Consolidated Financial Statements

For the year ended December 31, 2025

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 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 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 2025 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 consolidated financial statements.

Cyndy Winslow
Commissioner of Finance and Regional Treasurer
May 20, 2026

Deloitte.

Deloitte LLP
Bay Adelaide East
8 Adelaide Street West
Suite 200
Toronto ON M5H 0A9
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

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 consolidated statement of financial position as at December 31, 2025, and the consolidated 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 consolidated financial position of the Regional Municipality of Halton as at December 31, 2025, and the consolidated results of its operations, consolidated change in net financial assets and its consolidated 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of entities or business units within the Regional Municipality of Halton as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 20, 2026

Consolidated Statement of Financial Position

As at December 31, 2025
(Dollars in Thousands)

FINANCIAL ASSETS	2025	2024
Cash and cash equivalents	$ 171,863	$ 173,795
Accounts receivable:		
Water and wastewater	53,236	50,331
Government transfers	60,271	49,466
Other receivables	41,709	47,474
Other current assets	630	631
Investments (Note 2)	3,080,174	3,155,773
Loans receivable (Note 6)	4,629	4,910
Recoverable gross long-term debt from:		
Local Municipalities (Note 4)	308,622	309,221
Total financial assets	3,721,134	3,791,601
LIABILITIES		
Accounts payable and accrued liabilities (Notes 2 and 8)	422,653	452,906
Gross long-term liabilities (Note 4)	245,893	251,897
Sinking fund debentures (Note 4)	328,147	328,147
Deferred revenue (Note 10)	80,134	184,965
Asset retirement obligations (Note 11)	55,212	54,906
Employee future benefits liabilities (Note 13)	128,149	118,382
Total liabilities	1,260,188	1,391,203
NET FINANCIAL ASSETS	**2,460,946**	**2,400,398**
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	6,876,282	6,542,223
Prepaid expenses	23,306	26,941
Inventories	7,197	6,494
Total non-financial assets	6,906,785	6,575,658
ACCUMULATED SURPLUS (NOTE 15)	**$ 9,367,731**	**$ 8,976,056**

Commitments and contractual obligations (Note 7)

Contingent liabilities (Note 8)

Contingent assets (Note 9)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Operations

For the year ended December 31, 2025
(Dollars in Thousands)

REVENUES (NOTE 17)	2025 Budget (Note 18)	2025	2024
Taxation	$ 580,195	$ 583,607	$ 538,178
Development charges and developer contributions	231,806	231,806	302,725
User charges	296,654	319,507	310,243
Government transfers	465,800	447,060	422,623
Canada Community-Building Fund	19,540	14,802	33,804
Investment income	104,072	104,402	96,410
Other revenue	31,349	32,877	31,037
Total revenues	1,729,416	1,734,061	1,735,020
EXPENSES (NOTE 17)			
General government	62,754	60,128	61,550
Social and community services	419,455	409,603	356,317
Social housing	82,418	85,791	92,860
Water and wastewater services	258,407	268,447	238,991
Solid waste services	53,905	55,314	55,089
Protection services	261,580	262,148	235,519
Health services	111,043	106,537	102,722
Transportation services	78,406	79,742	62,013
Infrastructure planning and development	13,256	12,495	18,639
Recreation and cultural services	2,407	2,181	2,017
Total expenses	1,343,631	1,342,386	1,225,717
ANNUAL SURPLUS	385,785	391,675	509,303
ACCUMULATED SURPLUS, BEGINNING OF YEAR	8,976,056	8,976,056	8,466,753
ACCUMULATED SURPLUS, END OF YEAR	**$ 9,361,841**	**$ 9,367,731**	**$ 8,976,056**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2025
(Dollars in Thousands)

	2025 Budget (Note 18)	2025	2024
Annual surplus	$ 385,785	$ 391,675	$ 509,303
Acquisition of tangible capital assets	(507,326)	(507,326)	(582,542)
Amortization of tangible capital assets	159,290	159,290	160,893
Loss on disposal of tangible capital assets	13,229	13,229	3,211
Proceeds on disposal of tangible capital assets	748	748	1,027
Inventory and prepaid expenses	2,932	2,932	(22,884)
Change in net financial assets	54,658	60,548	69,008
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,400,398	2,400,398	2,331,390
NET FINANCIAL ASSETS, END OF YEAR	**$ 2,455,056**	**$ 2,460,946**	**$ 2,400,398**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2025
(Dollars in Thousands)

Cash provided by (used in): **OPERATING ACTIVITIES**	**2025**	**2024**
Annual surplus	$ 391,675	$ 509,303
Items not involving cash:		
Amortization of tangible capital assets	159,290	160,893
Loss on disposal of tangible capital assets	13,229	3,211
Contributed tangible capital assets	(52,420)	(1,765)
Change in non-cash assets and liabilities:		
Accounts receivable	(7,945)	(31,601)
Other current assets	1	48
Accounts payable and accrued liabilities	(30,253)	39,210
Deferred revenue	(104,831)	(57,668)
Inventory and prepaid expenses	2,932	(22,884)
Asset retirement obligations	306	1,184
Employee future benefits liabilities	9,767	13,412
Net change in cash and cash equivalents from operating activities	381,751	613,343
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	748	1,027
Cash used to acquire tangible capital assets	(454,906)	(580,777)
Net change in cash and cash equivalents from capital activities	(454,158)	(579,750)
INVESTING ACTIVITIES		
Loans receivable	281	14
Investments	75,599	(60,130)
Net change in cash and cash equivalents from investing activities	75,880	(60,116)
FINANCING ACTIVITIES		
Long-term debt issued and assumed	34	54,478
Long-term debt repaid	(3,387)	(8,033)
Mortgage repayments	(5,079)	(5,209)
Sinking fund contributions from Local Municipalities	3,027	2,899
Net change in cash and cash equivalents from financing activities	(5,405)	44,135
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,932)	17,612
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	173,795	156,183
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 171,863**	**$ 173,795**

The accompanying notes are an integral part of these Consolidated Financial Statements.

