



2019

Annual Financial Report



The Regional Municipality Of Halton, Ontario
For the year ended December 31, 2019

2019 Annual Financial Report

For the fiscal year ending December 31, 2019

The Regional Municipality of Halton, Ontario

The report was prepared by:

Halton Region Finance Department

in co-operation with all Regional departments



Message from Halton Regional Chair Gary Carr

On behalf of Regional Council, I am pleased to present Halton's 2019 Annual Financial Report.

The report shows that Halton Region maintained its strong financial position in 2019 through efficient service delivery and prudent fiscal planning. We have achieved the highest credit rating for 31 years, allowing the Region to issue debt at the lowest possible cost. It also ensures Halton can keep taxes low and provide maximum value for tax and rate payers. As one of the fastest growing communities in Canada, our fiscal stability means we can continue to meet the needs of our more than 595,000 residents.

Halton Region also maintained steady economic growth in 2019, attracting new jobs and businesses. According to our 2019 Economic Review, there were 13,650 employers and more than 241,000 jobs in Halton. There was also an increased demand for our highly-skilled workforce—Halton's unemployment rate remained well-below the GTHA, provincial and national averages. With its strong, diverse economic base, Halton will continue to ensure that the necessary infrastructure and services are in place to maintain a high quality of life for residents.

In December 2019, Regional Council approved our 2020 Budget and Business Plan for our current fiscal year. While the Annual Financial Report focuses on our work in 2019, many of the essential Regional programs, services and infrastructure budgeted for 2020 are underway. Here are a few of the highlights:

- We have budgeted \$4.1 billion over the next 10 years on our capital program, including:
 - **Water and wastewater infrastructure:** \$2.1 billion to fund projects such as water and wastewater services for new developments; renewing aging infrastructure; and new water meter installations and replacements.
 - **Transportation infrastructure:** \$1.6 billion to support Regional transportation projects such as road widening; new roads; grade separation; and road resurfacing.
- We have also been helping protect and enhance the natural environment through investment increases in:
 - **Waste management:** \$1.3 million to address market pressures, tonnage growth and expand the Container Station services at the Halton Waste Management Site.
 - **Burlington Beach Waterfront Master Plan:** \$1.2 million to maintain the Lake Ontario shoreline and make the waterfront more accessible to residents.

As our economy recovers from COVID-19, and throughout 2020, Halton Region will continue to make important investments in our community and use a fiscally responsible approach to manage the Region's budget. By working together, we can ensure Halton remains a great place to live, work, raise a family and retire. To learn more about Regional finances and the 2020 budget, visit [halton.ca](https://www.halton.ca).

Sincerely,

Gary Carr
Halton Regional Chair

Contents

Introduction

- 1 Halton Regional Council 2019 - 2022
- 2 Recent Awards
- 3 Halton is a Great Place to Live
- 4 Statistics
- 5 2019-2022 Strategic Business Plan
- 6 Halton Region's Corporate Organization
- 6 What We Do
- 7 Treasurer's Report

Consolidated Financial Statements

- 21 Management Report
- 22 Independent Auditor's Report
- 24 Consolidated Statement of Financial Position
- 25 Consolidated Statement of Operations
- 26 Consolidated Statement of Change in Net Financial Assets
- 27 Consolidated Statement of Cash Flows
- 28 Summary of Significant Accounting Policies
- 31 Investments
- 32 Tangible Capital Assets
- 34 Long-Term Liabilities
- 35 Charges for Long-Term Liabilities

- 36 Loans Receivable
- 37 Commitments and Contractual Obligations
- 37 Contingent Liabilities
- 37 Contingent Assets
- 37 Deferred Revenue
- 38 Landfill Closure and Post-Closure Liabilities
- 38 Contaminated Sites
- 39 Employee Future Benefits Payable
- 40 Pension Agreements
- 41 Accumulated Surplus
- 42 Trust Funds
- 42 Segmented Information
- 45 Budget Comparison
- 46 Public Liability Insurance
- 46 Comparative Figures

Five-Year Statistical Data

- 48 Five-Year Financial Statistics (unaudited)
- 51 Local Economy

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should follow public health measures
and wear a non-medical mask or face
covering, unless exempt.

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

Accreditation

Services for Seniors Division
Accreditation Canada

Canadian Award for Excellence in Financial Reporting

2018 Annual Financial Report
The Government Finance Officers Association of the United States and Canada

Distinguished Budget Presentation Award

2019 Budget and Business Plan
The Government Finance Officers Association of the United States and Canada

First Call Resolution Improvement Award

Access Halton
Service Quality Management Group

Greater Toronto's Top Employer Award 2020

Halton Region
Mediacorp Canada Inc.

Highest Customer Service by Industry Award for Government

Access Halton
Service Quality Management Group

2019 Public Works Project of the Year Award (\$2M to \$10M), Environment Category

Prospect Park Water Purification Plant
Ontario Public Works Association (OPWA)



Halton is a Great Place to Live

Halton is home to more than 595,000 people and 13,650 businesses in four diverse municipalities: the City of Burlington and the Towns of Halton Hills, Milton and Oakville. Recognized for its strong financial position, safe communities and reliable services, Halton is a highly sought-after place to live, work, raise a family and retire.

Halton has the charm of small-town life and vibrant agricultural communities, with access to major urban centres and amenities.

With its central location, combined with well maintained roads, an accessible highway system and GO transit services, Halton connects residents to U.S. borders, Niagara, Toronto and more than 20 post-secondary institutions within an hour's drive.

Residents in Halton enjoy a high quality of life, which is supported by essential Regional programs, services and infrastructure. The region offers opportunities to experience arts and culture, sports and leisure, nature and more—all year round.



Statistics

596,940

2019 Population¹

#1

Lowest Crime Severity Rate in Canada³

13,650

Number of Employers in 2019⁵

4.1%

Halton Unemployment Rate in 2019⁷

75%

Post-Secondary Attainment⁴

241,423

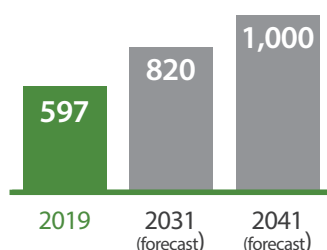
Total Jobs in Halton in 2019⁵

\$28.3B

Gross Domestic Product (GDP)⁸

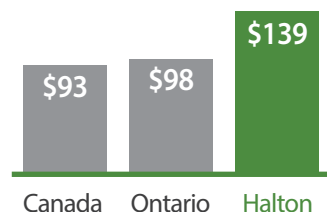
- 1 Halton Region Best Planning Estimates, June 2011 (forecasted)
- 2 Provincial Places to Grow Act, Proposed Growth Plan for the Greater Golden Horseshoe (2017)
- 3 Statistics Canada Crime Severity Index, 2019 Halton Region Economic Review
- 4 Statistics Canada Census 2016
- 5 Halton Region 2019 Employment Survey Results (LPS27-20), 2019 Halton Region Economic Review
- 6 Statistics Canada Building Permits Survey, 2019 Halton Region Economic Review
- 7 Statistics Canada Labour Force Survey, 2019 Halton Region Economic Review
- 8 Conference Board of Canada, 2019 Halton Region Economic Review

Population Growth²
(thousands)



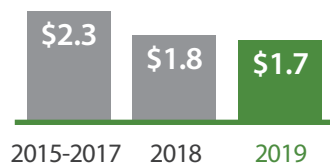
Halton Region is a growing community. To meet the requirements of the Provincial *Places to Grow Act, Growth Plan for the Greater Golden Horseshoe (2017)*, Halton is expected to grow to 1,000,000 people by 2041.²

Average Household Income⁴
(thousands)



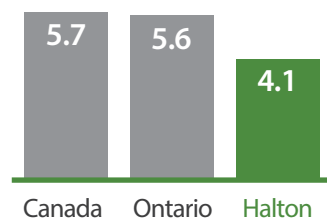
Halton Region residents have a higher average household income than residents in the rest of the province. Residents are also well educated; 75 per cent of adults have some level of post-secondary education.⁴

Total Construction Value⁶
(billions)



Over the past five years, Halton's total building permit construction value is \$10.5 billion.⁵

Unemployment Rate⁷
(per cent)



In 2019, the unemployment rate in Halton averaged 4.1 per cent, lower than the averages provincially and nationally.⁶

2019–2022 Strategic Business Plan

Our 2019–2022 Strategic Business Plan 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 strategic objectives are organized into five themes. The Plan identifies the actions that need to be undertaken over the term to achieve these strategic objectives and their respective outcomes.

The five themes for 2019–2022 Strategic Business Plan 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**

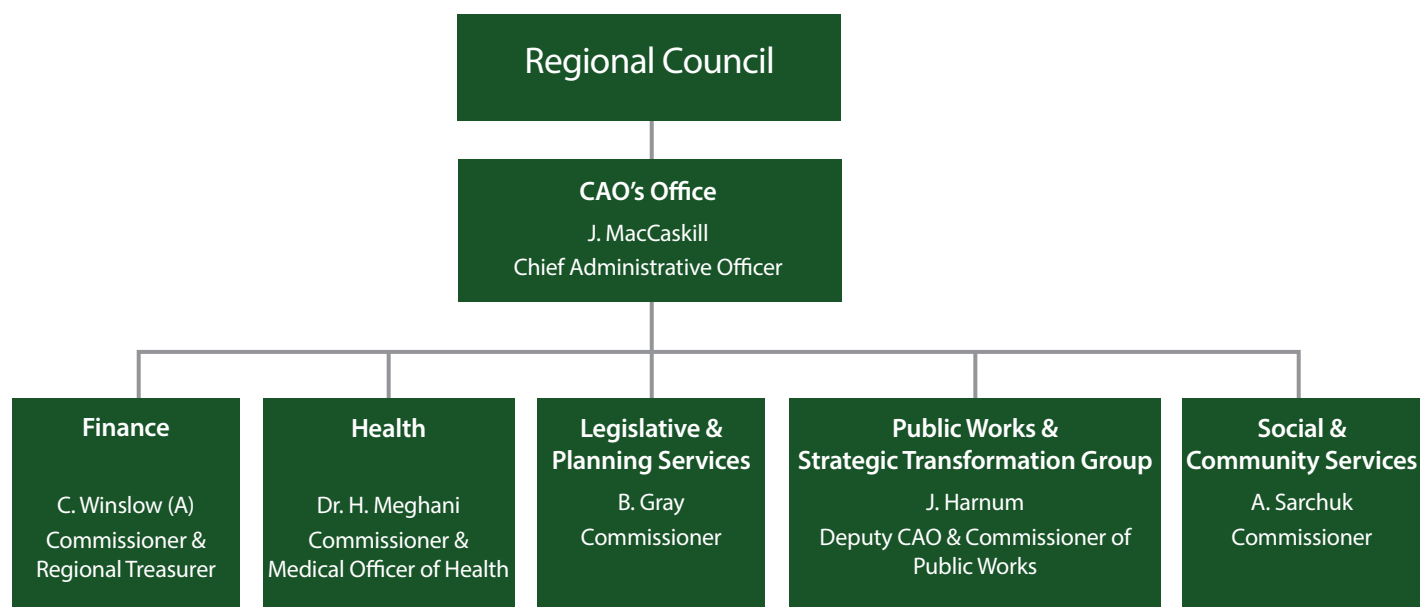
Protecting and enhancing the natural environment and reducing our collective carbon footprint to mitigate the impacts of climate change.



