



2018

Annual Financial Report



The Regional Municipality Of Halton, Ontario
For the year ended December 31, 2018

2018 Annual Financial Report

For the fiscal year ending December 31, 2018

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 Region's 2018 Annual Financial Report.

Halton Region has maintained its strong financial position through strategic investments and prudent, forward-looking fiscal planning. Preserving our top credit rating, keeping taxes low and providing high-quality services while

maximizing value for taxpayers are important priorities for Regional Council. This report demonstrates how we manage the Region's budget in a fiscally responsible manner, ensuring we can make important investments in programs, services and infrastructure to meet the needs of our growing community.

Halton is home to more than 580,000 residents and it is projected to grow to one million by 2041. To accommodate this growth, Council is building resilient infrastructure and providing reliable, high-quality services that support individuals and families throughout Halton. Our strong financial performance allows the Region to finance major investments through continued access to the best capital financing rates available.

New and expanding businesses alike continue to benefit from Halton's highly skilled workforce and thriving economy. In 2018, more than 229,000 people were employed by more than 13,200 businesses located in Halton. Our unemployment rate – at just 5.3 per cent – is lower than both the provincial and national averages of 5.6 per cent and 5.9 per cent, respectively. As we foster regional economic growth, Halton is well-positioned to attract new development and achieve continued business success in 2019 and beyond.

While this report details many of the achievements of the 2018 Budget and Business Plan, the implementation of our 2019 Budget is well underway. This budget lays the groundwork to maintain our 12-year track record of keeping average property taxes low to help residents and businesses succeed.

Highlights of the 2019 Budget and Business Plan:

- We have budgeted \$4.3 billion in our 10-year capital program, including \$2.2 billion for water and wastewater capital and \$1.7 billion for transportation capital.
 - In 2019, we invested an additional \$7.7 million in funding to support the Water and Wastewater State-of-Good-Repair Capital program.
 - We increased funding by \$1.9 million to the Transportation State-of-Good-Repair Capital Program to support regional roads, and by \$777,000 for road maintenance contracts, including \$100,000 for three new red light cameras.
- We have invested \$827,000 in Paramedic Services in 2019 to provide additional resources to address call volume pressures.
- We also increased investment in the Halton Region Community Investment Fund by \$300,000 in 2019 to enhance funding for programs that support the health, safety and well-being of Halton residents.

Council has a strong foundation for success – 98 per cent of residents rate their quality of life as very high, and 97 per cent are satisfied with the quality of Regional services. This is a testament to the hard work and dedication of our staff and Regional Council. I am confident that we will continue delivering programs and services that residents and businesses can rely on and keep Halton a great place to live, work, raise a family and retire.

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

Sincerely,



Gary Carr
Halton Regional Chair

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Halton Regional Council

2019–2022

Halton Regional Council is the decision-making body for Halton Region. The Halton Regional Chair is the head of Regional Council, which is made up of 24 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](https://www.halton.ca).



FRONT ROW: Lisa Kearns, Burlington; Marianne Meed Ward, Mayor, Burlington; Rick Bonnette, Mayor, Halton Hills; Gary Carr, Regional Chair; Gordon Krantz, Mayor, Milton; Rob Burton, Mayor, Oakville; Cathy Duddeck, Oakville

MIDDLE ROW: Angelo Bentivegna, Burlington; Shawna Stolte, Burlington; Jane Fogal, Halton Hills; Rick Malboeuf, Milton; Colin Best, Milton; Clark Somerville, Halton Hills; Pavan Parmar, Oakville; Rory Nisan, Burlington; Mike Cluett, Milton

BACK ROW: Kelvin Galbraith, Burlington; Allan Elgar, Oakville; Tom Adams, Oakville; Jeff Knoll, Oakville; Paul Sharman, Burlington; Zeeshan Hamid, Milton; Dave Gittings, Oakville; Sean O'Meara, Oakville

Recent Awards

2018 Project of the Year in the Large Project > \$50M, Structures Category

Zone 1 Watermain project
Ontario Public Works Association (OPWA)

2019 Award for Engineering Project of the Year, Infrastructure Engineering Category

Zone 1 Watermain project
*Ontario Society of Professional Engineers (OSPE),
Hamilton/Halton Engineering Week Committee*

Award of Excellence – Programs

Heritage Services – Partners in Time program
Ontario Museum Association

Award of Merit – Environment

Zone 1 Watermain project
Consulting Engineer's Association (CEA)

Canadian Award for Financial Reporting

2017 Annual Financial Report
*The Government Finance Officers Association of the
United States and Canada*

Distinguished Budget Presentation Award

2018 Budget and Business Plan
*The Government Finance Officers Association of the
United States and Canada*

Greater Toronto's Top Employer Award 2019

Halton Region
Mediacorp Canada Inc.

Gold Promotion and Education Award

Compost and Recycling Information Kits
Municipal Waste Association

Tereo Award – Second Place (2018)

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



Halton is a Great Place to Live

Halton Region is home to more than 580,000 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.



583,363

2018 POPULATION¹

217,058

NUMBER OF HOUSEHOLDS
IN 2018¹

13,296

NUMBER OF BUSINESSES
IN 2018⁴

5.3%

HALTON UNEMPLOYMENT RATE
IN 2018⁶

67.4%

HALTON LABOUR FORCE
PARTICIPATION RATE
IN 2018⁶

229,130

JOBS IN HALTON
IN 2018⁴

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

2 Provincial *Places to Grow Act, 2005* and A Place to Grow: Growth Plan for the Greater Golden Horseshoe 2019

3 Statistics Canada Census 2016

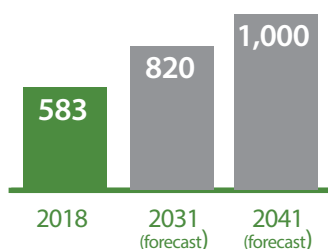
4 Halton Region 2018 Employment Survey Preliminary Results (LPS27-19 - Economic Development - Economic Review 2018)

5 Statistics Canada, Building Permits Survey February 2018 (Publication 64-001-XWF) (LPS27-19 - Economic Development - Economic Review 2018)

6 Statistics Canada, Labour Force Survey Estimates (custom tabulation, three-month moving average, unadjusted), (LPS27-19 - Economic Development - Economic Review 2018)

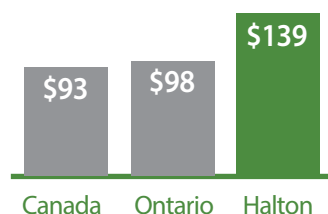
Statistics

POPULATION GROWTH²
(thousands)



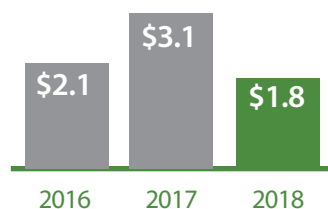
Halton Region is a growing community. To meet the requirements of the Provincial *Places to Grow Act, 2005* and A Place to Grow: Growth Plan for the Greater Golden Horseshoe 2019, Halton's population is expected to grow to one million by 2041.²

AVERAGE HOUSEHOLD INCOME³
(thousands)



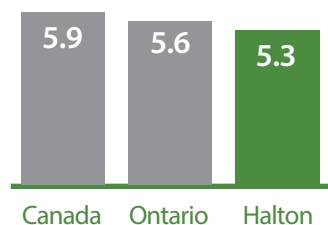
Halton Region residents have a higher average household income than residents in the rest of the province. Residents are also well educated; 75 per cent of adults have some level of post-secondary education.³

TOTAL CONSTRUCTION VALUE⁵
(billions)



Over the past five years, Halton's total building permit construction value is \$10.3 billion.⁵

UNEMPLOYMENT RATE⁶
(per cent)



In 2018, the unemployment rate in Halton averaged 5.3 per cent, lower than the national and provincial averages.⁶

Strategic Business Plan 2019-2022

Our Strategic Business Plan 2019–2022 sets the objectives and specific actions that help achieve our vision and shape the future.

The strategic planning process also ensures a strong alignment between Council priorities, our corporate and departmental business planning and processes, and the Region's Budget and Business Plan.

Through the consultation process, we identified 21 strategic objectives for this term of Council. The objectives are organized into five themes. The Plan identifies the actions that need to be undertaken over the term to achieve these objectives and their respective outcomes.

The five themes for Strategic Business Plan 2019–2022 are:



Planning and Growth Management

Ensuring that the necessary infrastructure and services are in place to maintain the high quality of life as the Region continues to grow.

Transportation and Infrastructure

Investing and delivering on capital improvements that provide efficient and safe transportation options and maintain infrastructure in a state-of-good-repair.

Community Well Being

Collaborating with partners to deliver the programs, services and supports that the community needs to be safe and healthy.

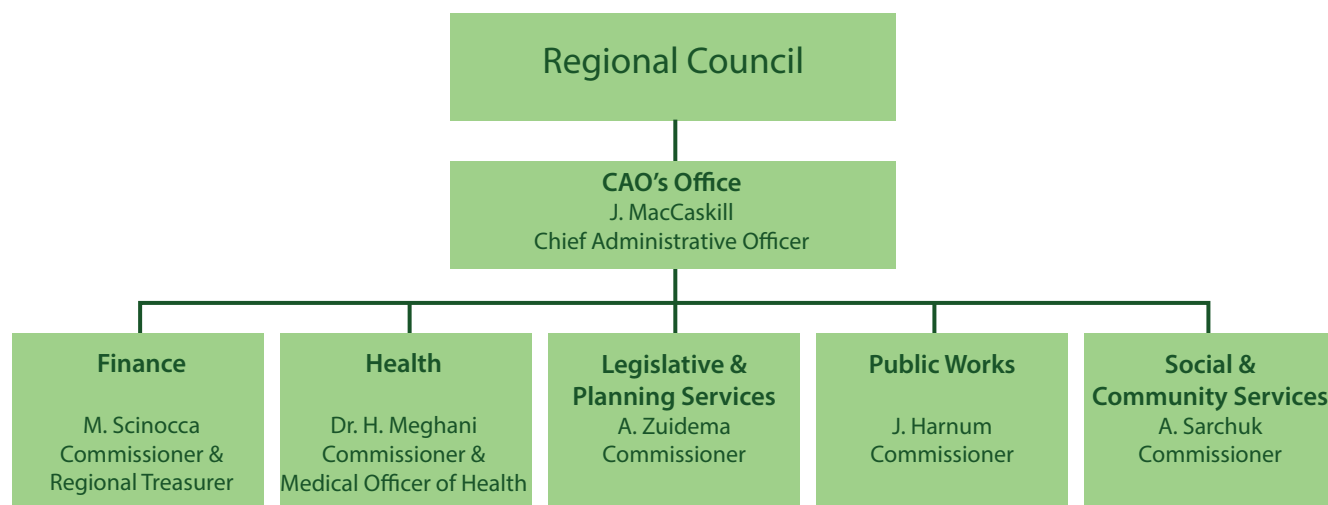
Environmental Sustainability and Climate Change

Protecting and enhancing the natural environment and reducing our collective carbon footprint to mitigate the impacts of climate change.

Effective Government

Transforming service delivery through innovation, technology and process improvements. Maintaining a strong financial position is critical for the future.

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 resilient infrastructure and public health programs, financial assistance and family supports, residents and businesses can rely on Halton Region to deliver the programs and services that matter.