The Corporation of the Regional Municipality of Halton (Regional Municipality of Halton, Halton Region or the Region) is an upper-tier municipality in the Province of Ontario ("Province"), Canada. Halton Region is comprised of four municipalities: the City of Burlington and the Towns of Halton Hills, Milton and Oakville. The provisions of Provincial statutes such as the Municipal Act 2001, Municipal Affairs Act 1990 and related legislation guide its operations.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidated Statements

The consolidated financial statements for Halton Region have been prepared in accordance with Canadian public sector accounting standards (PSAS), as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). The purpose of the consolidated financial statements is to provide users with an understanding of the financial position as at December 31 and operating results of Halton Region over the fiscal period. The Consolidated Statement of Financial Position reports financial assets and liabilities, and the non-financial assets of the Region. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position of the Region and is the sum of the Region's net financial assets and non-financial assets. 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 and accumulated surplus of all entities which are accountable to and controlled by Halton Region. They include the activities of all committees of Regional Council and Boards, Halton Regional Police Service and the Halton Community Housing Corporation (HCHC). All interdepartmental and inter-organizational assets and liabilities and revenues and expenses have been eliminated. Halton Region owns 100% of HCHC and this entity is reported using the consolidated basis method, where inter-company transactions and balances between HCHC and Halton Region are eliminated.

The financial activities of the Halton Digital Access Services Corporation, Royal Botanical Gardens and the Conservation Authorities are excluded from these consolidated 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.

Trust funds which are administered by Halton Region are not included in these consolidated financial statements but are reported separately in Note 16.

(c) Basis of accounting

i. Accrual method of accounting

Halton Region 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of accounting (continued)

iii. Revenue recognition

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 the Canada Community-Building Fund. Government transfers, including the Canada Community-Building Fund, are recognized when the transfer can be reasonably estimated, is authorized and has met eligibility criteria if required. Development charges and other externally restricted funds are recognized as revenue when the funds are spent for the purpose intended.

Government transfers

Government transfers are recognized as revenue in the consolidated 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.

Taxation 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 tax revenue is recognized when additional billings are issued for properties that are added to the assessment roll during the year.

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

User charges and other revenue

User charges and other revenue from transactions with performance obligations are recognized when Halton Region satisfies a performance obligation by providing the promised good or service to the payor. For transactions with no performance obligations, these are recognized when Halton Region has authority to claim or retain an inflow of economic resources and when a past transaction or event is an asset. Amounts received prior to the end of the year that will be recognized in subsequent fiscal year are deferred and reported as a liability.

iv. Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(Dollars in Thousands)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of accounting (continued)

v. Amortization methods

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

General capital:	
Buildings and building improvements	5 to 95 years
Computer hardware	3 to 10 years
Computer software	3 to 10 years
Land	Not amortized
Land improvements	5 to 70 years
Leasehold improvements	Based on lease term
Machinery and equipment	5 to 60 years
Vehicles	3 to 15 years
Infrastructure:	
Buildings and building improvements	5 to 60 years
Land	Not amortized
Land improvements	10 to 25 years
Linear	11 to 90 years
Machinery and equipment	5 to 50 years

For vehicles, computer hardware and software 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.

vi. 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.

vii. 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.

Purchased intangible assets, including but not limited to intellectual property such as reports, plans, designs, and other documents created on behalf of Halton Region, have not been recorded in the Consolidated Statement of Financial Position as a reasonable estimate of value cannot be made due to the complexities and uncertainties associated with the valuation of the intellectual property.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of accounting (continued)

viii. 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.

ix. 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.

x. Inventories

Inventories are valued at the lower of cost and net realizable value.

xi. Reserves and discretionary reserve funds

Halton Region follows the practice of allocating interest income and annual surplus into reserves and discretionary reserve funds that are retained for specific purposes, including maintaining assets in a state-of-good-repair. These reserves and discretionary reserve funds are established by Regional 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 Regional Council.

Reserves and discretionary reserve funds set aside by Regional Council are included in accumulated surplus and are reported in Note 15.

xii. Financial instruments

Financial assets and liabilities are recognized when Halton Region becomes a party to the contractual provisions of the financial instrument.

The carrying value of the financial instruments reported on the Consolidated Statement of Financial Position of Halton Region are measured as follows:

Instrument:	Method:
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Other current assets	Amortized cost
Investments	Amortized cost
Loans receivable	Amortized cost
Recoverable gross long-term debt from Local Municipalities	Amortized cost

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of accounting (continued)

xii. Financial instruments (continued)

Accounts payable	Amortized cost
Gross long-term liabilities	Amortized cost

Amortized costs are amounts measured using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities). This includes allocating the interest income or interest expense over the relevant period, based on the effective interest rate. This methodology is applied to financial assets or financial liabilities that are not in the fair value category. There are no significant remeasurement impacts from financial instruments on the consolidated financial statements of the Region. In the absence of a financial impact, no Statement of Remeasurement Gains and Losses has been included in the consolidated financial statements in the current year.

Cash and cash equivalents, accounts receivable, and accounts payable are initially recorded at their fair value, and subsequently measured at cost net of any provisions for impairment.

Investments are reported at amortized cost as no investments are traded on an active market.

xiii. Investments

Investments consist of fixed income securities issued by Canadian governments, banks and corporations and are carried at cost. When there has been a loss in market value that is not determined to be a temporary decline, the respective investment is written down to recognize the loss. Gains and losses on investments are recorded when incurred and interest is recorded when received or receivable. Discounts and premiums are amortized using the effective interest method. Sinking fund investments are managed as part of Halton Region's overall investment strategy and are included as investments on the Consolidated Statement of Financial Position.

xiv. Use of estimates

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates relate to accounts receivable, accrued liabilities, asset retirement obligations, employee future benefits and post-employment liabilities and certain expenses.

Estimates are based on information available to management at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

xv. 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 receivable are reported in Note 6.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of accounting (continued)

xvi. Cash and cash equivalents

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

xvii. Asset retirement obligations

Asset retirement obligations are provisions for legal obligations for the retirement of Halton Region's tangible capital assets that are either in productive use or no longer in productive use.

