



Annual Financial Report

2017



The Regional Municipality Of Halton, Ontario
For the year ended December 31, 2017

2017 Annual Financial Report

For the fiscal year ending December 31, 2017

The Regional Municipality of Halton, Ontario

The report was prepared by:
Halton Region Finance Department
in co-operation with all Regional departments

Message from Halton Regional Chair

Gary Carr



On behalf of Regional Council, I am pleased to present Halton's 2017 Annual Financial Report.

This report profiles our investments and overall financial performance in 2017. In doing so, it provides an overview of our strategic actions over the course of the year and offers insight into our prudent financial management practices. This information demonstrates how our fiscally responsible approach to providing high-quality services ensures top value for your tax dollars.

Halton is home to 570,000 residents and the population is projected to grow to 1 million by 2041. Council is committed to preserving the Region's strong financial position as Halton grows, including our top credit rating, which allows us to finance major infrastructure projects at the lowest possible long-term costs. This advantage allows us to maximize our investments in the future while keeping property taxes low, enhancing Regional programs and supporting economic prosperity throughout the community. In short, it contributes to the high quality of life that helps individuals and families thrive in Halton.

Our strong financial performance also has a significant impact on local businesses. In 2017, the community's 13,413 businesses created more than 7,000 jobs, bringing our unemployment rate to a remarkable 4 per cent. This figure is significantly lower than the provincial and national averages of 6 per cent and 6.4 per cent, respectively. Growing the regional economy remains a high priority for Council, and these achievements all contribute to Halton's continued success.

While this report highlights corporate and program developments achieved through the 2017 Budget and Business Plan, the implementation of the 2018 budget is well underway. As we look back on the previous year, I would like to highlight the strategic investments guiding our actions now and into the near future:

- We have budgeted a projected \$4.2 billion in infrastructure investment over the next 10 years, including \$1.6 billion for transportation and \$2.1 billion for water and wastewater.
 - Our 10-year capital plan for transportation consists of \$1.3 billion for new development and \$332.6 million to maintain current assets in a state of good repair.
 - Our 10-year capital plan for water and wastewater consists of \$1.1 billion for new development and \$1.0 billion to maintain current assets in a state of good repair.
- We will invest a projected \$140 million over the next 10 years to enhance our housing program, with \$102 million allocated for the acquisition of new housing units.
- In 2018, we increased investment in Children's Services by \$9.4 million to improve quality, accessibility, affordability, flexibility and inclusivity in licensed child care programs (based on Provincial and Federal funding).

We have also increased investment in the Halton Region Community Investment Fund by \$350,000 in 2018 (total contribution of \$2.4 million) to strengthen non-profit programs that support the health and well-being of vulnerable residents.

We are proud to report on our progress as we continue to serve residents in our community. By investing for today and tomorrow, we help maintain the high quality of life that keeps Halton a great place to live, work, raise a family and retire.

To learn more about Regional finances, visit halton.ca.

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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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**. 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

2017 Infrastructure Project of the Year

Skyway Wastewater Treatment Plant Expansion
Hamilton-Halton Engineering Week Committee

2017 Smart Commute Award

Bike to School Week
Smart Commute

Award of Excellence

Dillon Consulting Limited Boyne Trunk Sanitary Sewer
Project Project
Consulting Engineers of Ontario

Canadian Award for Financial Reporting

2016 Annual Financial Report
*The Government Finance Officers Association of the
United States and Canada*

Distinguished Budget Presentation Award

2017 Budget and Business Plan
*The Government Finance Officers Association of the
United States and Canada*

Engineering Project of the Year – Transportation

Derry Road CN Rail Grade Separation Project, Hamilton/
Halton Engineering Week Committee
Ontario Society of Professional Engineers

Greater Toronto's Top Employers 2018

Halton Region
Mediacorp Canada Inc.

Honour Award-Excellence on the Waterfront

Master Plan for the Burlington Beach Regional
Waterfront Park
The Waterfront Centre

Project of the Year in the Large Project > \$50M, Structures Category

Mid-Halton WWTP Phase IV/V Expansion Project
2017 Ontario Public Works Association (OPWA)

Tereo Award-Second Place

Asset Management tools and techniques
Canadian Network of Asset Managers (CNAM)

Trenchless Project of the Year

Rebecca Street Trunk Sewer project
*2017 NASTT (North American Society for Trenchless
Technology)*



Halton is a Great Place to Live

Halton Region is home to 570,000 residents from four communities—Burlington, Halton Hills, Milton and Oakville. Recognized for its strong financial position, safe communities, great schools and reliable everyday services, Halton is a highly sought-after place to live and work.

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 many opportunities to experience nature, arts, culture, heritage, leisure, sporting activities and more—all year round.



569,787

2017 POPULATION¹

211,260

NUMBER OF HOUSEHOLDS
IN 2017¹

13,413

NUMBER OF BUSINESSES
IN 2017⁴

4%

HALTON UNEMPLOYMENT RATE
IN 2017⁶

70.3%

HALTON LABOUR FORCE
PARTICIPATION RATE
IN 2017⁶

231,576

JOBS IN HALTON
IN 2017⁴

1 Halton Region Best Planning Estimates, June 2011 (forecasted)

2 Provincial Places to Grow Act, Growth Plan for the Greater Golden Horseshoe (2017)

3 Statistics Canada Census 2016

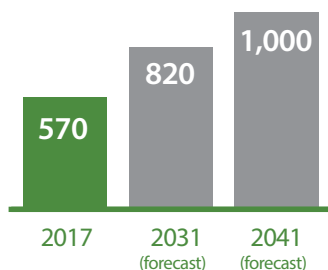
4 Halton Region 2017 Employment Survey (LPS63-18)

5 Statistics Canada, Building Permits Survey, February 2018 (Publication 64-001-XWF) (LPS29-18 – Economic Development – Economic Review 2017)

6 Statistics Canada, Labour Force Survey Estimates (custom tabulation, three-month moving average, unadjusted), (LPS29-18 Economic Development – Economic Review 2017)

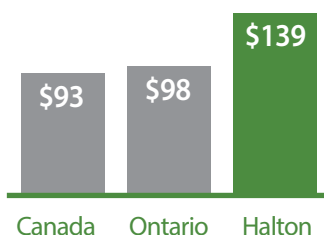
Statistics

POPULATION GROWTH²
(thousands)



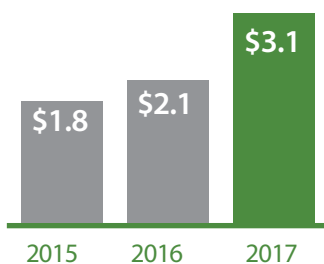
Halton Region is a growing community. To meet the requirements of the Provincial Places to Grow Act, Growth Plan for the Greater Golden Horseshoe (2017), Halton is expected to grow to 1 million people by 2041².

AVERAGE HOUSEHOLD INCOME³
(thousands)



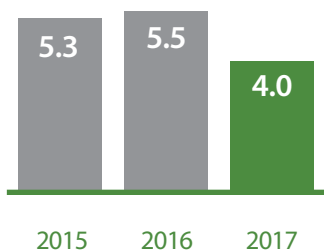
Halton Region residents have a higher average household income than residents in the rest of the province. Residents are also well-educated, and 75 per cent of adults have some level of post secondary education³.

TOTAL CONSTRUCTION VALUE⁵
(billions)



Over the past three years, Halton's average annual growth in total development activity was 31 per cent⁵.

UNEMPLOYMENT RATE⁶
(per cent)



In 2017, the unemployment rate in Halton averaged 4 per cent, significantly lower than the averages provincially and nationally⁶.

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.

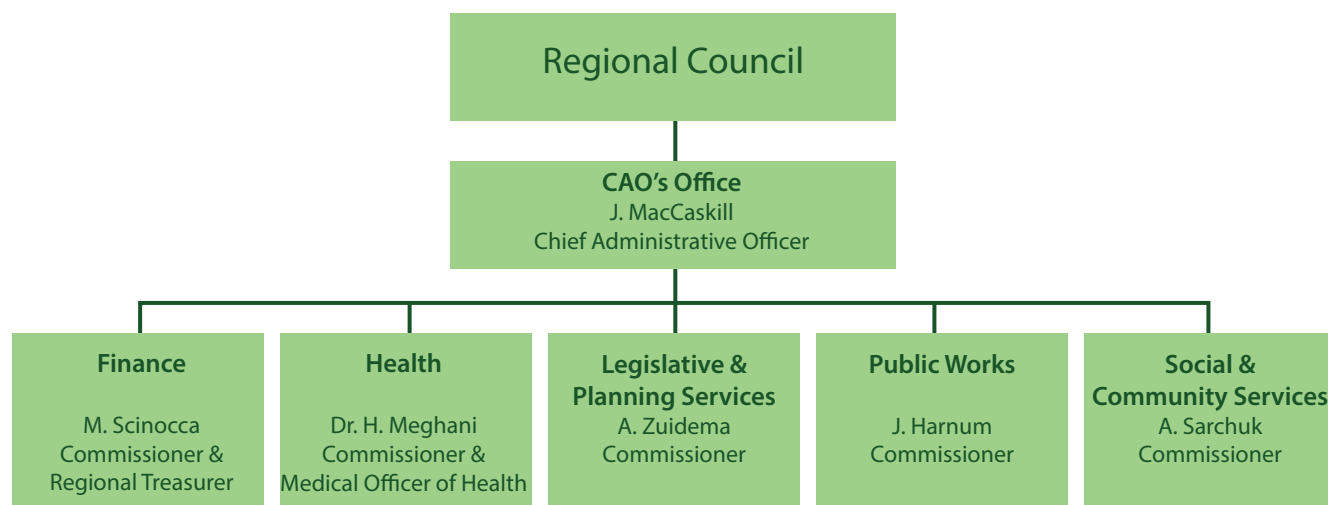


Protecting the natural environment focuses on protecting and enhancing Halton's natural environment and reducing our ecological footprint.

Visit **halton.ca** to learn more.



Halton Region's Corporate Organization



What We Do

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

From clean drinking water to financial assistance, resilient infrastructure to public health programs, residents and businesses can rely on Halton Region to deliver programs and services that matter.