For information about Halton's programs or services:



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Halton Region Services



Business services and economic development



Paramedic services



Children's services



Public health programs and services



Emergency planning



Services for seniors



Financial assistance



Waste management



Housing services



Wastewater treatment



Infrastructure and construction



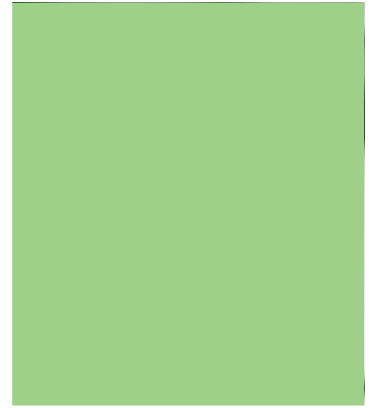
Water purification



Land use planning and growth management



Regional roads and transportation



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, 2018. 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 2018 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 more than 580,000 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, highly-educated workforce and a higher average household income level than that of the rest of the province. In 2018, the unemployment rate averaged 5.3 per cent, which is lower than the averages for both Ontario and Canada. Halton's labour participation rate remained high in 2018 at 67.4 per cent.

The Region's economic outlook is positive with more than 13,200 companies across Halton, employing more than 229,000 workers in 2018. Halton businesses are performing well, with 35 per cent of businesses surveyed reporting higher profits over the past year and 31 per cent hiring additional staff. Total building permit construction value in the region topped the \$1 billion mark, with nearly \$1.8 billion of development initiated during the year. Halton's construction value translated into 3.8 million square feet of non-residential total floor area built over the past year, far exceeding projections.



Strategic Action Plan 2015 - 2018

The Halton Region Strategic Action Plan 2015-2018 outlines six key priority areas for the previous 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 capability to accommodate future growth and expansion requirements for businesses, communities and infrastructure investment. A "Governing for the Future" approach also highlights the Region's commitment to public accountability, transparency and engagement, as well as ensuring that the Region maintains a AAA credit rating and the annual tax rate for Regional services at or below the rate of inflation. Regional Council received a final progress update as part of report CA-08-18 for the 2015-2018 Strategic Action Plan in summer 2018. It confirmed that the Region had achieved or exceeded 92 per cent of its objectives by July 2018. Regional Council approved Halton Region's 2019-2022 Strategic Business Plan in Report No. CA-10-19, which includes 21 strategic objectives organized into five themes. The Plan focuses on building on our successes and identifies the actions that need to be undertaken to achieve Regional Council's strategic priorities.

Strong Long-Term Financial Position

AAA credit rating

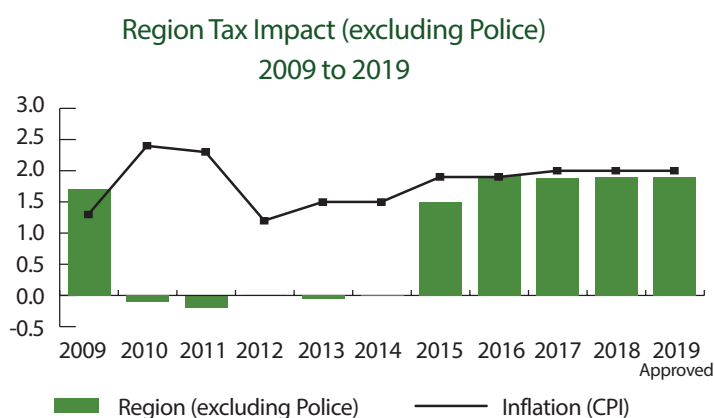
Halton Region's AAA credit rating was reaffirmed by both S&P Global Ratings (AAA) and Moody's Investors Service (Aaa) in 2018. The primary factors that contributed to this achievement are Halton's history of strong budgetary performance, prudent fiscal management, declining debt levels and a positive financial outlook for the Region. Financial policies that reduce the risks associated with debt servicing include the front-end financing agreement with developers for growth infrastructure, included in the 2012 Allocation Program and Financing Plan, which is unique to Halton and supports the Region's growing economic base.

Halton's commitment to multi-year planning for operating and capital budgets allows the Region to anticipate spending pressures early, resulting in strong financial outcomes. The AAA rating is the highest credit rating available, allowing the Region to issue debt at the lowest possible cost which in turn reduces the financial impact to tax and rate payers. Halton Region has maintained its AAA credit rating for 30 years, 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 2019 Budget 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, 1997* (DCA) will be recovered

from growth in the annual budget. In order to proceed with growth in the Region, an acceptable financing plan must be approved by Council prior to development proceeding;

- Halton Region's own debt limits are not exceeded throughout the 10-year forecasts;
- reserves are maintained at levels to ensure financial sustainability to support the state-of-good-repair of Regional assets, tax and rate stabilization reserve targets and to fund specific program requirements; and
- 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 Region needs to ensure the water and wastewater rate structure remains fair to all customers, promotes water conservation and provides financially sustainable revenue that ensures ongoing water and wastewater services and infrastructure investment.

To achieve this, the Region implemented the results of the Rate Revenue Review in the 2017 Budget and Business Plan, which include adjusting the projected water consumption to reflect a declining trend in actual consumption, implementing a uniform rate structure and phasing out the wastewater cap by 2020 for billing purposes. The 2019 budget continues with these parameters, reflecting the declining consumption trend in the 10-year operating forecast.

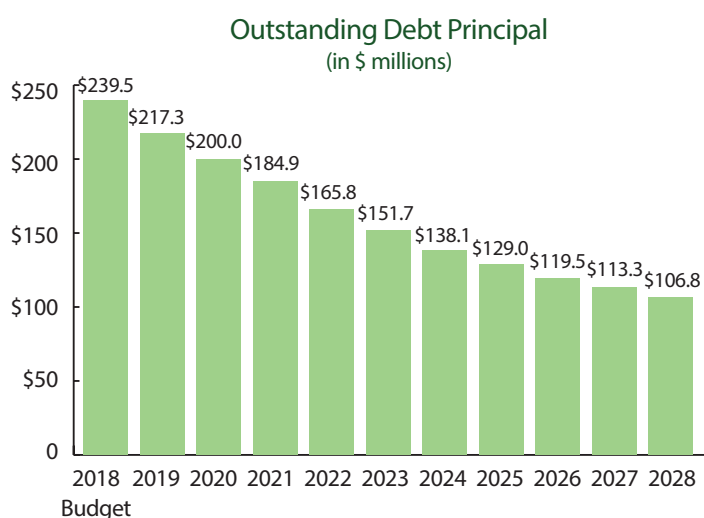
The Region has developed a long-term water meter and billing strategy as set out in Report No. PW-18-18/FN-25-18 (re: Long-Term Water Meter Strategy), which provides a holistic framework to manage the growing number of water meter customers. Council approved a Region-wide Advanced Meter Infrastructure (AMI) system that would best suit Halton Region's long term meter program objectives and leverage technology to provide a reliable, accurate and cost-effective customer service focused water metering program. In 2017, the Region undertook a proactive replacement program, targeting the remaining 12,500 small pulse meters (12 mm to 25 mm) and applicable large meters (40 mm to 250 mm). To date, only 175 of these pulse meters remain across both the small and large meter population. These outstanding pulse meters are made up of customers who have been non-responsive to Region communications, as well as those with complex plumbing issues. It is expected that all remaining pulse meters will be addressed during the deployment of the Advanced Metering Infrastructure (AMI) system.

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 2019 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 Region with the flexibility to respond to unexpected requirements in priority areas without significant impact to tax and rate payers.

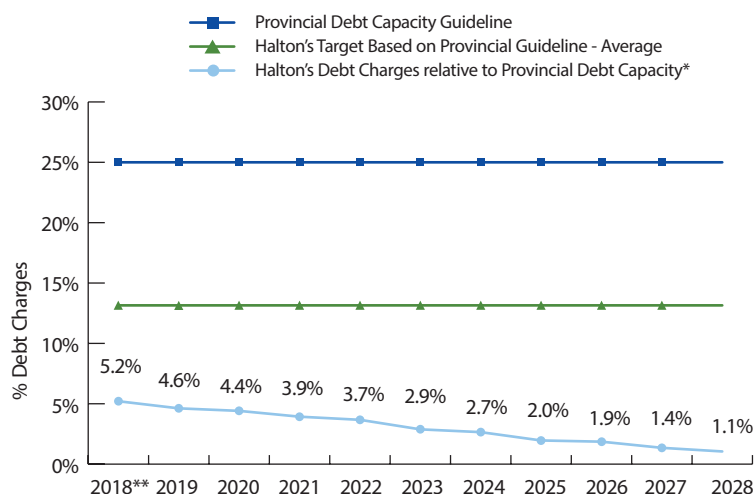
Halton Region relies on development charges (DCs) to finance infrastructure required for growth. DCs, combined with Regional interim financing through reserves and debt, are used to fund growth-related projects consistent with the 2012 Development Financing Plan. Regional interim financing is provided 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 DCA does not allow for full cost recovery relating to growth.

Halton Region's well-balanced funding strategy has been reflected in the 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 2019 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.

Projected Debt Charge Position Relative to Provincial Guideline (2018 – 2028)

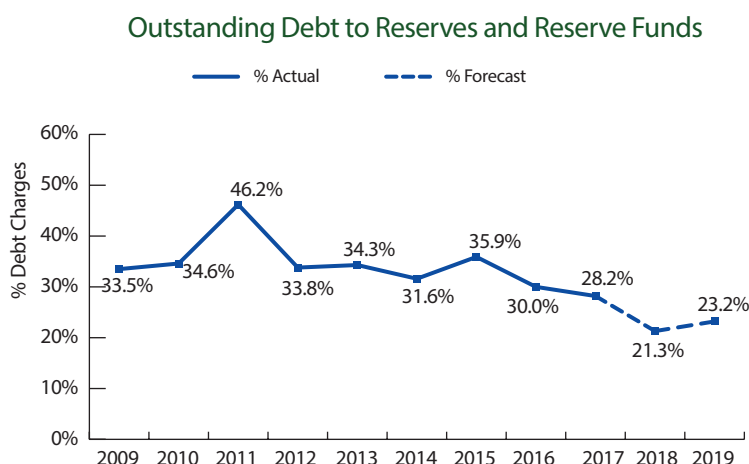


* Debt charges are projected based on inflated debt and include other long-term financial obligations (e.g., lease payments)

** 2018 Debt Charges reflects the projected year-end actual

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 2019 ratio is expected to increase slightly from the 2018 level as a result of decreasing reserve balances.



Key Priorities

Growth management

Halton Region is a rapidly growing community with its population expected to grow from more than 580,000 people in 2018 to one million by 2041 as set out in the Provincial *Places to Grow Act, 2005* and A Place to Grow: Growth Plan for the Greater Golden Horseshoe 2019. The Provincial growth plan has imposed significant infrastructure pressures and related financial challenges on the Region. Regional Council remains committed to support the planned growth while maintaining their priority objective and principle that “growth pays for growth.”

Halton Region's long-standing practice that an acceptable development financing plan must be approved by Council prior to growth proceeding is rooted in the Region's history. For more than 20 years, the Region has worked in partnership with the development community to enable development to proceed while protecting the Region's tax and rate payers from the impacts related to the financing of growth. The Region's development financing plans state that all growth-related costs that can be recovered in accordance with the 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 took effect on 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 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. This will be addressed as part of the next development financing plan in support of the next Allocation Program.