**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



(A): Acting

What We Do

Halton Region supports people living and working in the City of Burlington and the Towns of Halton Hills, Milton and 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.

Connect with us in the way that works best for you:



Visit **halton.ca**



Download the OneHalton app



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or call 311



Follow us on social media



Visit a Regional facility*

* Appointment may be required. Please email or call ahead. Visitors should follow public health measures and wear a non-medical mask or face covering, unless exempt.

Halton Region Services



Business services and economic development



Paramedic services



Children's services



Public health programs and services



Emergency planning



Regional roads and transportation



Financial assistance



Services for seniors



Housing services



Waste management



Infrastructure and construction



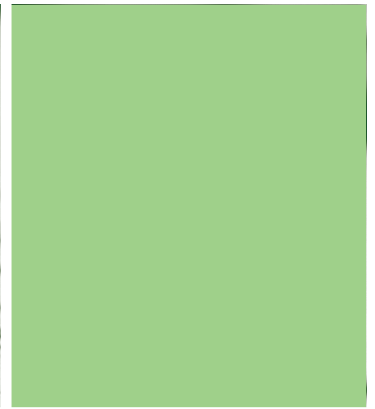
Wastewater treatment and distribution



Land use planning and growth management



Water purification and distribution



Treasurer's Report

Cyndy Winslow
Acting 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, 2019. 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 2019 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.

Treasurer's Report (continued)

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 595,000 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.

2019 Regional Economy Highlights

In 2019, Halton had a strong labour market, highly-educated workforce and a higher average household income level than that of the rest of the province. The unemployment rate averaged 4.1 per cent, which was lower than the averages for both Ontario and Canada. Halton's labour participation rate remained high at 68.7 per cent.

There were more than 13,650 companies across Halton in 2019 that employed more than 241,000 workers. Thirty-two per cent of businesses surveyed reported higher profits and 37 per cent hired additional staff. Total building permit construction value in the region topped the \$1 billion mark, with nearly \$1.7 billion of development initiated during the year. Halton's construction value translated into 2.9 million square feet of non-residential total floor area approved for construction in 2019.



2019–2022 Strategic Business Plan

Halton Region's 2019-2022 Strategic Business Plan, approved by Council will help ensure the region continues to be a great place to live as we continue to grow. The Plan includes five strategic themes, each with objectives and actions that will help achieve our vision and shape the future:

- Planning and Growth Management
- Transportation and Infrastructure
- Community Well Being
- Environmental Sustainability and Climate Change
- Effective Government

The Plan establishes priorities and provides the basis for strengthening existing relationships with Local Municipalities, community partners, and the Provincial and Federal Governments to deal with current and emerging issues that require collaborative solutions. The Plan is a cornerstone of the Region's commitment to public accountability, transparency and engagement. It focuses the Region on what matters most to its residents and helps ensure that Halton continues to be a great place to live, work, raise a family and retire.

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 2019. 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 31 years, which is a testament to its financial position, policies and practices.

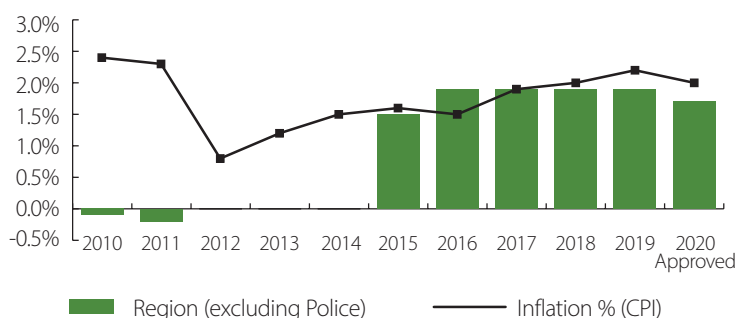
Property taxes

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 Business Plan.

Treasurer's Report (continued)

The 2020 Budget includes a 1.7 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 2019–2022 Strategic Business Plan. As shown in the graph below, despite facing significant budgetary pressures, Halton continues to keep taxes low while delivering high-quality services to residents through efficiency improvements, cost containment initiatives and assignment of resources to strategic priority areas.

**Region Tax Impact (excluding Police)
2010 to 2020**



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;
- Halton's strong financial position and financial planning principles will be continued to ensure the Region's AAA credit rating is maintained;
- strategic investments in additional 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. All revenues are reviewed annually through the budget process to ensure sustainability, in particular revenues that represent significant sources of funding or contain an increased risk or variability such as investment income, supplementary tax revenues, water and wastewater utility revenues, and provincial and federal subsidies;
- ten-year Operating and Capital Budget forecasts are 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
- The Budget that is presented to Halton Region tax and rate payers is clear and easy to understand, as evidenced by the annual receipt of the Distinguished Budget Presentation Award by the Government Finance Officers Association of the United States and Canada (GFOA).

Financial Management

Ensuring continued financial sustainability through effective financial planning and risk management is one of the priorities established by Halton Regional Council through the 2019–2022 Strategic Business Plan. Continued diligence in managing debt levels and maintaining adequate reserves is required to sustain Halton Region's strong financial position.

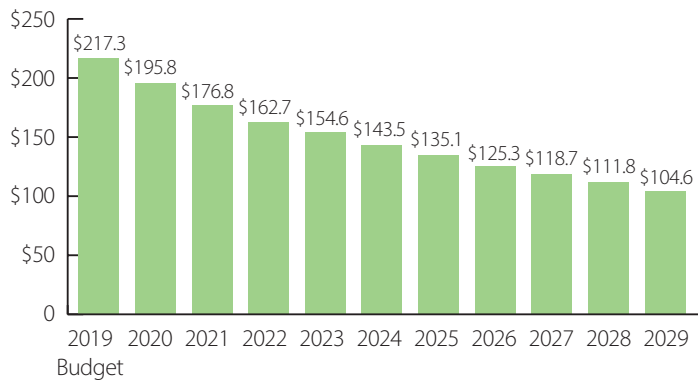
Long-term financing requirements are driven by the long-term capital infrastructure plan and asset management needs. The Region utilizes reserves and debt in the financing of the state-of-good-repair capital program for existing infrastructure. Reserves are a key component of the financial plan and are 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 2020 Budget continues to include increasing operating contributions to reserves over the forecast period in order to provide sustainable investment for the growth 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 financing strategy 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.

Treasurer's Report (continued)

**Outstanding Debt Principal
(in \$ millions)**



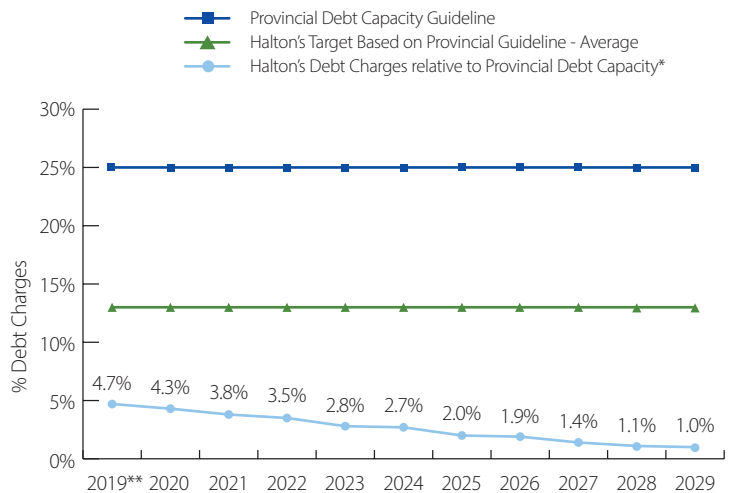
Halton Region relies on development charges (DCs) to finance infrastructure required for growth. DCs, combined with Regional interim financing through reserves and debt, are used to fund growth-related projects. Regional interim financing is provided for the non-residential employment capital cost share 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 financing growth section on page 14, the current DCA does not allow for full cost recovery relating to growth.

Halton Region's well-balanced financing 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 the top right of this page illustrates Halton Region's projected ratios as presented in the 2020 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 (2019 – 2029)



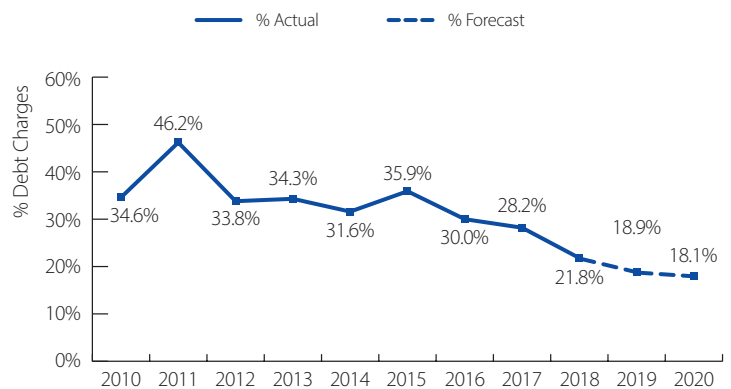
* Debt charges are projected based on inflated debt and include other long-term financial obligations (i.e. lease payments)

** 2019 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 2020 ratio is expected to decrease slightly from the 2019 level as a result of decreasing reserve balances.

Outstanding Debt to Reserves and Reserve Funds



Treasurer's Report (continued)

Key Priorities

Halton Region's vision is to enhance the quality of life for all Halton residents, today and into the future. The Region is committed to preserving a landscape that is rich, diverse, balanced, productive and sustainable and a society that is economically strong, equitable and caring.

Planning and growth management

As set out in the *Provincial Places to Grow Act, 2005* and A Place to Grow: Growth Plan for the Golden Horseshoe 2019, Halton is expected to grow to a population of one million people, as well as 470,000 jobs, by 2041. While planning for and balancing residential and economic growth, the Region will continue to ensure that the necessary infrastructure and services are in place to maintain a high quality of life for Halton residents. The Province has recently released proposed Amendment 1 to the Growth Plan, which would extend the planning horizon to 2051, and require Halton to accommodate 1.1 million people and 500,000 jobs by 2051.

Planning for this growth and creating complete, active and healthy communities served by high-quality infrastructure, including a comprehensive transportation system, are high priorities for the Region. Halton's distinct approach to planning and funding growth, aligned with our commitment to support intensification in identified areas, are key to Halton's long term success.

The Regional Official Plan Review is well underway as outlined in Report No. LPS44-20 (re: Regional Official Plan Review – Progress Update) on the Integrated Growth Management Strategy, Growth Scenarios, and Evaluation Framework. Discussion Papers were released for public consultation on July 15, 2020 on the themes of: Agriculture and Rural Systems, Natural Heritage, Climate Change, Regional Urban Structure and North Aldershot Planning Area.

This review is a multi-year project and is currently accommodated within capital project T8021 – Regional Official Plan.

Transportation and infrastructure

The Region is committed to expanding transportation options throughout Halton while promoting safety, minimizing environmental impact, optimizing traffic flows and ensuring core infrastructure remains in a state of good repair. Providing timely, accessible and consistent information on construction activity and engaging residents throughout construction projects will continue to be priorities.