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



Paramedic services



Public health programs and services



Regional planning and growth management



Regional roads and transportation



Services for seniors



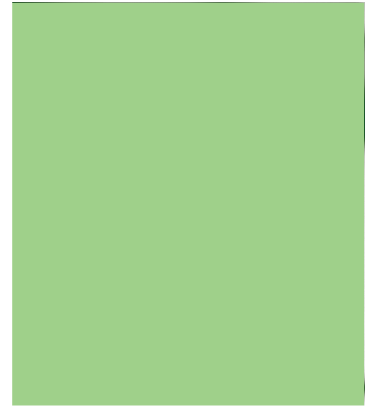
Waste management



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, 2017. These consolidated financial statements and accompanying notes are prepared in accordance with Canadian public sector accounting standards.

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 2017 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 and Hamilton Area, offering expanded business and employment opportunities for 570,000 residents. Halton Region features 25 km of shoreline 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 than that of the rest of the province. In 2017, the unemployment rate averaged 4 per cent, which is significantly lower than the rest of the Greater Toronto and Hamilton Area, Ontario and Canada. Halton's labour participation rate continued to be high at 70.3 per cent.

Business growth continued with 126 new places of employment and 7,277 new jobs created in 2017. The Region's economic outlook is positive, with one third of Halton business owners planning on hiring additional staff in 2018 and the majority of business owners anticipating steady or higher profits for the coming year. Commercial, industrial and institutional construction values decreased by 3 per cent over 2016 due to decreases in institutional construction. Over the last decade, Halton has averaged 20 per cent annual non-residential development growth, with 937,000 square feet of industrial floor area built in 2017.



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 keeps the annual tax rate increase for Regional services at or below the rate of inflation.

AAA credit rating

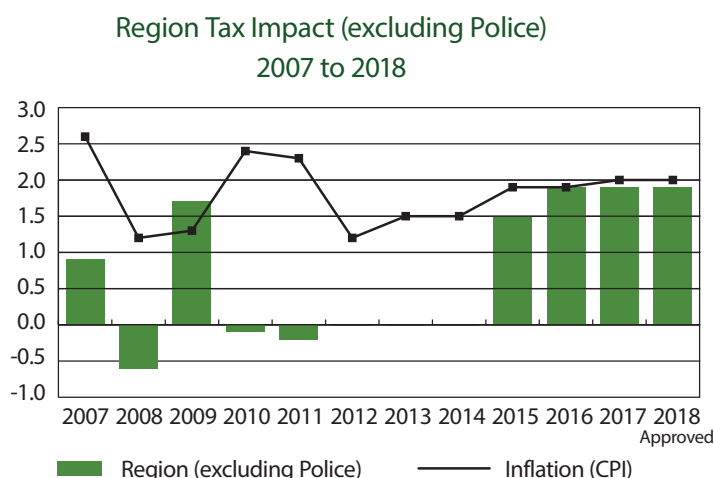
Halton Region's AAA credit rating was reaffirmed by both S&P Global Ratings (AAA) and Moody's Investors Services (Aaa) in 2017. The primary factors that contributed to this achievement are Halton's history of strong budgetary performance, prudent fiscal management, declining debt levels and a positive 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 community'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. In 2017, Halton Region maintained its AAA credit rating for the 29th year, which is a testament to its financial position, policies and practices.

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 2018 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.



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 Operating 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 Region's own debt limits are not exceeded throughout the 10-year forecasts.
- Reserves are maintained at levels that ensure financial sustainability to support the state of good repair of Regional assets, tax and rate stabilization reserve 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.

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 humpback structure). In addition, the 2017 Budget proposed to phase out the wastewater cap.

In addition, the Region has developed a long-term water meter and billing strategy, which provides a holistic framework to manage the growing number of water meter customers. A detailed implementation plan will be developed for the installation of a Region-wide Advance Meter Infrastructure system to meet the long-term goals of reliable, sustainable, cost effective, and customer focused metering and billing program that positions Halton Region well for the future and leverages new technology to meet the current and evolving needs of Halton and its customers.

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 2018 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 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 related reduction in debt and debt charges provide Halton with the flexibility to respond to new requirements in priority areas without significant impact to tax and rate payers.

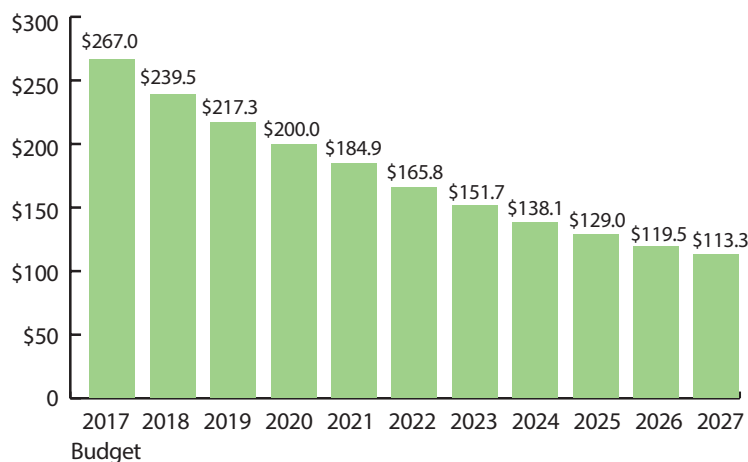
Halton Region relies on development charges (DCs) to finance infrastructure required for growth. DCs, combined with Regional interim financing through reserves and debt, are used to fund growth-related projects consistent with the 2012 Development Financing Plan. Regional interim financing is provided for the non-residential employment capital cost share and will be recovered from future DCs, including any carrying costs for the financing. This plan ensures that the maximum amount of growth-related costs is recovered from DCs in accordance with the DC by-law to ensure Halton Region's strong financial position is not compromised and tax and rate payers are protected from the impact of growth financing. Discussed further in the growth management section on page 13, the current *Development Charges Act (DCA)* does not allow for full cost recovery relating to growth.

Halton Region's well-balanced funding strategy has been reflected in the following key financial indicators.

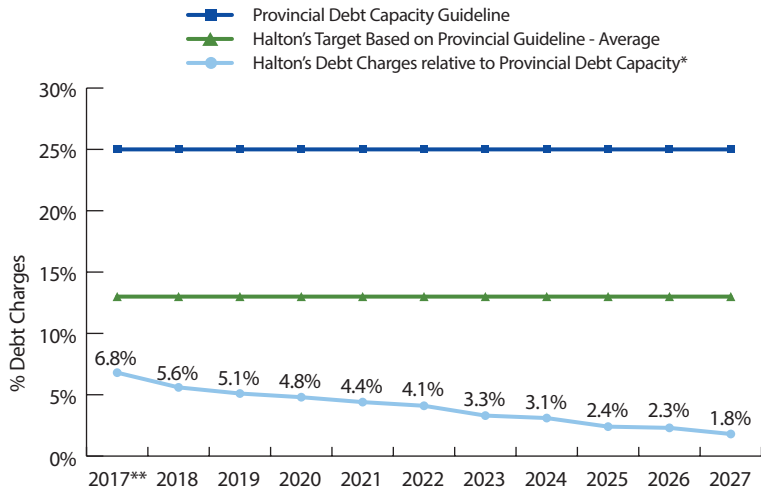
Debt capacity

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 13 illustrates Halton Region's projected ratios as presented in the 2018 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 previously.

Outstanding Debt Principal by Program
(in \$ millions)



Projected Debt Charge Position Relative to Provincial Guideline (2017 – 2027)



* Debt charges are projected based on inflated debt and include other long-term financial obligations (e.g., lease payments)

** 2017 Debt Charges reflects the projected year-end actual

Key Priorities

Growth management

Halton Region is a rapidly growing community. It is expected to grow from 570,000 people in 2017 to 1 million people by 2041 as set out in the Provincial *Places to Grow Act, Growth Plan for the Greater Golden Horseshoe, 2017*. The Provincial growth plan has imposed significant infrastructure pressures and related financial challenges on the Region. Halton Regional Council remains committed to supporting this 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 DC By-law will be recovered from DCs.

The current DC By-law No. 36-17 (Residential and Non-Residential Water and Wastewater, Roads and General Services Development Charges for Built Boundary and Greenfield) was passed by Council on June 14, 2017 and came into effect September 1, 2017. Under this legislation, a DC by-law must be updated every five years (or sooner) to reflect updated growth forecasts and infrastructure costs.

Despite Halton Region's rigorous planning processes, a significant amount of growth-related costs cannot be recovered under the current *Development Charges Act (DCA)*. Halton Region's DC revenues are estimated to be, at minimum, \$14.1 million per year lower than a calculation based on a growth-pays-for-growth principle. 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, with the current estimate equivalent to a 5.8 per cent tax increase. This will be addressed as part of the next development financing plan in support of the next Allocation Program.

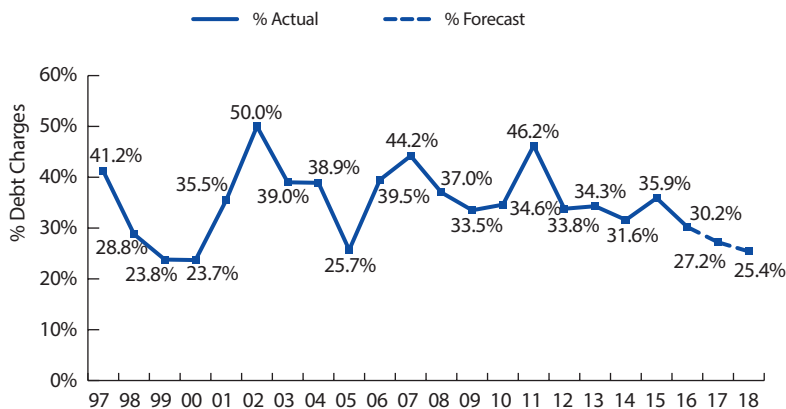
Investment in public health

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.

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 that is available to respond to new requirements, and the more secure Halton Region's overall financial position. The 2018 ratio is expected to decrease slightly from 2017 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



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 (MOHLTC) discussion paper, *Patients First: A Proposal to Strengthen Patient-Centered Health Care in Ontario*, are adding to the pressure.

Additionally, in 2015, the MOHLTC implemented a new funding model to distribute Provincial funding for mandatory public health programs. Under the new model, Halton Region did not receive an increase in funding in 2015, 2016 and 2017 for public health programs cost-shared with the Province. In 2018, the MOHLTC provided a one-time 3 per cent increase. 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 \$9.0 million for 2018.

The Paramedic Services budget is also cost-shared between the Province (through the MOHLTC) and the Region. The intended Provincial funding contribution is 50 per cent of costs deemed eligible for Provincial funding; however, the Region only receives 47 per cent, resulting in a shortfall of \$1.2 million for 2018.

