

MANAGEMENT DISCUSSION & ANALYSIS

The 2022 Consolidated Financial Statements demonstrate the Town's continued commitment to program and service delivery as well as management of cash and reserves to preserve its financial position and show resilience in challenging times.

The Town of Halton Hills is pleased to present the 2022 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, 2022 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.

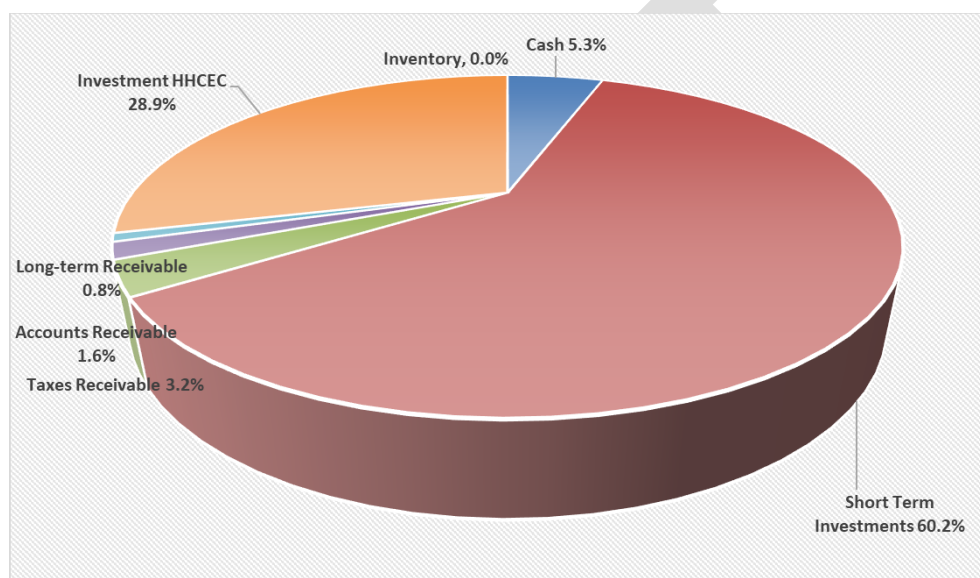
The Town also manages a number of trust funds which are not consolidated within the Town's own financial statements. These funds are reported and audited separately and are attached within this report.

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, 2022, 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 \$5M, totaling \$172.5M at the end of 2022. The increase is primarily related to net positive changes from the Town's investment in Halton Hills Community Energy Corporation. The following graph shows the distribution of financial assets:



Cash & Short Term Investments

Short term investments of \$103.9M have increased by \$2M over the prior year, while the cash position has decreased by \$4M since 2021. The net overall decrease in cash and short-term investments is reflective of the Town's legal costs in 2022, which far exceeded budgeted levels.

Return on Investment

The Town invests its reserves with the Region of Halton through a pooled investment agreement and holds its operating funds with Scotiabank in interest-bearing accounts. The combined rate of return from all investments is 2.27%, which has increased from the 2021's return of 2.02%. The rate of return on the investment portfolio has increased slightly, as the markets started to recover after the COVID-19 pandemic, and was further boosted by the increases in interest rates by the Bank of Canada from 0.25% in January 2022 to 4.25% in December 2022.