Asset Management Plans

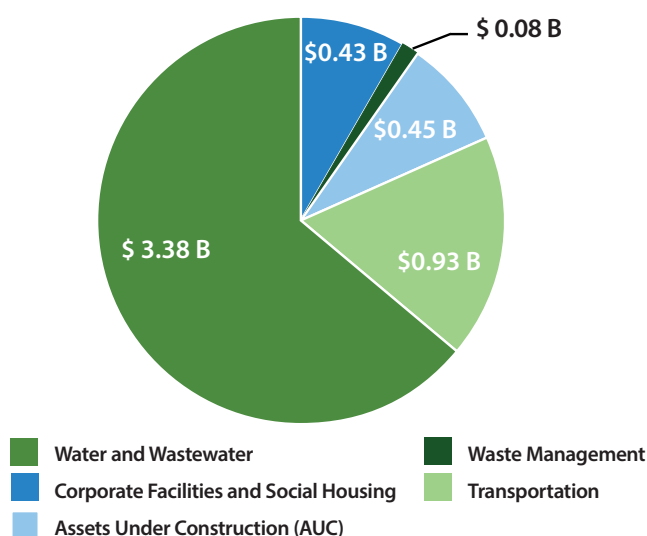
Maintaining Regional assets and infrastructure in a state of good repair is a key priority. The Region regularly updates the Corporate Asset Management Plan, which guides investment decisions in the Budget to ensure assets continue to be in good condition and meet desired levels of service.

In response to O. Reg. 588/17: Asset Management Planning for Municipal Infrastructure, which came in to effect on January 1, 2018, Halton Region approved the Corporate Asset Management Policy through Report No. FN-19-19 (re: "Asset Management Policy (O. Reg. 588/17)"). This policy sets out principles and requirements for asset management practices across all Regional departments to enable transparent, auditable, repeatable and evidence-based asset management and budget and business planning.

Although the Region already has a comprehensive Asset Management Plan, amendments and additions as they relate to Halton will be made to remain fully compliant with the requirements as stated in O. Reg. 588/17. Halton Region's asset management practices have evolved throughout the years and staff continue to work to align existing practices with new regulation requirements, with the target completion of July 2021. The Region continues to ensure the state of good repair of core infrastructure through the implementation of the Reliability Centred Maintenance program. This program will help the Region meet the requirement of the Asset Management Plan Regulation (O. Reg 588/17) and finalize the asset management optimized decision-making tool.

Halton's asset management program has resulted in most infrastructure assets being rated as good to very good condition and meeting desired service levels. Infrastructure assets have significant value and are the key resources used to provide services to the public and improve the quality of life for residents. Halton Region endeavors to reduce construction impacts on residents and businesses and achieve the lowest project delivery costs by bundling water, sewer and road replacement components as large contracts, where practical.

Tangible Capital Asset Net Book Value 2019
Total \$5.27 Billion



Treasurer’s Report (continued)

Road maintenance

The Region contracts the repair and maintenance of Regional roads to the Local Municipalities through the Regional Road Maintenance Agreement. As discussed in Report No. PW-29-19 (re: Regional Road Maintenance Agreements), between 2016 and 2017, the Region and Local Municipalities reviewed the administration of the agreement to identify opportunities to streamline and achieve efficiencies. The review resulted in recommendations to significantly streamline billing and administration of the agreements and release capacity for more value-added activities related to road maintenance. Following the successful completion of the trial period, the Region and the Local Municipalities have entered into new Regional Road Maintenance Agreements based on the efficiencies identified through the streamlining of contract administration, for a period of five years commencing January 1, 2020.

Advanced Traffic Management System

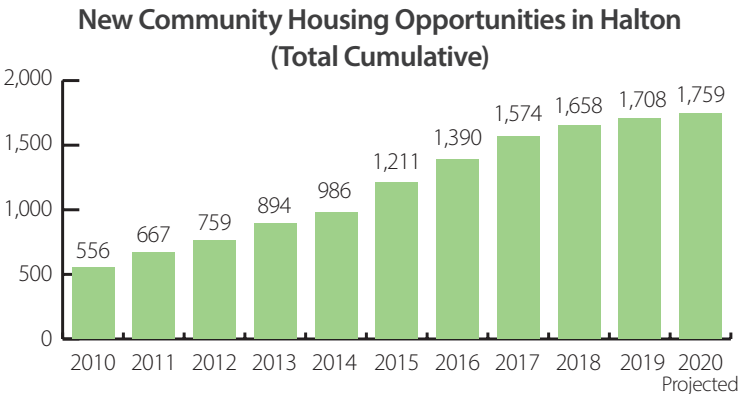
A critical tool in traffic engineering is the use of Intelligent Transportation Systems (ITS) or Advanced Traffic Management Systems (ATMS). An ATMS is a state-of-the-art traffic signal control system, consisting of a very powerful central processing unit that works together with field equipment such as detection devices (loops, video cameras, radar, etc.), traffic signals, travel time information signs/messaging boards, emergency and transit pre-emption devices, monitoring and data collection devices. All of these intelligent devices work together to move traffic safely and efficiently in response to real-time traffic demands and allow staff to make informed decisions based on real-time data. The Region’s Road Operations program undertook a feasibility study and, based on the findings, recommended the implementation of ATMS to Regional Council in 2018 (PW-10-18 re: Regional Advanced Traffic Management System (ATMS, Our File: PR-3205A)). This implementation helps set the stage for establishing Regional roads as smart corridors.

Community well being

The Region supports the growth of healthy and safe communities, ensuring that the community can access the wide range of services that residents and businesses rely on. It is essential that the Region’s programs continue to respond to the changing demographics and diversity of Halton residents and that the non-profit sector is engaged to expand services, particularly to Halton’s vulnerable population. This includes creating partnerships and programs to respond to the needs of older adults, the need for additional assisted and affordable housing, and collaborating on initiatives to support the health, safety and well-being of the community.

Comprehensive Housing Strategy (CHS)

As approved by Council in Report No. SS-19-19/LPS86-19 (re: Comprehensive Housing Strategy 2014–2024 – Five Year Review) the Region refreshed its CHS to reflect current housing priorities and the supporting financial plan. The *Housing Services Act* requires that the CHS be reviewed and updated at least once every five years. Halton’s housing program has expanded based on continued contribution from the Region and the funding allocated from the Provincial and Federal governments. The Regional funding for new community housing opportunities (previously referred to as assisted housing) will continue at \$7.8 million annually, as set out in the CHS. Funding will continue at this level to deliver the target of up to 900 new community housing opportunities to 2024. Through the Region’s significant investment and the Provincial government’s previous Investment in Affordable Housing Extension (now Ontario Priorities Housing Initiative), the Social Infrastructure Fund under Investment in Affordable Housing (IAH) and the Home For Good programs, Halton has been very successful in the delivery of additional new housing opportunities through the Regional CHS as shown in the following graph.



Between 2010 and 2019, Halton has created an additional 1,454 community housing opportunities. Halton Region’s CHS Update 2014–2024 committed to create up to 900 new housing opportunities, out of which 814 have been created between 2014 and the end of 2019, with an additional 51 projected in 2020. Halton is therefore expected to meet its target well ahead of the planned dates.

Halton Region also works with community partners on a wide range of issues to support residents who are vulnerable to negative social, economic or health outcomes. Two primary vehicles through which this occurs are the Halton Region Community Investment Fund (HRCIF) and the Halton Community Safety and Well-Being (CSWB) Plan, both of which help identify and respond to human service issues in a collaborative manner. The HRCIF enhances the health, safety and well-being of Halton residents by providing funding to non-profit social service and community health programs and initiatives. This includes programs that strengthen mental health, prevent homelessness, and support vulnerable individuals, older adults, children and youth.

Treasurer's Report (continued)

Environmental sustainability and climate change

Reducing the carbon footprint of Regional operations and mitigating the impacts of climate change continue to be priorities for Halton Region. Likewise, the Region also continues to ensure that Halton infrastructure and services are resilient and that risks associated with severe weather events are mitigated where possible. The Region is committed to protecting the natural and agricultural areas and the natural heritage system of Halton. Key objectives include a permanently secure, economically viable agricultural industry, assessing the health of the natural heritage system, determining required restoration and remediation, and developing policies and approaches which seek to balance the natural heritage system interests with those of agricultural areas. On September 11, 2019, Regional Council unanimously approved a notice of motion that declared a climate emergency for the purposes of deepening the Region's commitment to protecting and improving resiliency of the economy, environment and community from climate change.

Waterfront Master Plan

Council approved the Burlington Beach Waterfront Master Plan and the related financing plan in 2015 as outlined in Report No. LPS54-15 (re: Burlington Beach Regional Waterfront Park - 2015 Master Plan) and Report No. LPS59-15 (re: Burlington Beach Acquisition Implementation/Strategy (T5800D)), committing approximately \$51.8 million of Regional investment between 2015 and 2035. The Halton Region Waterfront Parks program was designed to recognize the significant environmental, economic, cultural, and recreational importance of the Lake Ontario (and the Burlington Bay) shoreline to the residents of Halton and the Province. The program will provide an opportunity to maximize public accessibility to the Halton waterfront by increasing the amount of well-distributed public space and allowing for a variety of recreational, cultural and tourism opportunities along the Halton waterfront.

Alternate energy technologies

The Region continues to investigate alternate energy technologies to reduce Regional energy costs and further reduce greenhouse gas emissions. Through the 2019–2022 Strategic Business Plan, the Region intends to reduce the carbon footprint related to Regional services and achieve a five per cent reduction in greenhouse gas emissions, five per cent reduction in hydro consumption per megalitre of water and wastewater treated, as well as a 10 per cent reduction in the hydro consumption for street lights. The 2020 Budget and Business Plan includes studies to determine the feasibility of Energy Generation Facilities from Source Separated Organics and a Biogas Utilization Program intended to recover and

maximize bio-gas as renewable energy and reduce reliance on the hydro grid, reduce energy costs and/or generate revenue. This study will identify viable projects that can be implemented with a 10-year payback period within the current market conditions. In addition, the forecast includes studies to determine the feasibility of Energy Recovery Facilities at the Georgetown Wastewater Treatment Plant (WWTP) and Oakville Southwest WWTP intended to reduce costs and reliance on the hydro grid.

The Region is also continuing the conversion of approximately 5,000 existing High Pressure Sodium street lights to LED technology over five years (2016-2020) with an investment of \$400,000 required in 2020. Based on the current market trend, the potential energy savings resulting from this program have been estimated at approximately \$500,000 in 2019, which would grow to approximately \$600,000 by 2020 when the conversion has been completed.

Long-Term Water Meter Strategy

As reported to Council in Report No. PW-45-19/ FN-35-19 (re: Long Term Water Meter Strategy – Implementation Plan), staff have developed an implementation plan for the installation of a Region-Wide Advanced Meter Infrastructure System (AMI), which will begin following procurement of a vendor. Benefits of AMI technology include revenue protection, improved operational efficiency, enhanced customer service, improved distribution system performance and environmental benefits, and a reduction in the number of meter reading issues and service calls to which meter technicians respond.

The planned replacement program for small meters will continue to be deferred in 2020. Meters that are nearing or have reached end-of-life will be replaced in conjunction with the installation of the Region-Wide AMI system. The proactive maintenance program for large meters (40 mm and greater) began in 2017 and will continue, prolonging the life of the meters and ensuring that the proper volume of water is being recorded. Based on the results of meter testing, the meter replacement program will be optimized to ensure that larger meters are scheduled for replacement when their accuracy in measuring volume degrades.