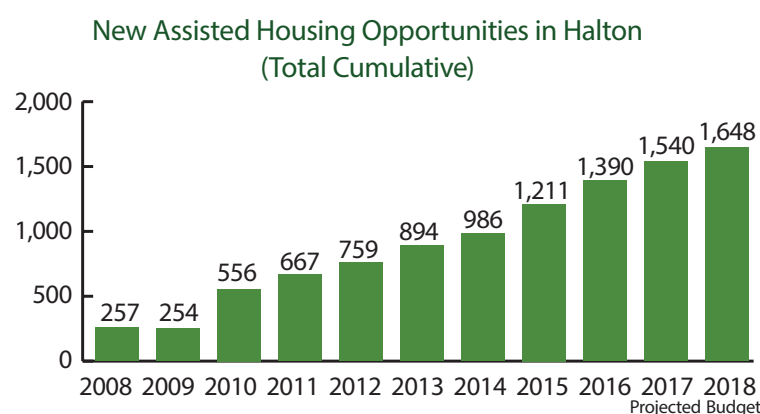
Funding shortfalls are supported through an increase in Regional financial contributions. Halton Region will continue its efforts to advocate for more Provincial funding for health programs to keep pace with growth in the community.

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 Halton. 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 continued at \$7.8 million in 2017. 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 higher levels of government will be required in order to meet community needs and achieve the upper limit of the targeted number of housing opportunities.

In 2014, the Province extended the Investment in Affordable Housing (IAH) for Ontario program. Halton Region has been allotted a total of \$21.6 million in funding over the program extension period from 2014 to 2020. The funding is used to acquire new units and to provide assistance with renovations and home ownership. As of 2017, \$10 million of the total \$15.9 million in IAH program funding has been applied towards the acquisition of new housing units and home ownership and renovations grants.

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 following chart.



Between 2008 and 2017, Halton created an additional 1,540 assisted housing opportunities and provided sustainable rental assistance. It is expected that an additional 108 housing opportunities will be created in Halton in 2018, resulting in a total of 1,648 opportunities created since 2008.

Energy management

The Region continues to investigate alternate energy technologies to reduce Regional energy costs and further reduce greenhouse gas emissions. As set out in PW-28-16 (re: Region of Halton Street Light Conversion Program), the Region is moving forward with converting approximately 5,000 existing high-pressure sodium street lights in the Region to light emitting diode (LED) technology over five years (2016-2020) at an estimated cost of \$2.6 million with \$1.8 million required in 2018. Based on the current market trend, the potential energy savings resulting from this program has been estimated at approximately \$300,000 in 2018, which would grow to approximately \$500,000 by 2020 when the conversion will be completed.

Additional energy cost savings were achieved through Halton's participation in the Industrial Conservation Initiative (ICI) program. Commencing July 1, 2017, four of Halton's treatment plants became eligible to participate in the program, which allows eligible hydro customers to manage their global adjustment costs by reducing demand during peak periods.

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.

The 2018 Budget continues to implement the Region Wide Basement Flooding Mitigation Program as set out in PW-18-16 / PW-40-17 (re: Region Wide Basement Flooding Mitigation) and PW-22-15 (re: Region Wide Basement Flooding Mitigation Study: Final Report and Recommendations) and the related financial plan. Through 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, which 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 PW-18-16 / PW-40-17, the 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 resiliency of the system to the impacts of future storm events.

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

Regional Assets and Infrastructure in a State of Good Repair

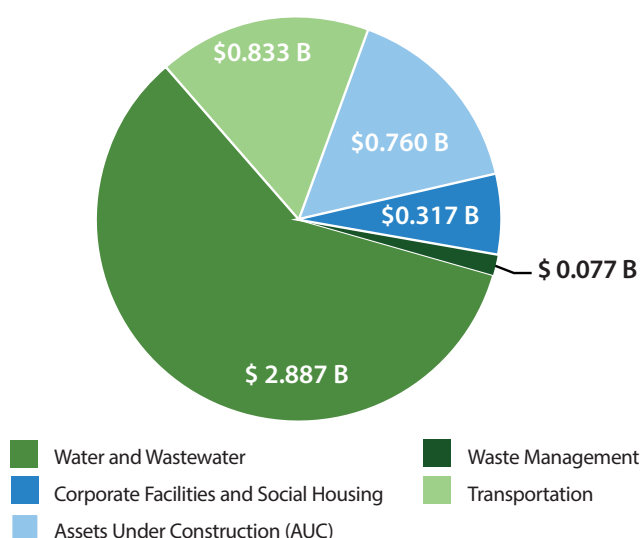
Asset management plan

In 2006, an overall vision for a comprehensive asset management program was formalized and communicated. Halton Region's asset management long-term vision was to integrate asset management with asset financial management. The implementation of this vision began with the development of the tangible capital asset registry completed in 2009 to comply with new financial reporting requirements issued by the Public Sector Accounting Board (PSAB) (reports CS-31-06, CS-45-07, CS-52-07, CS-17-10). The benefit of the asset inventory is that Halton Region now has the best available information about the stock, use, value and condition of its assets, which serves as the foundation for the development of a long-term sustainable financial plan.

In December 2013, Council approved report PW-55-13/FN-27-13/LPS91-13, which implemented Halton Region's Corporate Asset Management Plan (AMP). Infrastructure assets contained within the AMP include Public Works assets, corporate facilities and government-assisted housing. Part of the 2013 plan was a commitment to annually update the plan and report to Council. The AMP development process laid the foundation for further enhancement opportunities to ensure the best decisions continue to be made regarding the construction, maintenance, renewal, replacement, expansion and disposal of infrastructure assets. The AMP was subsequently updated through reports PW-01-15/FN-01-15/LPS01-15 and PW-24-15/FN-39-15/LPS109-15.

In May 2015, the development and refinement of the Halton Region Asset Management Roadmap Implementation Plan, Final Phase 2 Report was completed for the Public Works Department. The first Strategic Project involves the development and formalization of a public works risk management framework and the definition of customer levels of service and key performance indicators that will allow for continuous measurement of the effectiveness of investments and trade-offs in each service area of Public Works. As part of PW-28-17 (approved in July 2017), the Public Works Asset Management program update outlined the Public Works Asset Management Strategy. The strategy outlined the Public Works' technical levels of service, key performance indicators, lifecycle modelling and asset risk assessment, which resulted in an updated 10-year state of good repair capital program and corresponding financial plan. The 2018 Budget and forecast reflected this updated capital and financing plan. The next step in the Public Works Asset Management Roadmap is to develop the optimized decision making process.

Tangible Capital Asset Net Book Value 2017
Total \$4.9 Billion



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 2018 Budget's 10-year transportation capital program for the state of good repair is \$332.6 million, and includes updates relating to the Active Transportation Master Plan.

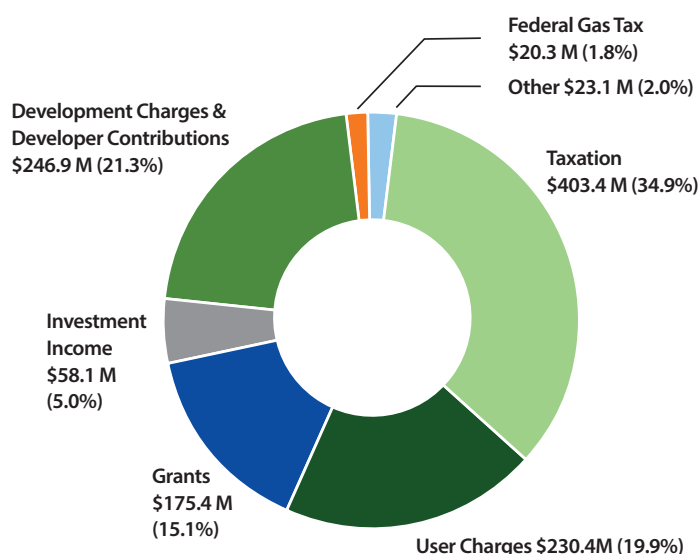
Investments in water and wastewater infrastructure are also an integral part of service delivery through the AMP. The 2018 Budget 10-year capital program for the state of good repair of water and wastewater assets will invest \$1 billion in the renewal and management of existing water and wastewater infrastructure assets.

Operating Results Highlights

The Consolidated Statement of Operations summarizes the revenues and expenses for 2017. The focus of this statement is net revenues, which is the difference between revenues of \$1.2 billion and operating expenses of \$800.8 million for the reporting period. Halton Region reported net revenue of \$356.8 million in 2017, compared to \$397.8 million in 2016. Net revenues are required to fund future capital replacement, finance current tangible capital asset acquisitions and fund debt principal repayments, which are included in the annual budget.

The following chart provides a summary of the source of revenue used to fund Halton Region's operations and capital investments.

Halton Region 2017 Consolidated Revenues
Total \$1.2 Billion



Overall, revenue decreased by \$10.9 million, or 0.9 per cent, from 2016. The decrease was mainly driven by a decline in development charge revenue earned. This decline is a result of reduced construction activity in the 2012 Allocation program as more than half the infrastructure has been constructed. The decrease was partially offset by increases in grants, taxation revenue and federal tax grant revenue. Grant revenue increased due to additional subsidies received for housing programs. Taxation revenue generally increased in-line with expectations based on the property tax rate and assessment base increases for 2017.

Regional Programs and Services

Expenses in the Consolidated Statement of Operations totaled \$800.8 million in 2017, increasing by \$30 million, or 4 per cent, from 2016. This increase was mainly driven by increased demand for social services in the Halton community, including new child care programs (Child Care Expansion Plan and Canada-Ontario Bilateral Early Learning), services for seniors and employment assistance. Transportation services incurred a 6 per cent increase to support road restoration and LED streetlight replacement projects, and social housing incurred a 13 per cent increase to implement the Social Housing Improvement Program (SHIP) and other projects that restored the overall condition of the buildings, and to maintain Halton's affordable housing spaces in a state of good repair. The safety and well-being of Halton residents has been improved by more staff in Paramedics and Police Services to support Halton's growing community.