An asset retirement obligation is recognized when, as at the financial reporting date:

a. there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a tangible capital asset;
b. the past transaction or event giving rise to the liability has occurred;
c. it is expected that future economic benefits will be given up; and
d. a reasonable estimate of the amount can be made.

Halton Region recognizes asset retirement obligations in the period in which it incurs a statutory, contractual, or legal obligation associated with the retirement of tangible capital assets resulting from acquisition, construction, development, and/or normal operation of the tangible capital assets.

The liabilities are measured initially at management's best estimate of the discounted future cash flows required to settle the retirement obligation. For tangible capital assets that are still in productive use, the estimated retirement costs are capitalized and amortized on the same basis as the related tangible capital asset. For assets that are not recorded or are no longer in productive use, the liability is expensed in the period.

In subsequent periods, the liability is accreted over time. The asset retirement obligations estimates are adjusted, if necessary, for changes in the liability estimate or timing of the future cash flows, as applicable. Accretion expenses are included in the Consolidated Statement of Operations. Actual costs incurred are charged against the asset retirement obligation to the extent of the liability recorded. Differences between actual costs incurred and the liability, if any, are recognized in the Consolidated Statement of Operations when remediation is completed.

xviii. Pensions and employee future benefits liabilities

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 liabilities 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of accounting (continued)

xviii. Pensions and employee future benefits liabilities (continued)

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 consolidated financial statements, the plans are considered unfunded.

xix. Canadian Public Sector Accounting standards issued but not yet adopted

The standards noted below were not in effect for the year ended December 31, 2025, and therefore, have not been applied in preparing these consolidated financial statements. Management is assessing the impact of these standards on future statements.

Standards applicable for fiscal years beginning on or after April 1, 2026:

Topic	Description
The Conceptual Framework for Financial Reporting in the Public Sector	The PSAB's Conceptual Framework for Financial Reporting in the Public Sector replaces the conceptual aspects of section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives. PS 1202 Financial Statement Presentation will be adopted concurrently with the new Conceptual Framework.

(Dollars in Thousands)

2. INVESTMENTS

Halton Region's investment policy as approved by Regional Council has an emphasis on the preservation and safety of capital while ensuring the liquidity of funds needed to meet Halton Region's obligations.

	2025		2024	
	Cost	Market Value	Cost	Market Value
Investments	$ 3,080,174	$ 2,994,043	$ 3,155,773	$ 3,057,728

In addition, Halton Region includes in its investment portfolio a balance of $109,629 (2024 - $106,183) which is restricted, as the funds are those of the Town of Halton Hills. These funds are included within Accounts Payable and Accrued Liabilities in the Consolidated Statement of Financial Position.

3. TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost on the Consolidated Statement of Financial Position. Halton Region has tangible capital assets with a net book value of $929,751 (2024 - $848,987) that are not being amortized as they are under construction. During the year there were no write-downs of assets (2024 - $nil). Roads and underground water and sewer systems in the amount of $52,420 (2024 - $1,765) 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 (2024 - $nil). Halton Region owns various works of art and historical treasures that have not been included as tangible capital assets and therefore, are not recognized on the consolidated financial statements. These items are categorized as Museum Historical Artifacts or Museum Archival Materials.

Tangible capital assets related to asset retirement obligations are included at a cost of $18,183 (2024 - $18,593) and accumulated amortization of $13,291 (2024 - $12,585).

Notes to Consolidated Financial Statements

For the year ended December 31, 2025
(Dollars in Thousands)

3. TANGIBLE CAPITAL ASSETS (CONTINUED)

The following tables summarize tangible capital asset balances by category for the years 2025 and 2024:

Asset Type	Opening Balance 01-Jan-25	Additions/ (Transfers)	Disposals	Ending Balance 31-Dec-25	Opening Accumulated Amortization Balance 01-Jan-25	Amortization	Disposals	Ending Accumulated Amortization Balance 31-Dec-25	Ending Net Book Value 31-Dec-25
General									
Buildings and building improvements	$ 379,378	$ 28,714	$ 87	$ 408,005	$ 168,641	$ 9,630	$ 78	$ 178,193	$ 229,812
Computer hardware	52,922	3,509	310	56,121	36,040	5,980	299	41,721	14,400
Computer software	23,891	10,041	-	33,932	18,981	2,019	-	21,000	12,932
Land	230,339	9,065	-	239,404	-	-	-	-	239,404
Land improvements	91,189	3,712	323	94,578	47,867	2,726	226	50,367	44,211
Leasehold improvements	5,095	-	-	5,095	4,020	146	-	4,166	929
Machinery and equipment	288,421	31,519	3,065	316,875	158,664	9,863	2,831	165,696	151,179
Vehicles	43,459	11,960	3,825	51,594	26,047	6,198	3,176	29,069	22,525
Total general	**1,114,694**	**98,520**	**7,610**	**1,205,604**	**460,260**	**36,562**	**6,610**	**490,212**	**715,392**
Infrastructure									
Buildings and building improvements	659,011	13,135	325	671,821	227,076	13,143	213	240,006	431,815
Land	353,081	16,832	-	369,913	-	-	-	-	369,913
Land improvements	158,943	15,870	676	174,137	82,640	5,235	474	87,401	86,736
Linear	4,867,571	240,488	22,860	5,085,199	1,177,489	71,169	12,703	1,235,955	3,849,244
Machinery and equipment	946,256	41,717	10,087	977,886	458,855	33,181	7,581	484,455	493,431
Total infrastructure	**6,984,862**	**328,042**	**33,948**	**7,278,956**	**1,946,060**	**122,728**	**20,971**	**2,047,817**	**5,231,139**
Assets under construction	**848,987**	**80,764**	**-**	**929,751**	**-**	**-**	**-**	**-**	**929,751**
Total tangible capital assets	**$ 8,948,543**	**$ 507,326**	**$ 41,558**	**$ 9,414,311**	**$ 2,406,320**	**$ 159,290**	**$ 27,581**	**$ 2,538,029**	**$ 6,876,282**