Treasurer's Report (continued)

Effective government

Halton's future success is dependent on its strong financial foundation and its commitment to invest in the state of good repair of Regional infrastructure and assets. Enhancing public engagement and awareness of Regional programs to promote transparency and accountability are key objectives to this priority as the Region transforms service delivery through innovation, technology and continuous improvements.

COVID-19 Pandemic

On March 23, 2020, Halton Regional Chair Gary Carr declared a State of Emergency in support of the Province's efforts to contain the spread of the COVID-19 pandemic, with advice and support from the Medical Officer of Health.

Throughout the COVID-19 pandemic, the Region has continued to deliver essential services that help ensure the safety and well-being of residents. The situation continues to evolve and change rapidly, with new information and impacts developing daily.

While the fiscal impacts of COVID-19 pandemic on the Region over the longer term remain to be seen, it continues to be anticipated that the Region will avoid a direct impact to the tax and rate payers through additional funding from other levels of government, cost containment measures and, if necessary, utilization of the Region's stabilization reserves. The Region's strong balance sheet and financial management capacity will also be key factors in managing the impacts of COVID-19.

Financing growth

A key principle in accommodating the Region's growth-related capital infrastructure program is ensuring that existing taxpayers are not affected by the cost of growth-related capital requirements or the risks related to financing these costs. To achieve this objective while accommodating Provincial growth targets, Council requires a financing plan be approved prior to the accommodation of new growth. The 2020 Development Financing Plan discussed in Report No. FN-46-19/ PW-50-19/LPS112-19 (Re: 2020 Allocation Program Options) includes the release of up to 19,329 Single Detached Equivalents (SDEs) in Halton, representing residential growth until 2022 without financial impact to the existing taxpayers.

The principles and financial measures established under the 2020 Development Financing Plan significantly limit the Region's exposure with respect to financing growth-related infrastructure.

The key principles of this plan are:

- "Growth pays for growth" to the extent possible under the *Development Charges Act*.
- Residential and non-residential growth identified in the Best Planning Estimates (BPEs) must be aligned to realistic growth projections.

- Infrastructure requirements must align to growth areas.
- Residential financing requirements must be solely supported from the Allocation Program.
- The repayment assumptions for Regional interim financing will assume a conservative "slow growth" scenario to ensure that economic conditions do not create unexpected impacts to the Region.
- Halton's strong financial position and financial planning principles will not be compromised.
- The development financing plan will not impact the current or subsequent years' forecasted tax and rate increases.
- The development financing plan will not require the Region to exceed its own debt capacity levels.

Despite Halton's rigorous process to develop its Development Charges Background Study through its Master Plans, Growth Plans, developer consultations and consultant review, a significant amount of growth-related costs cannot be recovered under the current DCA as amended. As part of the 2017 development charge update process, staff identified and updated the capital costs that are not being recovered from growth based on the principle of "growth pays for growth." 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.

Throughout 2019, the Province introduced changes to the DCA, through Bill 108 (*More Homes, More Choices Act, 2019*) which if enacted as presented would pose significant financial challenges to the Region. The challenges include: removal of soft services from the DCA to a new amended section in the *Planning Act*; timing of DC collection; timing of determination of DC rate; and exemption of secondary dwelling in new construction.

On January 1, 2020 portions of Bill 108 and Bill 138, which impacted the DCA were enacted. As set out in the Memo dated January 10, 2020 (re: January 1, 2020 changes to the *Development Charges Act* and its regulations), this change affected the timing of DC collection, determination of DC rates and interest payable on DCs.

On July 21, 2020, the COVID-19 Economic Recovery Act, 2020 (discussed in LPS62-20/FN-30-20/PW-23-20) received royal assent and amended some of the changes originally proposed by Bill 108 in respect of development financing matters, based on feedback from municipalities. The most notable change was that the legislation restored a number of soft services that were previously removed as eligible services under the DCA. As a result, all of the Regional services are being moved back to the DCA and the municipality no longer needs to reduce the capital costs to be recovered by 10 per cent for a number of services.

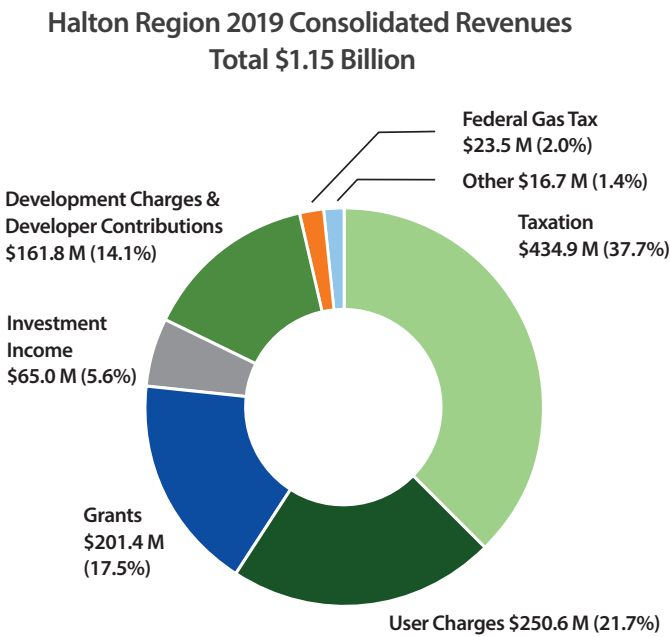
Treasurer's Report (continued)

Operating Results Highlights

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).

The Consolidated Statement of Operations summarizes the revenues and expenses for 2019. The focus of this statement is net revenues, which is the difference between revenues of \$1.15 billion and operating expenses of \$839.9 million for the 2019 reporting period. Halton Region reported net revenue of \$314.1 million in 2019, compared to \$350.2 million in 2018. Net revenues are required to fund future capital replacements, 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 decreased by \$17.8 million, or 1.5 per cent, from 2018. The decrease was mainly driven by decreases in development charges and grants. Development charges decreased due to the timing of the allocation program. Grant revenue decreased due to additional subsidies received for children's services and capital projects in 2018.

Regional Programs and Services

Expenses in the Consolidated Statement of Operations totalled \$839.9 million in 2019, increasing by \$18.4 million, or 2.2 per cent, from 2018. This increase was mainly driven by increased demand for social services in the Halton community, including 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.



Treasurer's Report (continued)

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

Social services

Operations of \$186.6 million

- Financial assistance to an average of 2,108 Halton Ontario Works caseloads per month
- Child care fee assistance to 4,926 children
- Increase of 737 licensed child care spaces within Halton Region from 29,440 to 30,177
- Direct care and service to older adults through 572 beds at Regionally operated long-term care homes
- Funding for 58 community projects and programs through the Halton Region Community Investment Fund using one-year and multi-year funds for a total of \$2.7 million

Water and wastewater services

Operations of \$191.3 million

- Treatment of more than 61 million cubic metres of water and 90 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 2,317 kilometres of water mains, six bulk water stations, 22 reservoirs and storage facilities, 15 booster stations, more than 1,952 kilometres of wastewater mains and 80 pumping stations



Social housing

Operations of \$52.6 million

- Oversight of 5,171 housing units, of which 2,210 are directly operated by Halton Community Housing Corporation
- Rental assistance from Halton Region for 1,119 units and 3,679 units through housing providers
- 50 new assisted housing opportunities for a cumulative total of 1,454 units since 2010

Solid waste services

Operations of \$43.1 million

- Collection and disposal of 97,785 tonnes of residential garbage and the diversion of 131,535 tonnes of residential Blue Box and organic materials, representing a 57.5 per cent residential diversion rate

Treasurer's Report (continued)

Health services

Operations of \$73.5 million

- Ambulance services through the deployment of 26 emergency vehicles and 252 paramedics
- Answered 54,091 paramedic calls and transported 33,353 patients
- Delivery of 110,895 influenza vaccines through distribution to community partners (excluding pharmacies)
- Connected with 11,878 parents of children and youth by providing parenting information at groups, seminars and consultations
- Completed 5,228 inspections of food premises
- Screened 19,680 children for oral health in elementary schools



Protection to persons and property

Police, Emergency Management and Conservation Authorities

Operations of \$181.2 million

- Police services through the deployment of 752 police officers
- Emergency services for the operation of 911 call centre, which received 133,014 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 12 conservation areas), and Credit Valley Conservation (with an area of 1,000 km² and 10 conservation areas)



Transportation services

Operations of \$53.9 million

- Maintenance of 1,131 lane kilometres of roadway (kilometres multiplied by the number of lanes), 56 per cent of which were rated as good to very good condition
- Maintenance and operation of 96 bridges, 192 major culverts, 266 signalized intersections and 6,461 streetlights

Other services

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

Operations of \$57.6 million

- In 2019, Council approved 240 staff reports and 99 by-laws for a total of 339 documents
- For planning purposes, Halton has 30,164 hectares of land designated for development

Treasurer's Report (continued)

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 modified accrual 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 modified accrual 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 18 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 \$46.9 million, which represents a five per cent variance based on the expected expenditures of \$858.2 million. The favourable variance was driven by higher-than-anticipated revenue of \$28.6 million due to a \$12.4 million return of

capital gains earned on investments, \$7.6 million in user charges, \$6.9 million for additional federal gas tax revenue, and \$1.5 million in taxation revenues for supplementary taxes and payments-in-lieu of taxes.

In addition, there were expenditure savings of \$18.3 million related to temporary vacancies in various departments and Police, lower hydro costs, implementation timing of the water and wastewater maintenance program, general expenditure savings and net premium benefits transferred to the benefit reserve to ensure the reserves are financially sustainable.

Accountability and Transparency

Financial management and control

The financial management and control at Halton Region is largely governed through by-laws that prescribe purchasing, accounting, investment and risk management procedures as well as debt policy. 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 division 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 Committee, the consolidated financial statements are examined by Halton Region's external auditors, Deloitte LLP.

Treasurer's Report (continued)

The external auditors performed an audit of the statements in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expressed an unmodified 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 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 Committee also provides a high level of public accountability and assurance that municipal services are administered in an efficient, effective and economical manner.

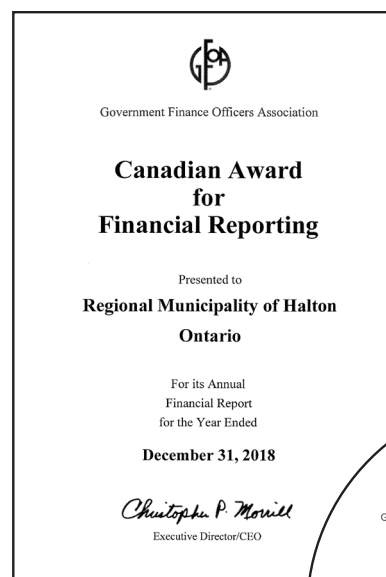
Throughout the year, the external auditors meet periodically with management to approve the scope and timing of audit-specific activities and to review any findings and recommendations.

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, 2018. This is the 13th 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.