In addition, as set out in Report No. FN-31-19 (re: Bill 108 – Growth Related Financing), on May 2, 2019, the Minister of Municipal Affairs and Housing announced the Province's Housing Supply Action Plan and introduced Bill 108 (*More Homes, More Choice Act*) in legislature. Bill 108 passed third reading and received Royal Assent on June 6, 2019. The changes will cause financial uncertainty due to timing of DC collection, the gap between timing of DC rate determination and building permit, and the removal of “soft services” from the Development Charges Act to a capped Community Benefits Charge under the Planning Act. The financial impact is still uncertain as there are substantial associated regulations that are yet to be prescribed. A submission was provided to the Province on June 1, 2019 to respond to the concerns of changes proposed through Bill 108.

Investment in 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 Halton residents.

There is increasing budgetary pressure on the Region's ability to meet the public health needs of Halton, one of the fastest-growing communities in Ontario. Funding levels for shared and Provincially funded programs have not kept pace with the increased cost for public health programs for many years.

As reported in MO-18-19, the North Halton Mental Health Clinic was transferred from Halton Region to Halton Healthcare on April 1, 2018. Halton Healthcare recently prepared a first-year report which indicated that the transfer has been a success, and that work is underway to enhance and evolve the mental health treatment services further to benefit clients in north Halton.

Since the delivery of the 2019 Provincial budget, there have been a number of announcements regarding changes to both the structure and governance model of the existing Boards of Health, and to the level of provincial funding. It has been announced that the existing structure of 35 Boards of Health across the Province will change to 10 autonomous agencies, with the expectation that municipalities will continue to fund the cost of public health through property taxes. In addition, changes to the Provincial-Municipal cost-sharing agreement have also been announced, and include a reduction from the previous 75 and 100 per cent funding arrangement down to 70 per cent in 2020 and eventually 60 per cent funding thereafter. The 2019 budget for Public Health was funded based on 59 per cent funding from the Province, which equated to a \$7.9 million shortfall.

The Paramedic Services budget is also cost-shared between the Province (through the Ministry of Health and Long Term Care) and the Region. The intended Provincial funding contribution is 50 per cent of costs deemed eligible for Provincial funding; however, the Provincial funding has not kept pace with the required community needs, with the funding shortfalls supported through increased Regional financial contributions. The 2019 funding has been held at the 2018 level. With the level of funding provided by the Province, the Provincial cost-share is now projected to be 43 per cent of program costs. Halton Region will continue its efforts to advocate for more Provincial funding for health programs to keep pace with growth in the community.

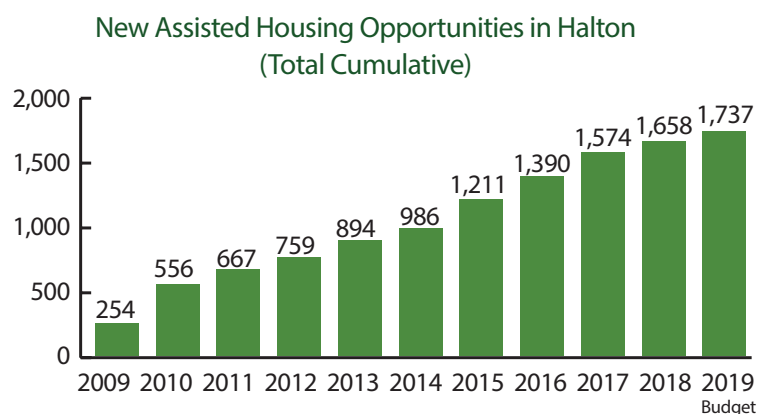
Investment in social infrastructure

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 2018 and is required to deliver the 550 to 900 unit target for new assisted housing opportunities 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 renovations and home ownership assistance. As of 2018, \$13.8 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, as shown in the following chart.



Between 2008 and 2018, Halton has created an additional 1,658 assisted housing opportunities and provided sustainable rental assistance. It is expected that an additional 79 housing opportunities will be created in Halton in 2019, resulting in a total of 1,737 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), with \$2.5 million required in 2019. Based on the current market trend, the potential energy savings resulting from this program has been estimated at approximately \$500,000 in 2019, which would grow to approximately \$600,000 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. Five of Halton's treatment plants and a water pumping station are currently 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 2019 Budget continues to implement the Region-Wide Basement Flooding Mitigation Program, as set out on 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 that encourages homeowners to complete private-side disconnections to help prevent future flooding, and the capital program to address system improvements related to wastewater flows.

As set out in 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 in support of the annual grant for the 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.

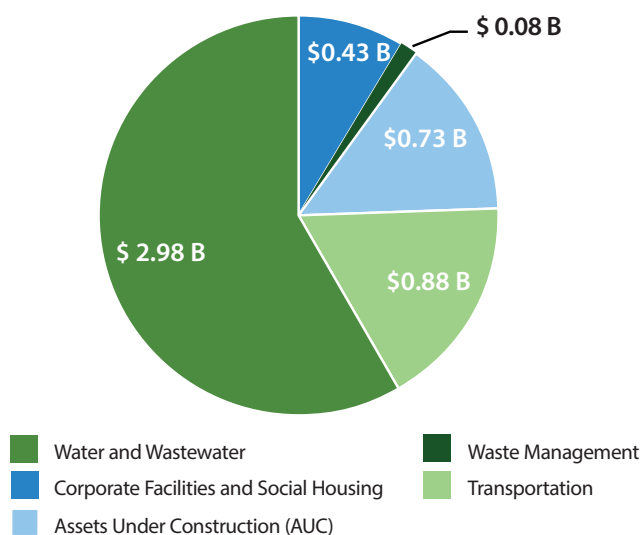
In December 2013, Council approved report PW-55-13/FN-27-13/LPS91-13, which implemented Halton Region's Corporate Asset Management Plan (AMP). Infrastructure assets contained within the AMP include Public Works assets, corporate facilities and government-assisted housing. Part of the 2013 plan was a 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 2018), 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 and is further refined as part of the 2019 budget and forecast.

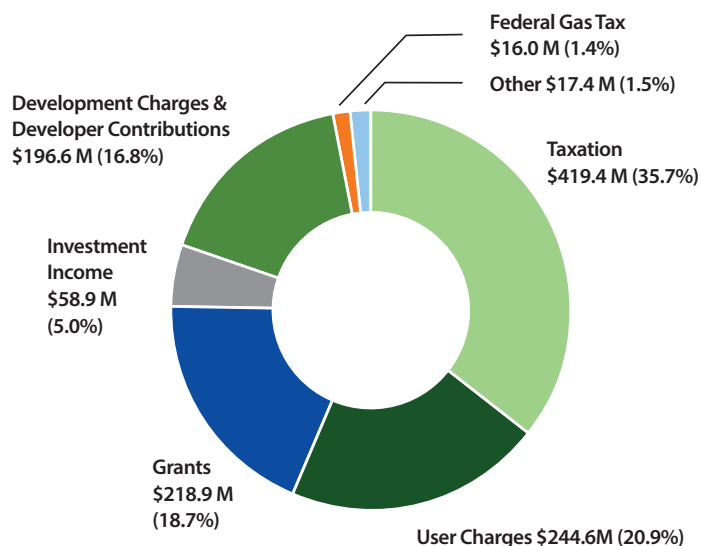
On January 1, 2018, O. Reg. 588/17 Asset Management Planning for Municipal Infrastructure and the *Infrastructure for Jobs and Prosperity Act, 2015* came into effect as set out FN-19-19 (re: Asset Management Policy (O. Reg. 588/17)). The purpose of O. Reg. 588/17 is to support a consistent approach to asset management planning across Ontario. Halton Region's asset management practices have evolved throughout the years and staff will work to align existing practices with the new regulation requirements. Although the Region already has a comprehensive AMP, amendments and additions as they relate to Halton will be made in order to be fully compliant with the requirements as stated in O. Reg. 588/17.

The next step in the Public Works Asset Management Roadmap is to develop the optimized decision-making process to be implemented as part of a future budget and forecast.

Tangible Capital Asset Net Book Value 2018
Total \$5.1 Billion



Halton Region 2018 Consolidated Revenues
Total \$1.2 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 2019 Budget's 10-year transportation capital program for the state-of-good-repair is \$432.5 million, and includes updates relating to the Active Transportation Master Plan and LED streetlight conversion initiatives.

Investments in water and wastewater infrastructure are also an integral part of service delivery through the AMP. The 2019 Budget 10-year capital program for state-of-good-repair of water and wastewater assets will invest \$1.2 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 2018. The focus of this statement is net revenues, which is the difference between revenues of \$1.2 billion and operating expenses of \$821.5 million for the 2018 reporting period. Halton Region reported net revenue of \$350.2 million in 2018, compared to \$357.7 million in 2017. 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 provides a summary of the source of revenue used to fund Halton Region's operations and capital investments.

Overall, revenue increased by \$14.2 million, or 1.2 per cent, from 2017. The increase was mainly driven by increases in grants and taxation revenues. Grant revenue increased due to additional subsidies received for children's services and capital projects. Taxation revenue generally increased in-line with expectations based on the property tax rate and assessment base increases for 2018.

Regional Programs and Services

Expenses in the Consolidated Statement of Operations totalled \$821.5 million in 2018, increasing by \$21.6 million, or 2.7 per cent, from 2017. This increase was mainly driven by increased demand for social services in the Halton community, including new child care programs (Fee Stabilization, Community-Based Early Years and Child Care Program and an increase to the Child Care Expansion Plan), services for seniors and employment assistance. 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 \$181.7 million

- Financial assistance to an average of 2,095 Halton Ontario Works caseloads per month
- Child care fee assistance to 4,396 children
- Increase of 579 licensed child care spaces within Halton Region from 28,861 to 29,440
- Direct care and service to seniors through 572 beds at Regionally operated long-term care homes
- Funding for 55 community projects and programs through the Halton Region Community Investment Fund using one-year and multi-year funds for a total of \$2.4 million



Water and wastewater services

Operations of \$187.4 million

- Treatment of more than 63 million cubic metres of water and 88 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 more than 2,299 kilometres of watermains, six bulk water stations, 22 reservoirs and storage facilities, 15 booster stations, more than 1,941 kilometres of wastewater mains and 79 pumping stations



Social housing

Operations of \$50.0 million

- Oversight of 5,123 housing units, of which 2,193 are directly operated by Halton Community Housing Corporation
- Rental assistance from Halton Region for 1,106 units and 3,679 units through housing providers
- 84 new assisted housing opportunities for a cumulative total of 1,658 units since 2008



Solid waste services

Operations of \$44.0 million

- Collection and disposal of 93,496 tonnes of residential garbage and the diversion of 131,744 tonnes of residential Blue Box and organic materials, representing a 58 per cent residential diversion rate

Regional Programs and Services (continued)



Health services

Operations of \$73.6 million

- Ambulance services through the deployment of 27 emergency vehicles and 254 paramedics
- Answered 53,094 paramedic calls and transported 32,797 patients
- Delivery of 164,965 influenza vaccines at Health Department clinics and through distribution to community partners
- Service of 6,634 client appointments/clients at oral health, sexual health and tobacco cessation clinics
- Connected with 13,128 parents of children and youth by providing parenting information at groups, seminars and consultations
- Completed 5,154 inspections of food premises
- Screened 20,137 children for oral health in elementary schools



Protection to persons and property

Police, Emergency Management and Conservation Authorities

Operations of \$171.5 million

- Police services through the deployment of 721 police officers
- Emergency services for the operation of 911 call centre, which received 121,971 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 \$55.9 million

- Maintenance of 1,116 lane kilometres of roadway (kilometres multiplied by the number of lanes), 59 per cent of which were rated as good to very good condition
- Maintenance and operation of 95 bridges, 178 major culverts, 256 signalized intersections and 6,285 streetlights

Other services

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

Operations of \$57.4 million

- In 2018, Council approved 184 staff reports and 46 by-laws for a total of 230 documents
- For planning purposes, Halton has 30,164 hectares of land designated as development land

Financial Statement to Budget Comparison

The purpose of the financial statements is to provide users with an understanding of the financial position and operating results of the Region over the fiscal period. The annual financial statements of Halton Region are prepared on a full accrual basis in accordance with 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 the various programs and services, as well as infrastructure investment, 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 21 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 \$45.8 million, which represents a 5 per cent variance based on the expected expenditures of \$849.9 million. The favourable variance was driven by higher-than-anticipated revenue of \$17.4 million due to a \$6.4 million return of capital gains earned on

investments, \$5.9 million in user charges for additional water and wastewater utility revenue, additional revenue of \$1.1 million from the *Provincial Offences Act, 1990* and recoveries from housing providers, and \$2.0 million in taxation revenues for supplementary taxes and payments-in-lieu of taxes.

