(\$1,567)

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

18. 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		Legislated cost share	2016 Total
Full flexibility				
Core services delivery (100% provincial)	\$10,720	0%	\$-	\$10,720
Core services delivery - cost shared requirement 80/20	11,698	20%	2,925	14,623
Core services delivery - cost shared requirement 50/50 - Administration	785	50%	785	1,570
Language	826	0%	-	826
Aboriginal	93	0%	-	93
Cost of living	1,047	0%	-	1,047
Rural	6	0%	-	6
FDK Transition	2,151	0%	-	2,151
Repairs and Maintenance	109	0%	-	109
Transformation	213	0%	-	213
Utilization adjustment	6,188	0%	-	6,188
Capping adjustment	(389)	0%	-	(389)
Total full flexibility	33,447		3,710	37,157
Limited flexibility				
Capacity building	269	0%	-	269
Capital retrofits	79	0%	-	79
Small water works	-	0%	-	-
Total limited flexibility	348		-	348
No flexibility				
TWOMO reimbursement	-	0%	-	-
Wage Enhancement/HCCG	10,586	0%	-	10,586
Wage Enhancement Administration (per Wage Enhancement Administration Grant Letter)	529	0%	-	529
Total no flexibility	11,115		-	11,115
Total	\$44,910		\$3,710	\$48,620

(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
Full flexibility									
General Operating Grant	\$6,423	\$ -	\$6,423	\$3,664	\$ -	\$3,664	\$2,788	-\$1	\$2,787
Fee subsidy - Regular	6,910	(140)	6,770	9,466	-	9,466	-	(961)	(961)
Fee subsidy - Recreation	491	-	491	-	-	-	-	-	-
Ontario Works and LEAP - Formal	280	-	280	420	-	420	-	-	-
Ontario Works and LEAP - Informal	-	-	-	-	-	-	-	-	-
Pay Equity Memorandum of Settlement	257	-	257	-	-	-	-	-	-
Special Needs Resourcing	3,965	-	3,965	32	-	32	2,246	(1)	2,245
Administration	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	93	-	93	16	-	16	-	-	-
Play-based Material and Equipment	-	-	-	-	-	-	-	-	-
Transformation	2	-	2	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total full flexibility	18,421	(140)	18,281	13,598	-	13,598	5,034	(963)	4,071
Limited flexibility									
Capacity Building	888	-	888	-	-	-	-	-	-
Capital Retrofits	14	-	14	-	-	-	24	-	24
Small Water Works	-	-	-	-	-	-	-	-	-
Total limited flexibility	902	-	902	-	-	-	24	-	24
No Flexibility									
TWOMO reimbursement	-	-	-	-	-	-	-	-	-
Wage Enhancement/HCEG	4,018	-	4,018	5,711	-	5,711	41	-	41
Wage Enhancement Administration	179	-	179	138	-	138	-	-	-
Total no flexibility	4,197	-	4,197	5,849	-	5,849	41	-	41
Total	\$23,520	(\$140)	\$23,380	\$19,447	\$ -	\$19,447	\$5,099	(\$963)	\$4,136

	Other			Total Expenditures 2016		
				(Dollars in Thousands)		
	Gross Expenditures	Offsetting Revenues	Adjusted Gross Expenditures	Gross Expenditures	Offsetting Revenues*	Adjusted Gross Expenditures
Full Flexibility						
General Operating Grant	\$ -	\$ -	\$ -	\$12,875	\$(1)	\$12,874
Fee subsidy - Regular	-	-	-	16,376	(1,101)	15,275
Fee subsidy - Recreation	-	-	-	491	-	491
Ontario Works and LEAP - Formal	-	-	-	700	-	700
Ontario Works and LEAP - Informal	-	-	-	-	-	-
Pay Equity Memorandum of Settlement	-	-	-	257	-	257
Special Needs Resourcing	-	-	-	6,243	(1)	6,242
Administration	5,632	-	5,632	5,632	-	5,632
Repairs and Maintenance	-	-	-	109	-	109
Play-based Material and Equipment	-	-	-	-	-	-
Transformation	-	-	-	2	-	2
Miscellaneous	-	-	-	-	-	-
Total Full Flexibility	5,632	-	5,632	42,685	(1,103)	41,582
Limited Flexibility						
Capacity Building	-	-	-	888	-	888
Capital Retrofits	-	-	-	38	-	38
Small Water Works	-	-	-	-	-	-
Total Limited Flexibility	-	-	-	926	-	926
No Flexibility						
TWOMO reimbursement	-	-	-	-	-	-
Wage Enhancement/HCEG	-	-	-	9,770	-	9,770
Wage Enhancement Administration	212	-	212	529	-	529
Total No Flexibility	212	-	212	10,299	-	10,299
Total	\$5,844	\$ -	\$5,844	\$53,910	(\$1,103)	\$52,807