Regional Programs and Services

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



Social services

Operations of \$165.8 million

- Financial assistance to an average of 2,031 Halton Ontario Works caseloads per month
- Child care fee assistance to 4,181 children
- Increase of 695 licensed child care spaces within Halton from 27,986 to 28,861
- Direct care and service to over 570 seniors at the Regionally operated long-term care homes
- Funding for 56 community projects and programs through the Halton Region Community Investment Fund using one-year and multi-year funds for a total of \$2 million



Water and wastewater

Operations of \$189.6 million

- Treatment of 62 million cubic metres of water and over 89 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 2,281 kilometres of watermains, seven bulk water stations, 22 reservoirs and storage facilities, 14 booster stations, over 1,922 kilometres of wastewater mains, and 79 pumping stations



Social housing

Operations of \$48.6 million

- Oversight of 5,060 housing units, of which 2,063 are directly operated by Halton Community Housing Corporation
- Rental assistance directly from Halton Region for 1,089 units and 3,679 units through housing providers
- 150 new assisted housing opportunities for a cumulative total of 1,540 units since 2008



Solid waste

Operations of \$42.4 million

- Collection and disposal of 89,818 tonnes of residential garbage and the diversion of 124,488 tonnes of residential Blue Box and organic materials, representing a 58.1 per cent residential diversion rate

Regional Programs and Services (continued)



Health services

Operations of \$71.7 million

- Ambulance services through the deployment of 24 emergency vehicles and 235 paramedics
- Answered 51,389 paramedic calls and transported 32,105 patients
- Delivery of 161,663 influenza vaccines at Health Department clinics and through distribution to community partners
- Service of 11,127 client appointments/clients at oral health, mental health, sexual health and tobacco cessation clinics
- Connected with 11,421 parents of children and youth by providing parenting information at groups, seminars and consultations
- Completed 5,233 inspections of food premises
- Screened 18,475 children for oral health in elementary schools



Protection to persons and property

Police, Emergency Management and Conservation Authorities

Operations of \$165.4 million

- Police services through the deployment of 704 police officers
- Emergency services for the operation of 911 call centre, which received 114,093 emergency calls
- Contributions to Conservation Halton (with an area of 1,059 km², 26 km of shoreline and seven conservation areas), Grand River Conservation Authority (with an area of 6,800 km² and 16 conservation areas) and Credit Valley Conservation (with an area of 1,000 km² and 10 conservation areas)



Transportation services

Operations of \$60.6 million

- Maintenance of 1,109 lane kilometres of roadway (kilometres multiplied by the number of lanes), 63.8 per cent of which were rated as good to very good condition
- Maintenance and operation of 94 bridges, 177 major culverts, 249 signalized intersections and 6,200 streetlights

Other services

General government, planning and development, and recreation and cultural services

Operations of \$56.7 million

- In 2017, Council approved 251 staff reports and 70 by-laws for a total of 321 documents
- For planning purposes, Halton has 30,162 hectares designated as development land

Financial Statement to Budget Comparison

The purpose of the financial statements is to provide readers 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 Canadian 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 taxes and utility rate fees in order to fund programs and services as well as infrastructure investments to ensure the long-term financial sustainability of the Region. 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 adjusts 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 Consolidated Financial Statements. The full accrual budget is also included in the Consolidated Statement of Operations and the 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 million, which represents a 5 per cent variance based on the expected expenditures of \$825.5 million. The favourable variance was driven by higher-than-anticipated revenue of \$17.3 million due to a \$6.6 million return of capital gains earned on investments,

\$5.1 million increase in the Federal gas tax grant due to timing difference between grant collection and the occurrence of eligible expenditures (enabling the recognition of the revenue) and \$3.8 million increase in grants due to additional subsidies received for housing and Ontario Works. In addition, there were expenditure savings of \$24.7 million related to temporary vacancies in various departments, implementation timing of the water and wastewater maintenance program, 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 team 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 programs 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, Deloitte LLP.

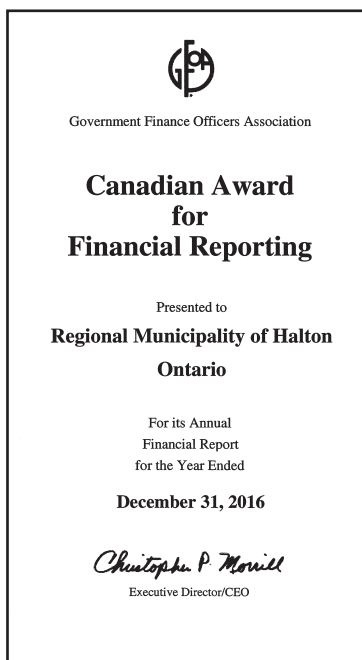
The external auditors performed an audit of the statements in accordance with Canadian Generally Accepted Auditing Standards (GAAS), and expressed an unqualified or “clean” opinion that the statements “present fairly, in all material respects” Halton Region’s financial position. The auditors are responsible for advising Halton Region management and Council of significant control or operational issues that are identified during the performance of their audit conducted in accordance with GAAS. 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, 2016. This is the 11th year 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.

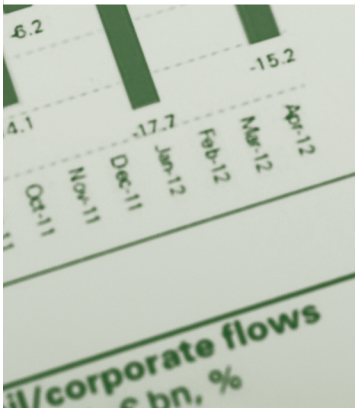
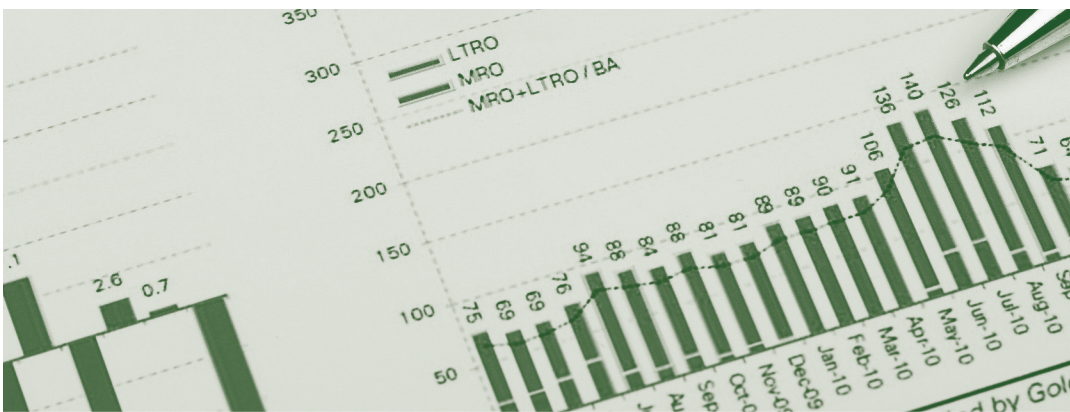


The GFOA of the United States and Canada also presented Halton Region with its Distinguished Budget Presentation Award for the 2017 Budget and Business Plan. This award reflects the commitment of Council, management and staff to meet the highest standards of governmental budgeting. Halton Region has received the award for 13 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 its focus on 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 23, 2018



Consolidated Financial Statements

For the year ended December 31, 2017

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 2017 consolidated financial statements have been examined by Halton Region's external auditors, Deloitte 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 23, 2018*

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, 2017, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of the Regional Municipality of Halton as at December 31, 2017 and the results of its operations, change in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations and changes in net financial assets and cash flows for the year then ended were audited by another auditor who issued an unmodified opinion on May 17, 2017.



Chartered Professional Accountants
Licensed Public Accountants
May 23, 2018

Consolidated Statement of Financial Position

as at December 31, 2017 (with comparative figures as at December 31, 2016)

(Dollars in Thousands)

	2017	2016
FINANCIAL ASSETS		
Cash and cash equivalents	\$70,302	\$113,374
Accounts receivable:		
Water and wastewater	35,587	33,178
Ontario and federal grants	18,648	16,787
Other receivables	43,347	57,074
Other current assets	317	277
Investments (Note 2)	1,981,785	1,867,879
Loans receivable (Note 7)	1,683	2,001
Recoverable gross long-term debt from:		
Local Municipalities (Note 5)	282,784	283,130
Total financial assets	2,434,453	2,373,700
LIABILITIES		
Accounts payable and accrued liabilities	276,102	265,440
Gross long-term liabilities (Notes 5 and 6)	333,873	361,831
Sinking fund debentures (Note 5)	273,500	273,500
Deferred revenue (Note 10)	228,242	236,859
Landfill closure and post-closure liabilities (Note 11)	15,412	14,663
Employee future benefits payable (Note 13)	75,603	71,356
Total liabilities	1,202,732	1,223,649
NET FINANCIAL ASSETS	1,231,721	1,150,051
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	4,879,434	4,603,446
Prepaid expenses	1,830	1,963
Inventory	3,294	4,034
Total non-financial assets	4,884,558	4,609,443
ACCUMULATED SURPLUS (Note 14)	\$6,116,279	\$5,759,494

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

For the year ended December 31, 2017 (with comparative figures for the year ended December 31, 2016)

(Dollars in Thousands)

	2017 Budget (Note 20)	2017	2016
REVENUES			
Taxation	\$404,794	\$403,384	\$390,345
Development charges and developer contributions	246,915	246,915	302,134
User charges	227,243	230,420	226,023
Grants	171,549	175,350	160,543
Federal gas tax grant	15,252	20,332	12,623
Investment income	51,446	58,094	63,738
Other revenue	23,083	23,089	13,096
Total revenues	1,140,282	1,157,584	1,168,502
EXPENSES			
General government	44,821	41,279	35,996
Social services	164,087	165,754	158,583
Social housing	52,898	48,614	42,980
Water and wastewater services	198,772	189,646	187,856
Solid waste services	42,332	42,442	41,478
Protection to persons and property	168,265	165,400	161,762
Health services	72,896	71,699	68,934
Transportation services	64,740	60,598	56,857
Planning and development	13,832	12,552	12,626
Recreation and cultural services	2,870	2,815	2,666
Total expenses	825,513	800,799	770,738
NET REVENUES	314,769	356,785	397,764
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,759,494	5,759,494	5,361,730
ACCUMULATED SURPLUS, END OF YEAR	\$6,074,263	\$6,116,279	\$5,759,494

See accompanying notes to consolidated financial statements.