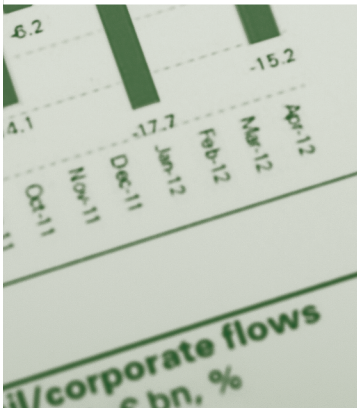
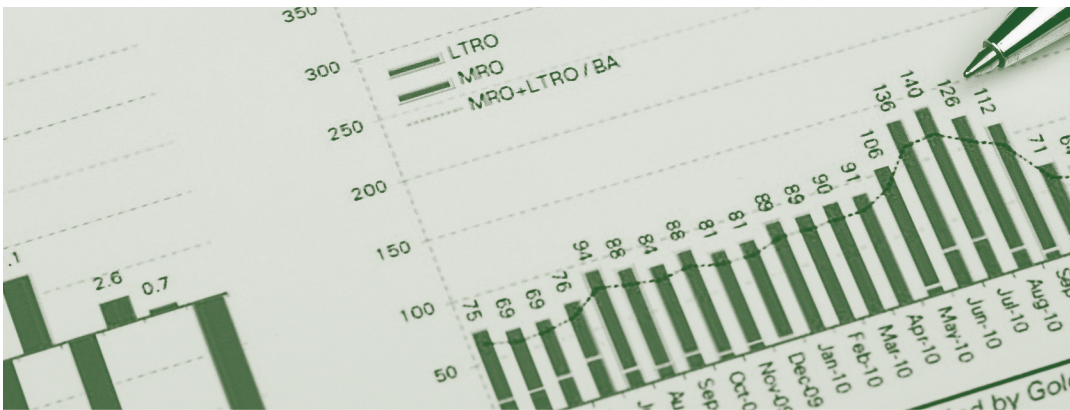


The GFOA of the United States and Canada also presented Halton Region with its Distinguished Budget Presentation Award for the 2019 Budget and Business Plan. This award reflects the commitment of Council, management and staff to meet the highest standards of governmental budgeting. Halton Region has received the award for 15 consecutive years, representing a significant achievement in budget development.

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 and the COVID-19 pandemic, ensuring continued financial sustainability through effective financial planning and risk management will remain a key priority to achieve a strong sustainable long-term financial position.

Cyndy Winslow
Acting Commissioner of Finance and Regional Treasurer
June 17, 2020



Consolidated Financial Statements

For the year ended December 31, 2019

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 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 Committee to discuss their audits and the results of their examination.

The 2019 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.



Cyndy Winslow
Acting Commissioner of Finance and Regional Treasurer
June 17, 2020

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, 2019, 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, 2019, 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.

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.

Chartered Professional Accountants
Licensed Public Accountants
June 17, 2020

Consolidated Statement of Financial Position

As at December 31, 2019
(Dollars in Thousands)

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$487,185	\$175,300
Accounts receivable:		
Water and wastewater	37,435	36,536
Ontario and federal grants	22,743	36,349
Other receivables	36,599	39,094
Other current assets	388	342
Investments (Note 2)	1,813,651	2,007,216
Loans receivable (Note 6)	4,004	2,011
Recoverable gross long-term debt from:		
Local Municipalities (Note 4)	262,572	277,206
Total financial assets	2,664,577	2,574,054
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	329,322	318,897
Gross long-term liabilities (Note 4)	280,015	315,179
Sinking fund debentures (Note 4)	273,500	273,500
Deferred revenue (Note 10)	158,233	196,455
Landfill closure and post closure liabilities (Note 11)	16,174	16,034
Employee future benefits payable (Note 13)	81,663	78,751
Total liabilities	1,138,907	1,198,816
NET FINANCIAL ASSETS	1,525,670	1,375,238
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	5,268,260	5,104,869
Prepaid expenses	2,479	2,654
Inventory	3,399	2,988
Total non-financial assets	5,274,138	5,110,511
ACCUMULATED SURPLUS (Note 15)	\$6,799,808	\$6,485,749

See accompanying notes to consolidated financial statements.

Consolidated Statement of Operations

For the year ended December 31, 2019
(Dollars in Thousands)

	2019 Budget (Note 18)	2019	2018
REVENUES			
Taxation	\$433,317	\$434,869	\$419,364
Development charges and developer contributions	161,835	161,835	196,576
User charges	243,024	250,623	244,646
Grants	194,670	201,384	218,939
Federal gas tax grant	16,637	23,524	15,967
Investment income	52,649	65,029	58,875
Other revenue	23,231	16,714	17,380
Total revenues	1,125,363	1,153,978	1,171,747
EXPENSES (Note 17)			
General government	39,472	41,511	40,261
Social services	187,961	186,561	181,681
Social housing	52,284	52,599	49,999
Water and wastewater services	203,434	191,337	187,354
Solid waste services	42,400	43,084	43,984
Protection to persons and property	181,295	181,248	171,531
Health services	77,786	73,544	73,616
Transportation services	54,594	53,902	55,940
Planning and development	17,855	15,715	14,087
Recreation and cultural services	1,114	418	3,062
Total expenses	858,195	839,919	821,515
NET REVENUES	267,168	314,059	350,232
ACCUMULATED SURPLUS, BEGINNING OF YEAR	6,485,749	6,485,749	6,135,517
ACCUMULATED SURPLUS, END OF YEAR	\$6,752,917	\$6,799,808	\$6,485,749

See accompanying notes to consolidated financial statements.

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2019
(Dollars in Thousands)

	2019 Budget (Note 18)	2019	2018
Net revenues	\$267,168	\$314,059	\$350,232
Acquisition of tangible capital assets	(292,304)	(292,304)	(322,938)
Amortization of tangible capital assets	122,814	122,814	114,252
Loss (gain) on disposal of tangible capital assets	5,296	5,296	2,085
Proceeds on disposal of tangible capital assets	803	803	402
Change in inventory and prepaid expenses	(236)	(236)	(516)
Change in net financial assets	103,541	150,432	143,517
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,375,238	1,375,238	1,231,721
NET FINANCIAL ASSETS, END OF YEAR	\$1,478,779	\$1,525,670	\$1,375,238

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2019
(Dollars in Thousands)

	2019	2018
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net revenues	314,059	\$350,232
Items not involving cash:		
Amortization	122,814	114,252
Loss (gain) on disposal of tangible capital assets	5,296	2,085
Contributed tangible capital assets	(4,472)	(690)
Change in non-cash assets and liabilities:		
Accounts receivable	15,202	(14,397)
Accounts payable and accrued liabilities	10,425	42,795
Other current assets	(46)	(24)
Deferred revenue	(38,222)	(31,787)
Inventory and prepaid expenses	(236)	(517)
Landfill and post-closure liabilities	140	622
Employee future benefits payable	2,912	3,148
Net change in cash from operating activities	427,872	465,719
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	803	402
Cash used to acquire tangible capital assets	(287,832)	(322,246)
Net change in cash from capital activities	(287,029)	(321,844)
INVESTING ACTIVITIES		
Loans receivable	(1,993)	(328)
Investments	193,565	(25,431)
Net change in cash from investing activities	191,572	(25,759)
FINANCING ACTIVITIES		
Long-term debt issued and assumed	45	9,666
Long-term debt repaid	(18,281)	(20,774)
Mortgages payable and repayment	(4,710)	(4,348)
Sinking fund contributions from Local Municipalities	2,416	2,338
Net change in cash from financing activities	(20,530)	(13,118)
NET CHANGE IN CASH	311,885	104,998
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	175,300	70,302
CASH AND CASH EQUIVALENTS, END OF YEAR	\$487,185	\$175,300

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2019
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidated Statements

The consolidated financial statements for the Corporation of the Regional Municipality of Halton (Regional Municipality of Halton or Halton Region) have been prepared in accordance with Canadian public sector accounting standards (PSAS). Significant accounting policies adopted by Halton Region are as follows:

(b) Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of all entities which are accountable to and controlled by Halton Region. They include the activities of all committees of Council, Halton Regional Police Service and the Halton Community Housing Corporation (HCHC). Inter-company transactions and balances between HCHC and Halton Region are eliminated.

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

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

(c) Basis of accounting

i. Basis of accounting

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

ii. Foreign currency translation

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

iii. Deferred revenue

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

iv. Amortization methods

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

General capital:

Buildings and building improvements	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

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Infrastructure:

Buildings and building improvements	5 to 60 years
Land	Not amortized
Land improvements	10 to 25 years
Linear	11 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:

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

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ix. **Inventory**

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

x. **Reserves and reserve funds**

Halton Region follows the practice of appropriating revenues and current operating surpluses into reserves and reserve funds that are retained for specific purposes, including maintaining assets in a state of good repair. These reserves and reserve funds are established by Council resolution or by by-law and are available for future uses. Amounts are only expended in accordance with the terms and policies established by Council.

Balances appropriated in respect of items for which the reserves have been created are included in accumulated surplus and are reported in Note 15.

xi. **Government transfers**

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, all eligibility criteria are met (if applicable) and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished. Major categories of government transfers are reported in Note 17.

xii. **Investments**

Investments consist of bonds, money market bond funds and money market notes and are stated at the lower of cost and market value. Gains and losses on investments are recorded when incurred and interest is recorded when received or receivable. Sinking fund contributions are managed as part of Halton's overall investment strategy and are included as investments on the Consolidated Statement of Financial Position.

xiii. **Use of estimates**

The preparation of financial statements, in conformity with PSAS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

xiv. **Loans receivable**

The loans receivable are valued at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability has been impaired. The loans receivable are written off when they are no longer recoverable. Recoveries of loans receivable previously written off are recognized in the year received. Interest revenue is recognized as it is earned. Loans with significant concessionary terms, such as non-interest bearing loans, are accounted for as a grant which is shown as an expense on the Consolidated Statement of Operations. Loans receivable are reported in Note 6.

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.

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

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. These costs are reported as a liability on the Consolidated Statement of Financial Position. Landfill sites are amortized using the units of production method based upon capacity used during the year.

xviii. Pensions and employee future benefits

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

Vacation entitlements are accrued for as entitlements are earned.

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

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

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

2. INVESTMENTS

Halton Region's investment policy as approved by the Regional Council has an emphasis on the preservation and safety of capital while ensuring the liquidity of funds needed to meet Halton Region's obligations. Investments are carried at cost. Only realized gains and losses are recognized in the financial statements.

	2019		2018	
	Cost	Market Value	Cost	Market Value
Investments	\$1,813,651	\$1,853,652	\$2,007,216	\$2,004,432

In addition, Halton includes in its investment portfolio a balance of \$89,870 (2018 - \$78,374) 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.

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

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 \$448,502 (2018 - \$735,153) that are not being amortized as they are under construction. During the year there were no write-downs of assets (2018 - \$nil). Roads and underground water and sewer systems in the amount of \$4,472 (2018 - \$690) 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 (2018 - \$nil). Halton Region owns various works of art and historical treasures that have not been included as tangible capital assets. These items are categorized as Museum Historical Artifacts or Museum Archival Materials.

The following tables summarize tangible capital asset balances by category for the years 2019 and 2018.