* Parent contribution & other offsetting revenues

18. GRANTS FROM THE MINISTRY OF EDUCATION (continued)

In addition, Halton Region delivers the following Family Support Programs funded by the Ministry of Education:

(Dollars in Thousands)

Family Support Programs	Revenues			Gross expenditures		Surplus/ deficit
	Ministry of Education	Legislated cost share	2016 Total revenues	2016 Total gross expenditures	2016 Total surplus/ deficit	
Full flexibility						
A462 - Ontario Early Years Centres	\$ -	0%	\$ -	\$ -	\$ -	\$ -
A466 - Data Analysis Coordinators	67	0%	-	67	154	(87)
A525 - ECD Planning	53	0%	-	53	-	53
Limited Flexibility						
A525 - ECD Aboriginal	3	0%	-	3	6	(3)
No Flexibility						
A386 - Delivery Agent - Resource Centres	198	20%	49	247	247	-
A386 - TWOMO	-	0%	-	-	-	-
A520 - Better Beginning, Better Futures	-	0%	-	-	-	-
Total	\$321	\$49	\$370	\$407	(\$37)	

19. 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. General purpose levy and payment in lieu of taxes are allocated to the segments based on a percentage of budgeted net expenditures approved in the 2016 Budget. In addition, 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 2016 and 2015.

	Protection Services	Transportation Services	Water and Wastewater	Solid Waste	Health Services	Social and Community Services	Social Housing	Other Services**	Total Consolidated 2016
(Dollars in Thousands)									
Revenues									
Taxation*									
General purpose levy	\$142,027	\$50,411	\$ -	\$16,005	\$33,929	\$42,515	\$36,481	\$39,446	\$360,814
Solid waste levy	-	-	-	25,336	-	-	-	-	25,336
Payment in lieu	1,728	613	-	-	413	517	444	480	4,195
Users fees and service charges	7,429	(2,262)	192,228	8,404	322	15,809	1,400	2,693	226,023
Ontario grants	5,277	269	2,750	-	40,279	105,147	5,584	304	159,610
Canada grants (includes gas tax)	-	2,358	10,264	-	72	181	544	137	13,556
Investment income	-	-	-	-	-	-	-	63,738	63,738
Development charges and developer contributions	6,080	73,152	222,450	-	64	-	58	330	302,134
Other	12	-	65	28	-	-	13,804	(813)	13,096
Total revenues	162,553	124,541	427,757	49,773	75,079	164,169	58,315	106,315	1,168,502
Expenses									
Salaries, wages and employee benefits	127,349	2,433	32,175	4,012	50,551	61,301	4,919	40,980	323,720
Materials	6,247	4,777	28,026	1,569	2,938	4,910	3,462	7,225	59,154
Contracted services	6,963	17,712	41,235	30,996	3,560	25,100	5,721	27,965	159,252
Rents and financial expenses	345	9,804	4,372	186	657	657	3,896	2,593	22,510
Government transfers	8,811	41	286	254	102	51,985	17,689	1,827	80,995
Debt expense	2,255	73	7,965	-	31	-	1,644	-	11,968
Allowance for taxes written off	-	-	-	-	-	-	-	6,294	6,294
Amortization	8,370	22,395	59,964	1,977	1,702	2,719	3,978	5,740	106,845
Program support	1,422	1,913	11,542	2,484	9,393	11,911	1,671	(40,336)	-
Total expenses	161,762	59,148	185,565	41,478	68,934	158,583	42,980	52,288	770,738
Net revenues	\$791	\$65,393	\$242,192	\$8,295	\$6,145	\$5,586	\$15,335	\$54,027	\$397,764

* 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 28-16.

** Other Services consists of General Government, Legislative and Planning Services, Recreation and Cultural Services (includes Museum), contributions to Royal Botanical Gardens and Go Transit.