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2017 (with comparative figures for the year ended December 31, 2016)

(Dollars in Thousands)

	2017 Budget (Note 20)	2017	2016
Net revenues	\$314,769	\$356,785	\$397,764
Acquisition of tangible capital assets	(396,850)	(396,850)	(467,726)
Amortization of tangible capital assets	111,263	111,263	106,845
Loss (gain) on disposal of tangible capital assets	(796)	(796)	14,090
Proceeds on disposal of tangible capital assets	10,395	10,395	262
Change in inventory and prepaid expenses	873	873	(305)
Change in net financial assets	39,654	81,670	50,930
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,150,051	1,150,051	1,099,121
NET FINANCIAL ASSETS, END OF YEAR	\$1,189,705	\$1,231,721	\$1,150,051

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2017 (with comparative figures for the year ended December 31, 2016)

(Dollars in Thousands)

	2017	2016
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net revenues	\$356,785	\$397,764
Items not involving cash:		
Amortization	111,263	106,845
Loss (gain) on disposal of tangible capital assets	(796)	14,090
Contributed tangible capital assets	(22,414)	(13,733)
Change in non-cash assets and liabilities:		
Accounts receivable	9,457	12,739
Accounts payable and accrued liabilities	10,662	21,406
Other current assets	(40)	(65)
Deferred revenue	(8,617)	16,129
Inventory and prepaid expenses	873	(305)
Employee benefits payable and other liabilities	4,996	5,091
Net change in cash from operating activities	462,169	559,961
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	10,395	262
Cash used to acquire tangible capital assets	(374,436)	(453,992)
Net change in cash from capital activities	(364,041)	(453,730)
INVESTING ACTIVITIES		
Loans receivable	318	(347)
Investments	(113,906)	(101,997)
Net change in cash from investing activities	(113,588)	(102,344)
FINANCING ACTIVITIES		
Long-term debt issued and assumed	55	31,802
Long-term debt repaid	(26,480)	(30,361)
Mortgages payable and repayment	(3,447)	(3,307)
Sinking fund contributions from Local Municipalities	2,260	2,180
Net change in cash from financing activities	(27,612)	314
NET CHANGE IN CASH	(43,072)	4,201
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	113,374	109,173
CASH AND CASH EQUIVALENTS, END OF YEAR	\$70,302	\$113,374

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

for the year ended December 31, 2017

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 Grants. Government transfers, such as Federal Gas Tax Grants, 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. 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 tangible 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:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the organization is directly responsible or accepts responsibility for the liability;
- future economic benefits will be given up; and
- 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 maintaining assets in a 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. Sinking fund contributions are managed as part of Halton's overall investment strategy and are included as investments on the Consolidated Statement of Financial Position.

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**

Property tax revenue is recognized on an accrual basis when the tax is authorized by the passing of the tax levy by-law. Taxes are levied on properties listed on the assessment roll and are based on the approved budget. Supplementary taxation is recognized when additional billings are issued for properties that are added to the assessment roll during the year.

At year-end, the Region evaluates the likelihood of having to repay taxes as a result of tax appeals or other changes and recognized a liability if the amount can be reasonably estimated.

xvii. Landfill liability

The costs to close an existing landfill site and to maintain closed landfill sites are based on the future estimated expenditures required over a forty year period, discounted using the Region's long-term borrowing rate. These costs are reported as a liability on the Consolidated Statement of Financial Position. Landfill sites are amortized using the units of production method based upon capacity used during the year.

xviii. Pensions and employee future 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.

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.

Halton Region has set aside reserves intended to fund certain of 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)				
	2017		2016	
	Cost	Market Value	Cost	Market Value
Investments	\$1,981,785	\$2,004,232	\$1,867,879	\$1,913,411

In addition, Halton includes in its investment portfolio a balance of \$73,501,673 (2016 - \$62,716,324) 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 \$760,347,276 (2016 - \$611,036,183) that are not being amortized as they are under construction. During the year there were no write-downs of assets (2016 - \$nil). Roads and underground water and sewer systems in the amount of \$22,413,588 (2016 - \$13,733,145) 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 (2016 - \$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 tables summarize tangible capital asset balances by category for the years 2017 and 2016:

(Dollars in Thousands)

Asset Type	Opening Balance 1-Jan-17	Additions	Disposals	Ending Balance 31-Dec-17	Opening Accumulated Amortization Balance 1-Jan-17	Amortization	Disposals	Ending Accumulated Amortization Balance 31-Dec-17	Ending Net Book Value 31-Dec-17
General									
Buildings and building improvements	\$229,646	\$2,411	\$647	\$231,410	\$92,902	\$7,250	\$601	\$99,551	\$131,859
Computer hardware	17,548	3,221	1,169	19,600	10,680	2,753	1,169	12,264	7,336
Computer software	16,658	562	-	17,220	10,536	1,682	-	12,218	5,002
Land	157,840	890	613	158,117	-	-	-	-	158,117
Land improvements	69,819	155	-	69,974	32,314	2,047	-	34,361	35,613
Leasehold improvements	4,276	98	-	4,374	2,334	263	-	2,597	1,777
Machinery and equipment	187,020	5,701	431	192,290	109,226	8,482	330	117,378	74,912
Vehicles	27,741	5,833	3,451	30,123	16,901	3,558	3,113	17,346	12,777
Total general capital	710,548	18,871	6,311	723,108	274,893	26,035	5,213	295,715	427,393
Infrastructure									
Buildings and building improvements	463,927	13,971	12	477,886	137,549	9,876	12	147,413	330,473
Land	125,430	41,260	341	166,349	-	-	-	-	166,349
Land improvements	92,423	2,013	9	94,427	53,622	2,639	9	56,252	38,175
Linear	3,476,957	156,710	14,109	3,619,558	734,537	53,279	5,985	781,831	2,837,727
Machinery and equipment	555,233	14,714	284	569,663	231,507	19,434	248	250,693	318,970
Total infrastructure	4,713,970	228,668	14,755	4,927,883	1,157,215	85,228	6,254	1,236,189	3,691,694
Assets under construction	611,036	149,311	-	760,347	-	-	-	-	760,347
Total tangible capital assets	\$6,035,554	\$396,850	\$21,066	\$6,411,338	\$1,432,108	\$111,263	\$11,467	\$1,531,904	\$4,879,434

(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

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)

	2017	2016
Reserve and reserve fund contribution for capital and operating	\$332,058	\$374,312
Development charges	202,503	285,695
Annual amortization	111,263	106,845

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 \$11,359,178 (2016 - \$11,944,118) 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 2017 is \$153,788,000 (2016 - \$196,498,000).

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

	(Dollars in Thousands)	
	2017	2016
Long-term liabilities incurred by Halton Region	\$290,586	\$315,097
Mortgages payable by HCHC	43,287	46,734
Subtotal gross long-term liabilities	333,873	361,831
Sinking Fund debentures	273,500	273,500
Total long-term liabilities incurred by Halton Region	607,373	635,331
Less recoverable from Local Municipalities:		
Long-term debentures	182,224	180,310
Sinking Fund debentures	100,560	102,820
Subtotal Local Municipalities	282,784	283,130
Less cumulative Sinking Fund contributions from Local Municipalities	4,440	2,180
Net long-term liabilities at year end	\$320,149	\$350,021

Sinking Fund debentures consist of the following amounts:

	(Dollars in Thousands)	
	2017	2016
Sinking Fund #148-11 earnings to date		
Purchased April 11, 2011 – 30 year term		
Total value - \$106,000,000		
Opening earnings	\$8,577	\$6,710
Halton contributions	1,595	1,595
Interest earned	363	272
Sinking Fund #148-11 earnings to date	\$10,535	\$8,577

(Dollars in Thousands)

	2017	2016
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	\$3,477	\$ -
Halton contributions	1,261	1,261
Oakville contributions	1,816	1,816
Milton contributions	303	303
Interest earned	225	97
Sinking Fund #43-15 earnings to date	\$7,082	\$3,477

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

(Dollars in Thousands)

	2017	2016
Property taxes – general purpose levy	\$65,069	\$69,318
Water	64,199	74,361
Wastewater	41,307	49,665
Development charges	149,574	156,677
Net long-term liabilities at year end	\$320,149	\$350,021

6. CHARGES FOR LONG-TERM LIABILITIES

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

(Dollars in Thousands)

	2017	2016
Gross principal repayment	\$57,305	\$57,395
HCHC Mortgages	3,447	3,307
Less amounts recovered	30,825	27,035
Net Principal	29,927	33,667
Gross interest paid	18,895	19,929
HCHC mortgages	1,480	1,644
Less amount recovered	9,514	9,603
Net Interest	10,861	11,970
Total net principal and interest	\$40,788	\$45,637

6. CHARGES FOR LONG-TERM LIABILITIES (continued)

Debentures bear interest at rates ranging from 0.95 per cent to 5.5 per cent. Mortgages of \$43,287,281 (2016 - \$46,734,097) on the properties of HCHC are secured by a first charge on the assets of HCHC with amortization periods ranging between 10 and 30 years and interest rates ranging between 1.01 per cent and 5.94 per cent.

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

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

	(Dollars in Thousands)	
	2017	2016
Property taxes – general purpose levy	\$7,614	\$9,812
Water and wastewater revenues	21,450	24,629
Development charges	11,724	11,196
Total	\$40,788	\$45,637

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
2018	\$20,750	\$2,144	\$1,369	\$14,256	\$38,519
2019	18,262	2,252	1,414	2,838	24,766
2020	17,494	2,366	1,460	7,979	29,299
2021	14,753	2,485	1,508	3,664	22,410
2022	13,980	2,610	1,557	6,890	25,037
2023-2045	23,727	93,741	54,990	7,660	180,118
Total	\$108,966	\$105,598	\$62,298	\$43,287	\$320,149

7. LOANS RECEIVABLE

Halton Region has loans receivable in the amount of \$1,682,790 (2016 - \$2,001,106) 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 10-year period at a variable interest rate based on Halton Region's investment rate. For 2017 the repayment amount is \$407,196 (2016 - \$402,634) based on an interest rate of 3.20 per cent (2016 - 3.20 per cent).

8. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

- (a) Halton Region has outstanding contractual obligations of \$364,955,130 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:

2018	\$3,881,059
2019	3,462,168
2020	2,360,571
2021	505,229
2022	246,157
- (c) Halton Region has made provision for the use of \$689,001,152 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 determined likely to occur.

