

MANAGEMENT DISCUSSION & ANALYSIS

The 2021 Consolidated Financial Statements demonstrate the Town's continued commitment to program and service delivery with a strong financial foundation to support future growth and remain resilient in the face of the COVID-19 pandemic.

The Town of Halton Hills is pleased to present the 2021 management discussion and analysis, which provides a descriptive narrative to support the consolidated financial statements. These statements provide details of the municipality's financial position and activities for the fiscal year ended December 31, 2021 and include the operations of the Town, the Halton Hills Public Library Board, the Acton Business Improvement Area, the Georgetown Central Business Improvement Area and the Town's investment in its local distribution company, Halton Hills Community Energy Corporation (HHCEC).

The financial statements, prepared in accordance with the Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) consist of the consolidated statement of financial position, the statement of operations, the statement of change in net financial assets and the statement of cash flows. Each of these four statements are explained in detail and provide information concerning the Town's assets and liabilities, activities undertaken during the year and how they were financed.

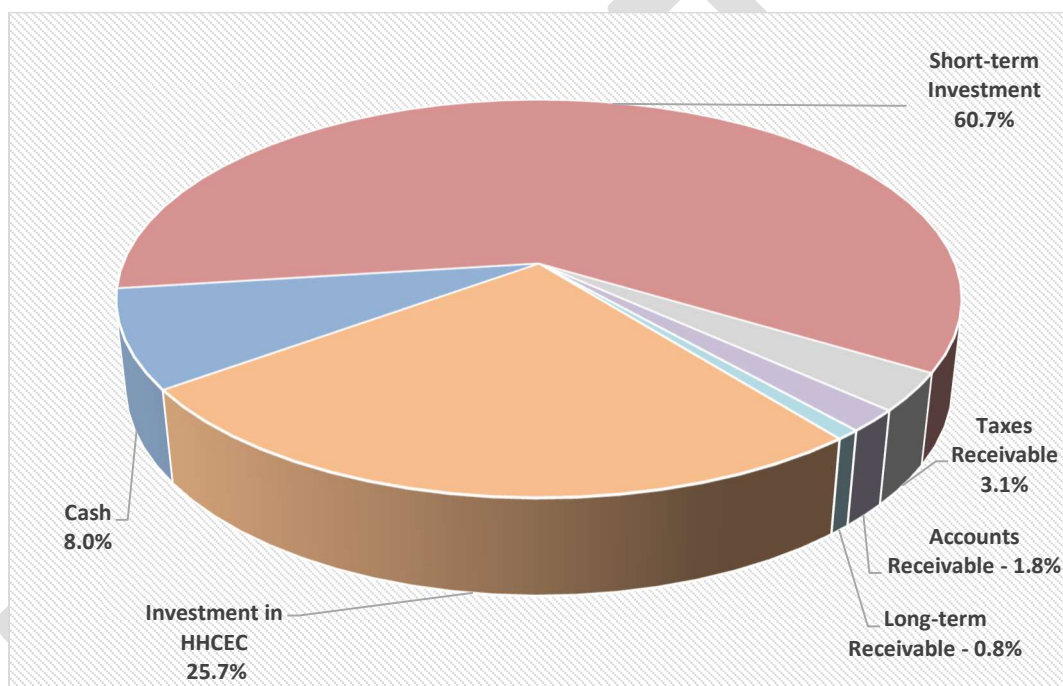
The Town also manages a number of trust funds which are not consolidated within the Town's own financial statements. These funds are reported and audited separately and are attached within this report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position is a snapshot of the total financial assets (cash, investments and receivables) less liabilities (payables, deferred revenue, long-term debt) at December 31, 2021, resulting in a net financial asset position for the Town. This statement also provides details relating to the Town's non-financial assets including tangible capital assets and the Town's accumulated surplus (reserves, unspent capital funds, equity in tangible capital assets).

Financial Assets

The Town's overall financial assets have risen by \$16.3M, totaling \$167.5M at the end of 2021. The increase is mainly due to higher levels of cash held at the end of the year in the Scotiabank operating account and increased levels of short term investments. The following graph shows the distribution of financial assets:



Cash & Short Term Investments

Short term investments of \$101.7M have increased by \$14.2M over the prior year, while the cash position has increased by \$1.8M since 2020. This increase was driven by:

- The deferral of spending due to the financial uncertainty arising from the COVID-19 pandemic;
- Receipt of \$2.8M related to the second instalment of the promissory note repayment held by the Town with HHCEC;
- Receipt of provincial grant funding related to the COVID-19 Safe Restart Agreement;
- Receipt of planning fees in advance of development in the Vision Georgetown lands;
- Favourable year end working capital position.

Return on Investment

The Town invests its reserves with the Region of Halton through a pooled investment agreement and also holds its operating funds with Scotiabank in interest-bearing accounts. The combined rate of return from all investments is 2.02%, which has decreased from the 2020's return of 2.63%. The rate of return on the investment portfolio is lower than the prior year and is driven by the higher cash on hand balance held with Scotiabank at a lower rate of return coupled with the Bank of Canada interest rate drop since March 2020 to 0.25%.