19. SEGMENTED INFORMATION (continued)

	Protection Services	Transportation Services	Water and Wastewater	Solid Waste	Health Services	Social and Community Services	Social Housing	Other Services**	(Dollars in Thousands) Total Consolidated 2015
Revenues									
Taxation*									
General purpose levy	\$137,567	\$47,037	\$ -	\$14,860	\$31,993	\$43,561	\$35,804	\$38,345	\$349,167
Solid waste levy	-	-	-	24,676	-	-	-	-	24,676
Payment in lieu	1,821	623	-	-	423	577	474	508	4,426
Users fees and service charges	9,033	4,460	176,144	7,809	590	15,331	1,024	2,104	216,495
Ontario grants	5,016	227	7,001	-	40,089	96,421	5,590	237	154,581
Canada grants (includes gas tax)	-	1,239	6,579	-	111	217	262	60	8,468
Investment income	-	-	-	-	-	-	-	67,666	67,666
Development charges and developer contributions	2,260	87,104	197,229	-	75	159	1,000	4,558	292,385
Other	35	-	118	18	1	-	13,773	(853)	13,092
Total revenues	155,732	140,690	387,071	47,363	73,282	156,266	57,927	112,625	1,130,956
Expenses									
Salaries, wages and employee benefits	121,678	1,618	31,423	3,678	50,052	60,152	3,585	40,622	312,808
Materials	7,059	1,721	28,464	955	3,093	5,083	3,287	8,831	58,493
Contracted services	6,760	18,008	41,807	33,410	4,037	24,559	5,688	23,140	157,409
Rents and financial expenses	319	4,605	2,372	45	623	635	3,646	2,971	15,216
Government transfers	8,393	24	551	266	209	46,038	17,327	6,576	79,384
Debt expense	1,901	109	8,534	-	29	-	2,037	-	12,610
Allowance for taxes written off	-	-	-	-	-	-	-	2,971	2,971
Amortization	8,063	19,208	53,049	1,919	1,671	2,747	6,632	5,612	98,901
Program support	1,537	2,041	10,101	2,271	8,942	11,601	2,924	(39,417)	-
Total expenses	155,710	47,334	176,301	42,544	68,656	150,815	45,126	51,306	737,792
Net revenues	\$22	\$93,356	\$210,770	\$4,819	\$4,626	\$5,451	\$12,801	\$61,319	\$393,164

* 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 20-14.

** 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.

20. BUDGET COMPARISON

The budget data presented in these consolidated financial statements are based upon the 2016 operating and capital budgets approved by Halton Regional Council on December 16, 2015 and the HCHC Board on December 1, 2015.

The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted for on a project-oriented basis, the budget amounts used are based on actual projects that took place during the year to reflect the same basis of accounting that was used to report the actual results.

In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

(Dollars in Thousands)

	2016 Budget
Revenues: Operating	
Approved budget (FN-52-15)	\$836,965
In-year changes*	7,341
Revised approved budget	844,306
Development charges and developer contributions	302,134
Grants	3,042
Other revenue adjustments	(7,157)
Reclassification between revenue and expense	(1,348)
HCHC revised approved budget (HC-30-15)	25,161
HCHC PSAB adjustments	(2,210)
HCHC intercompany transactions	(14,140)
Total consolidated revenues	1,149,788
Expenses: Operating	
Approved budget (FN-52-15)	836,965
In-year changes *	7,341
Revised approved budget	844,306
Transfers to reserves - capital	(139,360)
Transfers from reserves - capital	14,416
Debt charges - principal	(34,773)
Transfers to reserves - operating	(55,425)
Transfers from reserves - operating	14,821
Amortization	102,869
Capital project cost resulting in operating expenses	22,126
(Gain)/loss on TCA	14,036
Employee future benefits	4,368
Landfill liability	723
Reclassification between revenue and expense	(1,348)
HCHC revised approved budget (HC-30-15)	25,161
HCHC PSAB adjustments	(2,664)
HCHC intercompany transactions	(14,449)
Total consolidated expenses	794,807
Net revenues	\$354,981

*Refer to Reports

SS-09-16 Children's Services Division Program Changes and Funding Update - \$6,995