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 \$137,092,988 (2016 - \$141,842,762) and an obligatory reserve fund for the Federal Gas Tax Grant in the amount of \$18,123,674 (2016 - \$22,439,920). 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, 2016	Inflows	Revenue Earned	(Dollars in Thousands) Balance at December 31, 2017
Development charges	\$141,843	\$205,717	\$210,467	\$137,093
Federal Gas Tax	22,440	16,016	20,332	18,124
	164,283	221,733	230,799	155,217
General - Region				
Unspent Capital Financing	58,460	290	2,649	56,101
Permits	1,540	1,973	1,579	1,934
Developer Accelerated (note 14)	6,834	2,921	474	9,281
Developer Water Meters	1,877	602	720	1,759
Other	3,865	2,940	2,855	3,950
	72,576	8,726	8,277	73,025
Total	\$236,859	\$230,459	\$239,076	\$228,242

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 remaining life expectancy of 25 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 per cent net of inflation of 2 per cent. 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.

	(Dollars in Thousands)	
	2017	2016
Remaining capacity (m ³)	4,584,940	4,690,575
Liability – Consolidated Statement of Financial Position	\$15,412	\$14,663
Closure & post-closure care		
Estimated expenditures	\$19,578	\$18,800
Remaining expenditures to be recognized	4,166	4,137
Reserve funds (Note 14)	18,461	17,744

12. CONTAMINATED SITES

A contaminated site exists when substances introduced into the air, soil, water or sediment exceeds the maximum acceptable environmental standards. A liability for remediation occurs when a site is not in productive use and the estimated liability includes costs directly attributable to remediation activities as well as post remediation, maintenance and monitoring of the contaminated site, net of any expected recoveries.

There are no contaminated sites, as at December 31, 2017, that meet the specified criteria (2016 - \$nil).

13. EMPLOYEE FUTURE 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 future benefits and reserves relating to these liabilities are as follows.

(Dollars in Thousands)				
	2017 Accrued Liability	Reserve	2016 Accrued Liability	Reserve
Employee future benefits				
Halton employees	\$12,532	\$15,110	\$11,233	\$13,781
Halton Regional Police Service	30,165	30,245	28,620	29,108
WSIB				
Halton employees	8,961	10,414	8,514	9,138
Halton Regional Police Service	3,734	5,287	3,526	4,744
Long-term disability				
Halton employees	12,292	9,833	11,713	8,554
Halton Regional Police Service	4,156	3,611	3,855	3,020
Vacation pay				
Halton employees	3,638	-	3,768	-
Halton Regional Police Service	64	-	66	-
Vested sick leave entitlements				
Halton Regional Police Service	61	89	61	86
Total	\$75,603	\$74,589	\$71,356	\$68,431

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

(Dollars in Thousands)		
	2017	2016
Accrued benefit obligation:		
Balance, beginning of year	\$73,510	\$69,840
Current benefit cost	7,128	6,892
Interest	3,081	2,932
Benefits paid	(6,765)	(6,154)
Plan amendment	187	-
Actuarial loss/(gain)	6,105	-
Balance, end of year	83,246	73,510
Unamortized actuarial (loss)/gain	(7,523)	(2,154)
Liability for benefits	75,603	71,356
Amortization of actuarial loss/(gain)	\$691	\$698

13. EMPLOYEE FUTURE BENEFITS PAYABLE (continued)

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

	2017	Remaining Service Life
Employee future benefits	(\$4,232,752)	7 to 13 years
WSIB	(6,045,805)	10 years
Long-term disability	2,755,799	8 to 10 years

Halton Region commissions actuarial reviews of the employee retirement benefits, WSIB and long-term disability obligations every three years. The last review measured the liabilities as at December 31, 2017. The liability was based upon a number of assumptions regarding future events, which reflect management's best estimate. Key actuarial assumptions established for this valuation are:

	2017	2016
Expected inflation rate	1.75%	2.00%
Discount rate:		
Employee future benefits	4.00%	4.75%
WSIB	3.75%	4.25%
Long-term disability	3.50%	3.75%
Expected salary increase	2.75%	3.00%
Expected dental care cost increase	3.75%	4.00%
Expected health cost increase	6.75% in 2018, reducing by 0.33% per year to 3.75% in 2027	Escalate at 5.667% per year, scaling down to 4.00% in 2020 and later

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 2017, payments out of the vested sick leave plan amounted to \$nil (2016 - \$nil) and have been reported on the Consolidated Statement of Operations. Sick leave benefits of \$61,333 (2016 - \$61,333) are anticipated to be paid out in 2018 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)		
	2017	2016	Difference
Unexpended capital financing	\$571,551	\$537,140	\$34,411
Reserves (detailed below)	963,877	943,237	20,640
Reserve funds (detailed below)	109,376	109,416	(40)
Sinking investment fund	13,178	9,875	3,303
Tangible capital assets	4,879,434	4,603,446	275,988
Developer financed assets	(9,281)	(6,833)	(2,448)
Amounts to be recovered in future years:			
From reserves and reserve funds on hand	(84,309)	(78,192)	(6,117)
From future revenues	(327,547)	(358,595)	31,048
Total Accumulated Surplus	\$6,116,279	\$5,759,494	356,785
Reserves set aside by Council:			
Stabilization - rate	\$31,062	\$30,197	
Stabilization - tax	64,924	63,219	
Program specific	78,427	76,734	
Workplace Safety and Insurance	15,701	13,882	
Self-insurance - General	5,957	5,543	
Self-insurance - Employee benefits	58,888	54,549	
Equipment replacement - vehicle	7,277	7,198	
Equipment replacement - building	21,681	19,805	
Equipment replacement - equipment	8,791	9,194	
Capital - rate	208,623	198,993	
Capital - tax	348,452	341,988	
Capital - investment	96,046	117,049	
Other	18,048	4,886	
Subtotal reserves	963,877	943,237	
Reserve funds set aside for specific purpose by Council:			
Landfill closure and post-closure	18,461	17,744	
Other	90,915	91,672	
Subtotal reserve funds	109,376	109,416	
Total Reserve & Reserve Funds	\$1,073,253	\$1,052,653	

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 2017 with \$95 billion in net assets, an increase of \$9.8 billion over 2016, an improvement in its funded ratio from 93 per cent to 94 per cent, generated an 11.5 per cent 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 482,000 plan members. The OMERS pension plan had a deficit of \$5.4 billion as at December 31, 2017 (2016 - \$5.7 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 2017 (2016 - \$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 2017. The Halton Region portion of \$26,674,024 (2016 - \$26,059,161) for current service, 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 per cent for earnings up to the yearly maximum pensionable earnings of \$55,300 and at a rate of 14.6 per cent 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 per cent and 15.8 per cent respectively.

16. TRUST FUNDS

Trust funds, in the amount of \$79,063 (2016 - \$79,525), 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, 2017:

(Dollars in Thousands)				
Detail Code	Service name	Grant	Expenses	Surplus (deficit)
Child Care Service Contract				
A476	Infant Development	\$686	\$2,332	(\$1,646)
9253	Spec Comm. Suppts – Child-Behaviour Intervention	237	407	(170)
Total		\$923	\$2,739	(\$1,816)

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.

(Dollars in Thousands)

	Ministry of Education	Revenues		Total (Calculated)
		%	(\$-Calculated)	
Full flexibility				
Core services delivery (100% provincial)	\$18,663	0%	\$-	\$18,663
Core services delivery - cost shared requirement 80/20	10,718	20%	2,680	13,398
Core services delivery - cost shared requirement 50/50 - Administration	785	50%	785	1,570
Language	1,046	0%	-	1,046
Indigenous	118	0%	-	118
Cost of living	1,347	0%	-	1,347
Rural	7	0%	-	7
Capacity Building	341	0%	-	341
Repairs and Maintenance	131	0%	-	131
Utilization adjustment	3,800	0%	-	3,800
Capping adjustment	(146)	0%	-	(146)
Total Operating allocation	36,810		3,465	40,275
TWOMO - Child Care	-	0%	-	-
Wage Enhancement Grant/HCCG	10,977	0%	-	10,977
Wage Enhancement Administration	529	0%	-	529
Total Child Care Allocation	\$48,316		\$3,465	\$51,781

18. GRANTS FROM THE MINISTRY OF EDUCATION (continued)

(Dollars in Thousands)

	EXPENDITURES BY AUSPICE						Total expenditures
	Infants	Toddlers	Preschoolers	Kindergarten	School Aged	Unspecified age group	
General Operating	\$392	\$1,260	\$2,662	\$2,379	\$4,663	\$ -	\$11,356
Fee Subsidy - Regular	517	1,664	3,514	3,140	6,157	-	14,992
Fee Subsidy - Camps and Authorized Recreation	21	66	139	125	244	-	595
Ontario Works and LEAP - Formal	32	104	219	196	384	-	935
Ontario Works and LEAP - Informal	-	-	-	-	-	-	-
Pay Equity Memorandum of Settlement	9	29	60	54	105	-	257
Special Needs Resourcing	220	707	1,495	1,335	2,618	-	6,375
Administration	-	-	-	-	-	5,406	5,406
Repairs and Maintenance	4	14	29	26	50	-	123
Play-based Material and Equipment	-	-	-	-	-	-	-
Capacity Building	31	98	208	186	364	-	888
Small Water Works	-	-	-	-	-	-	-
Transformation	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Operating	1,226	3,942	8,326	7,441	14,586	5,406	40,927
TWOMO Reimbursement							
Wage Enhancement Grant/HCCCEG	345	1,110	2,347	2,097	4,111	-	10,010
Wage Enhancement Administration	8	27	56	50	99	476	716
TOTAL Child Care	\$1,579	\$5,079	\$10,729	\$9,588	\$18,796	\$5,882	\$51,653

The table below summarizes the Early Learning and Child Care (ELCC) expenses incurred in 2017 for children aged zero to twelve.

	(Dollars in Thousands)		
	Preschoolers	School Aged	Total Expenditures
General Operating	\$57	\$39	\$96
Fee Subsidy - Regular	674	460	1,134
Fee Subsidy - Camps and Authorized Recreation	-	-	-
Ontario Works and LEAP - Formal	-	-	-
Ontario Works and LEAP - Informal	-	-	-
Pay Equity Memorandum of Settlement	-	-	-
Special Needs Resourcing	70	48	118
Administration	-	-	-
Repairs and Maintenance	-	-	-
Play-based Material and Equipment	-	-	-
Capacity Building	-	-	-
Small Water Works	-	-	-
Transformation	-	-	-
Miscellaneous	-	-	-
Total Operating	801	547	1,348
TWOMO Reimbursement			
Wage Enhancement Grant/HCCCG	-	-	-
Wage Enhancement Administration	-	-	-
TOTAL Child Care - ELCC	\$801	\$547	\$1,348

18. GRANTS FROM THE MINISTRY OF EDUCATION (continued)

The table below summarizes the Child Care Expansion Plan (CCEP) expenses incurred in 2017 for children aged zero to four.