(Dollars in Thousands)

3. TANGIBLE CAPITAL ASSETS (CONTINUED)

Asset Type	Opening Balance 01-Jan-24	Additions/ (Transfers)	Disposals	Ending Balance 31-Dec-24	Opening Accumulated Amortization Balance 01-Jan-24	Amortization	Disposals	Ending Accumulated Amortization Balance 31-Dec-24	Ending Net Book Value 31-Dec-24
General									
Buildings and building improvements	$ 375,416	$ 3,975	$ 13	$ 379,378	$ 152,467	$ 16,186	$ 12	$ 168,641	$ 210,737
Computer hardware	50,615	4,117	1,810	52,922	31,726	6,119	1,805	36,040	16,882
Computer software	21,520	2,371	-	23,891	17,632	1,349	-	18,981	4,910
Land	234,362	(4,023)	-	230,339	-	-	-	-	230,339
Land improvements	89,375	1,814	-	91,189	45,693	2,174	-	47,867	43,322
Leasehold improvements	5,095	-	-	5,095	3,874	146	-	4,020	1,075
Machinery and equipment	282,914	8,469	2,962	288,421	148,846	12,692	2,874	158,664	129,757
Vehicles	41,600	7,282	5,423	43,459	26,651	4,056	4,660	26,047	17,412
Total general	**1,100,897**	**24,005**	**10,208**	**1,114,694**	**426,889**	**42,722**	**9,351**	**460,260**	**654,434**
Infrastructure									
Buildings and building improvements	631,490	29,558	2,037	659,011	215,959	12,825	1,708	227,076	431,935
Land	367,996	(14,915)	-	353,081	-	-	-	-	353,081
Land improvements	153,712	5,514	283	158,943	78,111	4,806	277	82,640	76,303
Linear	4,506,709	367,082	6,220	4,867,571	1,112,977	68,263	3,751	1,177,489	3,690,082
Machinery and equipment	890,817	60,127	4,688	946,256	430,689	32,277	4,111	458,855	487,401
Total infrastructure	**6,550,724**	**447,366**	**13,228**	**6,984,862**	**1,837,736**	**118,171**	**9,847**	**1,946,060**	**5,038,802**
Assets under construction	**737,816**	**111,171**	**-**	**848,987**	**-**	**-**	**-**	**-**	**848,987**
Total tangible capital assets	**$ 8,389,437**	**$ 582,542**	**$ 23,436**	**$ 8,948,543**	**$ 2,264,625**	**$ 160,893**	**$ 19,198**	**$ 2,406,320**	**$ 6,542,223**

(Dollars in Thousands)

4. LONG-TERM LIABILITIES

The use of long-term liabilities to finance capital expenditures are governed by Provincial legislation and internal debt limits set by Regional Council. 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 School Boards. The responsibility for raising the amounts required to service these liabilities lies with the respective Local Municipalities, School Boards and Halton Region. The issued debentures are direct, joint and several obligations of Halton Region and all its Local Municipalities.

Halton Region has purchased $6,469 (2024 - $6,467) 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 2025 is $273,500 (2024 - $273,500).

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

	2025	2024
Long-term liabilities incurred by Halton Region	$ 232,123	$ 233,048
Mortgages payable by HCHC	13,770	18,849
Subtotal gross long-term liabilities	**245,893**	**251,897**
Sinking fund debentures	328,147	328,147
Total long-term liabilities incurred by Halton Region	**574,040**	**580,044**
Less recoverable from Local Municipalities:		
Long-term debentures		
City of Burlington	124,555	114,965
Town of Halton Hills	5,752	6,783
Town of Milton	28,943	34,504
Town of Oakville	70,015	70,585
Subtotal long-term debentures	**229,265**	**226,837**
Sinking Fund debentures		
Town of Milton	11,337	11,769
Town of Oakville	68,021	70,615
Subtotal Sinking Fund debentures	**79,358**	**82,384**
Subtotal Local Municipalities	**308,622**	**309,221**
Less cumulative Sinking Fund contributions from Local Municipalities	25,643	22,616
Net long-term liabilities at year end	**$ 239,775**	**$ 248,207**

(Dollars in Thousands)

4. LONG-TERM LIABILITIES (CONTINUED)

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.

	2025	2024
Opening balance	$ 29,402	$ 25,611
Halton Region contributions	2,605	2,605
Interest earned	1,358	1,186
Sinking Fund #148-11 balance to date	**$ 33,365**	**$ 29,402**

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.

	2025	2024
Opening balance	$ 36,077	$ 31,452
Halton Region contributions	1,261	1,262
Oakville contributions	1,816	1,816
Milton contributions	303	303
Interest earned	1,448	1,244
Sinking Fund #43-15 balance to date	**$ 40,905**	**$ 36,077**

Sinking Fund #39-24 was issued on October 29, 2024 for a 30-year term and total value of $54,647.

	2025	2024
Opening balance	$ -	$ -
Halton Region contributions	1,103	-
Interest earned	9	-
Sinking Fund #39-24 balance to date	**$ 1,112**	**$ -**

Annual contributions for Sinking Fund #39-24 began in 2025.

(Dollars in Thousands)

4. LONG-TERM LIABILITIES (CONTINUED)

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

	2025	2024
Property taxes	$ 80,748	$ 84,329
Water	17,067	18,496
Wastewater	20,175	18,249
Development charges	121,785	127,133
Net long-term liabilities at year end	**$ 239,775**	**$ 248,207**

5. CHARGES FOR LONG-TERM LIABILITIES

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

	2025	2024
Gross principal repayment	$ 32,420	$ 34,949
HCHC mortgages	5,079	5,209
Less amounts recovered	(29,032)	(26,916)
Net principal	**8,467**	**13,242**
Gross interest paid	19,996	16,835
HCHC mortgages	640	818
Less amount recovered	(12,427)	(11,475)
Net interest	**8,209**	**6,178**
Total net principal and interest	**$ 16,676**	**$ 19,420**

Debentures bear interest at rates ranging from 1.35% (2024 - 1.10%) to 5.30% (2024 - 5.30%). Mortgages of $13,770 (2024 - $18,849) 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 2.02% (2024 - 0.74%) and 5.94% (2024 - 5.94%).