In addition, there were expenditure savings of \$28.4 million related to temporary vacancies in various departments and Police, implementation timing of the water and wastewater maintenance program, lower hydro costs, general expenditure savings and net premium benefits transferred to the benefit reserve to ensure the reserves are financially sustainable.

Accountability and Transparency

Financial management and control

The financial management and control at Halton Region is largely governed through by-laws that prescribe purchasing, accounting, investment and risk management procedures as well as debt policy. 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 audits of systems, processes and controls to ensure compliance with Regional and legislated policies and by-laws. The internal audits 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 Generally Accepted Auditing Standards, and expressed an unqualified 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 may be identified during their audit procedures. The role of the Audit Sub-Committee is to assist Regional Council in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control and the audit process. The Audit Sub-Committee also provides a high level of public accountability and assurance that municipal services are administered in an efficient, effective and economical manner.

Throughout the year, the external auditors meet periodically with management to approve the scope and timing of audit-specific activities and to review any findings and recommendations.

Awards for Financial Reporting and Budget Presentation

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

Halton Region was awarded the Canadian Award for Financial Reporting (CanFR) for its Annual Financial Report for the fiscal year ended December 31, 2017. This is the 12th 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 2018 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 14 consecutive years, representing a significant achievement in budget development and reporting.

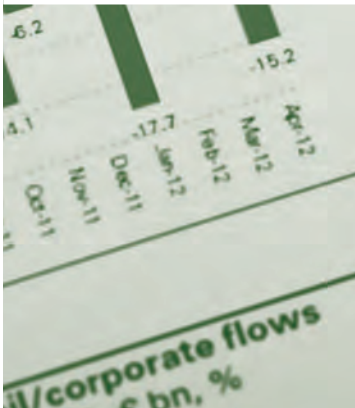
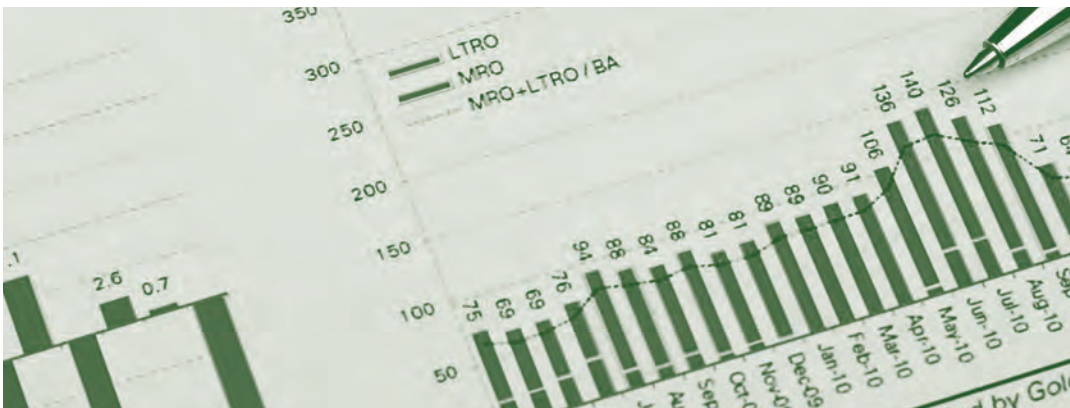
Conclusion

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 22, 2019





Consolidated Financial Statements

For the year ended December 31, 2018

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 2018 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 22, 2019*

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the Regional Municipality of Halton, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Regional Municipality of Halton as at December 31, 2018, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of The Regional Municipality of Halton in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Regional Municipality of Halton's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional Municipality of Halton or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional Municipality of Halton's financial reporting process.

(Continued on next page)

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Regional Municipality of Halton's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional Municipality of Halton's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional Municipality of Halton to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Regional Municipality of Halton to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in dark ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 22, 2019

Consolidated Statement of Financial Position

as at December 31, 2018 (with comparative figures as at December 31, 2017)

(Dollars in Thousands)

	2018	2017 (Note 23)
FINANCIAL ASSETS		
Cash and cash equivalents	\$175,300	\$70,302
Accounts receivable:		
Water and wastewater	36,536	35,587
Ontario and federal grants	36,349	18,648
Other receivables	29,656	43,347
Other current assets	342	317
Investments (Note 2)	2,007,216	1,981,785
Loans receivable (Note 7)	2,011	1,683
Recoverable gross long-term debt from:		
Local Municipalities (Note 5)	277,206	282,784
Total financial assets	2,564,616	2,434,453
LIABILITIES		
Accounts payable and accrued liabilities	309,459	276,102
Gross long-term liabilities (Notes 5 and 6)	315,179	333,873
Sinking fund debentures (Note 5)	273,500	273,500
Deferred revenue (Note 11)	196,455	228,242
Landfill closure and post-closure liabilities (Note 12)	16,034	15,412
Employee future benefits payable (Note 14)	78,751	75,603
Total liabilities	1,189,378	1,202,732
NET FINANCIAL ASSETS	1,375,238	1,231,721
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	5,104,869	4,898,672
Prepaid expenses	2,654	1,830
Inventory	2,988	3,294
Total non-financial assets	5,110,511	4,903,796
ACCUMULATED SURPLUS (Note 16)	\$6,485,749	\$6,135,517

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

For the year ended December 31, 2018 (with comparative figures for the year ended December 31, 2017)

		(Dollars in Thousands)	
	2018 Budget (Note 21)	2018	2017 (Note 23)
REVENUES			
Taxation	\$417,374	\$419,364	\$403,384
Development charges and developer contributions	196,576	196,576	246,915
User charges	238,757	244,646	230,420
Grants	217,449	218,939	175,350
Federal gas tax grant	15,979	15,967	20,332
Investment income	52,491	58,875	58,094
Other revenue	15,750	17,380	23,089
Total revenues	1,154,376	1,171,747	1,157,584
EXPENSES (Note 20)			
General government	48,992	40,261	41,279
Social services	181,983	181,681	165,754
Social housing	52,951	49,999	48,614
Water and wastewater services	198,462	187,354	188,774
Solid waste services	42,781	43,984	42,442
Protection to persons and property	172,675	171,531	165,400
Health services	76,076	73,616	71,699
Transportation services	57,490	55,940	60,598
Planning and development	15,356	14,087	12,552
Recreation and cultural services	3,165	3,062	2,815
Total expenses	849,931	821,515	799,927
NET REVENUES	304,445	350,232	357,657
ACCUMULATED SURPLUS, BEGINNING OF YEAR	6,135,517	6,135,517	5,777,860
ACCUMULATED SURPLUS, END OF YEAR	\$6,439,962	\$6,485,749	\$6,135,517

See accompanying notes to consolidated financial statements.

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2018 (with comparative figures for the year ended December 31, 2017)

		(Dollars in Thousands)	
	2018 Budget (Note 21)	2018	2017 (Note 23)
Net revenues	\$304,445	\$350,232	\$357,657
Acquisition of tangible capital assets	(322,938)	(322,938)	(399,708)
Amortization of tangible capital assets	114,252	114,252	113,036
Loss (gain) on disposal of tangible capital assets	2,087	2,087	(583)
Proceeds on disposal of tangible capital assets	402	402	10,395
Change in inventory and prepaid expenses	(518)	(518)	873
Change in net financial assets	97,730	143,517	81,670
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,231,721	1,231,721	1,150,051
NET FINANCIAL ASSETS, END OF YEAR	\$1,329,451	\$1,375,238	\$1,231,721

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2018 (with comparative figures for the year ended December 31, 2017)

(Dollars in Thousands)

	2018	2017
Cash provided by (used in):		
OPERATING ACTIVITIES		(Note 23)
Net revenues	\$350,232	\$357,657
Items not involving cash:		
Amortization	114,252	113,036
Loss (gain) on disposal of tangible capital assets	2,087	(583)
Contributed tangible capital assets	(690)	(22,414)
Change in non-cash assets and liabilities:		
Accounts receivable	(4,959)	9,457
Accounts payable and accrued liabilities	33,357	10,662
Other current assets	(25)	(40)
Deferred revenue	(31,787)	(8,617)
Inventory and prepaid expenses	(518)	873
Landfill and post-closure liabilities	622	749
Employee future benefits payable	3,148	4,247
Net change in cash from operating activities	465,719	465,027
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	402	10,395
Cash used to acquire tangible capital assets	(322,248)	(377,294)
Net change in cash from capital activities	(321,846)	(366,899)
INVESTING ACTIVITIES		
Loans receivable	(328)	318
Investments	(25,431)	(113,906)
Net change in cash from investing activities	(25,759)	(113,588)
FINANCING ACTIVITIES		
Long-term debt issued and assumed	9,667	55
Long-term debt repaid	(20,773)	(26,480)
Mortgages payable and repayment	(4,348)	(3,447)
Sinking fund contributions from Local Municipalities	2,338	2,260
Net change in cash from financing activities	(13,116)	(27,612)
NET CHANGE IN CASH	104,998	(43,072)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	70,302	113,374
CASH AND CASH EQUIVALENTS, END OF YEAR	\$175,300	\$70,302

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

for the year ended December 31, 2018

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	5 to 95 years
Computer hardware	3 to 10 years
Computer software	3 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 15 years

Infrastructure:

Buildings and building improvements	5 to 60 years
Land	Not amortized
Land improvements	10 to 25 years
Linear	10 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 as a reasonable estimate cannot be made 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**

Halton Region follows the practice of appropriating revenues and current operating surpluses into reserves that are retained for specific purposes including maintaining assets in a state of good repair. These reserves 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 16.

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 18, Note 19 and Note 20.

xii. **Investments**

Investments consist of fixed income securities issued by Canadian governments, banks and corporations as well as money market bond funds. Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. Gains and losses on investments are recorded when incurred and interest is recorded on an accrual basis until received. Discounts and premiums are amortized using the effective interest method. Sinking fund investments 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 net of inflation. 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 as an employer 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 and the discount rates are disclosed in Note 14. 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.

xix. Adoption of new accounting standards

During the year the Region was required to adopt the following new Canadian Public Sector Accounting Standards:

- PS 2200 Related party disclosures
- PS 3210 Assets
- PS 3320 Contingent Assets
- PS 3380 Contractual Rights
- PS 3420 Inter-entity transactions

The adoption of these new standards does not have a material impact on these financial statements. Required disclosures have been assessed and reflected within the notes to the Consolidated Financial Statements.