SS-21-16 Newcomer - \$132

SS-16-16 SHARP - \$214

21. PUBLIC LIABILITY INSURANCE

Both Halton Region and 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, 2015 to November 1, 2016 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 \$311,292,700 (2015 - \$300,258,600) 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, 2016 to January 1, 2017 provides coverage for third party public liability claims up to a maximum of \$50,000,000 per occurrence (subject to a \$100,000 per occurrence deductible, with the exception of multiple third party sewer back-up claims arising from a single occurrence which are each subject to a \$100,000 deductible) and provides coverage for Halton Region properties on a blanket limit of \$1,753,103,572 (2015 - \$1,753,103,572) replacement cost basis (subject to a \$100,000 per claim deductible) including machinery breakdown (subject to a \$50,000 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 2016 amounted to \$455,507 (2015 - \$619,086) and have been reported as an expense on the Consolidated Statement of Operations for the year ending December 31, 2016. Although there were no property claims incurred during 2016 by Halton Region, one property claim incurred in 2015 is currently being finalized with Halton's insurers as a joint loss under the combined physical damage and machinery breakdown policy, subject to a policy deductible of \$50,000 being applied against the total recovery of costs once they are finalized. Payments within the prescribed deductible for HCHC property claims during 2016 amounted to \$45,000 (2015 - \$135,000); there was no liability claims expense incurred during the year by HCHC. At December 31, 2016, HCHC had nine outstanding property claims with a total estimated insurance recovery of \$47,848 (2015 - \$59,935). There were no liability claims against HCHC outstanding as at December 31, 2016. Halton Region's outstanding claims and litigation are estimated to be \$643,300 (2015 - \$633,700) which includes the areas of municipal liability, automobile, and property. These estimated outstanding claims have not been accrued in the Consolidated 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, 2016 totalled \$5,543,348 (2015 - \$4,914,021) and is reported in Note 14 as part of the self-insurance - general reserve fund.

22. COMPARATIVE FIGURES

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

158	1048	419	872	674	474	474
56	1336	887	840	608	608	608
10	2659	743	501	686	1135	1135
8	1340	1467	1840	1627	2241	1365
7	2809	434	608	284	815	422
1	474	1541	2063	1818	3377	3377
1	1700	887	114	114	114	114

Five-Year Statistical Data

For the year ended December 31, 2016

Five-Year Financial Statistics (unaudited)

(Dollars in Thousands)

	2016	2015	2014 Restated*	2013	2012
Consolidated Statement of Financial Position					
Financial assets	\$2,373,700	\$2,276,937	\$2,006,735	\$1,867,050	\$1,832,659
Non-financial assets	4,609,443	4,262,609	3,963,715	3,801,247	3,668,195
Total Assets	6,983,143	6,539,546	5,970,450	5,668,297	5,500,854
Accounts payable and accrued liabilities	265,440	244,033	207,538	174,132	185,097
Gross long-term liabilities	361,831	358,625	400,945	389,920	413,008
Sinking fund debentures	273,500	273,500	106,000	106,000	106,000
Deferred revenue	236,859	220,730	214,787	344,401	358,340
Landfill closure and post-closure liabilities	14,663	13,940	9,247	10,459	12,875
Employee benefits payable	71,356	66,988	63,367	61,203	55,762
Total Liabilities	1,223,649	1,177,816	1,001,884	1,086,115	1,131,082
Accumulated Surplus	\$5,759,494	\$5,361,730	\$4,968,566	\$4,582,182	\$4,369,772
CONSOLIDATED OPERATIONS					
Sources of Revenue					
Property taxes - General purpose	\$365,009	\$353,593	\$340,760	\$333,989	\$311,478
- Solid waste	25,336	24,676	23,867	23,626	37,449
Government transfers - Ontario	159,610	154,581	162,598	167,345	160,063
- Canada	933	650	667	711	1,052
User charges	226,023	216,495	199,683	189,545	196,345
Investment income	63,738	67,666	65,580	68,371	71,871
Development charges and developer contributions*	302,134	292,385	188,947	95,432	119,192
Federal gas tax	12,623	7,818	18,815	12,757	16,057
Other revenue	13,096	13,092	13,705	13,356	12,969
Total Revenue	1,168,502	1,130,956	1,014,622	905,132	926,476
Expenses by Function					
General government	36,996	35,313	31,100	31,674	28,776
Social services	158,583	150,815	141,310	139,783	138,957
Social housing	42,980	45,126	48,455	47,233	50,423
Water and wastewater services	185,565	176,301	170,047	172,339	150,693
Solid waste services	41,478	42,544	37,430	36,679	35,055
Protection to persons and property	161,762	155,710	155,253	147,508	138,391
Health services	68,934	68,656	65,798	64,158	60,251
Transportation services	59,148	47,334	41,553	40,647	51,299
Planning and development	12,626	13,326	10,571	9,923	7,375
Recreation and cultural services	2,666	2,667	2,685	2,778	2,309
Total Expenses by Function	770,738	737,792	704,202	692,722	663,529
Net Revenues	397,764	393,164	310,420	212,410	262,947
Accumulated Surplus, Beginning of Year	5,361,730	4,968,566	4,658,146	4,369,772	4,017,418
HCHC Accumulated Surplus, Beginning of Year	-	-	-	-	89,407
Accumulated Surplus, End of Year	\$5,759,494	\$5,361,730	\$4,968,566	\$4,582,182	\$4,369,772