Asset Type	Opening Balance 1-Jan-19	Additions	Disposals	Ending Balance 31-Dec-19	Opening Accumulated Amortization Balance 1-Jan-19	Amortization	Disposals	Ending Accumulated Amortization Balance 31-Dec-19	Ending Net Book Value 31-Dec-19
General									
Buildings and building improvements	\$284,157	\$2,984	\$ -	\$287,141	\$106,802	\$8,551	\$ -	\$115,353	\$171,788
Computer hardware	33,019	2,566	584	35,001	15,503	4,283	582	19,204	15,797
Computer software	18,340	1,386	-	19,726	13,890	1,792	-	15,682	4,044
Land	177,830	5,949	123	183,656	-	-	-	-	183,656
Land improvements	73,730	350	-	74,080	36,338	1,650	-	37,988	36,092
Leasehold improvements	4,848	52	-	4,900	2,837	262	-	3,099	1,801
Machinery and equipment	229,046	4,663	2,093	231,616	122,726	8,418	2,019	129,125	102,491
Vehicles	31,257	5,465	3,073	33,649	18,010	3,771	2,683	19,098	14,551
Total general capital	852,227	23,415	5,873	869,769	316,106	28,727	5,284	339,549	530,220
Infrastructure									
Buildings and building improvements	492,108	103,813	212	595,709	157,595	10,371	200	167,766	427,943
Land	199,687	50,140	-	249,827	-	-	-	-	249,827
Land improvements	97,172	26,107	649	122,630	58,961	2,887	506	61,342	61,288
Linear	3,761,922	227,582	9,851	3,979,653	834,041	58,106	4,719	887,428	3,092,225
Machinery and equipment	623,362	147,898	2,538	768,722	290,059	22,723	2,315	310,467	458,255
Total infrastructure	5,174,251	555,540	13,250	5,716,541	1,340,656	94,087	7,740	1,427,003	4,289,538
Assets under construction	735,153	(286,651)	-	448,502	-	-	-	-	448,502
Total tangible capital assets	\$6,761,631	\$292,304	\$19,123	\$7,034,812	\$1,656,762	\$122,814	\$13,024	\$1,766,552	\$5,268,260

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

3. TANGIBLE CAPITAL ASSETS (continued)

Asset Type	Opening Balance 1-Jan-18	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

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

4. 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 \$4,815 (2018 - \$8,334) 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 2019 is \$27,063 (2018 - \$118,909).

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

	2019	2018
Long-term liabilities incurred by Halton Region	\$236,123	\$266,577
Mortgages payable by HCHC	43,892	48,602
Subtotal gross long-term liabilities	280,015	315,179
Sinking Fund debentures	273,500	273,500
Total long-term liabilities incurred by Halton Region	553,515	588,679
Less recoverable from Local Municipalities:		
Long-term debentures	166,766	178,984
Sinking fund debentures	95,806	98,222
Subtotal Local Municipalities	262,572	277,206
Less cumulative Sinking Fund contributions from Local Municipalities	9,194	6,778
Net long-term liabilities at year end	\$281,749	\$304,695

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.

	2019	2018
Sinking Fund #148-11 earnings to date		
Opening earnings	\$12,795	\$10,535
Halton contributions	1,827	1,827
Interest earned	490	433
Sinking Fund #148-11 earnings to date	\$15,112	\$12,795

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

4. 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. Halton Region's portion is \$62,500, while \$90,000 was borrowed on behalf of the Town of Oakville and \$15,000 for the Town of Milton.

	2019	2018
Sinking Fund #43-15 earnings to date		
Opening earnings	\$10,811	\$7,082
Halton contributions	1,261	1,261
Oakville contributions	1,816	1,816
Milton contributions	303	303
Interest earned	474	349
Sinking Fund #43-15 earnings to date	\$14,665	\$10,811

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

	2019	2018
Property taxes – general purpose levy	\$65,944	\$70,072
Water	47,560	55,209
Wastewater	30,606	35,820
Development charges	137,639	143,594
Net long-term liabilities at year end	\$281,749	\$304,695

5. CHARGES FOR LONG-TERM LIABILITIES

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

	2019	2018
Gross principal repayment	\$48,259	\$50,266
HCHC mortgages	4,710	4,348
Less amounts recovered	(29,973)	(29,493)
Net principal	22,991	25,121
Gross interest paid	16,976	17,845
HCHC mortgages	1,153	1,242
Less amount recovered	(9,100)	(9,351)
Net interest	9,028	9,736
Total net principal and interest	\$32,020	\$34,857

Debentures bear interest at rates ranging from 1.45 per cent to 5.50 per cent. Mortgages of \$43,892 (2018 - \$48,602) on the properties of HCHC are secured by a first charge on the assets of HCHC with amortization periods ranging between 10 and 30 years and interest rates ranging between 1.01 per cent and 5.94 per cent.

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

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

5. CHARGES FOR LONG-TERM LIABILITIES (CONTINUED)

The charges shown in the previous table are recovered as follows.

	2019	2018
Property taxes – general purpose levy	\$6,920	\$7,229
Water and wastewater revenues	13,153	15,280
Development charges	11,947	12,348
Total	\$32,020	\$34,857

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

	Instalment principal	Sinking Fund #148-11	Sinking Fund #43-15	HCHC mortgages	Total
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	8,836	2,898	1,608	10,081	23,423
2024	8,024	3,029	1,661	984	13,698
2025-2045	6,854	91,736	54,516	3,213	156,319
Total	\$69,921	\$105,624	\$62,312	\$43,892	\$281,749

6. LOANS RECEIVABLE

Halton Region has loans receivable in the amount of \$4,004 (2018 - \$2,011) from Conservation Halton. As per Council report CS-07-07, Halton Region has agreed to provide Conservation Halton with debt financing on capital infrastructure for Watershed Management & Support Services projects. The loans provided to Conservation Halton are based on the actual cost of the project. The repayment amount for 2019 is \$510 (2018 - \$426). Each loan is repayable over a set period at a variable interest rate listed below.

	2019	2018
Loans repayable over 10 years bearing interest of 3.0% with maturity dates from 2020-2027	\$1,048	\$1,349
Loans repayable over 20 years bearing interest of 3.0% with maturity dates from 2038-2039	371	374
Loans repayable over 30 years bearing interest of 3.2% with maturity dates from 2048-2049	2,585	288
Total	\$4,004	\$2,011

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

7. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

- a. Halton Region has outstanding contractual obligations of \$272,948 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:

2020	\$3,424
2021	1,530
2022	1,285
2023	863
2024	462

- c. Halton Region is due to receive development charges of \$279,298 which will be used for financing future infrastructure developments.
- d. Halton Region enters into various service contracts and other agreements in the normal course of business, which have been approved by the appropriate level of management or by Council but which have not been reported as commitments.

8. 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.

At year-end, the Region evaluated the likelihood of having to repay taxes as a result of tax appeals or other changes and recognized a liability in the amount of \$10,527 (2018 - \$9,438) which is included in Accounts Payable in the Statement of Financial Position.

9. CONTINGENT ASSETS

As at December 31, 2019, 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, 2019.

10. DEFERRED REVENUE

Halton Region's deferred revenue is comprised of obligatory reserve funds and general deferred revenues. A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. Halton Region has obligatory development charge reserve funds in the amount of \$57,216 (2018 - \$105,931) and an obligatory reserve fund for the federal Gas Tax Grant in the amount of \$28,554 (2018 - \$18,585). These reserve funds are considered obligatory as Provincial and Federal legislation restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

In the case of development charges, revenue recognition occurs after the funds have been collected or are receivable and when Halton Region has approved and incurred the expenditures for the capital projects for which the development charges were raised. The funds received before expenditures are incurred are set aside, as required by the *Development Charges Act, 1997*, to defray the cost of growth-related capital projects associated with new development.

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

The deferred revenues, reported on the Consolidated Statement of Financial Position, are made up of the following:

	Balance at 31-Dec-18	Inflows	Revenue Earned	Balance at 31-Dec-2019
Development charges	\$105,931	\$108,554	\$157,269	\$57,216
Federal Gas Tax Grant	18,585	33,493	23,524	28,554
Total Obligatory Reserves	124,516	142,047	180,793	85,770
Unspent Capital Financing	54,902	5,003	1,413	58,492
Permits	1,834	1,881	1,692	2,023
Developer Accelerated (note 15)	8,023	100	1,057	7,066
Developer Water Meters	1,404	458	572	1,290
Other	5,776	3,228	5,412	3,592
Total General - Region	71,939	10,670	10,146	72,463
Total	\$196,455	\$152,717	\$190,939	\$158,233

11. 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 24 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 per cent net of inflation of 2.0 per cent. The estimated length of time required for post-closure care is 40 years. Halton Region also monitors seven inactive landfill sites owned by the Local Municipalities. Under agreements with the four Local Municipalities, Halton Region may recover the cost of capital rehabilitation that may be required and is not responsible for any third-party claims that may result from these inactive sites. The Local Municipalities bear the cost of monitoring the inactive sites and therefore these costs have not been included in the landfill post-closure liability.

	2019	2018
Remaining capacity (m ³)	4,476,326	4,478,810
Reserve funds (Note 15)	\$19,933	\$19,176
Closure & post-closure care		
Estimated expenditures	20,488	20,225
Remaining expenditures to be recognized	(4,314)	(4,191)
Landfill closure and post closure liabilities	\$16,174	\$16,034

12. CONTAMINATED SITES

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

There are no contaminated sites, as at December 31, 2019, that meet the specified criteria (2018 - \$nil).

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

13. EMPLOYEE FUTURE BENEFITS PAYABLE

Halton Region provides certain employee benefits which will require funding in future periods. These benefits include sick leave benefits, benefits under the *Workplace Safety and Insurance Board (WSIB) Act*, 1997, life insurance, early retirement plan, travel benefit, extended health and dental benefits. Halton Region has established reserve funds to mitigate the future impact of these obligations and this has been reported in Note 15. Employee future benefits and reserves relating to these liabilities are as follows.

	2019		2018	
	Accrued Liability	Reserve	Accrued Liability	Reserve
Employee future benefits				
Halton employees	\$14,698	\$17,662	\$13,486	\$16,136
Halton Regional Police Service	33,289	32,535	31,757	31,550
WSIB				
Halton employees	11,066	13,826	10,010	12,076
Halton Regional Police Service	4,128	4,695	3,926	5,570
Long-term disability				
Halton employees	10,473	11,648	11,644	10,787
Halton Regional Police Service	4,037	4,658	4,167	4,079
Vacation pay				
Halton employees	3,747	-	3,627	-
Halton Regional Police Service	161	-	72	-
Vested sick leave entitlements				
Halton Regional Police Service	64	94	62	91
Total	\$81,663	\$85,118	\$78,751	\$80,289

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

	2019	2018
Accrued benefit obligation:		
Balance, beginning of year	\$85,016	\$83,186
Current benefit cost	5,233	5,022
Interest	3,119	3,040
Benefits paid	(6,045)	(6,232)
Balance, end of year	87,323	85,016
Unamortized actuarial loss	(5,660)	(6,265)
Liability for benefits	81,663	78,751
Amortization of actuarial loss	\$605	\$1,318

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

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, 2019. Halton Region commissions actuarial reviews of the employee future benefits, WSIB and long-term disability obligations every three years.