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.

	2018		(Dollars in Thousands)	
	Cost	Market Value	2017	
			Cost	Market Value
Investments	\$2,007,216	\$2,004,232	\$1,981,785	\$2,004,232

2. INVESTMENTS (continued)

In addition, Halton includes in its investment portfolio a balance of \$78,373,780 (2017 - \$73,501,673) 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 \$735,153,085 (2017 - \$760,347,276) that are not being amortized as they are under construction. During the year there were no write-downs of assets (2017 - \$nil). Roads and underground water and sewer systems in the amount of \$690,255 (2017 - \$22,413,588) 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 (2017 - \$nil). Halton Region owns various works of art and historical treasures that have not been included as tangible capital assets as a reasonable estimate can not be made.

The following tables summarize tangible capital asset balances by category for the years 2018 and 2017.

(Dollars in Thousands)									
Asset Type	Opening balance 1-Jan-18 Note 23	Additions	Disposals	Ending balance 31-Dec-18	Opening accumulated amortization balance 1-Jan-18	Amortization	Disposals	Ending accumulated amortization balance 31-Dec-18	Ending net book value 31-Dec-18
General									
Buildings and building improvements	\$231,410	\$52,996	\$249	\$284,157	\$99,551	\$7,438	\$187	\$106,802	\$177,355
Computer hardware	19,600	13,751	332	33,019	12,264	3,571	332	15,503	17,516
Computer software	17,220	1,125	5	18,340	12,218	1,677	5	13,890	4,450
Land	158,117	19,723	10	177,830	-	-	-	-	177,830
Land improvements	69,974	3,756	-	73,730	34,361	1,985	8	36,338	37,392
Leasehold improvements	4,374	474	-	4,848	2,597	240	-	2,837	2,011
Machinery and equipment	192,290	37,888	1,132	229,046	117,378	6,465	1,117	122,726	106,320
Vehicles	30,123	4,546	3,412	31,257	17,346	3,704	3,040	18,010	13,247
Total general capital	723,108	134,259	5,140	852,227	295,715	25,080	4,689	316,106	536,121
Infrastructure									
Buildings and building improvements	477,886	14,223	1	492,108	147,413	10,183	1	157,595	\$334,513
Land	166,349	33,428	90	199,687	-	-	-	-	199,687
Land improvements	94,427	2,766	21	97,172	56,252	2,730	21	58,961	38,211
Linear	3,619,558	146,346	3,982	3,761,922	781,831	54,530	2,320	834,041	2,927,881
Machinery and equipment	607,742	17,110	1,490	623,362	269,534	21,729	1,204	290,059	333,303
Total infrastructure	4,965,962	213,873	5,584	5,174,251	1,255,030	89,172	3,546	1,340,656	3,833,595
Assets under construction	760,347	(25,194)	-	735,153	-	-	-	-	735,153
Total tangible capital assets	\$6,449,417	\$322,938	\$10,724	\$6,761,631	\$1,550,745	\$114,252	\$8,235	\$1,656,762	\$5,104,869

3. TANGIBLE CAPITAL ASSETS (continued)

(Dollars in Thousands)

Asset Type	Opening balance 1-Jan-17 Note 23	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	591,404	17,572	1,234	607,742	249,312	21,207	985	269,534	338,208
Total infrastructure	4,750,141	231,526	15,705	4,965,962	1,175,020	87,001	6,991	1,255,030	3,710,932
Assets under construction	611,036	149,311	-	760,347	-	-	-	-	760,347
Total tangible capital assets	\$6,071,725	\$399,708	\$22,016	\$6,449,417	\$1,449,913	\$113,036	\$12,204	\$1,550,745	\$4,898,672

4. RESERVES FOR TANGIBLE CAPITAL ASSETS

The Consolidated Statement of Operations reports historical amortization costs for 2018 totalling \$114,252,000 (2017 - \$113,036,000). Reserve contributions totalling \$333,158,000 (2017 - \$322,058,000) and development charges proceeds totalling \$161,538,000 (2017 - \$202,503,000) have been made in 2018. These funds will be used to finance the replacement of existing tangible capital assets, capital acquisitions resulting from growth due to development and service enhancements, and the impact of inflation.

5. LONG-TERM LIABILITIES

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

Halton Region has purchased \$8,333,585 (2017 - \$11,359,178) 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 2018 is \$118,909,000 (2017- \$153,788,000).

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

	(Dollars in Thousands)	
	2018	2017
Long-term liabilities incurred by Halton Region	\$266,577	\$290,586
Mortgages payable by HCHC	48,602	43,287
Subtotal gross long-term liabilities	315,179	333,873
Sinking Fund debentures	273,500	273,500
Total long-term liabilities incurred by Halton Region	588,679	607,373
Less recoverable from Local Municipalities:		
Long-term debentures	178,984	182,224
Sinking Fund debentures	98,222	100,560
Subtotal Local Municipalities	277,206	282,784
Less cumulative Sinking Fund contributions from Local Municipalities	6,778	4,440
Net long-term liabilities at year end	\$304,695	\$320,149

Sinking Fund debentures consist of the following amounts:

Sinking Fund #148-11 was issued on October 11, 2011 for a 30-year term and total value of \$106,000,000.

	(Dollars in Thousands)	
	2018	2017
Sinking Fund #148-11 earnings to date		
Opening earnings	\$10,535	\$8,577
Halton contributions	1,827	1,595
Interest earned	433	363
Sinking Fund #148-11 earnings to date	\$12,795	\$10,535

5. LONG-TERM LIABILITIES (continued)

Sinking Fund #43-15 was issued on April 6, 2015 for a 30-year term and total value of \$167,500,000. Halton Region's portion is \$62,500,000, while \$90,000,000 was borrowed on behalf of the Town of Oakville and \$15,000,000 for the Town of Milton.

	(Dollars in Thousands)	
	2018	2017
Sinking Fund #43-15 earnings to date		
Opening earnings	\$7,082	\$3,477
Halton contributions	1,261	1,261
Oakville contributions	1,816	1,816
Milton contributions	303	303
Interest earned	349	225
Sinking Fund #43-15 earnings to date	\$10,811	\$7,082

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

	(Dollars in Thousands)	
	2018	2017
Property taxes – general purpose levy	\$70,072	\$65,069
Water	55,209	64,199
Wastewater	35,820	41,307
Development charges	143,594	149,574
Net long-term liabilities at year end	\$304,695	\$320,149

6. CHARGES FOR LONG-TERM LIABILITIES

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

	(Dollars in Thousands)	
	2018	2017
Gross principal repayment	\$50,266	\$57,305
HCHC mortgages	4,348	3,447
Less amounts recovered	29,493	30,825
Net principal	25,121	29,927
Gross interest paid	17,845	18,895
HCHC mortgages	1,242	1,480
Less amount recovered	9,351	9,514
Net interest	9,736	10,861
Total net principal and interest	\$34,857	\$40,788

Debentures bear interest at rates ranging from 1.20% to 5.50%. Mortgages of \$48,602,182 (2017 - \$43,287,281) 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% and 5.94%.

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

6. CHARGES FOR LONG-TERM LIABILITIES (continued)

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

	(Dollars in Thousands)	
	2018	2017
Property taxes – general purpose levy	\$7,229	\$7,614
Water and wastewater revenues	15,280	21,450
Development charges	12,348	11,724
Total	\$34,857	\$40,788

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
2019	\$18,260	\$2,427	\$1,414	\$4,710	\$26,811
2020	17,488	2,537	1,461	9,902	31,388
2021	14,747	2,652	1,508	5,638	24,545
2022	13,972	2,772	1,558	14,074	32,376
2023	8,835	2,898	1,608	10,081	23,422
2024-2045	14,878	92,322	54,756	4,197	166,153
Total	\$88,180	\$105,608	\$62,305	\$48,602	\$304,695

7. LOANS RECEIVABLE

Halton Region has loans receivable in the amount of \$2,011,461 (2017 - \$1,682,790) from Conservation Halton. As per Council report CS-07-07, Halton Region has agreed to provide Conservation Halton with debt financing on an annual basis on projects that are significant in funding requirements and are capital in nature. Each loan is repayable over a ten year period at a variable interest rate based on Halton Region's investment rate. For 2018 the repayment amount is \$426,137 (2017 - \$407,196) based on an interest rate of 3.00% (2017 - 3.20%).

8. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

- (a) Halton Region has outstanding contractual obligations of \$254,896,700 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:

2019	\$3,260,474
2020	2,654,505
2021	828,966
2022	584,679
2023	243,671
- (c) Halton Region has made provision for the use of \$42,472,380 in reserves and development charges of \$125,866,541 will be financed from future developments.

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. CONTINGENT ASSETS

As at December 31, 2018 the Region has certain outstanding legal actions against various defendants in which the Region is seeking damages. The Region has determined that resolution in favour of the Region is likely in these actions, however the amount of possible damages to be received is undeterminable as at December 31, 2018.

11. DEFERRED REVENUE

Halton Region's deferred revenue is comprised of obligatory reserves and general deferred revenues. A requirement of PSAS is that obligatory reserves be reported as deferred revenue. Halton Region has obligatory development charge reserves in the amount of \$105,930,571 (2017 - \$137,092,988) and an obligatory reserve for the federal Gas Tax funds in the amount of \$18,585,132 (2017 - \$18,123,674). These reserves are considered obligatory as Provincial and Federal legislation restricts how these reserves may be used and, under certain circumstances, how these reserves 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, 2017	Inflows	Revenue Earned	Balance at December 31, 2018
Development charges	\$137,093	\$163,780	\$194,943	\$105,931
Federal Gas Tax Grant	18,124	16,429	15,967	18,585
Total Obligatory Reserves	155,217	180,209	210,910	124,516
Unspent Capital Financing	56,101	-	1,200	54,901
Permits	1,934	1,556	1,655	1,835
Developer Accelerated (note 16)	9,281	416	1,674	8,023
Developer Water Meters	1,759	608	963	1,404
Other	3,950	5,378	3,551	5,777
Total General - Region	73,025	7,958	9,044	71,939
Total	\$228,242	\$188,167	\$219,954	\$196,455

(Dollars in Thousands)

12. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

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 5.0% net of inflation of 2.0%. The estimated length of time required for post-closure care is 40 years. Halton Region also monitors seven inactive landfill sites owned by the Local Municipalities. Under agreements with the four Local Municipalities, Halton Region may recover the cost of capital rehabilitation that may be required and is not responsible for any third party claims that may result from these inactive sites. The Local Municipalities bear the cost of monitoring the inactive sites and therefore these costs have not been included in the landfill post-closure liability.

12. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES (continued)

		(Dollars in Thousands)
	2018	2017
Remaining capacity (m ³)	4,478,810	4,584,940
Liability – Consolidated Statement of Financial Position	\$16,034	\$15,412
Closure & post-closure care		
Estimated expenditures	\$20,225	\$19,578
Remaining expenditures to be recognized	4,191	4,166
Reserves (Note 16)	19,176	18,461

13. 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, 2018, that meet the specified criteria (2017 - \$nil).

14. 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 reserves to mitigate the future impact of these obligations and this has been reported in Note 16. Employee future benefits and reserves relating to these liabilities are as follows.