Investment in Halton Hills Community Energy Corporation

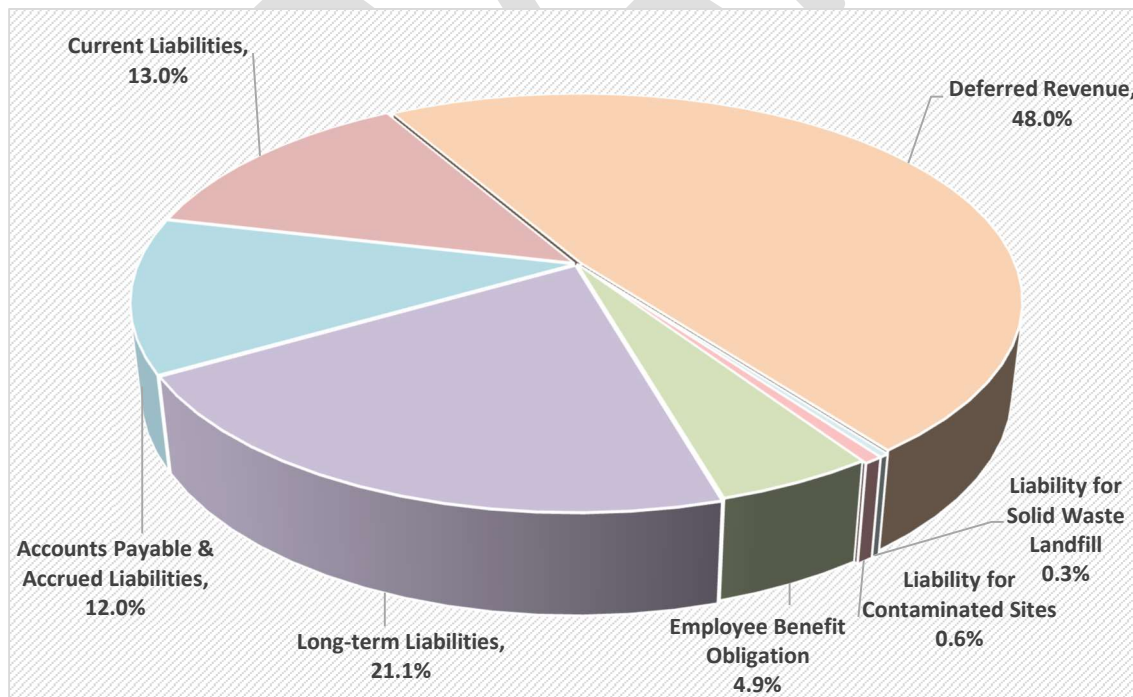
The Town's investment in the Halton Hills Community Energy Corporation (HHCEC) amounts to 25.7% of the total financial assets or \$42.9M. Owned and controlled by the Town of Halton Hills, HHCEC and its wholly owned subsidiaries are accounted for on the modified equity basis in the consolidated financial statements.

Liabilities

The Town's liabilities total \$78M and have increased by \$6.8M since 2020, due mainly to increases in deferred revenue, payables and current liabilities, detailed below.

Accounts payable and other current liabilities combined have increased by \$4.8M to a total of \$19.5M, due mainly to a \$2.6M increase in sub-division deposits related to site plans and subdivision agreements and a \$720K increase in construction holdbacks.

Deferred revenue funds are analyzed in more detail on page 4.



Long term Liabilities

Long-term liabilities amount to \$16.5M, falling by \$4.7M since 2020 and is fully attributable to the repayment of debt principal. No new debentures were issued in 2021. The Town's debentures include \$15.7M payable to the Regional Municipality of Halton and \$696K payable to SouthWestern Energy.

The Province sets an allowable debt limit for municipalities whereby annual debt repayments should not exceed 25% of net revenues. Town Council has also approved further limitations on debt levels through the Corporate Debt Management Policy in 2019. This policy limits annual debt carrying costs to a maximum of 10% of the annual tax levy. For 2021, the Town's debt carrying costs were 9.3% of the annual tax levy and therefore within the Council imposed debt target.

2021 Debt Repayments to Annual Tax Levy			
Debt Carrying Cost	2021 Tax Levy	2021 Town Debt Limit	Council Imposed Debt Limit
\$5,199,335	\$56,039,500	9.3%	10%

In addition to the prescribed debt limit, the Province monitors each municipality's debt load through a financial indicator which measures the annual debt servicing cost as a percentage of total operating revenue less donated assets. In the past few years, the Town has been in the low end of the moderate risk category, which is expected to continue over the foreseeable future as outlined in the Long Range Financial Plan. For 2021, this indicator remains in the moderate risk category at 5.8%.

Flexibility Indicator #5	Range	Actuals							
		2021	Level of Challenge	2020	Level of Challenge	2019	Level of Challenge	2018	Level of Challenge
Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)	Low: < 5% Mod: 5% to 10% High: > 10%	5.8%	Mod	6.1%	Mod	6.4%	Mod	6.1%	Mod

Deferred Revenue

Deferred revenue represents receipts which by their nature are restricted revenues. Once qualifying expenses are incurred by the Town, these deferred revenues are transferred into revenue in the fiscal period that they are expended. It is the largest contributor to the Town's liabilities with a total of \$37.4M, and consists of the following balances:

2021 DEFERRED REVENUE		
	\$000's	%
Restricted Deferred Revenue	10,639	28%
Development Charges	5,785	15%
Parkland Cash In Lieu	8,781	23%
Growth Stabilization Fund	3,687	10%
Building Stabilization Fund	5,242	14%
General Deferred Revenue	3,260	9%
	<u>37,393</u>	<u>100%</u>

Restricted deferred revenues of \$10.6M include unrecognized Canada Community Building Fund revenues of \$6.4M which is \$2.0M higher than the prior year's balance due to an additional funding allocation received in Q3 of 2021. It also includes funds which are held by the Town for the on-going maintenance of assumed sub-divisions, and deferred government grants.

Development charges (DC) contribute significantly to the deferred revenue balance. Positive balances in the transportation, storm water management and administration services funds total \$5.8M at the end of 2021. In addition to the positive balance of the DC funds, the Town also has a number of DC funds where there has been the need to interim fund a \$21.7M shortfall in DC recoveries from Town reserves.