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

(Dollars in Thousands)

5. CHARGES FOR LONG-TERM LIABILITIES (CONTINUED)

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

	2025	2024
Property taxes	$ 6,954	$ 6,306
Water and wastewater revenues	-	4,454
Development charges	9,722	8,660
Total	**$ 16,676**	**$ 19,420**

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

	Installment principal	Sinking Fund #148-11	Sinking Fund #43-15	Sinking Fund #39-24	HCHC mortgages	Total
2026	$ 3,469	$ 3,721	$ 1,771	$ 1,138	$ 4,884	$ 14,983
2027	-	3,842	1,829	1,176	5,557	12,404
2028	-	3,968	1,889	1,214	3,173	10,244
2029	-	4,097	1,950	1,254	156	7,457
2030	-	4,231	2,014	1,295	-	7,540
2030-2054	-	85,868	52,903	48,376	-	187,147
Total	**$ 3,469**	**$ 105,727**	**$ 62,356**	**$ 54,453**	**$ 13,770**	**$ 239,775**

6. LOANS RECEIVABLE

Halton Region has loans receivable in the amount of $4,629 (2024 - $4,910). 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.

As per Regional 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 2025 is $420 (2024 - $484). Each loan is repayable over a set period at a variable interest rate listed below.

(Dollars in Thousands)

6. LOANS RECEIVABLE (CONTINUED)

As per Regional Council report DI-03-23 / LPS23-23, Halton Region entered into a loan receivable agreement with Halton Digital Access Services Corporation on June 30, 2023. Annual repayments of $100 will begin on June 30, 2028. Interest charges to incur in the event of default.

	2025	2024
Conservation Halton		
Loans repayable over 10 years bearing interest of 3.0% with maturity dates from 2023 - 2027	$ 20	$ 107
Loans repayable over 20 years bearing interest of 3.0% with maturity dates from 2038 - 2042	846	901
Loans repayable over 30 years bearing interest of 3.2% with maturity dates from 2048 - 2050	3,263	3,402
Total loans receivable from Conservation Halton	**4,129**	**4,410**
Halton Digital Access Services Corporation		
Loans repayable over 5 years, non-interest bearing, beginning 2028	500	500
Total loans receivable from Halton Digital Access Services Corporation	**500**	**500**
Total	**$ 4,629**	**$ 4,910**

7. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

(a) Halton Region has outstanding contractual obligations of $519,253 (2024 - $712,655) for capital works still to be constructed. Regional Council has approved 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:

2026	$ 1,797
2027	1,138
2028	720
2029	539
2030	542

7. COMMITMENTS AND CONTRACTUAL OBLIGATIONS (CONTINUED)

(c) 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 Regional Council but which have not been reported as commitments.

(d) The Region has issued letters of credit for $5,072 (2024 - $4,878) in order to meet the credit requirements and conditions of certain agreements related to capital projects.

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 outcome is not determinable. Liabilities for non-insured claims are recorded in the year in which they are determined likely to occur and the amount can be estimated.

At year-end, Halton 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 $1,621 (2024 - $1,631) which is included in Accounts payable and accrued liabilities in the Consolidated Statement of Financial Position.

9. CONTINGENT ASSETS

As at December 31, 2025, Halton Region has certain outstanding legal actions in which Halton Region is seeking damages. Halton Region has determined that resolution of these claims in favour of Halton Region is undeterminable as at December 31, 2025.

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 development charge reserve funds in the amount of $nil (2024 - $118,821) and reserve fund for the Canada Community-Building Fund in the amount of $31,716 (2024 - $26,054). 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 2025, development charges collected during the year and those previously collected which had been deferred were used for eligible expenditures, resulting in no deferred revenue from development charge reserves.

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 eligible 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.

(Dollars in Thousands)

10. DEFERRED REVENUE (CONTINUED)

The deferred revenue, reported on the Consolidated Statement of Financial Position, is made up of the following:

	Balance at 31-Dec-24	Inflows	Revenue Earned	Balance at 31-Dec-25
Development charges	$ 118,821	$ 52,064	$ 170,885	$ -
Canada Community-Building Fund	26,054	20,464	14,802	31,716
Total obligatory reserve funds	144,875	72,528	185,687	**31,716**
Unexpended capital financing	7,037	30,401	22,614	14,824
Permits	2,849	1,757	1,534	3,072
Developer accelerated (Note 15)	24,924	10,996	15,233	20,687
Developer water meters	1,749	463	764	1,448
Other	3,531	10,555	5,699	8,387
Total general deferred revenue	40,090	54,172	45,844	**48,418**
Total	$ 184,965	$ 126,700	$ 231,531	**$ 80,134**

11. ASSET RETIREMENT OBLIGATIONS

Halton Region's asset retirement obligations consist of the following:

Regulated substances

Halton Region owns and operates various tangible capital assets including buildings, water mains, wastewater mains, water treatment plants and storm mains that contain certain regulated substances requiring remediation upon decommissioning. The *Canadian Environment Protection Act*, 1999, governs the protection of the environment and human health with respect to regulated substances. In addition, the Canada Occupational Health and Safety Regulations also outlines requirements for exposure control, as well as requirements on disposal and decontamination of these regulated substances.

Landfill

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 31 years, assuming the waste diversion targets are met. Expected closure and post-closure care costs of the active landfill site and the 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 estimated length of time required for post-closure care is 40 years. Halton Region also monitors seven inactive landfill sites owned by the Local Municipalities. Under agreements with the four Local Municipalities, Halton Region may recover the cost of capital rehabilitation that may be required and is not responsible for any third-party claims that may result from these inactive sites. The Local Municipalities bear the cost of monitoring the inactive sites and therefore these costs have not been included in the landfill post-closure liability.