	(Dollars in Thousands)			
	2018		2017	
	Accrued Liability	Reserve	Accrued Liability	Reserve
Employee future benefits				
Halton employees	\$13,486	\$16,136	\$12,532	\$15,110
Halton Regional Police Service	31,757	31,550	30,165	30,246
WSIB				
Halton employees	10,010	12,076	8,961	10,414
Halton Regional Police Service	3,926	5,570	3,734	5,287
Long-term disability				
Halton employees	11,644	10,787	12,292	9,833
Halton Regional Police Service	4,167	4,079	4,156	3,611
Vacation pay				
Halton employees	3,627	-	3,638	-
Halton Regional Police Service	72	-	64	-
Vested sick leave entitlements				
Halton Regional Police Service	62	91	61	89
Total	\$78,751	\$80,289	\$75,603	\$74,589

14. EMPLOYEE FUTURE BENEFITS PAYABLE (continued)

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

	(Dollars in Thousands)	
	2018	2017
Accrued benefit obligation:		
Balance, beginning of year	\$83,186	\$73,450
Current benefit cost	5,022	7,128
Interest	3,040	3,081
Benefits paid	(6,232)	(6,765)
Plan amendment	-	187
Actuarial loss	-	6,105
Balance, end of year	85,016	83,186
Unamortized actuarial loss	(6,265)	(7,583)
Liability for benefits	78,751	75,603
Amortization of actuarial loss	\$1,318	\$691

The liabilities were determined by an actuarial evaluation as at December 31, 2017. The unamortized actuarial (loss)/gain are amortized over the expected average remaining service life with estimates to December 31, 2018. Halton Region commissions actuarial reviews of the employee future benefits, WSIB and long-term disability obligations every three years.

	2018	Remaining Service Life
Employee future benefits	(\$3,579,133)	7 to 13 years
WSIB	(5,432,087)	10 years
Long-term disability	2,746,018	8 to 10 years
Total	(\$6,265,202)	

The liabilities were based upon a number of assumptions regarding future events, which reflect management's best estimate. Key actuarial assumptions established for this valuation are:

	2018	2017
Expected inflation rate	1.75%	1.75%
Discount rate:		
Employee future benefits	4.00%	4.00%
WSIB	3.75%	3.75%
Long-term disability	3.50%	3.50%
Expected salary increase	2.75%	2.75%
Expected dental care cost increase	3.75%	3.75%
Expected health cost increase	6.75% in 2018, reducing by 0.33% per year to 3.75% in 2027	6.75% in 2018, reducing by 0.33% per year to 3.75% in 2027

14. EMPLOYEE FUTURE BENEFITS PAYABLE (continued)

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 2018, payments out of the vested sick leave plan amounted to \$nil (2017 - \$nil) and have been reported on the Consolidated Statement of Operations. Sick leave benefits of \$62,437 (2017 - \$61,333) are anticipated to be paid out in 2019 and have been reported on the Consolidated Statement of Financial Position.

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 3,380 eligible members. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of credited service and average earnings.

The OMERS Pension Plan concluded 2018 with \$97 billion in net assets and an improvement in its funded ratio from 94% to 96%. The Region does not recognize any share of the pension deficit of \$4.2 billion (2017 - \$5.4 billion) as OMERS is a multi-employer plan.

Halton Region's contribution to OMERS for its current service amounted to \$27,087,413 (2017 - \$26,674,024) and is included as an expense on the Consolidated Statement of Operations. Employee contributions amounted to \$27,087,413 (2017 - \$26,674,024).

Contributions for employees with a normal retirement age of 65 were made at a rate of 9% for earnings up to the yearly maximum pensionable earnings of \$55,900 and at a rate of 14.6% for earnings greater than the yearly maximum pensionable earnings. For uniformed police officers with a normal retirement age of 60, those rates were 9.2% and 15.8% respectively.

16. ACCUMULATED SURPLUS

Accumulated surplus consists of the following balances:

	(Dollars in Thousands)	
	2018	2017
Unexpended capital financing	\$572,699	\$571,551
Reserves (detailed below)	1,199,541	1,073,253
Sinking Fund Investment	16,831	13,178
Tangible Capital Assets	5,104,869	4,898,672
Developer Financed Assets	(8,023)	(9,281)
Amounts to be recovered in future years:		
From reserves on hand	(89,934)	(84,309)
From future revenues	(310,234)	(327,547)
Total Accumulated Surplus	\$6,485,749	\$6,135,517
Reserves set aside by Council:		
Stabilization - rate	\$32,196	\$31,062
Stabilization - tax	69,631	64,924
Program specific	86,494	78,427
Workplace Safety and Insurance	17,646	15,701

16. ACCUMULATED SURPLUS (continued)

	(Dollars in Thousands)	
	2018	2017
Self-insurance - General	5,780	5,957
Self-insurance - Employee benefits	62,643	58,888
Landfill closure and post-closure	19,176	18,461
Equipment replacement - vehicle	7,880	7,277
Equipment replacement - building	14,064	21,681
Equipment replacement - equipment	7,187	8,791
Capital - rate	252,338	208,623
Capital - tax	410,020	348,452
Capital - investment	99,578	96,046
Other	114,908	108,963
Total Reserves	\$1,199,541	\$1,073,253

17. TRUST FUNDS

Trust Funds, in the amount of \$79,417 (2017 - \$79,063), 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.

18. 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, 2018:

(Dollars in Thousands)				
Detail Code	Service name	Grant	Expenses	Surplus (deficit)
Child Care service contract				
A476	Infant Development	\$713	\$2,332	(\$1,619)
9253	Spec Comm. Suppts – Child-Behaviour Intervention	245	387	(142)
Total		\$958	\$2,719	(\$1,761)

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

19. 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 age group, which summarizes all revenues and expenditures relating to the service contract.

(Dollars in Thousands)

	Ministry of Education	REVENUES			Total
		Legislated Cost Share	Expansion Plan		
		%	Year 2		
		(\$-Calculated)			(Calculated)
Core Services Delivery Operating Allocation					
Core Services Delivery (100% provincial)	\$14,566	0%	\$ -	\$451	
Core Services Delivery - Cost Shared Requirement 80/20	10,718	20%	2,679	N/A	
Core Service Delivery - Cost Shared Requirement 50/50 - Administration	785	50%	785	N/A	
Total Core Services Delivery	26,069		3,464	451	26,520
Special Purpose Operating Allocation					
Language	883	0%	-	16	
Indigenous	100	0%	-	2	
Cost of Living	1,163	0%	-	20	
Rural and Remote	6	0%	-	0	
Capacity Building	292	0%	-	5	
Repairs and Maintenance	106	0%	-	2	
Utilization Adjustment	3,268	0%	-	N/A	
Capping Adjustment	(150)	0%	-	N/A	
Licensed Home Child Care (LHCC)	409	0%	-	N/A	
Total Special Purpose Operating Allocation	6,077		-	45	6,122
Other Allocations					
Small Water Works	-	0%	-	N/A	
TWOMO Reimbursement - Child Care	-	0%	-	N/A	
Wage Enhancement/HCCCEG	11,956	0%	-	N/A	
Wage Enhancement Administration	529	0%	-	N/A	
Fee Stabilization Support	3,060	0%	-	N/A	
Journey Together - Operating	-	0%	-	N/A	
Journey Together - Capital	-	0%	-	N/A	
Expansion Plan Year 1	5,378	0%	-	N/A	
Operating Funding for Expansion Plan Capital Spaces	-	0%	-	389	
ELCC Allocation	2,696	0%	-	N/A	
Total Other Allocations	23,619		-	389	24,008
TOTAL CHILD CARE ALLOCATION	\$55,765		\$3,464	\$885	\$56,650

19. GRANTS FROM THE MINISTRY OF EDUCATION (continued)

(Dollars in Thousands)

EXPENDITURES BY AGE GROUP					
	0-4 (Infant, Toddler, and Preschooler)	4-6 (Kindergarten)	6-12 (School Aged)	Unspecified Age Group	Total Expenditures
	Adjusted Gross Expenditures	Adjusted Gross Expenditures	Adjusted Gross Expenditures	Adjusted Gross Expenditures	Adjusted Gross Expenditures
Full Flexibility					
(Schedule 2.3)					
General Operating	\$4,246	\$2,811	\$4,659	\$ -	\$11,715
Fee Subsidy - Regular	6,528	1,379	3,091	-	10,998
Fee Subsidy - Camps and Authorized Recreation	-	-	695	-	695
Ontario Works and LEAP - Formal	719	165	177	-	1,061
Ontario Works and LEAP - Informal	-	-	-	-	-
Pay Equity Memorandum of Settlement	-	-	-	257	257
Special Needs Resourcing	5,267	596	525	-	6,388
Administration	-	-	-	4,337	4,337
Repairs and Maintenance	22	33	56	-	111
Play-based Material and Equipment	-	-	-	-	-
Transformation	-	-	-	-	-
Total (full flexibility)	16,782	4,984	9,202	4,593	35,561
Limited Flexibility					
(Schedule 2.3)					
Capacity Building	441	95	214	-	750
Small Water Works	-	-	-	-	-
Total (limited flexibility)	441	95	214	-	750
No Flexibility					
TWOMO Reimbursement (Schedule 2.7)	-	-	-	-	-
Wage Enhancement/HCCEG (Schedule 4.3)	-	-	-	10,687	10,687
Wage Enhancement Administration (Schedule 4.3)	-	-	-	479	479
Total (no flexibility)	-	-	-	11,166	11,166
TOTAL	\$17,223	\$5,079	\$9,416	\$15,759	\$47,477

19. GRANTS FROM THE MINISTRY OF EDUCATION (continued)

(Dollars in Thousands)

EXPENDITURES					
	Non - Profit Operations	Profit Operations	Direct Operations	Other	Consolidated
Adjusted Gross Expenditures	\$21,552	\$16,963	\$4,147	\$4,815	\$47,477

(Dollars in Thousands)

EXPENDITURES BY SETTING					
	Centre Based	Home Based	Other	Total	
Adjusted Gross Expenditures	\$40,954	\$1,708	\$4,815	\$47,477	

The table below summarizes the Child Care Expansion Plan (CCEP) expenses incurred in 2018 for children aged zero to four.

(Dollars in Thousands)

EXPENDITURES BY AGE GROUP			
	0-4 (Infant, Toddler, and Preschooler)	Unspecified Age Group	Total Expenditures
	Adjusted Gross Expenditures	Adjusted Gross Expenditures	Adjusted Gross Expenditures
Full Flexibility (Schedule 2.3A)			
General Operating	\$1,952	\$ -	\$1,952
Fee Subsidy - Regular	4,505	-	4,505
Ontario Works and LEAP - Formal	-	-	-
Ontario Works and LEAP - Informal	-	-	-
Special Needs Resourcing	258	-	258
Administration	-	948	948
Repairs and Maintenance	-	-	-
Play-based Material and Equipment	-	-	-
Transformation	-	-	-
Total (full flexibility)	6,715	948	7,663
Limited Flexibility (Schedule 2.3A)			
Capacity Building	92	-	92
Total (limited flexibility)	92	-	92
TOTAL	\$6,807	\$948	\$7,755

(Dollars in Thousands)

EXPENDITURES					
	Non - Profit Operations	Profit Operations	Direct Operations	Other	Consolidated
Adjusted Gross Expenditures	\$3,405	\$3,324	\$78	\$948	\$7,755

19. GRANTS FROM THE MINISTRY OF EDUCATION (continued)

(Dollars in Thousands)

EXPENDITURES BY SETTING

	Centre Based	Home Based	Other	Total
Adjusted Gross Expenditures	\$6,502	\$305	\$948	\$7,755

The table below summarizes the Early Learning and Child Care (ELCC) expenses incurred in 2018 for children aged zero to twelve.