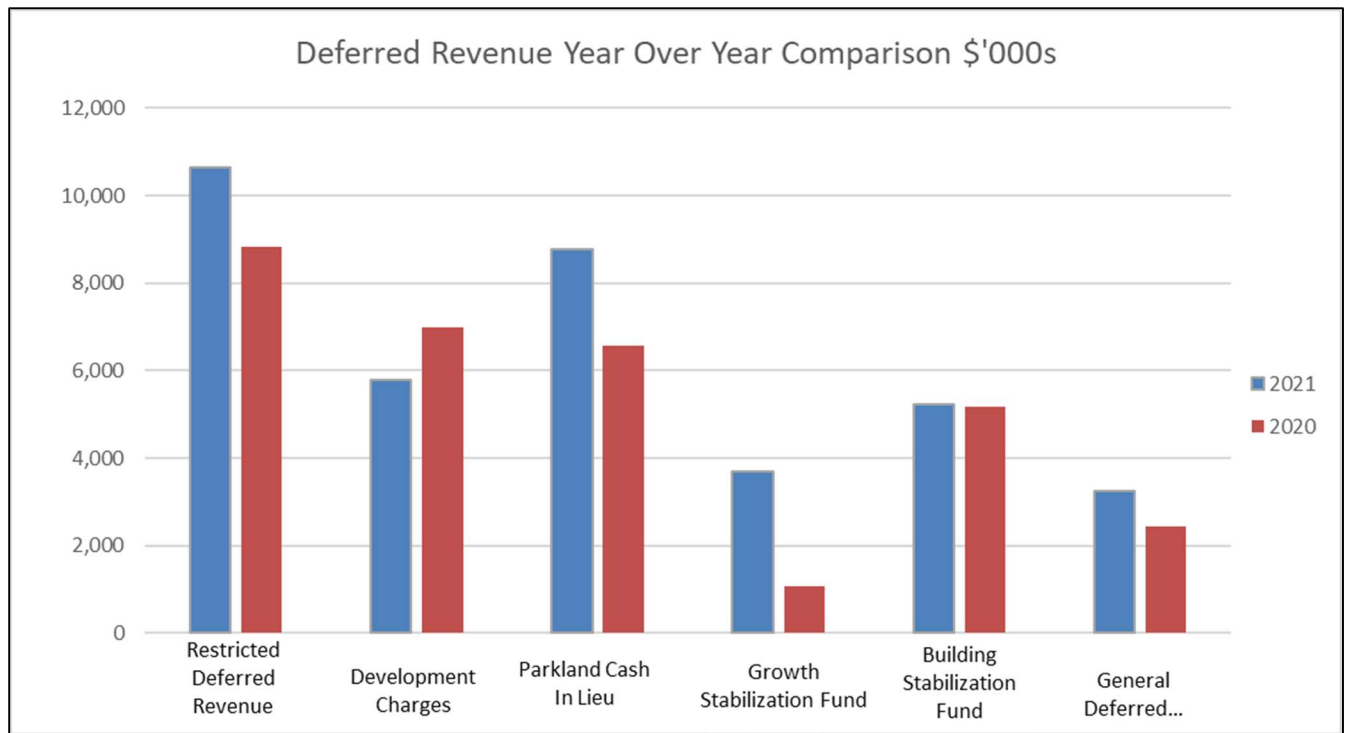
The Parkland Cash in Lieu fund is also included within deferred revenues and totals \$8.8M at the end of 2021. The increase in 2021 is due to collections of \$2.1M with no offsetting in-year spending financed through the cash in lieu fund. The purpose of this fund is to finance the acquisition of land for parks or recreational purposes, and the development or redevelopment of land, parks and recreational facilities.

In 2021 the Town created a new Growth Stabilization fund to defer revenues related to fees received for development applications and agreements. These fees are intended to fund the staff time related to the processing of the development applications and agreements. Due to the long term nature of the new developments and the fact that related staff time could span multiple years, the fees are deferred until the costs are incurred. At the end of 2021, there is a total of \$3.7M in this fund.

The Town also has a Building Stabilization fund within the deferred revenue line which amounted to \$5.2M at the end of 2021. As permitted under the Building Code Act, the purpose of this fund is to address fluctuations in year-to-year service volumes. This fund is used to defer revenues received in advance of work being performed.

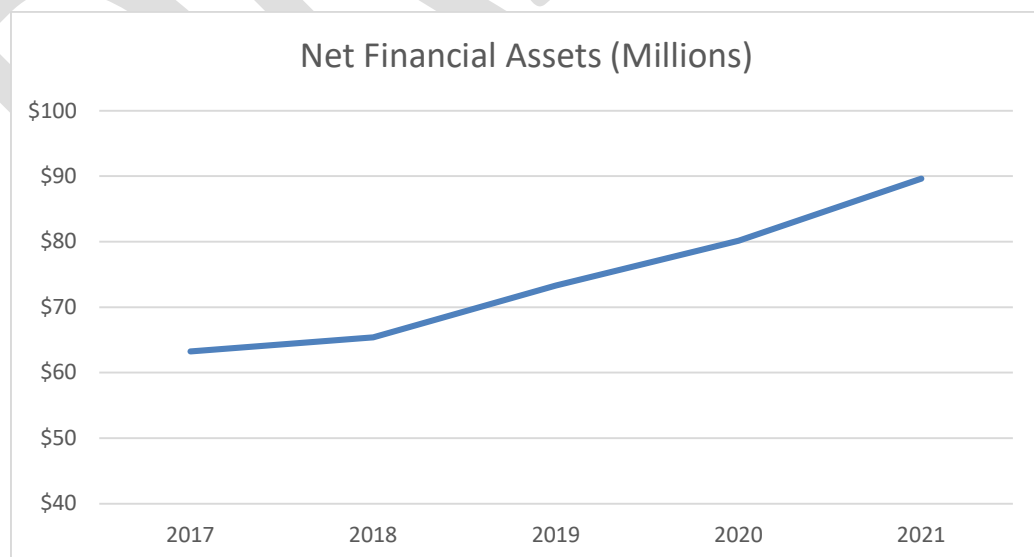
In addition to the restricted and obligatory funds outlined above, the deferred revenue line also includes \$3.3M of general deferred revenues such as the Ontario Community Infrastructure Fund (OCIF) and Regional revenues related to the fire station on Maple Avenue.

The following graph shows the year over year comparison of the change in composition of deferred revenue on the Statement of Financial Position.