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.

* In 2015 the methodology to calculate the deferred revenue for development charge revenue was revised to better reflect current development programs. As a result, the Region has restated revenue recognized from the Deferred Revenue as at January 1, 2014.

Five-Year Financial Statistics (unaudited)

(Dollars in Thousands)

	2016	2015	2014 Restated*	2013	2012
ANALYSIS OF EXPENSE BY OBJECT					
Salaries, wages and employee benefits	\$323,720	\$312,808	\$302,259	\$296,111	\$292,029
Materials	59,154	58,493	53,701	55,802	53,583
Contracted services	159,252	157,409	150,253	148,518	100,400
Financial expenses	22,510	15,216	14,301	13,644	19,720
Government transfers	80,995	79,384	72,884	68,576	71,736
Debt services	11,968	12,610	11,960	12,469	13,192
Allowance for taxes written off	6,294	2,971	3,329	5,362	4,304
Amortization	106,845	98,901	95,515	92,240	108,565
Total expenses	\$770,738	\$737,792	\$704,202	\$692,722	\$663,529
Consolidated Statement of Change in Net Financial Assets					
Net revenues	\$397,764	\$393,164	\$310,420	\$212,410	\$262,947
Acquisition of tangible capital assets	(467,726)	(404,384)	(263,709)	(231,559)	(304,051)
Amortization of tangible capital assets	106,845	98,901	95,515	92,240	108,565
Loss on disposal of tangible capital assets	14,090	6,700	6,047	5,804	11,553
Proceeds on disposal of tangible capital assets	262	169	458	409	481
Change in inventory and prepaid expenses	(305)	(280)	(779)	54	(215)
Change in net financial assets	50,930	94,270	147,952	79,358	79,280
Halton Net Financial Assets, Beginning of Year	1,099,121	1,004,851	856,899	701,577	687,254
HCHC Net Debt, Beginning of Year	-	-	-	-	(64,957)
Net Financial Assets, End of Year	\$1,150,051	\$1,099,121	\$1,004,851	\$780,935	\$701,577
NET LONG-TERM LIABILITIES					
Total long-term liabilities	\$635,331	\$632,125	\$506,945	\$495,920	\$519,008
Recoverable debt (Overlapping):					
Local Municipalities and School Boards	(283,130)	(280,238)	(183,862)	(183,075)	(185,689)
Less Sinking Fund contributions from Local Municipalities	(2,180)				
Net long-term liabilities	350,021	351,887	323,083	312,845	333,319
Recovered from:					
Tax levy	22,584	23,858	9,616	12,550	15,364
Rate supported	124,026	113,679	133,124	109,266	116,388
Development charges	156,677	164,309	127,224	134,995	142,735
HCHC	46,734	50,041	53,119	56,034	58,832
	350,021	351,887	323,083	312,845	333,319
Annual Repayment Limit**	\$125,528	\$111,278	\$107,967	\$102,047	\$96,890
RESERVES AND RESERVE FUNDS					
Reserves	\$869,262	\$803,382	\$698,282	\$613,775	\$573,951
Reserve funds	183,390	171,464	103,932	94,314	81,775
Closing Reserve Balance	\$1,052,652	\$974,846	\$802,214	\$708,089	\$655,726

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

Five-Year Financial Statistics (unaudited)

(Dollars in Thousands)