	(Dollars in Thousands)			
	Infants	Toddlers	Preschoolers	Total Expenditures
General Operating	\$-	\$-	\$-	\$-
Fee Subsidy - Regular	741	756	30	1,527
Fee Subsidy - Camps and Authorized Recreation	-	-	-	-
Ontario Works and LEAP - Formal	-	-	-	-
Ontario Works and LEAP - Informal	-	-	-	-
Pay Equity Memorandum of Settlement	-	-	-	-
Special Needs Resourcing	42	43	2	87
Administration	-	-	-	-
Repairs and Maintenance	-	-	-	-
Play-based Material and Equipment	-	-	-	-
Capacity Building	-	-	-	-
Small Water Works	-	-	-	-
Transformation	-	-	-	-
Miscellaneous	-	-	-	-
Total Operating	783	799	32	1,614
TWOMO Reimbursement				
Wage Enhancement Grant/HCCCEG	-	-	-	-
Wage Enhancement Administration	-	-	-	-
TOTAL Child Care - CCEP	\$783	\$799	\$32	\$1,614

In addition, Halton Region delivers the following Child and Family Program funded by the Ministry of Education:

	(Dollars in Thousands)				
	Revenues		Gross expenditures		Surplus/deficit
	Ministry of Education	Legislated cost share	2017 Total revenues	2017 Total gross expenditures	2017 Total surplus/deficit
Child and Family Program					
Full flexibility					
A462 - Ontario Early Years Centres	\$-	0%	\$-	\$-	\$-
A466 - Data Analysis Coordinators	110	0%	-	110	(53)
A525 - ECD Planning - Regular	53	0%	-	53	53
Limited flexibility					
A525 - ECD Planning - Indigenous	3	0%	-	3	-
No flexibility					
A386 - Child Care Resource Centres	198	80%	49	247	
A386 - TWOMO	-	0%	-	-	-
A520 - Better Beginning, Better Futures	-	0%	-	-	-
Total	\$364	\$49	\$413	\$413	\$-

EarlyON Admin, to prepare for operationalizing the program in 2018:

					(Dollars in Thousands)
Revenues			Gross expenditures		Surplus/deficit
	Ministry of Education	Legislated cost share	2017 Total revenues	2017 Total gross expenditures	2017 Total surplus/deficit
EarlyON Program					
No flexibility					
EarlyON Administration	132	0%	132	132	\$-
Total	\$132		\$132	\$132	\$-

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 to Persons and Property

The mandate of the Protection to Persons and Property 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 (including storm) 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. Staffs work in the community to deliver programs such as paramedic services, immunization, nutrition, mental health, sexual health, insect control and health inspection.

Social and Family Services

The Social and Family 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.

19. SEGMENTED INFORMATION (continued)

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 2017 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 2017 and 2016.

	(Dollars in Thousands)								
	Protection to persons and property***	Transportation Services	Water and Wastewater Services	Solid Waste Services	Health Services	Social and Family Services	Social Housing	Other Services**	Total Consolidated 2017
Revenues									
Taxation*									
General purpose levy	\$147,705	\$52,269	\$ -	\$15,635	\$36,783	\$43,144	\$37,822	\$39,817	\$373,175
Solid waste levy	-	-	-	25,769	-	-	-	-	25,769
Payment in lieu	1,834	649	-	-	457	536	470	494	4,440
Users fees and service charges	7,402	730	193,603	8,564	216	16,492	728	2,685	230,420
Ontario grants	5,774	638	2,155	-	40,956	110,067	14,183	719	174,492
Canada grants (includes gas tax)	-	5,776	14,555	-	97	222	551	(11)	21,190
Investment income	-	-	-	-	-	-	-	58,094	58,094
Development charges and developer contributions	16,115	50,344	172,043	81	142	-	1,257	6,933	246,915
Other	54	-	137	9	2	8	14,372	8,507	23,089
Total revenues	178,884	110,406	382,493	50,058	78,653	170,469	69,383	117,238	1,157,584
Expenses									
Salaries, wages and employee benefits	129,710	2,239	34,975	3,794	52,149	63,184	5,203	43,726	334,980
Materials	6,657	3,731	28,138	1,133	3,310	4,790	3,498	6,861	58,118
Contracted services	7,764	22,687	41,594	32,481	3,316	27,069	6,686	24,769	166,366
Rents and financial expenses	305	7,388	1,412	217	609	663	3,825	2,452	16,871
Government transfers	9,263	20	1,539	243	93	54,645	20,305	9,587	95,695
Debt expense	2,088	36	7,227	-	30	-	1,480	-	10,861
Allowance for taxes written off	-	-	-	-	-	-	-	6,645	6,645
Amortization	8,113	21,908	63,417	1,987	1,830	2,681	5,628	5,699	111,263
Program support	1,500	2,589	11,344	2,587	10,362	12,722	1,989	(43,093)	-
Total expenses	165,400	60,598	189,646	42,442	71,699	165,754	48,614	56,646	800,799
Net revenues	\$13,484	\$49,808	\$192,847	\$7,616	\$6,954	\$4,715	\$20,769	\$60,592	\$356,785

* 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 23-17.

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

*** Protection to Persons and Property includes Conservation Halton.

	(Dollars in Thousands)								
	Protection to Persons and Property	Transportation Services	Water and Wastewater Services	Solid Waste Services*	Health Services	Social and Family Services	Social Housing	Other Services**	Total Consolidated 2016
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	4,768	28,034	1,569	2,938	4,910	3,462	7,225	59,153
Contracted services	6,963	17,475	41,472	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	20,361	61,999	1,977	1,702	2,719	3,978	5,740	106,846
Program support	1,422	1,902	11,553	2,484	9,393	11,911	1,671	(40,336)	-
Total expenses	161,762	56,857	187,856	41,478	68,934	158,583	42,980	52,288	770,738
Net revenues	\$791	\$67,684	\$239,901	\$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 Services as this amount is collected through By-Law 28-16.

** Other Services consists of General Government, Planning and Development, 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 2017 operating and capital budgets approved by Halton Regional Council on December 14, 2016 and the HCHC Board on November 29, 2016.

The following table 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.

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

20. BUDGET COMPARISON (continued)

(Dollars in Thousands)

	2017 Budget
Revenues: Operating	
Approved budget (FN-28-16)	\$873,575
In-year changes (SS-17-17)*	1,492
Revised approved budget	875,067
Development charges and developer contributions	246,915
Grants	3,077
Gain on sale of land	9,398
Other revenue adjustments	(2,355)
Reclassification between revenue and expense	(1,348)
HCHC revised approved budget (HC-25-16)	23,890
HCHC PSAS adjustments	3,358
HCHC intercompany transactions	(17,720)
Total consolidated revenues	1,140,282
Expenses: Operating	
Approved budget (FN-28-16)	873,575
In-year changes (SS-17-17)*	1,492
Revised approved budget	875,067
Transfers to reserves - capital	(148,373)
Transfers from reserves - capital	12,675
Debt charges - principal	(29,468)
Transfers to reserves - operating	(58,921)
Transfers from reserves - operating	18,882
Amortization	105,635
Capital project cost resulting in operating expenses	30,662
(Gain)/loss on TCA	8,544
Employee future benefits	4,247
Landfill liability	749
Reclassification between revenue and expense	(1,348)
HCHC revised approved budget (HC-25-16)	23,890
HCHC PSAS adjustments	1,116
HCHC intercompany transactions	(17,844)
Total consolidated expenses	825,513
Net revenues	\$314,769

*Refer to Council Report:

SS-17-17 Children's Services Division Program and Funding Update

21. PUBLIC LIABILITY INSURANCE

Halton Region and HCHC have comprehensive risk management programs in place for the identification, evaluation and treatment of risk designed to minimize or prevent the risk of damage to Region and HCHC properties and the risk of third-party property damage or bodily injury.

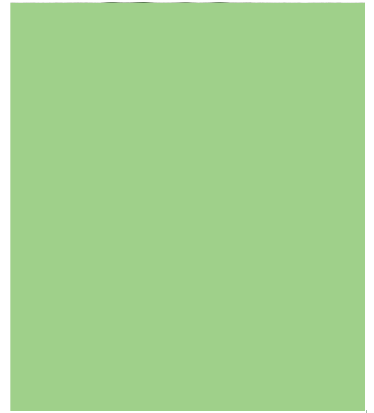
	Halton Region		HCHC	
	2017	2016	2017	2016
(Dollars in Thousands)				
Insurance period of one year beginning on	1/1/2017	1/1/2016	11/1/2017	11/1/2016
Third party public liability claim limit per occurrence up to	\$50,000	\$50,000	\$10,000	\$10,000
Maximum deductible limit per occurrence	100	100	5	5
Coverage for properties replacement cost blanket limit	\$1,823,535	\$1,753,104	\$311,293	\$311,293
Insurance claims expense	713	456	90	45
Estimated value of outstanding claims	806	643	88	48
Self-insurance reserve fund (Note 14)	\$5,957	\$5,543	N/A	N/A

Insurance claims identified on the previous table, are included in the consolidated statement of operations.

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. Halton Region is self-insured for claims such as environmental liability, Councillor and employee legal indemnification. These claims are expensed within the current operating year and are funded through the self-insurance reserve as are all Halton Region's insurance claim deductibles.