Net Financial Assets

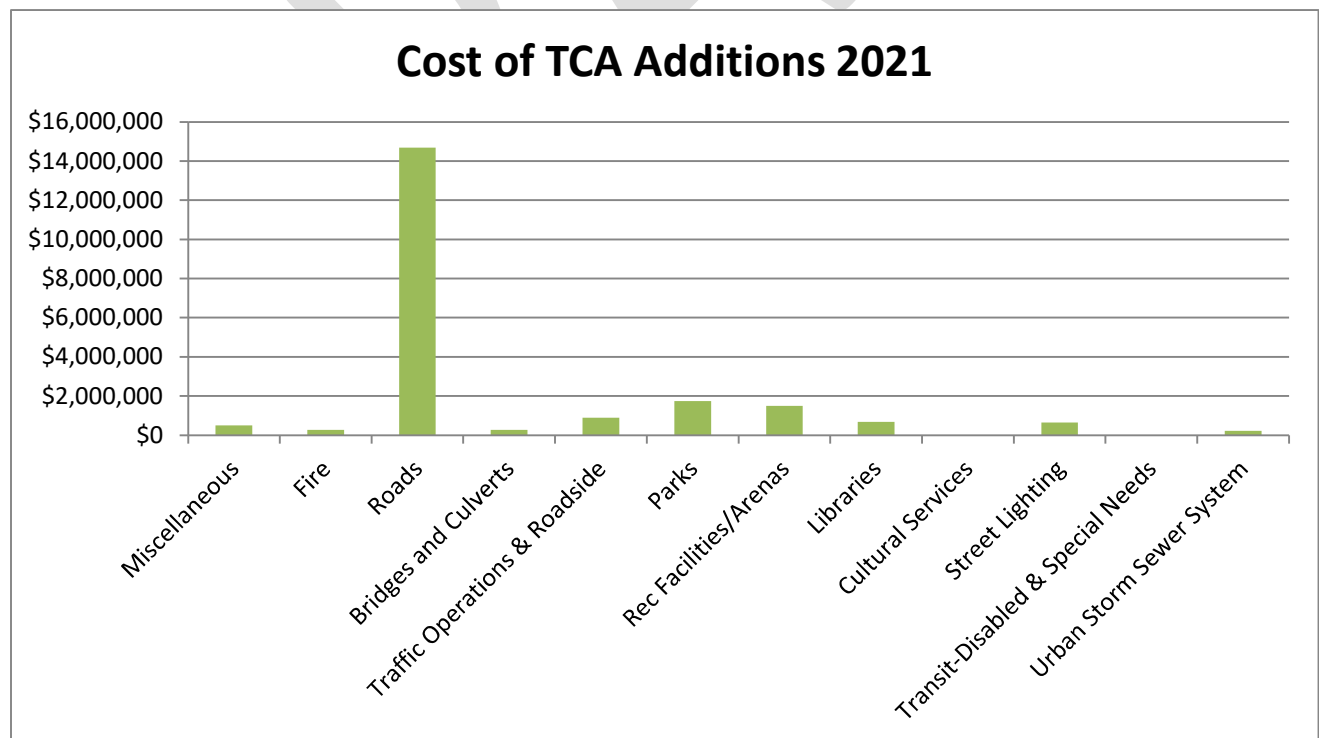
The Town is in a net financial asset position of \$89.6M which has increased by \$9.5M since 2020. This indicates there is an increase in resources available for the future. Higher cash balances and investments related primarily to the receipt of the first two installments of the hydro promissory note and deferrals of capital expenditures due to the uncertainty of the current COVID-19 pandemic have contributed to this increase. The following chart shows the increase since 2017 in the Town's net financial assets value:



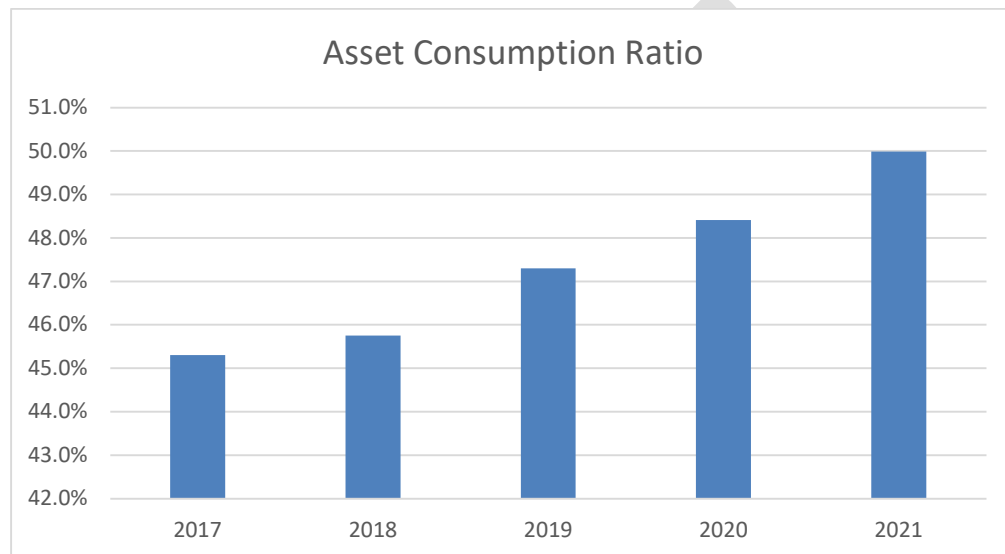
Non-Financial Assets

Non-financial assets primarily consist of net tangible capital assets. Tangible capital assets (TCAs) represent a significant value and are a key component in the delivery of many programs. Tangible capital assets include items such as roads, bridges, buildings, vehicles, land, storm water systems and computer hardware. Net tangible assets represent the cost of these assets less the accumulated amortization. Amortization is the term used to describe the annual allocation of a portion of the TCAs' historical cost as an expense over its useful life. The purpose of amortization is to show the decline in the asset's value as it ages through time and use. It is important to note that amortization uses an 'accounting useful life' which covers the period when the assets are expected to contribute to the Town's operations. In addition to this accounting treatment, the Town's asset management group undertakes periodic assessments of the physical condition of assets. The results of these assessments are considered in the capital budgets with respect to asset replacements, rehabilitation and enhancements.

In 2021, the Town added over \$21.4M in tangible capital assets including \$6M for upgrading road infrastructure through the regular pavement management program. An additional \$4.9M was spent to upgrade and rehabilitate bridges, with the most significant investment made on work for new parapet walls, concrete sidewalks and on-road bike facilities on the Main St North bridge and the Mountainview over CN bridge. Other notable investments in tangible capital assets were \$1.9M to improve various community parks and trails, including the Trafalgar Sports Off Leash Park, Gellert Community Centre, Cedarvale Park and the Hungry Hollow trail which connects West Branch Drive to Cedarvale Park. The following graph shows the distribution by cost and asset group of the 2021 tangible capital assets:



Investment in capital assets can be measured through different ratios and indicators; one such measure is the asset consumption ratio which calculates the closing amortization balance as a percentage of the total historical cost of capital assets. In essence, it highlights the aging of infrastructure and the potential need for replacement; the higher the ratio, the faster the assets are being used. At the end of 2021, the Town's asset consumption ratio had increased to 50.0%. The gradual historical increase in this ratio is attributable to a number of factors, including fewer large scale construction projects, and lower rates of new asset assumptions from developers. In 2021 this was further impacted by the deferral of capital projects due to the financial uncertainty of the COVID-19 pandemic. The following graph depicts the asset consumption ratio which shows an increasing trend over the last 5 years:



Accumulated Surplus

In addition to the Town's reserves, the accumulated surplus also includes unspent capital project funds, the value of non-financial assets such as the equity in tangible capital assets and the Town's investment in Halton Hills Community Energy Corporation.

The Town's reserves total \$44.1M (reserves of \$65.7M less DC interfund loans of \$21.6M) at the end of 2021. This represents a minimal increase of \$1.1M in the past 12 months and can be attributed in part to the receipt of the second hydro promissory note installment.