(Dollars in Thousands)

11. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

The liability for asset retirement obligations has been estimated using a net present value technique with a discount rate of 3.0%. During the year, the Region revised the cash flows for the landfill liability, with an estimated extension of 10 years in the lifespan of the active landfill site, resulting in a decrease of the asset retirement obligations by $836. A reconciliation of the beginning and ending balance of the liability is as follows:

	2025	2024
Asset retirement obligations at beginning of year	$ 54,906	$ 53,722
Accretion expense	1,196	1,223
Change in estimate	(836)	-
Asset retirement obligation settled during the year	(54)	(39)
Asset retirement obligations at end of year	**$ 55,212**	**$ 54,906**

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, 2025, that meet the specified criteria (2024 - $nil).

13. EMPLOYEE FUTURE BENEFITS LIABILITIES

Halton Region provides certain employee benefits that will require funding in future periods. These benefits include sick leave benefits, benefits under the *Workplace Safety and Insurance Board (WSIB) Act*, 1997, long-term disability, 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.

(Dollars in Thousands)

13. EMPLOYEE FUTURE BENEFITS LIABILITIES (CONTINUED)

Employee future benefits and reserves relating to these liabilities are as follows:

	2025		2024	
	Accrued Liability	**Reserve**	**Accrued Liability**	**Reserve**
Retirement benefits				
Halton Region employees	$ 20,551	$ 25,363	$ 19,673	$ 24,192
Halton Regional Police Service	44,850	36,680	43,002	35,467
WSIB				
Halton Region employees	22,296	25,460	19,414	23,757
Halton Regional Police Service	19,731	2,612	16,601	2,526
Long-term disability				
Halton Region employees	10,063	15,604	9,289	14,704
Halton Regional Police Service	5,395	8,037	5,209	7,216
Vacation pay				
Halton Region employees	5,009	-	4,952	-
Halton Regional Police Service	175	-	169	-
Vested sick leave entitlements				
Halton Regional Police Service	79	111	73	107
Total	**$ 128,149**	**$ 113,867**	**$ 118,382**	**$ 107,969**

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

	2025	2024
Accrued benefit obligation:		
Balance, beginning of year	$ 141,898	$ 132,489
Current benefit cost	13,686	12,786
Interest	6,040	5,620
Benefits paid	(13,921)	(13,487)
Plan amendment	-	4,490
Balance, end of year	147,703	141,898
Unamortized actuarial losses	(19,554)	(23,516)
Liability for benefits	128,149	118,382
Amortization of actuarial losses	$ 3,962	$ 4,004

(Dollars in Thousands)

13. EMPLOYEE FUTURE BENEFITS LIABILITIES (CONTINUED)

The liabilities were determined by an actuarial valuation as at December 31, 2023. The actuarial loss is the result of assumptions used in the actuarial valuation as at December 31, 2023 that varied from assumptions used in prior valuations. These assumptions pertain to the distribution of eligible employee groups, discount rate, benefit cost escalation, mortality and termination rates. The unamortized actuarial loss is amortized over the expected average remaining service life with estimates to December 31, 2026. Halton Region commissions actuarial reviews of the retirement benefits, WSIB and long-term disability obligations every three years.

	2025	Remaining Service Life
Retirement benefits	403	7 to 13 years
WSIB	(14,474)	9 to 10 years
Long-term disability	(5,483)	8 years
Total	**(19,554)**	

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:

	2025	2024
Expected inflation rate	2.00%	2.00%
Discount rate		
Retirement benefits	4.25%	4.25%
WSIB	4.50%	4.50%
Long-term disability	4.75%	4.75%
Expected salary increase	3.00%	3.00%
Expected dental care cost increase	4.00%	4.00%
Expected health cost increase	4.42% in 2025, reducing by 0.33% per year to 3.75% in 2027	4.75% in 2024, 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 or retirement. In 2025, payments out of the vested sick leave plan amounted to $nil (2024 - $nil) and have been reported on the Consolidated Statement of Operations. Sick leave benefits of $79 (2024 - $73) are anticipated to be paid out in 2025 and have been reported on the Consolidated Statement of Financial Position.

(Dollars in Thousands)

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 4,536 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 accrued benefit obligation of the OMERS Plan as shown in the OMERS financial statements as at December 31, 2025 is $145.2 billion (2024 - $138.2 billion) with an actuarially determined funding deficit of $1.3 billion (2024 - $2.9 billion). OMERS is a multi-employer plan; therefore, Halton Region does not recognize any share of the pension deficit.

Halton Region's contribution to OMERS for its current service amounted to $42,815 (2024 - $38,751) and is included as an expense on the Consolidated Statement of Operations. Employee contributions amounted to $42,815 (2024 - $38,751).

Contributions for employees with a normal retirement age of 65 were made at a rate of 9.0% for earnings up to the yearly maximum pensionable earnings of $71.3 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.

15. ACCUMULATED SURPLUS

Accumulated surplus consists of the following balances:

	2025	2024
Unexpended capital financing	$ 1,634,211	$ 1,579,076
Reserves and discretionary reserve funds (detailed below)	1,251,938	1,258,942
Sinking fund investment	49,739	42,883
Tangible capital assets	6,876,282	6,542,223
Developer financed assets	(20,687)	(24,924)
Amounts to be recovered in future years:		
From reserves and reserve funds on hand	(122,193)	(115,203)
From future revenues	(301,559)	(306,941)
Total Accumulated Surplus	**$ 9,367,731**	**$ 8,976,056**

(Dollars in Thousands)

15. ACCUMULATED SURPLUS (CONTINUED)

	2025	2024
Reserves and discretionary reserve funds set aside by Regional Council:		
Stabilization - rate	$ 25,491	$ 25,670
Stabilization - tax	94,025	87,596
Program specific	130,308	131,885
Workplace safety and insurance	28,072	26,283
Self-insurance - general	8,908	8,505
Self-insurance - employee benefits	85,795	81,686
Asset Retirement Obligation (ARO) Landfill Reserve	24,517	23,553
Equipment replacement - vehicle	4,767	7,572
Equipment replacement - building	3,267	5,135
Equipment replacement - equipment	16,199	21,349
Capital - rate	205,656	257,421
Capital - tax	411,685	385,889
Capital - investment	141,938	115,120
Other	71,310	81,278
Total Reserves and Discretionary Reserve Funds	**$ 1,251,938**	**$ 1,258,942**

16. TRUST FUNDS

Trust Funds, in the amount of $72 (2024 - $54), for the residents of Allendale, Creek Way Village and Post Inn Village, which are administered by Halton Region, have not been included in these consolidated financial statements, and are reported separately on the Statement of Financial Position of the Long Term Care Trust Fund Statements.