	2019	Remaining Service Life
Employee future benefits	\$(2,969)	7 to 13 years
WSIB	(4,818)	10 years
Long-term disability	2,127	8 years
Total	\$(5,660)	

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:

	2019	2018
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	6.42% in 2019, 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

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 2019, payments out of the vested sick leave plan amounted to \$nil (2018 - \$nil) and have been reported on the Consolidated Statement of Operations. Sick leave benefits of \$64 (2018 - \$62) are anticipated to be paid out in 2020 and have been reported on the Consolidated Statement of Financial Position.

14. PENSION AGREEMENTS

Halton Region makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its 3,421 eligible members. This plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of credited service and average earnings.

The OMERS Primary Pension Plan concluded 2019 with \$109 billion in net assets and an improvement in its funded ratio from 96% to 97%. The Region does not recognize any share of the pension deficit of \$3.4 billion (2018 - \$4.2 billion) as OMERS is a multi-employer plan.

Halton Region's contribution to OMERS for its current service amounted to \$28,193 (2018 - \$27,087) and is included as an expense on the Consolidated Statement of Operations. Employee contributions amounted to \$28,193 (2018 - \$27,087).

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 \$57 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.

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

15. ACCUMULATED SURPLUS

Accumulated surplus consists of the following balances:

	2019	2018
Unexpended capital financing	\$600,821	\$572,699
Reserves and reserve funds (detailed below)	1,297,428	1,199,541
Sinking fund investment	20,592	16,831
Tangible capital assets	5,268,260	5,104,869
Developer financed assets	(7,066)	(8,023)
Amounts to be recovered in future years:		
From reserves and reserve funds on hand	(93,175)	(89,934)
From future revenues	(287,052)	(310,234)
Total Accumulated Surplus	\$6,799,808	\$6,485,749
Reserves and reserve funds set aside by Council:		
Stabilization - rate	33,487	32,196
Stabilization - tax	71,452	69,631
Program specific	92,759	86,493
Workplace Safety and Insurance	18,521	17,646
Self-insurance - General	6,073	5,780
Self-insurance - Employee benefits	66,597	62,643
Landfill closure and post-closure	19,933	19,176
Equipment replacement - vehicle	8,864	7,880
Equipment replacement - building	17,679	14,064
Equipment replacement - equipment	8,680	7,187
Capital - rate	282,984	252,338
Capital - tax	444,967	410,020
Capital - investment	113,075	99,578
Other	112,357	114,908
Total Reserves	\$1,297,428	\$1,199,541

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

16. TRUST FUNDS

Trust Funds, in the amount of \$78 (2018 - \$79), for the residents of Allendale, Creek Way Village and Post Inn Village, which are administered by Halton Region, have not been included in the financial statements, and are reported separately on the Trust Funds Statement of Continuity and Consolidated Statement of Financial Position.

17. 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.

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

17. SEGMENTED INFORMATION (continued)

Other Services consists of the General Government, Planning and Development, Recreation and Cultural Services:

General Government

General government includes the components of municipal government responsible for governing the municipality, providing direction and leadership to staff, and sustaining the organization. These divisions and branches supply administrative and financial leadership for the Regional Corporation uncluding adopting by-laws and policy, levying taxes, issuing debentures and providing administrative, technical, facility management, and financial services.

Planning and Development

The Planning and Development department provides a long-term comprehensive approach to planning and development processes to ensure the efficient use of land and community infrastructure.

Recreational and Cultural Services

The Recreational and Cultural Services department fosters discovery, appreciation and understanding of the region's heritage and manage Halton Region's artifact and archival collection. It also oversees the implementation of the Halton Region Waterfront Parks program.

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 2019 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 2019 and 2018.

	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 2019
Revenues									
Taxation*									
General purpose levy	\$164,868	\$58,416	\$21	\$16,075	\$40,568	\$44,814	\$38,157	\$40,395	\$403,314
Solid waste levy	-	-	-	26,928	-	-	-	-	26,928
Payment in lieu	1,892	670	-	-	465	514	438	648	4,627
Users charges	8,030	2,650	210,763	7,920	253	17,795	760	2,452	250,623
Ontario grants	6,530	(366)	7,285	-	42,584	129,596	14,516	237	200,382
Canada grants	-	10,415	13,109	-	103	161	747	(9)	24,526
Investment income	-	-	3,617	-	-	-	-	61,412	65,029
Development charges and developer contributions	3,388	101,868	50,527	80	28	-	1,113	4,831	161,835
Other revenue	39	-	127	381	1	-	15,596	570	16,714
Total revenues	184,747	173,653	285,449	51,384	84,002	192,880	71,327	110,536	1,153,978
Expenses									
Salaries, wages and employee benefits	139,769	2,724	35,344	3,910	55,527	66,901	5,644	49,733	359,552
Materials	7,642	3,679	27,144	1,137	2,872	5,331	3,470	869	52,144
Contracted services	10,329	16,126	37,455	33,787	2,670	30,368	7,139	30,406	168,280
Rents and financial expenses	301	3,425	2,736	63	371	900	4,420	1,920	14,136
Government transfers	9,594	531	1,928	243	881	67,970	22,873	6,026	110,046
Debt expense	1,865	-	5,994	-	17	-	1,153	-	9,029
Allowance for taxes written off	-	-	-	-	-	-	-	3,918	3,918
Amortization of tangible capital assets	10,123	25,266	68,917	1,525	1,965	2,812	5,998	6,208	122,814
Program support	1,625	2,151	11,819	2,419	9,241	12,279	1,902	(41,436)	-
Total expenses	181,248	53,902	191,337	43,084	73,544	186,561	52,599	57,644	839,919
Net revenues	\$3,499	\$119,751	\$94,112	\$8,300	\$10,458	\$6,319	\$18,728	\$52,892	\$314,059

* The allocation of taxation amount is based on a percentage of budgeted net expenditures except for Solid Waste as this amount is collected through By-Law 37-19.

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

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

(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	\$54,028	\$21	\$15,920	\$38,457	\$42,339	\$36,619	\$47,615	\$387,946
Solid waste levy	-	-	-	26,196	-	-	-	-	26,196
Payment in lieu	2,147	758	-	-	540	594	514	669	5,222
User charges	8,402	865	206,909	8,089	194	16,710	1,087	2,390	244,646
Ontario grants	6,538	3,227	22,591	-	41,109	131,869	12,086	679	218,099
Canada grants	-	4,265	11,702	-	120	215	575	(70)	16,807
Investment income	-	-	3,617	-	-	-	-	55,258	58,875
Development charges and developer contributions	4,898	91,052	95,702	59	1,364	-	762	2,739	196,576
Other revenue	27	-	146	43	8	4	16,613	539	17,380
Total revenues	174,959	154,195	340,688	50,307	81,792	191,731	68,256	109,819	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
Rents and financial expenses	-	-	-	-	-	-	-	4,258	4,258
Amortization of tangible capital assets	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	\$98,255	\$153,334	\$6,323	\$8,176	\$10,050	\$18,257	\$52,409	\$350,232

* The allocation of taxation amount is based on a percentage of budgeted net expenditures except for Solid Waste as this amount is collected through By-Law 22-18.

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

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

18. BUDGET COMPARISON

The budget data presented in these consolidated financial statements are based upon the 2019 operating and capital budgets approved by Halton Regional Council on January 16, 2019 and the HCHC Board on January 16, 2019.

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.

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

	2019 Budget
Revenues: Operating	
Approved budget (FN-06-19)	\$937,652
In-year changes*	4,128
Revised approved budget	941,780
Development charges and developer contributions	161,835
Grants	4,885
Other revenue adjustments	5,756
Reclassification between revenue and expense	(348)
HCHC revised approved budget (HC-03-19)	26,539
HCHC PSAS adjustments	1,075
HCHC intercompany transactions	(16,159)
Total consolidated revenues	1,125,363
Expenses: Operating	
Approved budget (FN-06-19)	937,652
In-year changes*	4,128
Revised approved budget	941,780
Transfers to reserves - capital	(187,236)
Transfers from reserves - capital	11,947
Debt charges - principal	(21,370)
Transfers to reserves - operating	(54,223)
Transfers from reserves - operating	5,631
Amortization	117,105
Capital project cost resulting in operating expenses	28,056
(Gain)/Loss on TCA	5,296
Employee future benefits	2,912
Landfill liability	139
Reclassification between revenue and expense	(348)
HCHC approved budget (HC-03-19)	26,539
HCHC PSAS adjustments	(769)
HCHC intercompany transactions	(17,264)
Total consolidated expenses	858,195
Net revenues	\$267,168

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019
(Dollars in Thousands)

In-year changes:

* Refer to Report No. - Re:	Amount
FN-29-19 - Operating Budget Variance Report for the period ending April 30, 2019	\$2,094
SS-03-19 - Community Homelessness Prevention Initiative (CHPI) Annual Investment Plan and Federal Homelessness Enhancement	150
SS-06-19 - Services for Seniors Funding Increase - Behavioural Supports Ontario	65
FN-18-19 - 2019 Tax Policy	1,819
Total	\$4,128

19. 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.

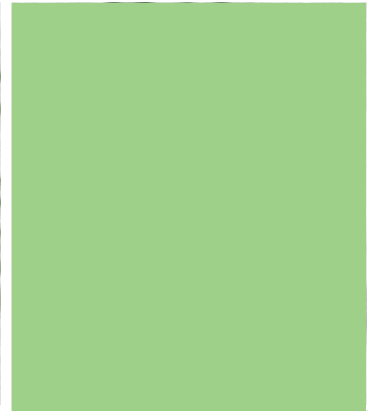
	Halton Region		HCHC	
	2019	2018	2019	2018
Insurance period of one year beginning on	1/1/2019	1/1/2018	11/1/2019	11/1/2018
Third party public liability claim limit per occurrence up to	\$50,000	\$50,000	\$10,000	\$10,000
Maximum deductible limit per occurrence	100	100	20	5
Coverage for properties replacement cost blanket limit	1,521,853	1,954,287	322,027	310,459
Insurance claims expense	797	823	70	72
Estimated value of outstanding claims	1,260	1,253	25	25
Self-insurance reserves (Note 16)	6,073	5,780	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 fund as are all Halton Region's insurance claim deductibles.