Most notably the accumulated surplus shows a net recovery in the Town's equity in Halton Hills Community Energy of \$2.1M over the prior year's results which was driven by a number of factors: the repayment of \$2.8M to the Town related to a promissory note, and the receipt of dividends totalling \$1.7M which were offset by higher earnings from hydro in the amount of \$6.6M.

The Town's unexpended capital financing, which represents the backlog in the capital program, increased by \$1.9M over the prior year. This increase is consistent with the Town's approach to the deferral of capital programming during the earlier stages of the pandemic and labour and supply chain issues caused delays in completing some capital work.

CONSOLIDATED STATEMENT OF OPERATIONS

The consolidated statement of operations shows the Town's revenues and expenditures. It combines all operating fund activities, and non-tangible capital asset related items from the capital fund.

Budget

The Town compiles its annual operating and capital budgets in accordance with the Municipal Act. For the purposes of Financial Statement preparation in accordance with the Public Sector Accounting Board (PSAB) requirements, there are differences between the reported numbers. In order to ensure comparability of the Town's budget to the budgeted numbers contained within the financial statements, a PSAB compliant version of the proposed operating and capital budgets is also presented to Council during budget deliberations. The PSAB compliant budget numbers are reported in the budget columns of both the consolidated statement of operations and consolidated statement of change in net financial assets.

The following table lists the differences between the actual operating budget surplus reported to Council under the Municipal Act and the PSAB compliant surplus reported in the financial statements:

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Operating Budget Deficit **\$ (103,095)**

Transfer unused contract carry forward to general surplus (275,500)

Adjusted Operating Budget Deficit **\$ (378,595)**

Remove funding from surplus (prior year general surplus) 14,695

Increase deficit by reversal of non-PSAB eligible expenditures

Debt principal repayment 4,710,426

Net transfers to/(from) reserves 8,283,723

Add other revenues (external to operating budget)

Non reserve revenues that fund the capital budget 12,069,239

Assumed assets 5,020,035

Investment income allocated directly to reserves 447,102

Miscellaneous recoveries allocated to reserves 188,247

Gain on disposal of assets 122,145

Add other expenses (external to operating budget)

Contaminated sites (20,523)

Increase liability for post closure landfill (136,605)

Amortization (17,651,298)

Capital expenses not considered Tangible Capital Assets (4,105,530)

Post employment benefits (180,593)

Recovery from Kiwanis user groups (32,296)

Consolidate net income /(loss) of other entities

BIAs (19,058)

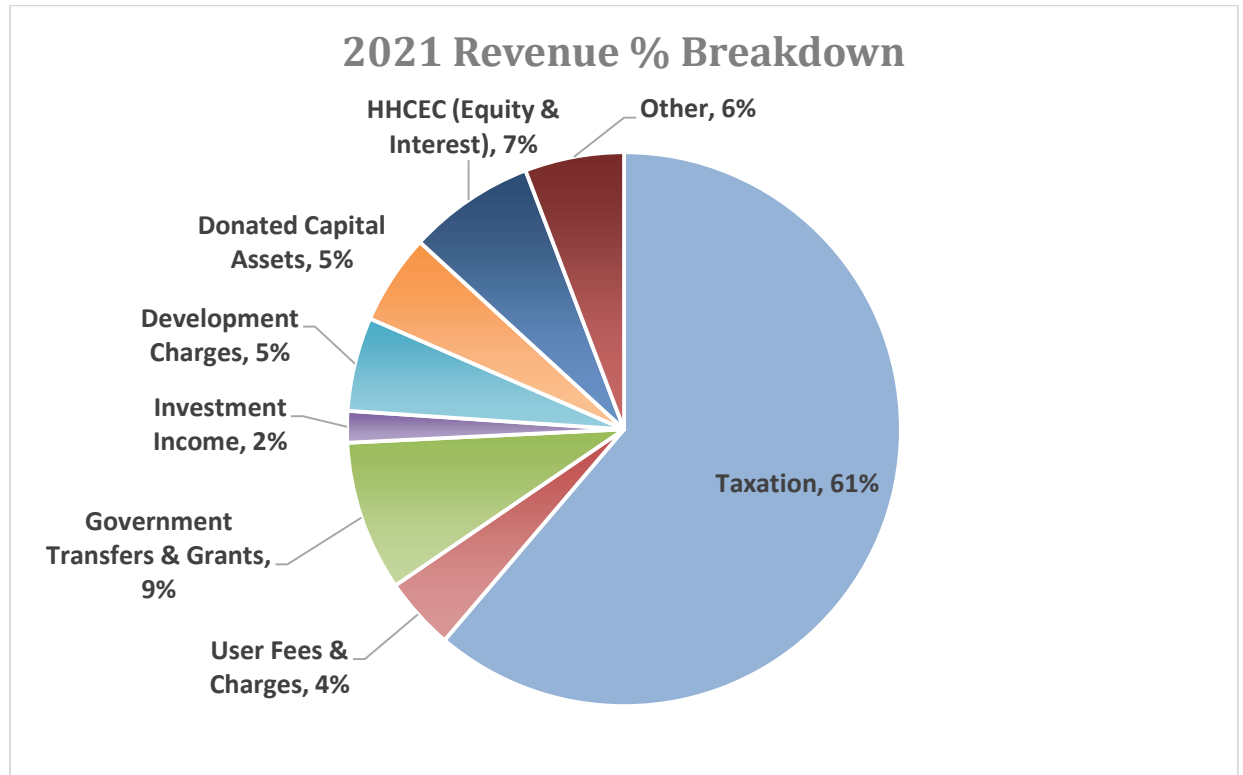
HHCEC 4,925,364

PSAB Annual Surplus **\$13,256,478**

(Reported in the Financial Statements)