17. SEGMENTED INFORMATION

Segmented information has been identified based on lines of service provided by Halton Region and Financial Information Return (FIR) functional categories guidelines. Halton Region's services are provided by departments, divisions and organizational units. Their activities are reported by functional area in the body of the consolidated financial statements. Certain lines of services that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Protection services

The mandate of the protection services 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 deliver municipal public works related to the planning, development and maintenance of roadway systems and street lighting.

Water and wastewater services

The water and wastewater services include 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 solid waste services include the planning, collection and disposal of solid waste, administering the green cart program and recycling, including diversion programs and facilities for solid waste.

Health services

The health department delivers a variety of public health programs and services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement. Staff work in the community to deliver programs such as paramedic services, immunization, nutrition, insect control and health inspection.

Social and community services

The social and community services department provides programs and services that enhance the quality of life of Halton 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 solutions 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.

17. SEGMENTED INFORMATION (CONTINUED)

Other services consists of the general government, infrastructure planning and development, and recreation and cultural services:

General government

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

Infrastructure planning and development

Infrastructure planning and development provides a long-term comprehensive approach to planning and development processes to ensure the efficient use of regional infrastructure. Note through Bill 185, Cutting Red Tape to Build More Homes Act, 2024, Halton Region became an “upper-tier municipality without planning responsibilities” effective July 1, 2024.

Recreational and cultural services

Recreational and cultural services foster 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.

Allocation methodologies

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 2025 Budget. In addition, certain government transfers 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.

(Dollars in Thousands)

17. SEGMENTED INFORMATION (CONTINUED)

For additional information see the Consolidated Schedule of Segment Disclosure below for the years 2025 and 2024:

	Protection Services	Transportation Services	Water and Wastewater Services	Solid Waste Services*	Health Services	Social and Community Services	Social Housing	Other Services**	Total Consolidated 2025
Revenues									
Taxation*									
Taxation–own purpose	$ 261,656	$ 74,512	$ 23	$ -	$ 60,379	$ 65,466	$ 54,735	$ 61,406	$ 578,177
Payments in lieu	2,457	700	-	-	567	615	514	577	5,430
User charges	7,453	1,355	286,429	2,869	192	18,509	368	2,332	319,507
Provincial transfers	9,095	145	3,684	-	56,692	333,063	26,346	5,455	434,480
Federal transfers	-	5,198	9,607	-	95	1,314	10,991	177	27,382
Investment income	-	-	8,910	-	-	-	-	95,492	104,402
Development charges and developer contributions	1,885	142,290	69,132	397	982	-	3,981	13,139	231,806
Other revenue	1,715	-	234	8,583	58	942	20,256	1,089	32,877
Total revenues	**284,261**	**224,200**	**378,019**	**11,849**	**118,965**	**419,909**	**117,191**	**179,667**	**1,734,061**
Expenses									
Salaries, wages and employee benefits	199,354	4,143	48,347	5,880	76,431	101,846	9,045	83,259	528,305
Materials	11,642	10,126	44,311	2,152	3,914	7,758	5,580	12,068	97,551
Contracted services	19,819	25,393	45,093	39,881	4,617	18,868	12,242	30,281	196,194
Rents and financial expenses	1,292	8,351	10,206	383	822	261	6,906	751	28,972
Government transfers	12,094	-	1,588	230	1,324	257,245	41,758	6,946	321,185
Debt expense	3,975	-	3,591	-	3	-	640	-	8,209
Amortization of tangible capital assets	11,416	28,443	94,379	2,978	3,003	2,806	5,819	10,446	159,290
Program support	2,556	3,286	20,932	3,810	16,423	20,819	3,801	(71,627)	-
Other operating expenses	-	-	-	-	-	-	-	2,680	2,680
Total expenses	**262,148**	**79,742**	**268,447**	**55,314**	**106,537**	**409,603**	**85,791**	**74,804**	**1,342,386**
Annual surplus	**$ 22,113**	**$ 144,458**	**$ 109,572**	**$ (43,465)**	**$ 12,428**	**$ 10,306**	**$ 31,400**	**$ 104,863**	**$ 391,675**

* The allocation of taxation amount is based on a percentage of budgeted net expenditures.

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

(Dollars in Thousands)