20. COMPARATIVE FIGURES

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



Five-Year Statistical Data

For the year ended December 31, 2019

Five-Year Financial Statistics (unaudited)

(Dollars in Thousands)

	2019	2018	2017 Restated**	2016	2015
Consolidated Financial Position					
Financial assets	\$2,664,577	\$2,574,054	\$2,441,969	\$2,379,273	\$2,284,629
Non-financial assets	5,274,138	5,110,511	4,903,796	4,609,443	4,262,609
Total Assets	7,938,715	7,684,565	7,345,765	6,988,716	6,547,238
Accounts payable and accrued liabilities	329,322	318,897	283,618	271,013	251,726
Gross long-term liabilities	280,015	315,179	333,873	361,831	358,625
Sinking fund debentures	273,500	273,500	273,500	273,500	273,500
Deferred revenue	158,233	196,455	228,242	236,859	220,730
Landfill closure and post-closure liabilities	16,174	16,034	15,412	14,663	13,940
Employee benefits payable	81,663	78,751	75,603	71,356	66,988
Total Liabilities	1,138,907	1,198,816	1,210,248	1,229,222	1,185,509
Accumulated Surplus	\$6,799,808	\$6,485,749	\$6,135,517	\$5,759,494	\$5,361,730
CONSOLIDATED OPERATIONS					
Sources of Revenue					
Property taxes - General purpose	\$407,941	\$393,168	\$377,615	\$365,009	\$353,593
- Solid waste	26,928	26,196	25,769	25,336	24,676
Government transfers - Ontario	200,382	218,099	174,492	159,610	154,581
- Canada	1,002	840	858	933	650
User charges	250,623	244,646	230,420	226,023	216,495
Investment income	65,029	58,875	58,094	63,738	67,666
Development charges and developer contributions	161,835	196,576	246,915	302,134	292,385
Federal gas tax	23,524	15,967	20,332	12,623	7,818
Other revenue	16,714	17,380	23,089	13,096	13,092
Total Revenues	1,153,978	1,171,747	1,157,584	1,168,502	1,130,956
Expenses by Function					
General government	41,511	40,261	41,279	36,996	35,313
Social services	186,561	181,681	165,754	158,583	150,815
Social housing	52,599	49,999	48,614	42,980	45,126
Water and wastewater services*	191,337	187,354	188,774	187,856	176,301
Solid waste services	43,084	43,984	42,442	41,478	42,544
Protection to persons and property	181,248	171,531	165,400	161,762	155,710
Health services	73,544	73,616	71,699	68,934	68,656
Transportation services*	53,902	55,940	60,598	56,857	47,334
Planning and development	15,715	14,087	12,552	12,626	13,326
Recreation and cultural services	418	3,062	2,815	2,666	2,667
Total Expenses by Function	839,919	821,515	799,927	770,738	737,792
Net Revenues	314,059	350,232	357,657	397,764	393,164
Accumulated Surplus, Beginning of Year	6,485,749	6,135,517	5,777,860	5,361,730	4,968,566
Accumulated Surplus, End of Year	\$6,799,808	\$6,485,749	\$6,135,517	\$5,759,494	\$5,361,730

* 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)

	2019	2018	2017 Restated**	2016	2015
ANALYSIS OF EXPENSE BY OBJECT					
Salaries, wages and employee benefits	\$359,552	\$344,366	\$334,980	\$323,720	\$312,808
Materials	52,144	53,470	58,118	59,154	58,493
Contracted services	168,280	177,218	163,508	159,252	157,409
Financial expenses	14,136	11,242	17,084	22,510	15,216
Government transfers	110,046	106,973	95,695	80,995	79,384
Debt services	9,029	9,736	10,861	11,968	12,610
Allowance for taxes written off	3,918	4,258	6,645	6,294	2,971
Amortization	122,814	114,252	113,036	106,845	98,901
Total Expenses	\$839,919	\$821,515	\$799,927	\$770,738	\$737,792
Consolidated Statement of Change in Net Financial Assets					
Net revenues	\$314,059	\$350,232	\$357,657	\$397,764	\$393,164
Acquisition of tangible capital assets	(292,304)	(322,938)	(399,708)	(467,726)	(404,384)
Amortization of tangible capital assets	122,814	114,252	113,036	106,845	98,901
Loss on disposal of tangible capital assets	5,296	2,087	(583)	14,090	6,700
Proceeds on disposal of tangible capital assets	803	402	10,395	262	169
Change in inventory and prepaid expenses	(236)	(518)	873	(305)	(280)
Change in net financial assets	150,432	143,517	81,670	50,930	94,270
Halton Net Financial Assets, Beginning of Year	1,375,238	1,231,721	1,150,051	1,099,121	1,004,851
Net Financial Assets, End of Year	\$1,525,670	\$1,375,238	\$1,231,721	\$1,150,051	\$1,099,121
NET LONG-TERM LIABILITIES					
Total long-term liabilities	\$553,515	\$588,679	\$607,373	\$635,331	\$632,125
Recoverable debt (Overlapping):					
Local Municipalities and School Boards	(262,572)	(277,206)	(282,784)	(283,130)	(280,238)
Cumulative sinking fund contributions from local municipalities	(9,194)	(6,778)	(4,440)	(2,180)	-
Net Long-Term Liabilities	281,749	304,695	320,149	350,021	351,887
Recovered from:					
Tax levy	65,944	70,072	65,069	69,318	73,899
Rate supported	78,166	91,029	105,506	124,026	113,679
Development charges	137,639	143,594	149,574	156,677	164,309
	281,749	304,695	320,149	350,021	351,887
Other Information					
Annual repayment limit*	\$161,286	\$151,516	\$136,987	\$125,528	\$117,931
Reserves	1,297,428	1,199,541	1,073,253	1,052,652	974,846

* 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)

	2019	2018	2017 Restated**	2016	2015
EXPENDITURE ANALYSIS					
Consolidated expenditure per capita	\$1,407	\$1,408	\$1,404	\$1,386	\$1,357
Net debt per capita	\$472	\$522	\$562	\$629	\$647
Net debt per household	\$1,264	\$1,404	\$1,515	\$1,704	\$1,759
Debt charges as a % of consolidated expenditure	2.7%	3.1%	3.7%	4.4%	4.5%
REVENUE ANALYSIS					
Property taxes and user charges as a % of consolidated revenue	74.9%	74.9%	78.1%	79.7%	79.6%
Total grants as a % of consolidated revenue	19.5%	20.0%	16.9%	14.8%	14.4%
Debt charges as a % of consolidated non-grant revenue	2.2%	2.4%	2.9%	3.2%	3.5%
STATISTICS					
Population (a)	596,940	583,363	569,787	556,210	543,557
Households (a)	222,857	217,058	211,260	205,461	200,015
Halton Census Division Average unemployment rate (b)	4.1%	5.3%	4.0%	5.5%	5.2%
Toronto CMA (c)	6.0%	6.0%	6.4%	7.0%	7.0%
Hamilton CMA (c)	4.3%	4.9%	5.0%	6.2%	5.5%
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)	1,060	1,043	1,033	1,016	1,008
Other full-time	1,982	1,866	1,867	1,859	1,848
TYPICAL RESIDENT'S ANNUAL REGIONAL PROPERTY TAXES AND USER CHARGES					
Property taxes - general purpose ***	\$276	\$286	\$299	\$310	\$318
Water	464	444	420	405	388
Wastewater					
*** Per \$100,000 Current Value Assessment (CVA)	535	520	509	478	453
Based on annual water consumption for a residential home of 250m ³ /Year					
Property Taxes Collected					
Total property taxes collected on our behalf by Local Municipalities	\$431,901	\$417,121	\$396,928	\$384,022	\$375,297
Taxable Assessment					
Residential & farm	\$122,398,881	\$113,217,084	\$104,217,865	\$96,875,286	\$90,725,050
Commercial & industrial (C/I)	31,325,603	29,129,643	27,264,009	25,983,927	24,940,868
	\$153,724,483	\$142,346,727	\$131,481,874	\$122,859,213	\$115,665,918
Annual Assessment Growth Rate	8.0%	8.3%	7.0%	6.2%	6.5%
Ratio of C/I to Total Taxable Assessment	20.4%	20.5%	20.7%	21.1%	21.6%
Permits Issued					
Residential	3,015	2,835	5,395	3,733	3,979
Non-Residential	153	146	136	164	165

(a) June 2011 Best Planning Estimates

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

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

*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

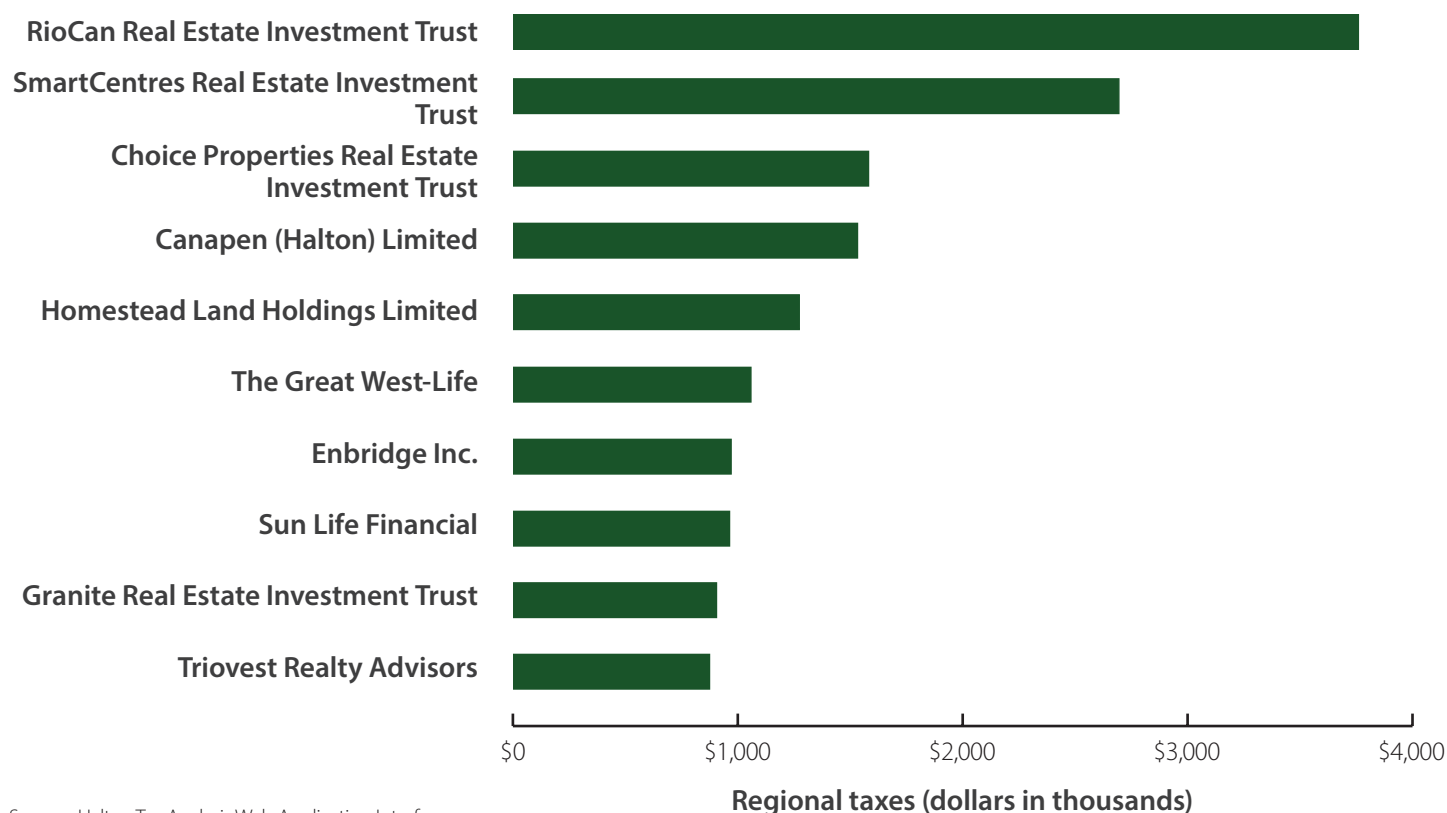
Top 10 Private Sector Employers in Halton in 2019

(Based on number of employees)

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

Source: Halton Economic Development, Halton Employment Survey

Principal Corporate Taxpayers in 2019



Source: Halton Tax Analysis Web Application Interface