(Dollars in Thousands)

EXPENDITURES BY AGE GROUP

	0-4 (Infant, Toddler, and Preschooler)	4-6 (Kindergarten)	6-12 (School Aged)	Unspecified Age Group	Total Expenditures
	Adjusted Gross Expenditures	Adjusted Gross Expenditures	Adjusted Gross Expenditures	Adjusted Gross Expenditures	Adjusted Gross Expenditures
Full Flexibility (Schedule 2.3B)					
General Operating	\$1	\$4	\$3	\$ -	\$8
Fee Subsidy - Regular	353	1,151	934	-	2,438
Fee Subsidy - Camps and Authorized Recreation	-	-	-	-	-
Ontario Works and LEAP - Formal	-	-	-	-	-
Ontario Works and LEAP - Informal	-	-	-	-	-
Special Needs Resourcing	15	50	71	-	136
Administration	-	-	-	472	472
Repairs and Maintenance	-	-	-	-	-
Play-based Material and Equipment	-	-	-	-	-
Transformation	-	-	-	-	-
Community Based Capital Projects	-	-	-	-	-
Total (full flexibility)	369	1,205	1,008	472	3,054
Limited Flexibility (Schedule 2.3B)					
Capacity Building	7	22	18	-	47
Total (limited flexibility)	7	22	18	-	47
TOTAL	\$376	\$1,227	\$1,026	\$472	\$3,101

19. GRANTS FROM THE MINISTRY OF EDUCATION (continued)

(Dollars in Thousands)

EXPENDITURES					
	Non - Profit Operations	Profit Operations	Direct Operations	Other	Consolidated
Adjusted Gross Expenditures - Community based Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Gross Expenditures - All Operating Expenditures	1,273	1,356	-	472	3,101
Total Adjusted Gross Expenditures	\$1,273	\$1,356	\$ -	\$472	\$3,101

(Dollars in Thousands)

EXPENDITURES BY SETTING				
	Centre Based	Home Based	Other	Consolidated
Adjusted Gross Expenditures	\$2,465	\$164	\$472	\$3,101

(Dollars in Thousands)

Fee Stabilization Support	
Total adjusted gross expenditures excluding administration expenditures	\$2,731
Total adjusted administration expenditures	27

EarlyON expenses incurred in 2018:

(Dollars in Thousands)

Description	Expenditures
Operating	
Salaries and Benefits - Program Staff	\$ -
Salaries and Benefits - Non Program Staff	-
Lease and Utilities - Operational	-
Other Expenses - Operational	3,627
Subtotal Operational Expenses	3,627
Professional Learning and Capacity Building	-
Child Care & Early Years Planning (CCYEP) and Data Analysis Services (DAS)	
Salaries and Benefits	130
Other Expenses	27
Subtotal	157
Administration	
Salaries and Benefits	110
Other Expenses	14
Offsetting Revenue	-
Subtotal	124
Offsetting Revenues	
Offsetting Revenue 1	-
Offsetting Revenue 2	-
Offsetting Revenue 3	-
Subtotal	-
EarlyON Total Adjusted Gross Expenditures	\$3,908

20. 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.

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 2018 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 2018 and 2017.

20. SEGMENTED INFORMATION (continued)

(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 2018
Revenues									
Taxation*									
General purpose levy	\$152,947	\$54,017	\$ -	\$15,920	\$38,457	\$42,339	\$36,619	\$47,647	\$387,946
Solid waste levy	-	-	-	26,196	-	-	-	-	26,196
Payment in lieu	2,147	758	-	-	540	594	514	669	5,222
Users fees and service charges	8,402	865	206,909	8,089	194	16,710	1,087	2,390	244,646
Provincial grants	6,538	3,227	22,591	-	41,109	131,869	12,086	679	218,099
Federal grants (includes gas tax)	-	4,265	11,702	-	120	215	575	(70)	16,807
Investment income	-	-	-	-	-	-	-	58,875	58,875
Development charges and developer contributions	4,898	91,052	95,702	59	1,364	-	762	2,739	196,576
Other	27	-	146	43	8	4	16,613	539	17,380
Total revenues	174,959	154,184	337,050	50,307	81,792	191,731	68,256	113,468	1,171,747
Expenses									
Salaries, wages and employee benefits	134,055	2,584	33,882	3,771	53,454	65,224	5,769	45,627	344,366
Materials	7,764	1,893	24,210	1,151	3,142	5,331	3,523	6,456	53,470
Contracted services	10,000	27,330	38,276	33,976	2,772	27,883	7,110	29,871	177,218
Rents and financial expenses	440	104	2,376	334	620	884	4,235	2,249	11,242
Government transfers	9,168	745	2,174	220	850	66,585	20,403	6,828	106,973
Debt expense	1,965	-	6,506	-	23	-	1,242	-	9,736
Allowance for taxes written off	-	-	-	-	-	-	-	4,258	4,258
Amortization	6,776	21,111	68,159	1,853	1,937	2,727	5,668	6,021	114,252
Program support	1,363	2,173	11,771	2,679	10,818	13,047	2,049	(43,900)	-
Total expenses	171,531	55,940	187,354	43,984	73,616	181,681	49,999	57,410	821,515
Net revenues	\$3,428	\$98,244	\$149,696	\$6,323	\$8,176	\$10,050	\$18,257	\$56,058	\$350,232

* 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 22-18.

** Other Services consists of General Government, Planning and Development, Recreation and Cultural Services.

(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
Provincial grants	5,774	638	2,155	-	40,956	110,067	14,183	719	174,492
Federal 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	38,736	32,481	3,316	27,069	6,686	24,769	163,508
Rents and financial expenses	305	7,388	1,625	217	609	663	3,825	2,452	17,084
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	65,190	1,987	1,830	2,681	5,628	5,699	113,036
Program support	1,500	2,589	11,344	2,587	10,362	12,722	1,989	(43,093)	-
Total expenses	165,400	60,598	188,774	42,442	71,699	165,754	48,614	56,646	799,927
Net revenues	\$13,484	\$49,808	\$193,719	\$7,616	\$6,954	\$4,715	\$20,769	\$60,592	\$357,657

* 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 23-17.

** Other Services consists of General Government, Planning and Development, Recreation and Cultural Services.

21. BUDGET COMPARISON

The budget data presented in these Consolidated Financial Statements are based upon the 2018 operating and capital budgets approved by Halton Region Council on December 13, 2017 and HCHC Board on December 5, 2017.

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

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

(Dollars in Thousands)

	2018 Budget
Revenues: Operating	
Approved budget (FN-45-17)	\$910,951
In-year changes*	8,906
Revised approved budget	919,857
Development charges and developer contributions	196,576
Grants	25,360
Other revenue adjustments	2,010
Reclassification between revenue and expense	(848)
HCHC approved budget (HC-26-17)	26,175
HCHC PSAS adjustments	955
HCHC intercompany transactions	(15,709)
Total consolidated revenues	1,154,376
Expenses: Operating	
Approved budget (FN-45-17)	910,951
In-year changes*	8,906
Revised approved budget	919,857
Transfers to reserves - capital	(169,300)
Transfers from reserves - capital	12,960
Debt charges - principal	(23,862)
Transfers to reserves - operating	(62,559)
Transfers from reserves - operating	15,843
Amortization	108,693
Capital project cost resulting in operating expenses	33,713
(Gain)/Loss on TCA	2,033
Employee future benefits	3,148
Landfill liability	622
Reclassification between revenue and expense	(848)
HCHC approved budget (HC-26-17)	26,175
HCHC PSAS adjustments	(114)
HCHC intercompany transactions	(16,430)
Total consolidated expenses	849,931
Net revenues	\$304,445

*Refer to Council Report:
SS-17-17 Children's Services Division Program and Funding Update

21. BUDGET COMPARISON (continued)

In-year changes:

* Refer to Report No. - Re:	Amount
SS-16-18 - Housing Services Program Update	\$1,264,968
SS-14-18 - Provincial Housing Initiatives Update	1,882,845
SS-14-18 - Provincial Housing Initiatives Update	46,696
SS-07-18 - Children's Services Program and Funding Update Part I	1,743,143
SS-09-18 - Children's Services Program and Funding Update Part II	855,000
SS-17-18 - Children's Services Program and Funding Update Part III	1,854,687
FN-12-18 - 2018 Tax Policy	1,258,288
Total	\$8,905,627

22. 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	
	2018	2017	2018	2017
Insurance period of one year beginning on	1/1/2018	1/1/2017	11/1/2018	11/1/2017
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	1,954,287	1,823,535	310,459	311,293
Insurance claims expense	823	713	72	90
Estimated value of outstanding claims	1,253	806	25	88
Self-insurance reserves (Note 16)	5,780	5,957	N/A	N/A

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

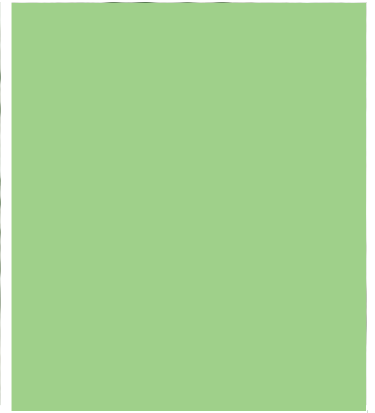
HCHC uses purchased insurance and Halton Region uses a combination of self-insurance and purchased insurance to protect themselves financially against the risks that they cannot reasonably control. Halton Region is self-insured for claims such as environmental liability, councillor and employee legal 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.

23. TANGIBLE CAPITAL ASSET WATER METER POLICY CHANGE

During the year Management implemented a tangible capital asset policy change to support the long term water meter strategy approved by Council in 2016, report PW-29-16. This policy change was adopted retrospectively, and water meters that were previously expensed have been included in the tangible capital asset inventory.