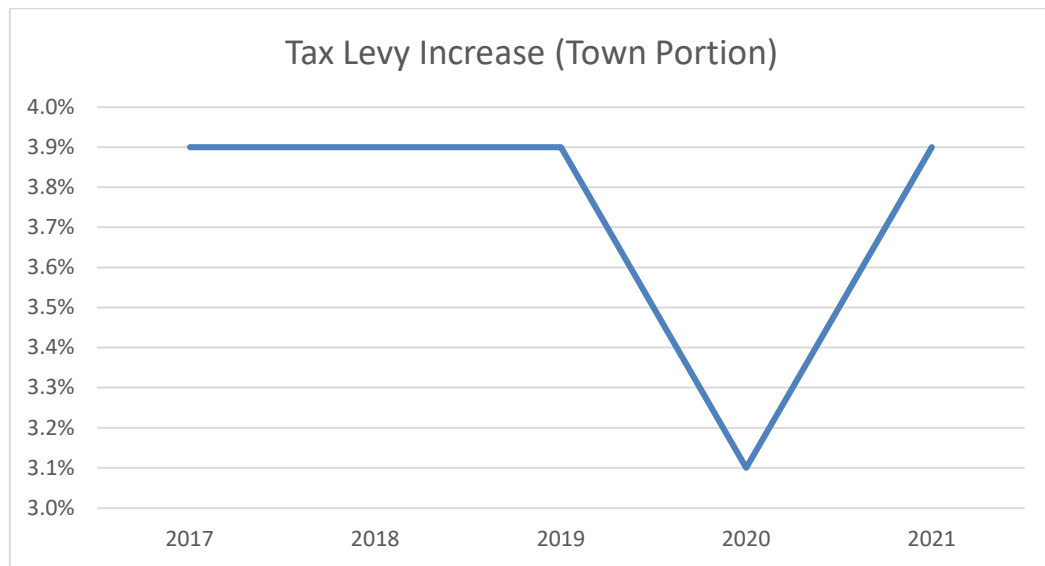
Revenues

Revenues have increased by \$8.3M since 2020 driven mainly by the annual taxation increase and the change in equity income from HHCEC. The following chart illustrates the percentage breakdown of all 2021 revenues:



Taxation

Council approved a 3.9% general levy tax increase (Town portion) for 2021. This tax increase allows the Town to balance financial stewardship with the delivery of Town services in an effective, efficient and economical manner. The following table illustrates the Town's rate increases in the past 5 years. A 3.1% levy increase in 2020 was the lowest levy increase for the Town in 19 years. It was achievable as a result of positive assessment growth and savings realized through efficiencies.



User Fees & Charges

Revenues from user fees increased by \$442K in 2021 showing a small recovery over 2020 which was heavily impacted by COVID-19 closures and restrictions. The following table provides a breakdown of the various fees included in the reported user fee revenue line:

Comparison Of User Fees Year Over Year			
	<u>2021</u>	<u>2020</u>	<u>Difference</u>
Activan	\$92,254	\$120,935	(\$28,681)
Aquafit/Lifesaving	54,782	17,122	37,660
Arena Floor Rental	33,683	20,885	12,798
Business Licenses	116,094	96,165	19,929
Cemetery Fees	292,607	292,535	72
Facility Rentals	207,056	258,882	(51,826)
General Admission	75,323	69,659	5,664
General Registration	329,068	196,022	133,046
Ice Rental	958,911	970,016	(11,105)
Memberships	(307)	19,031	(19,338)
Park Rental	255,365	148,095	107,270
Planning Fees	1,086,065	889,733	196,332
Tax Certificates & Information	283,294	167,469	115,825
Miscellaneous User Fees	249,527	324,907	(75,380)
	<u>\$4,033,722</u>	<u>\$3,591,456</u>	<u>\$442,266</u>

Development Charges

In 2021, \$5.2M of Development Charges were recognized as revenue, which is consistent with 2020 (\$5.2M). Recognition of revenue from development charges is used to fund the repayment of debentures and to finance capital and non- capital projects.

Government Transfers and Grants

Transfers from upper levels of government are a significant source of revenue for the Town. In 2021, government transfers totaled \$8.3M (9% of revenues).

In 2021, the Town received COVID-19 pandemic relief funding from the Federal/Provincial Safe Restart grants. \$57,401 was received to offset transit pressures, however due to significant savings, this grant was not required. A further \$1,417,525 was received to offset general municipal operations related to COVID-19, of which \$1,039,205 was recognized as revenue in 2021.

The Canada Community Building Funds (formerly, federal gas tax) recognized as revenue was \$1.9M, which is modestly higher than the funding reported in the prior year (\$1.7M). In 2021 the Town continued to be impacted by the pandemic which in turn affected the timing of expenditure outlays for large construction projects. Funds received under the Canada Community Building Fund agreement are deferred and recognized as revenue when qualifying capital projects are completed. Upon completion of the construction works, funding is transferred to the capital project to cover the costs incurred.

Provincial funding recognized as revenue remained consistent with prior year levels at \$5.1M. Grants received from the provincial government included \$1.9M for Ontario Connecting Links to assist with road construction and repair costs, \$811K from the Ontario Community Infrastructure Fund (OCIF) which were used for capital asset construction, \$1.0M as Safe Restart funding, and \$571K in dedicated gas tax funding.

Transfers from other municipalities decreased by \$308K mainly due to the timing of the Region of Halton's capital program.

Donated Capital Assets

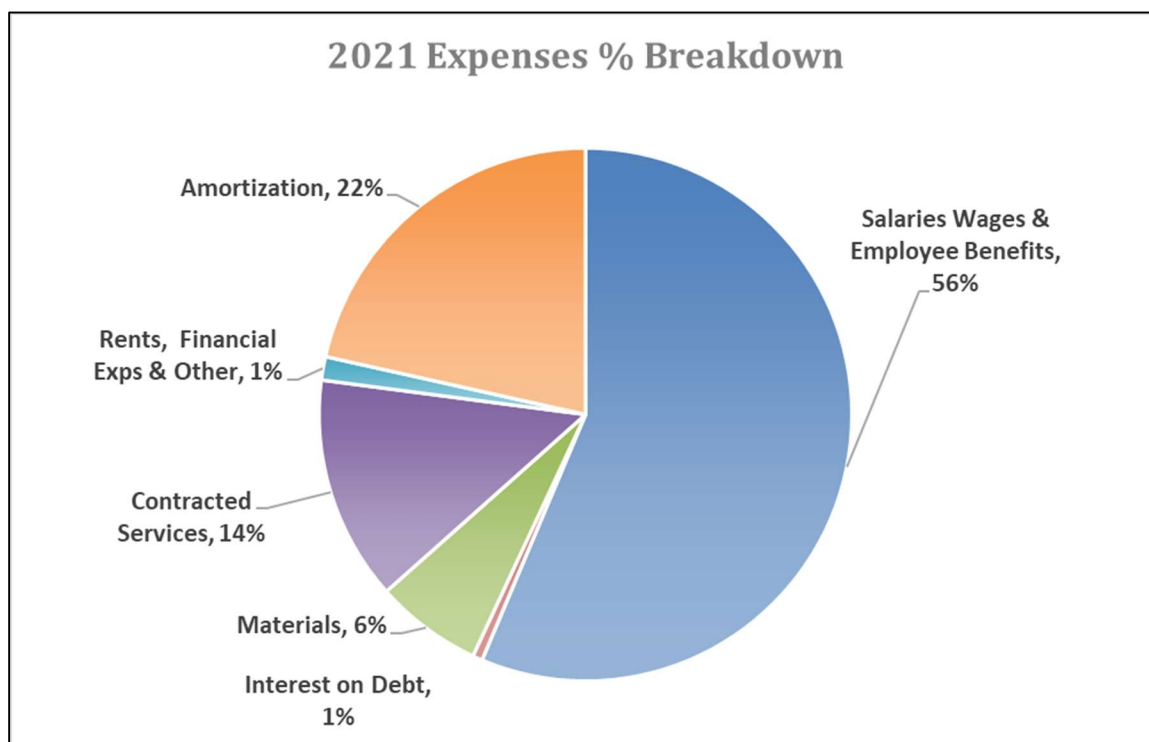
Donated tangible capital assets include any assets that the Town has assumed from developers, private organizations or individuals. These are reported as revenue in the statement of operations as the assets provide a future benefit to the Town. The Town assumed new tangible capital assets from developers in 2021 such as roads, sidewalks, storm water management infrastructure and streetlights, which resulted in the addition of over \$5.0M to the Town's capital asset inventory. The following tables provide details of the 2021 asset assumptions:

<u>Contributed Assets</u>	<u>2021</u>	<u>2020</u>
Paved Roads & Sidewalks	\$ 4,487,757	\$ 1,839,043
Street Lighting	216,278	160,000
Storm Water Management	316,000	1,269,668
Other	-	187,200
	<u>\$ 5,020,035</u>	<u>\$ 3,455,911</u>

<u>2021</u>		
<u>Type of Assumption</u>	<u>Developer</u>	<u>\$</u>
Subdivision 20M-1156	Fernbrook Ph3	5,020,035
		<u>\$5,020,035</u>

Expenses

Expenses have increased by \$5.2M over the prior year, as the Town moves into a recovery phase stemming from the COVID-19 pandemic and resumes operations. The following table shows the percentage split of total expenses:



Salaries, Wages & Employee Benefits

Labour costs increased by 8.7% as operations continued to adapt and normalize during 2021. Cost mitigation measures including temporary staff layoffs continued in 2021, however many staff were redeployed to other areas and new programming. The implementation of the Specialized Transit Plan resulted in 8.6 full time equivalent temporary positions being converted to permanent full time or part time status and 2.3 new full time equivalent positions being added. A cost of living increase for non-union positions as well as contract increases for unionized positions increased salaries and wages in 2021.

Amortization

Amortization expenses represent the annual allocation of a portion of the historical cost of tangible capital assets as an expense over its useful life. The purpose of amortization is to show the decline in the asset's value as it ages through time and use. In 2021, the amortization expense marginally increased by \$39K.

Materials

Material costs were consistent with 2020 levels with a 0.5% increase. The closure of facilities and changes to programs continued to require reduced need for materials. As staff worked from home in an on-line environment there was a further reduction in materials consumption.

Contracted Services

Contracted services increased by 14.8% to \$11.2M in 2021. The increase is mainly related to capital works that had been put on hold during 2020. Increasing insurance costs and legal costs also contributed to higher contracted services during 2021.

ANNUAL SURPLUS

An annual surplus of \$13.2M is being reported for 2021, which increases the Town's accumulated surplus to \$422.8M

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

The Consolidated Statement of Change in net financial assets outlines the difference between the reported annual surplus and the change in net financial assets. It provides details on the acquisition and use of non-financial assets, such as Tangible Capital Assets, and their impact on the net financial position. The increase in the net financial position is attributable to increases in financial assets, mainly cash and short-term investments. These are partially offset by increases in deferred revenues, resulting in an overall increase of \$9.5M in net financial assets.

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CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows shows how the Town used its cash in 2021. By adjusting the annual surplus for items that do not result in a cash transaction and accounting for the changes in working capital since the prior year, the result is a net increase in cash of \$32.4M from operations. Of the total \$43.9M available in cash, \$21.0M was used to buy new capital assets and repay debt and loans. Additional monies of \$1.7M were received in the form of dividends from Halton Hills Community Energy Corporation, \$3.2M was received from the promissory note repayment (\$2.8M plus interest of \$450K) from HHCEC, and \$195K was received in cash proceeds from the disposal of fixed assets. With a positive cash balance on hand, a transfer of \$12M was made to the investment portfolio held and managed by the Region of Halton. The following table shows the movements of the Town's cash inflows and outflows throughout 2021:

Cash at beginning of year		\$11,526,200
Annual Surplus	\$13,256,478	
Adjust for all non-cash transactions	\$6,256,692	
Remove impact of non-cash working capital	<u>\$12,872,042</u>	
	<u>\$32,385,212</u>	\$43,911,412
How was this cash used?		
Purchase of new Capital Assets	(\$16,364,224)	
Repayment of Debt and Other Loans	(\$4,714,158)	
	<u>(\$21,078,382)</u>	\$22,833,030
New cash coming in the door....		
Cash from Fixed Assets	\$194,685	
Promissory Note repayment from HHCEC	\$2,800,000	
Dividends from HHCEC	<u>\$1,691,949</u>	
	<u>\$4,686,634</u>	\$27,519,664
New Investments with the Region		
Cash Investment	(\$12,000,000)	
Interest earned on investments	(\$2,196,546)	
	<u>(\$14,196,546)</u>	
Cash at end of year		\$13,323,118

PLANNING DOCUMENTS

Long Range Financial Plan

Financial planning is a critical ongoing activity given the increasing complexity of the Town's financial portfolio. In 2018, the Town retained Watson & Associates Economists Ltd. to develop a Long Range Financial Plan (LRFP) and a financial planning tool that enables analysis and scenario planning to support key financing decisions. The Town continues to dedicate in-house resources to manage and update the LRFP model in response to ongoing developments and changing priorities.

The LRFP is based on the following key principles:

1. Manage the timing of the capital program to align capital projects with growth
2. Limit debt terms to a maximum of 10 years; longer terms require special Council approval
3. Optimize reserve balances
4. Focus on core infrastructure to reduce the infrastructure deficit over time

Asset Management Plan

Asset management is the application of financial, technical, strategic planning and other inter-disciplinary techniques to effectively utilize and realize value from physical assets over their lifecycles. A dynamic Corporate Asset Management Policy confirms the Town's commitment to the planning, design, construction, acquisition, operation, maintenance, renewal, replacement and disposal of assets in a way that ensures sound stewardship, responsive customer service and improved quality of life.