22. COMPARATIVE FIGURES

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



Five-Year Statistical Data

For the year ended December 31, 2017

Five-Year Financial Statistics (unaudited)

(Dollars in Thousands)

	2017	2016	2015	2014 Restated*	2013
Consolidated Statement of Financial Position					
Financial assets	\$2,434,453	\$2,373,700	\$2,276,937	\$2,006,735	\$1,867,050
Non-financial assets	4,884,558	4,609,443	4,262,609	3,963,715	3,801,247
Total Assets	7,319,011	6,983,143	6,539,546	5,970,450	5,668,297
Accounts payable and accrued liabilities	276,102	265,440	244,033	207,538	174,132
Gross long-term liabilities	333,873	361,831	358,625	400,945	389,920
Sinking fund debentures	273,500	273,500	273,500	106,000	106,000
Deferred revenue	228,242	236,859	220,730	214,787	344,401
Landfill closure and post-closure liabilities	15,412	14,663	13,940	9,247	10,459
Employee benefits payable	75,603	71,356	66,988	63,367	61,203
Total Liabilities	1,202,732	1,223,649	1,177,816	1,001,884	1,086,115
Accumulated Surplus	\$6,116,279	\$5,759,494	\$5,361,730	\$4,968,566	\$4,582,182
CONSOLIDATED OPERATIONS					
Sources of Revenue					
Property taxes - General purpose	\$377,615	\$365,009	\$353,593	\$340,760	\$333,989
- Solid waste	25,769	25,336	24,676	23,867	23,626
Government transfers - Ontario	174,492	159,610	154,581	162,598	167,345
- Canada	858	933	650	667	711
User charges	230,420	226,023	216,495	199,683	189,545
Investment income	58,094	63,738	67,666	65,580	68,371
Development charges and developer contributions*	246,915	302,134	292,385	188,947	95,432
Federal gas tax	20,332	12,623	7,818	18,815	12,757
Other revenue	23,089	13,096	13,092	13,705	13,356
Total Revenue	1,157,584	1,168,502	1,130,956	1,014,622	905,132
Expenses by Function					
General government	41,279	36,996	35,313	31,100	31,674
Social services	165,754	158,583	150,815	141,310	139,783
Social housing	48,614	42,980	45,126	48,455	47,233
Water and wastewater services**	189,646	187,856	176,301	170,047	172,339
Solid waste services	42,442	41,478	42,544	37,430	36,679
Protection to persons and property	165,400	161,762	155,710	155,253	147,508
Health services	71,699	68,934	68,656	65,798	64,158
Transportation services**	60,598	56,857	47,334	41,553	40,647
Planning and development	12,552	12,626	13,326	10,571	9,923
Recreation and cultural services	2,815	2,666	2,667	2,685	2,778
Total Expenses by Function	800,799	770,738	737,792	704,202	692,722
Net Revenues	356,785	397,764	393,164	310,420	212,410
Accumulated Surplus, Beginning of Year	5,759,494	5,361,730	4,968,566	4,658,146	4,369,772
HCHC Accumulated Surplus, Beginning of Year	-	-	-	-	-
Accumulated Surplus, End of Year	\$6,116,279	\$5,759,494	\$5,361,730	\$4,968,566	\$4,582,182

* 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.

** In 2017, Urban and Rural Storm Water were included with Water and wastewater services instead of Transportation services in order to align Financial Statement and Notes to the FIR. 2016 has also been reclassified for comparative purposes.

Five-Year Financial Statistics (unaudited)

(Dollars in Thousands)

	2017	2016	2015	2014 Restated*	2013
ANALYSIS OF EXPENSE BY OBJECT					
Salaries, wages and employee benefits	\$334,983	\$323,720	\$312,808	\$302,259	\$296,111
Materials	58,116	59,154	58,493	53,701	55,802
Contracted services	166,366	159,252	157,409	150,253	148,518
Financial expenses	16,871	22,510	15,216	14,301	13,644
Government transfers	95,694	80,995	79,384	72,884	68,576
Debt services	10,861	11,968	12,610	11,960	12,469
Allowance for taxes written off	6,645	6,294	2,971	3,329	5,362
Amortization	111,263	106,845	98,901	95,515	92,240
Total expenses	\$800,799	\$770,738	\$737,792	\$704,202	\$692,722
Consolidated Statement of Change in Net Financial Assets					
Net revenues	\$356,785	\$397,764	\$393,164	\$310,420	\$212,410
Acquisition of tangible capital assets	(396,850)	(467,726)	(404,384)	(263,709)	(231,559)
Amortization of tangible capital assets	111,263	106,845	98,901	95,515	92,240
Loss on disposal of tangible capital assets	(796)	14,090	6,700	6,047	5,804
Proceeds on disposal of tangible capital assets	10,395	262	169	458	409
Change in inventory and prepaid expenses	873	(305)	(280)	(779)	54
Change in net financial assets	81,670	50,930	94,270	147,952	79,358
Halton Net Financial Assets, Beginning of Year	1,150,051	1,099,121	1,004,851	856,899	701,577
HCHC Net Debt, Beginning of Year	-	-	-	-	-
Net Financial Assets, End of Year	\$1,231,721	\$1,150,051	\$1,099,121	\$1,004,851	\$780,935
NET LONG-TERM LIABILITIES					
Total long-term liabilities	\$607,373	\$635,331	\$632,125	\$506,945	\$495,920
Recoverable debt (Overlapping):					
Local Municipalities and School Boards	(282,784)	(283,130)	(280,238)	(183,862)	(183,075)
Net long-term liabilities	324,589	352,201	351,887	323,083	312,845
Recovered from:					
Tax levy	65,069	69,318	73,899	62,735	68,584
Rate supported	105,506	124,026	113,679	133,124	109,266
Development charges	149,574	156,677	164,309	127,224	134,995
	320,149	350,021	351,887	323,083	312,845
Annual Repayment Limit**	\$133,451	\$125,528	\$111,278	\$107,967	\$102,047
RESERVES AND RESERVE FUNDS					
Reserves	\$963,877	\$869,262	\$803,382	\$698,282	\$613,775
Reserve funds	109,376	183,390	171,464	103,932	94,314
Closing Reserve Balance	\$1,073,253	\$1,052,652	\$974,846	\$802,214	\$708,089

* 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.

**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)

	2017	2016	2015	2014 Restated*	2013
EXPENDITURE ANALYSIS					
Consolidated expenditure per capita	\$1,405	\$1,405	\$1,357	\$1,326	\$1,336
Net debt per capita	\$570	\$642	\$647	\$609	\$604
Net debt per household	\$1,536	\$1,761	\$1,759	\$1,661	\$1,654
Debt charges as a % of consolidated expenditure	3.7%	4.4%	4.5%	4.5%	4.3%
REVENUE ANALYSIS					
Property taxes and user charges as a % of consolidated revenue	78.1%	79.7%	79.6%	75.6%	72.5%
Total grants as a % of consolidated revenue	16.9%	14.8%	14.4%	17.9%	20.0%
Debt charges as a % of consolidated non-grant revenue	2.9%	3.2%	3.5%	3.8%	4.1%
STATISTICS					
Population (a)	569,787	556,210	543,557	530,924	518,311
Households (a)	211,260	205,461	200,015	194,569	189,124
Halton Census Division Average unemployment rate (b)	4.0%	5.5%	5.2%	4.6%	4.8%
Toronto CMA (c)	6.4%	7.0%	7.0%	8.0%	8.1%
Hamilton CMA (c)	5.0%	6.2%	5.5%	5.8%	6.4%
Area in hectares (a)**	96,924	96,924	96,924	96,924	96,924
Continuous full-time employees (Actual as of December 31 st)					
Police (including civilians)	1,033	1,016	1,008	1,008	1,003
Other full-time	1,867	1,859	1,848	1,819	1,785
TYPICAL RESIDENT'S ANNUAL REGIONAL PROPERTY TAXES AND USER CHARGES					
Property taxes - general purpose ***	\$299	\$310	\$318	\$328	\$344
Water	420	405	388	398	382
Wastewater	509	478	453	452	433
*** Per \$100,000 Current Value Assessment (CVA) Based on annual water consumption for a residential home of 250m ³ /Year 2013 & 2014 based on annual water consumption for a residential home of 274m ³ /Year					
Taxable Assessment (\$ Thousands)					
Residential & farm	\$104,217,865	\$96,875,286	\$90,725,050	\$84,999,476	\$79,688,134
Commercial & industrial (C/I)	27,264,009	25,983,927	24,940,868	23,634,706	22,052,093
	<u>\$131,481,874</u>	<u>\$122,859,213</u>	<u>\$115,665,918</u>	<u>\$108,634,182</u>	<u>\$101,740,227</u>
Annual Assessment Growth Rate	7.0%	6.2%	6.5%	6.8%	6.4%
Ratio of C/I to Total Taxable Assessment	20.7%	21.1%	21.6%	21.8%	21.7%
Permits Issued					
Residential	5,395	3,733	3,979	3,271	2,445
Non-Residential	136	164	165	179	170

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

* 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.

** The area was previously recorded as 96,925ha from 2013-2016. The boundary has not changed in this time but it is believed that this should be rounded down to 96,924ha for a more accurate assessment.

Local Economy

Top 10 Private Sector Employers in Halton in 2017

(Based on number of employees)

Business Name	Location	Sector
Ford Motor Company of Canada Ltd.	Oakville	Automotive Assembly & Headquarters
Sofina Foods Inc.	Burlington	Food Processing
Gordon Food Service	Milton	Food Wholesale Distribution
Karmax Heavy Stamping (Magna)	Milton	Motor Vehicle Parts Manufacturing
Evertz Microsystems Ltd.	Burlington	Electronics Manufacturing
Siemens Canada Ltd.	Oakville	Engineering & Headquarters
UTC Aerospace Systems	Oakville	Aerospace Parts Manufacturing
Mold Masters Ltd.	Halton Hills	Machinery Manufacturing
Lowe's Distribution Centre	Milton	Building Supply Wholesale Distribution
L3 Wescam	Burlington	Electronics Manufacturing

Source: Halton Economic Development, Halton Employment Survey

Principal Corporate Taxpayers in 2017

Regional Tax Levy
(Dollars in Thousands)

Company Name	Location	Regional Taxes	Local Taxes	Education Taxes
Calloway REIT	Burlington, Halton Hills, Milton, Oakville	\$1,771	\$2,082	\$3,611
Canapen (Halton) Limited	Burlington	\$1,333	\$1,617	\$2,617
Homestead Land Holdings Limited	Burlington, Oakville	\$1,114	\$1,303	\$378
Riocan Holdings Inc.	Burlington, Halton Hills, Oakville	\$1,052	\$1,191	\$2,089
RK (Burlington Mall) Inc.	Burlington	\$872	\$1,057	\$1,711
Ford Motor Company Of Canada Limited	Oakville	\$841	\$923	\$1,625
Drewlo Holdings Inc.	Burlington	\$797	\$967	\$497
Union Gas Limited	Burlington, Halton Hills, Milton, Oakville	\$765	\$785	\$2,610
2121049 Ontario Limited	Oakville	\$727	\$797	\$1,453
Silgold Developments Inc.	Oakville	\$574	\$630	\$1,148

Source: Halton Tax Analysis Web Application Interface