The capitalization of the water meters resulted in the following changes to the 2017 comparative consolidated financial statements:

	(Dollars in Thousands)		
	As previously reported	Adjustment	Restated
Consolidated Statement of Financial Position:			
Tangible capital assets	\$4,879,434	\$19,238	\$4,898,672
Accumulated surplus	6,116,279	19,238	6,135,517
Consolidated Statement of Operations:			
Water and wastewater services	189,646	(872)	188,774
Net revenues	356,785	872	357,657
Accumulated surplus, beginning of year	5,759,494	18,366	5,777,860
Accumulated surplus, end of year	6,116,279	19,238	6,135,517
Consolidated Statement of Change in Net Financial Assets:			
Net revenues	356,785	872	357,657
Acquisition of tangible capital assets	(396,850)	(2,858)	(399,708)
Amortization of tangible capital assets	111,263	1,773	113,036
Loss (gain) on disposal of tangible capital assets	(796)	213	(583)
Consolidated Statement of Cash Flows:			
Net revenues	356,785	872	357,657
Amortization	111,263	1,773	113,036
Loss (gain) on disposal of tangible capital assets	(796)	213	(583)
Cash used to acquire tangible capital assets	\$(374,436)	\$(2,858)	\$(377,294)



Five-Year Statistical Data

For the year ended December 31, 2018

Five-Year Financial Statistics (unaudited)

(Dollars in Thousands)

	2018	2017 Restated***	2016	2015	2014 Restated*
Consolidated Statement of Financial Position					
Financial assets	\$2,564,616	\$2,434,453	\$2,373,700	\$2,276,937	\$2,006,735
Non-financial assets	5,110,511	4,903,796	4,609,443	4,262,609	3,963,715
Total Assets	7,675,127	7,338,249	6,983,143	6,539,546	5,970,450
Accounts payable and accrued liabilities	309,459	276,102	265,440	244,033	207,538
Gross long-term liabilities	315,179	333,873	361,831	358,625	400,945
Sinking fund debentures	273,500	273,500	273,500	273,500	106,000
Deferred revenue	196,455	228,242	236,859	220,730	214,787
Landfill closure and post-closure liabilities	16,034	15,412	14,663	13,940	9,247
Employee benefits payable	78,751	75,603	71,356	66,988	63,367
Total Liabilities	1,189,378	1,202,732	1,223,649	1,177,816	1,001,884
Accumulated Surplus	\$6,485,749	\$6,135,517	\$5,759,494	\$5,361,730	\$4,968,566
CONSOLIDATED OPERATIONS					
Sources of Revenue					
Property taxes - General purpose	\$393,168	\$377,615	\$365,009	\$353,593	\$340,760
- Solid waste	26,196	25,769	25,336	24,676	23,867
Government transfers - Ontario	218,099	174,492	159,610	154,581	162,598
- Canada	840	858	933	650	667
User charges	244,646	230,420	226,023	216,495	199,683
Investment income	58,875	58,094	63,738	67,666	65,580
Development charges and developer contributions*	196,576	246,915	302,134	292,385	188,947
Federal gas tax	15,967	20,332	12,623	7,818	18,815
Other revenue	17,380	23,089	13,096	13,092	13,705
Total Revenue	1,171,747	1,157,584	1,168,502	1,130,956	1,014,622
Expenses by Function					
General government	40,261	41,279	36,996	35,313	31,100
Social services	181,681	165,754	158,583	150,815	141,310
Social housing	49,999	48,614	42,980	45,126	48,455
Water and wastewater services**	187,354	188,774	187,856	176,301	170,047
Solid waste services	43,984	42,442	41,478	42,544	37,430
Protection to persons and property	171,531	165,400	161,762	155,710	155,253
Health services	73,616	71,699	68,934	68,656	65,798
Transportation services**	55,940	60,598	56,857	47,334	41,553
Planning and development	14,087	12,552	12,626	13,326	10,571
Recreation and cultural services	3,062	2,815	2,666	2,667	2,685
Total Expenses by Function	821,515	799,927	770,738	737,792	704,202
Net Revenues	350,232	357,657	397,764	393,164	310,420
Accumulated Surplus, Beginning of Year	6,135,517	5,777,860	5,361,730	4,968,566	4,658,146
Accumulated Surplus, End of Year	\$6,485,749	\$6,135,517	\$5,759,494	\$5,361,730	\$4,968,566

* 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

*** In 2018, management implemented a TCA policy change to support the long term water meter strategy approved by Council in 2016, report PW-29-16. This policy change was adopted retrospectively, and water meters that were previously expensed have been included in the TCA inventory. 2017 statements have been revised to include Water Meters owned by Halton Region.

Five-Year Financial Statistics (unaudited)

(Dollars in Thousands)

	2018	2017 Restated***	2016	2015	2014 Restated*
ANALYSIS OF EXPENSE BY OBJECT					
Salaries, wages and employee benefits	\$344,366	\$334,980	\$323,720	\$312,808	\$302,259
Materials	53,470	58,118	59,154	58,493	53,701
Contracted services	177,218	163,508	159,252	157,409	150,253
Financial expenses	11,242	17,084	22,510	15,216	14,301
Government transfers	106,973	95,695	80,995	79,384	72,884
Debt services	9,736	10,861	11,968	12,610	11,960
Allowance for taxes written off	4,258	6,645	6,294	2,971	3,329
Amortization	114,252	113,036	106,845	98,901	95,515
Total Expenses	\$821,515	\$799,927	\$770,738	\$737,792	\$704,202
Consolidated Statement of Change in Net Financial Assets					
Net revenues	\$350,232	\$357,657	\$397,764	\$393,164	\$310,420
Acquisition of tangible capital assets	(322,938)	(399,708)	(467,726)	(404,384)	(263,709)
Amortization of tangible capital assets	114,252	113,036	106,845	98,901	95,515
Loss on disposal of tangible capital assets	2,087	(583)	14,090	6,700	6,047
Proceeds on disposal of tangible capital assets	402	10,395	262	169	458
Change in inventory and prepaid expenses	(518)	873	(305)	(280)	(779)
Change in net financial assets	143,517	81,670	50,930	94,270	147,952
Halton Net Financial Assets, Beginning of Year	1,231,721	1,150,051	1,099,121	1,004,851	856,899
Net Financial Assets, End of Year	\$1,375,238	\$1,231,721	\$1,150,051	\$1,099,121	\$1,004,851
NET LONG-TERM LIABILITIES					
Total long-term liabilities	\$588,679	\$607,373	\$635,331	\$632,125	\$506,945
Recoverable debt (Overlapping):					
Local Municipalities and School Boards	(277,206)	(282,784)	(283,130)	(280,238)	(183,862)
Cumulative sinking fund contributions from local municipalities	(6,778)	(4,440)	(2,180)	-	-
Net Long-Term Liabilities, End of Year	304,695	320,149	350,021	351,887	323,083
Recovered from:					
Tax levy	70,072	65,069	69,318	73,899	62,735
Rate supported	91,029	105,506	124,026	113,679	133,124
Development charges	143,594	149,574	156,677	164,309	127,224
	304,695	320,149	350,021	351,887	323,083
Other Information					
Annual Repayment Limit**	\$151,516	\$136,987	\$125,528	\$117,931	\$113,239
Reserves	\$1,199,541	\$1,073,253	\$1,052,652	\$974,846	\$802,214

* 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.

*** In 2018, management implemented a TCA policy change to support the long term water meter strategy approved by Council in 2016, report PW-29-16. This policy change was adopted retrospectively, and water meters that were previously expensed have been included in the TCA inventory. 2017 statements have been revised to include Water Meters owned by Halton Region.

Five-Year Financial Statistics (unaudited)

(Dollars in Thousands)

	2018	2017 Restated***	2016	2015	2014 Restated*
EXPENDITURE ANALYSIS					
Consolidated expenditure per capita	\$1,408	\$1,404	\$1,386	\$1,357	\$1,326
Net debt per capita	\$522	\$562	\$629	\$647	\$609
Net debt per household	\$1,404	\$1,515	\$1,704	\$1,759	\$1,661
Debt charges as a % of consolidated expenditure	3.1%	3.7%	4.4%	4.5%	4.5%
REVENUE ANALYSIS					
Property taxes and user charges as a % of consolidated revenue	74.9%	78.1%	79.7%	79.6%	75.6%
Total grants as a % of consolidated revenue	20.0%	16.9%	14.8%	14.4%	17.9%
Debt charges as a % of consolidated non-grant revenue	2.4%	2.9%	3.2%	3.5%	3.8%
STATISTICS					
Population (a)	583,363	569,787	556,210	543,557	530,924
Households (a)	217,058	211,260	205,461	200,015	194,569
Halton Census Division Average unemployment rate (b)	5.3%	4.0%	5.5%	5.2%	4.6%
Toronto CMA (c)	6.0%	6.4%	7.0%	7.0%	8.0%
Hamilton CMA (c)	4.9%	5.0%	6.2%	5.5%	5.8%
Area in hectares (a)**	96,924	96,924	96,924	96,924	96,924
Continuous full-time employees (Actual as of December 31st)					
Police (including civilians)	1,043	1,033	1,016	1,008	1,008
Other full-time	1,866	1,867	1,859	1,848	1,819
TYPICAL RESIDENT'S ANNUAL REGIONAL PROPERTY TAXES AND USER CHARGES					
Property taxes - general purpose ***	\$286	\$299	\$310	\$318	\$328
Water	444	420	405	388	398
Wastewater	520	509	478	453	452
*** Per \$100,000 Current Value Assessment (CVA) Based on annual water consumption for a residential home of 250m ³ /Year 2014 based on annual water consumption for a residential home of 274m ³ /Year					
Taxable Assessment (\$ Thousands)					
Residential & farm	\$113,217,084	\$104,217,865	\$96,875,286	\$90,725,050	\$84,999,476
Commercial & industrial (C/I)	29,129,643	27,264,009	25,983,927	24,940,868	23,634,706
	<u>\$142,346,727</u>	<u>\$131,481,874</u>	<u>\$122,859,213</u>	<u>\$115,665,918</u>	<u>\$108,634,182</u>
Annual Assessment Growth Rate	8.3%	7.0%	6.2%	6.5%	6.8%
Ratio of C/I to Total Taxable Assessment	20.5%	20.7%	21.1%	21.6%	21.8%
Permits Issued					
Residential	2,835	5,395	3,733	3,979	3,271
Non-Residential	146	136	164	165	179

Source:

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

(b) Statistics Canada, Labour Force Survey Estimates (custom tabulation, three-month moving average, unadjusted), (LPS27-19 - Economic Development - Economic Review 2018)

(c) Statistics Canada Table 14-10-0096-01

* 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.

*** In 2018, management implemented a TCA policy change to support the long term water meter strategy approved by Council in 2016, report PW-29-16. This policy change was adopted retrospectively, and water meters that were previously expensed have been included in the TCA inventory. 2017 statements have been revised to include Water Meters owned by Halton Region.

Local Economy

Top 10 Private Sector Employers in Halton in 2018

(Based on number of employees)

Business Name	Location	Sector
Ford Motor Company of Canada	Oakville	Automotive Assembly & Headquarters
Gordon Food Service	Milton	Food Wholesale Distribution
Sofina Foods Inc.	Burlington	Food Processing
Karmax Heavy Stamping (Magna)	Milton	Automotive Parts Manufacturing
Siemens Canada	Oakville	Engineering Technology & Headquarters
Evertz Microsystems	Burlington	Electronics Manufacturing & Headquarters
Collins Aerospace	Oakville	Aerospace Parts Manufacturing
Mold Masters Ltd.	Halton Hills	Injection Mold Systems Technology
Aviva Canada	Oakville	Insurance Services
AMEC	Oakville	Engineering & Project Management Services

Source: Halton Economic Development, Halton Employment Survey

Principal Corporate Taxpayers in 2018

Company Name	Location	Regional Taxes	Local Taxes	Education Taxes
RioCan Real Estate Investment Trust	Burlington, Halton Hills, Milton, Oakville	\$3,390	\$3,955	\$6,824
SmartCentres Real Estate Investment Trust	Burlington, Halton Hills, Milton, Oakville	\$2,379	\$2,810	\$4,908
Canapen (Halton) Limited	Burlington	\$1,435	\$1,774	\$2,862
Homestead Land Holdings Limited	Oakville, Burlington	\$1,195	\$1,421	\$401
Choice Properties Real Estate Investment Trust	Burlington, Halton Hills, Milton, Oakville	\$1,171	\$1,269	\$2,340
Sun Life Financial	Burlington, Halton Hills, Milton, Oakville	\$1,106	\$1,166	\$2,187
Enbridge Inc.	Burlington, Halton Hills, Milton, Oakville	\$919	\$935	\$2,929
Drewlo Holdings Inc.	Burlington	\$799	\$988	\$496
Ford Motor Company	Oakville	\$787	\$869	\$1,495
Lowe's Companies, Inc.	Burlington, Milton	\$622	\$564	\$1,247

Source: Halton Tax Analysis Web Application Interface