The Town aligns asset management with other key corporate initiatives including the Long Range Financial Plan, Storm Water Management, Fleet Management, Urban Tree Management Strategy, the Climate Change Adaptation Plan and the Corporate Technology Strategic Plan. The culminating effect of this alignment is reflected in the annual capital and operating budgets where carefully planned funding optimizes asset lifecycles.

CONCLUSION

In recent years the Town has consistently focused on long-range financial planning and the need to be able to adapt quickly to changing conditions. Through the careful re-investment of available funds into reserves, a solid debt management approach and the implementation of a comprehensive COVID-19 cost reduction and mitigation plan, combined with the timely financial support provided through the Federal/Provincial Safe Restart Agreement, the Town was able to end 2021 in a strong financial position.

Moya Leighton CPA, CGA, MBA

Town Treasurer and Director of Finance

September 6, 2022

2021 and Beyond

COVID-19 Pandemic

The COVID-19 pandemic continued to have a significant impact across the Town of Halton Hills during 2021. Responding to these changes quickly and efficiently continues to be a priority for the Town.

The COVID-19 pandemic placed unforeseen fiscal demands on the Town requiring investments in facilities and equipment and unanticipated expenses as changes were implemented to the Town's operations. COVID-19 has challenged the municipality to work in different ways, employ new technology and deliver programs, where possible, in a virtual environment. The 2022 budget meets critical long range financial targets (based on the municipality's current size) and prioritizes projects that support health and safety, maintenance of assets and plans and completion of studies necessary to advance projects that are key to future development.

2022 Budget

In planning for a vibrant, healthy and sustainable community, the Town is committed to providing community leadership on issues of concern and delivery of a broad range of public services to its residents and businesses. The 2022 municipal tax levy increase is 4.57% (net of assessment growth) and is consistent with the Town's Long Range Financial Plan. The increase includes inflation and non-discretionary increases required to maintain existing service levels, as well as a 0.6% dedicated tax levy to close the infrastructure gap and a new insurance special levy of \$337K to help fund the rising cost of liability insurance.

FINANCIAL MANAGEMENT

The responsibility for financial management is governed through a series of by-laws which prescribe the appropriate purchasing, investment, risk management, reserve and debt management policies. Halton Hills Town Council has ultimate authority to allocate funds through the annual operating and capital budget process. The following areas are subject to rigorous, well-defined processes and controls that support the effective and efficient management of Town resources.

Capital Budget

The capital budget process commences with planning for the implementation of Council's strategic priorities. These priorities in combination with the Asset Management Plan guide the creation of the capital budget. A detailed business case for each capital project is compiled which is then subject to a management review and prioritized using a matrix. Financial affordability is determined through the long range financial planning tool and the appropriate funding sources are confirmed by the Treasurer and allocated to capital projects. Following a comprehensive review by Senior Management, the proposed capital budget is presented to Council through a series of Ward-specific budget review meetings providing the opportunity for detailed discussion. The capital budget is subsequently presented to Budget Committee for final review and is open to public delegation, prior to finalization.

Capital projects approved through the capital budget process are the responsibility of the Department Heads who are accountable to the CAO, Council and taxpayers for financial performance and service delivery.

Operating Budget

The creation of the annual operating budget also follows a highly structured process. Starting with a detailed needs assessment, senior management reviews existing programs and service levels along with requests for new initiatives to determine if additional resources will be required, or if there is the opportunity to reallocate resources to achieve efficiencies. Research is conducted and projections are made to determine appropriate inflationary increases for operating expenditures. Senior management holds a series of thorough discussions to review revenues and expenditures for potential savings, opportunities for economies of scale and/or adjustments to services and programs. The proposed tax rate increase is reviewed for consistency with prior tax years, comparability with neighbouring municipalities and affordability for the average taxpayer. The preliminary operating budget is presented to Council early in the process in order to provide direction for staff when preparing the budget details. The final proposed budget is discussed again with members of Council through Ward-specific review meetings prior to the final presentation to Budget Committee and is subject to public delegations.

Department Heads are responsible for the delivery of effective and efficient services and programs. They are ultimately accountable to the CAO, Council and taxpayers.

Finance Team

The Town's Finance team is responsible for all finance functions from debt management to taxes, to budgets, providing advice on various options available to support growth and maintain existing programs and service levels.

In addition to being responsible for maintaining accurate records, the team regularly provides information to management who are accountable for the programs, services and capital projects that they manage and deliver. The Finance team also reports periodically to Council on various financial aspects such as reserve balances, and performance against budget.

Annually, the Finance team prepares the Town's financial statements in accordance with the standards prescribed by the Public Sector Accounting Board (PSAB) and coordinates the operating and capital budget process. Bound by Ontario Regulation 284/09 which requires municipalities to prepare a report to Council outlining expenses that have been excluded from budgets, the Finance team prepares a report which converts the budget into a PSAB compliant format. This report is presented to Budget Committee and is subsequently audited by the Town's external auditors and reported in the annual consolidated financial statements.

The Finance team also has the responsibility for developing, monitoring and ensuring compliance with financial controls. Recognizing that accurate information is of upmost importance for sound decision-making and effective management of the Town's resources, strong financial controls and processes are integral to providing reasonable assurance on the accuracy of the Town's data and the ensuing financial statements.

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Town of Halton Hills have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of the Town's management. The preparation of financial statements includes the use of estimates based on management's judgment. These estimates are required when transactions affecting the current reporting period cannot be finalized with certainty until future periods.

The Town has an internal control system that provides reasonable assurance over the safeguarding of its assets and the accuracy of transactions. Through the established authorization process and formal reporting procedures along with appropriate levels of management review, these controls ensure accurate, timely and reliable information.

Additionally, the Town has many accounting policies that provide technical guidance on the treatment of various transactions. Note 1 of the accompanying notes to the financial statements includes a summary of the significant accounting policies used to prepare the financial statements.

The consolidated financial statements have been audited by KPMG LLP, the external auditors for the Town. The auditors have included an independent auditor report for each of the attached financial statements. These reports outline the scope and responsibility of the auditors and management throughout the audit process and express an opinion over the financial statements.

The auditors meet regularly with Town management throughout the audit process and report to the General Committee of Council at the planning stage of the audit and again at completion to present their significant audit findings.

Moya Leighton CPA, CGA, MBA

Town Treasurer and Director of Finance

September 6, 2022