	2016	2015	2014 Restated*	2013	2012
EXPENDITURE ANALYSIS					
Consolidated expenditure per capita	\$1,405	\$1,357	\$1,326	\$1,336	\$1,312
Net debt per capita	\$ 642	\$647	\$609	\$ 604	\$659
Net debt per household	\$1,761	\$1,759	\$1,661	\$1,654	\$1,815
Debt charges as a % of consolidated expenditure	4.4%	4.5%	4.5%	4.3%	5.0%
REVENUE ANALYSIS					
Property taxes and user charges as a % of consolidated revenue	79.7%	79.6%	75.6%	72.5%	73.1%
Total grants as a % of consolidated revenue	14.8%	14.4%	17.9%	20.0%	19.1%
Debt charges as a % of consolidated non-grant revenue	3.2%	3.5%	3.8%	4.1%	4.4%
STATISTICS					
Population (a)	556,210	543,557	530,924	518,311	505,678
Households (a)	205,461	200,015	194,569	189,124	183,678
Halton Census Division Average unemployment rate (b)	5.5%	5.2%	4.6%	4.8%	5.6%
Toronto CMA Average unemployment rate (c)	7.0%	7.0%	8.0%	8.1%	8.6%
Hamilton CMA Average unemployment rate (c)	6.2%	5.5%	5.8%	6.4%	6.6%
Area in hectares (a)	96,925	96,925	96,925	96,925	96,925
Continuous full-time employees (Actual as of December 31 st)					
Police (including civilians)	1,016	1,008	1,008	1,003	979
Other full-time	1,859	1,848	1,819	1,785	1,768
TYPICAL RESIDENT'S ANNUAL REGIONAL					
PROPERTY TAXES AND USER CHARGES					
Property taxes - general purpose ***	\$310	\$318	\$328	\$344	\$359
Water	405	388	398	382	364
Wastewater	478	453	452	433	414
*** Per \$100,000 Current Value Assessment (CVA) 2015 based on annual water consumption for a residential home of 250m ³ /Year 2011-2014 based on annual water consumption for a residential home of 274m ³ /Year					
Taxable Assessment (\$ Thousands)					
Residential & farm	\$96,875,286	\$90,725,050	\$84,999,476	\$79,688,134	\$74,331,506
Commercial & industrial (C/I)	25,983,927	24,940,868	23,634,706	22,052,093	21,287,632
	\$122,859,213	\$115,665,918	\$108,634,182	\$101,740,227	\$95,619,138
Annual Assessment Growth Rate	6.2%	6.5%	6.8%	6.4%	6.8%
Ratio of C/I to Total Taxable Assessment	21.1%	21.6%	21.8%	21.7%	22.3%
Permits Issued					
Residential	3,733	3,979	3,271	2,445	4,468
Non-Residential	164	165	179	170	245

Source:

(a) June 2011 Best Planning Estimates

(b) Statistics Canada Labour Force Survey - custom tabulation, 3-month moving average unadjusted

(c) Statistics Canada Table 282-0129

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.

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Local Economy

Top 10 Private Sector Employers in Halton in 2016

(Based on number of employees)

Company	Location
Ford Motor Company of Canada Ltd.*	Oakville
Sofina Foods Inc.	Burlington
GFS Ontario	Milton
Karmax Heavy Stamping, a division of Magna International Inc.	Milton
Evertz Technologies Ltd.	Burlington
Siemens Industry Software Ltd.	Oakville
Goodrich Aerospace Canada Ltd.	Oakville
Wescam Inc.	Burlington
Mold Masters (2007) Ltd.	Halton Hills
Sobeys Capital Inc.	Milton

* Including the Oakville Assembly Complex, Canadian Headquarters, Evaluation Centre and Ford Credit Canada.

Principal Corporate Taxpayers in 2016

Regional Tax Levy
(Dollars in Thousands)

Company	Location	Halton Region Taxes	Local Taxes	School Board Taxes
Canapen (Halton) Ltd.	Burlington	\$1,216	\$1,442	\$2,323
Calloway REIT	Halton Hills, Oakville	1,046	1,293	2,127
RK (Burlington Mall) Inc.	Burlington	884	1,049	1,689
Union Gas Ltd.	Burlington, Halton Hills, Milton, Oakville	652	652	2,116
Ford Motor Company of Canada Ltd.	Oakville	766	831	1,512
Riocan Holdings (Oakville Place) Inc.	Oakville	691	749	1,344
2121049 Ontario Ltd.	Oakville	604	655	1,176
Silgold Developments Inc.	Oakville	556	602	1,081
Sun Life Assurance of Canada	Halton Hills, Oakville	512	607	1,027
Lowe's Companies Canada ULC	Milton	566	448	1,087

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