17. SEGMENTED INFORMATION (CONTINUED)

	Protection Services	Transportation Services	Water and Wastewater Services	Solid Waste Services*	Health Services	Social and Community Services	Social Housing	Other Services**	Total Consolidated 2024
Revenues									
Taxation*									
Taxation–own purpose	$ 214,881	$ 66,388	$ 18	$ 18,592	$ 50,158	$ 59,150	$ 45,600	$ 45,559	$ 500,346
Solid waste levy	-	-	-	32,659	-	-	-	-	32,659
Payments in lieu	2,222	686	-	-	519	612	471	663	5,173
User charges	6,538	13,870	263,348	3,813	71	18,467	524	3,612	310,243
Provincial transfers	9,149	24,010	888	-	55,062	285,535	20,141	1,955	396,740
Federal transfers	-	12,303	21,503	-	115	1,604	24,019	143	59,687
Investment income	-	-	5,208	-	-	-	-	91,202	96,410
Development charges and developer contributions	2,148	167,675	112,393	782	2,063	-	4,801	12,863	302,725
Other revenue	1,723	592	468	6,476	229	835	19,812	902	31,037
Total revenues	**236,661**	**285,524**	**403,826**	**62,322**	**108,217**	**366,203**	**115,368**	**156,899**	**1,735,020**
Expenses									
Salaries, wages and employee benefits	181,427	3,940	45,425	5,165	73,087	95,965	8,320	89,716	503,045
Materials	9,317	574	31,274	1,329	3,663	7,773	6,862	6,243	67,035
Contracted services	16,284	22,418	44,576	42,232	5,334	20,215	11,150	37,702	199,911
Rents and financial expenses	1,495	74	4,545	531	1,023	601	6,436	208	14,913
Government transfers	11,539	21	1,805	233	1,097	209,168	39,945	7,587	271,395
Debt expense	1,957	-	3,398	-	5	-	818	-	6,178
Amortization of tangible capital assets	11,063	31,056	87,218	2,038	2,026	2,767	15,837	8,888	160,893
Program support	2,437	3,930	20,750	3,561	16,487	19,828	3,492	(70,485)	-
Other operating expenses	-	-	-	-	-	-	-	2,347	2,347
Total expenses	**235,519**	**62,013**	**238,991**	**55,089**	**102,722**	**356,317**	**92,860**	**82,206**	**1,225,717**
Annual surplus	**$ 1,142**	**$ 223,511**	**$ 164,835**	**$ 7,233**	**$ 5,495**	**$ 9,886**	**$ 22,508**	**$ 74,693**	**$ 509,303**

* 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 10-24.

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

(Dollars in Thousands)

18. BUDGET COMPARISON

The budget data presented in these consolidated financial statements are based upon the 2025 budget approved by Regional Council and the HCHC Board of Directors on December 11, 2024.

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.

	2025 Budget
Halton Region approved Operating Revenues budget FN-34-24	**$ 1,426,065**
In-year changes*	1,141
Revised approved budget	1,427,206
Development charges and developer contributions	231,806
Government Transfers	16,534
Other revenue adjustments	35,986
Reclassification between revenue and expense	(428)
HCHC approved Operating Revenues budget (HC-17-24)	**33,255**
HCHC in-year changes**	210
HCHC PSAS adjustments	11,246
HCHC intercompany transactions	(26,399)
Total consolidated revenues	**1,729,416**
Halton Region approved Operating Expenses budget FN-34-24	**1,426,065**
In-year changes*	1,141
Revised approved budget	1,427,206
Transfers to reserves - capital	(277,443)
Transfers from reserves - capital	10,262
Debt charges - principal	(8,356)
Transfers to reserves - operating	(55,106)
Transfers from reserves - operating	4,529
Amortization	154,210
Capital project cost resulting in operating expenses	52,106
Loss (gain) on disposal of tangible capital assets	13,112
Employee future benefits	9,767
Asset retirement obligations	(19)
Reclassification between revenue and expense	(428)
HCHC approved Operating Expenses budget (HC-17-24)	**33,255**
HCHC in-year changes**	210
HCHC PSAS adjustments	2,046
HCHC intercompany transactions	(21,720)
Total consolidated expenses	**1,343,631**
Annual surplus	**$ 385,785**

(Dollars in Thousands)

18. BUDGET COMPARISON (CONTINUED)

In-year changes:

*Refer to Halton Region Report No.:		Amount
FN-10-25 - 2025 Tax Policy	$	108
SS-05-25 - Allocation of Provincial Homelessness Prevention Program Funding 2025-2026 and Federal Reaching Home Update		1,033
Total	**$**	**1,141**

**Refer to Halton Community Housing Corporation Report No.:		Amount
HC-08-25 - Operating and Capital Variance Report for the Period Ending April 30, 2025	$	210
Total	**$**	**210**

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 Halton Region and HCHC properties and the risk of third-party property damage or bodily injury.

	Halton Region		HCHC	
	2025	2024	2025	2024
Insurance period of one year beginning on	1/1/2025	1/1/2024	11/1/2025	11/1/2024
Third party public liability claim limit per occurrence up to	$ 50,000	$ 50,000	$ 5,000	$ 5,000
Maximum deductible limit per occurrence - Liability	100	100	25	25
Maximum deductible limit per occurrence - Property	100	100	100	50
Insurance claims expense	236	239	776	49
Estimated value of outstanding claims	925	1,395	-	5
Self-insurance reserve fund (Note 15)	$ 8,908	$ 8,505	$ N/A	$ N/A

Insurance claims of $236 (2024 - $239), as noted in the above table, are included as an expense in the Consolidated Statement of Operations. The replacement cost coverage per occurrence is set at a limit of $300,000 for Halton Region and $75,000 for HCHC.

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. FAIR VALUE AND RISK MANAGEMENT

Financial instruments are classified as either fair value, cost, or amortized cost. Halton Region determines the classification of its financial instruments at initial recognition.

Halton Region is exposed to a variety of financial risks, including credit risk and liquidity risk. Halton Region's overall risk management program seeks to minimize potential adverse effects on financial performance.

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. Halton Region is exposed to credit risk with respect to accounts receivable and other investments. Halton Region assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in Allowance for Doubtful Accounts. The maximum exposure to credit risk of Halton Region is the carrying value of these assets. Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

There have been no significant changes to credit risk exposure from prior year.

Liquidity Risk

Liquidity risk is the risk that Halton Region will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Halton Region manages its liquidity risk by monitoring its operating requirements, and prepares a budget, as well as cash forecasts, to ensure that it has sufficient funds to fulfill obligations.

There have been no significant changes to the liquidity risk exposure from prior year, as Halton Region maintains its AAA/Aaa credit rating.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. Halton Region is not subject to significant interest rate risk as its cash and cash equivalents, investments, and long-term debt have fixed interest rates and are intended to be carried until maturity. Since cash and cash equivalents are carried at amortized cost, their valuation does not change with changes in fair value.

Halton Region follows an investment policy approved by Regional Council.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Halton Region is not exposed to this risk due to the amounts held in foreign currency being immaterial.

21. COMPARATIVE FIGURES

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