Investment in Halton Hills Community Energy Corporation

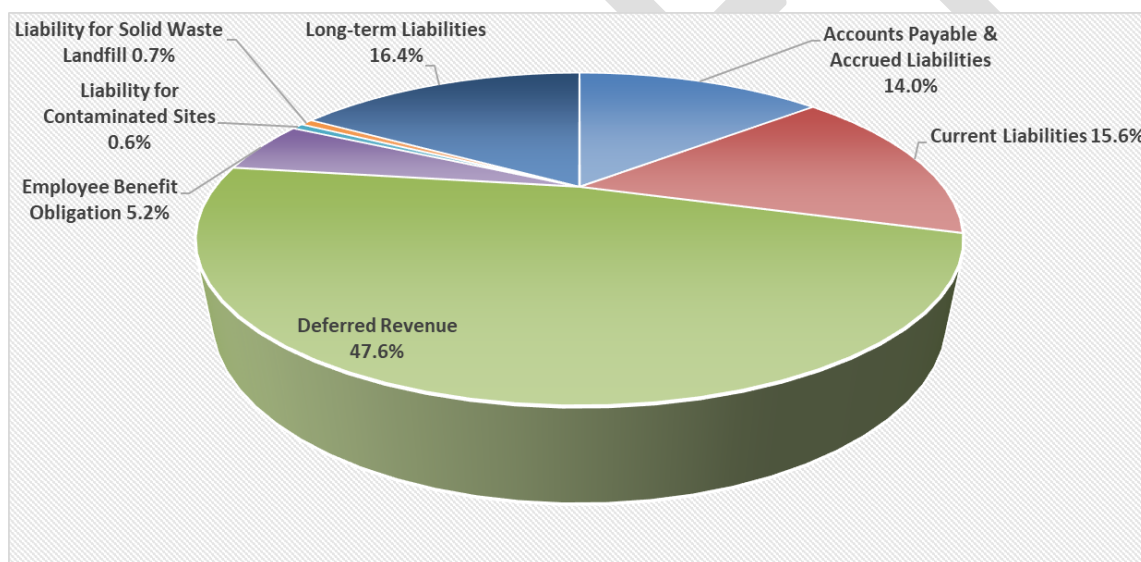
The Town's investment in the Halton Hills Community Energy Corporation (HHCEC) amounts to 28.9% of the total financial assets or \$49.8M. Owned and controlled by the Town of Halton Hills, HHCEC and its wholly owned subsidiaries are accounted for on the modified equity basis in the consolidated financial statements. The Town received \$2.8M of the \$10.2M remaining Promissory Note in 2022, and realized a \$9.6M increase in its investment value, directly attributable to increased retained earnings in HHCEC. This increase was mainly due to unrealized fair value derivative gains earned by HHCEC as a result of interest rate swap agreements related to loans received for a capital transformer station.

Liabilities

The Town's liabilities total \$74M and have decreased by \$3.5M since 2021, due mainly to decreases in long term liabilities as the amount of external debt owing has fallen.

Accounts payable and other current liabilities combined have increased by \$2.5M to a total of \$21.5M, due mainly to a \$1.4M increase in sub-division deposits related to site plans and subdivision agreements and a \$890K increase in construction holdbacks.

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



Long term Liabilities

Long-term liabilities amount to \$12.1M, falling by \$4.3M since 2021 which is fully attributable to the repayment of debt principal. No new debentures were issued in 2022. The Town's debentures include \$11.8M payable to the Regional Municipality of Halton and \$320K 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 external debt carrying costs to a maximum of 10% of the annual tax levy. For 2022, the Town's debt carrying costs were 7.9% of the annual tax levy and therefore within the Council imposed debt target.

2022 Debt Repayments to Annual Tax Levy			
Debt Carrying Cost	2022 Tax Levy	2022 Town Debt Limit	Council Imposed Debt Limit
\$4,627,740	\$58,914,300	7.9%	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. For 2022, this indicator moved into the low-risk category at 4.5%, as a result of increased debt room due to the retirement of a large debenture issuance from 2011, increased revenues from grants and the increased investment in HHCEC due to the Interest Rate SWAP. The Town also has \$23.5M of outstanding internal debt, that has been borrowed from reserves.

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 \$35.3M, and consists of the following balances:

2022 DEFERRED REVENUE		
	\$000's	%
Restricted Deferred Revenue	10,123	29%
Development Charges	3,934	11%
Parkland Cash In Lieu	9,533	27%
Growth Stabilization Fund	3,409	10%
Building Stabilization Fund	5,520	16%
General Deferred Revenue	2,824	8%
	<u>35,344</u>	<u>100%</u>

Restricted deferred revenues of \$10.1M include unrecognized Canada Community Building Fund revenues of \$6.4M which is consistent with the prior year's balance. It also includes funds which are held by the Town for on-going maintenance of assumed sub-divisions, and deferred government grants.

Development charges (DC) also contribute to the deferred revenue balance. Positive balances in the transportation and administration services funds total \$3.9M at the end of 2022. A number of DC funds were in a negative position at the end of 2022 and required interim funding in the amount of \$23.5M from Town reserves.

The Parkland Cash in Lieu fund is also included within deferred revenues and totals \$9.5M at the end of 2022. The increase in 2022 is due to collections of \$752K 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.

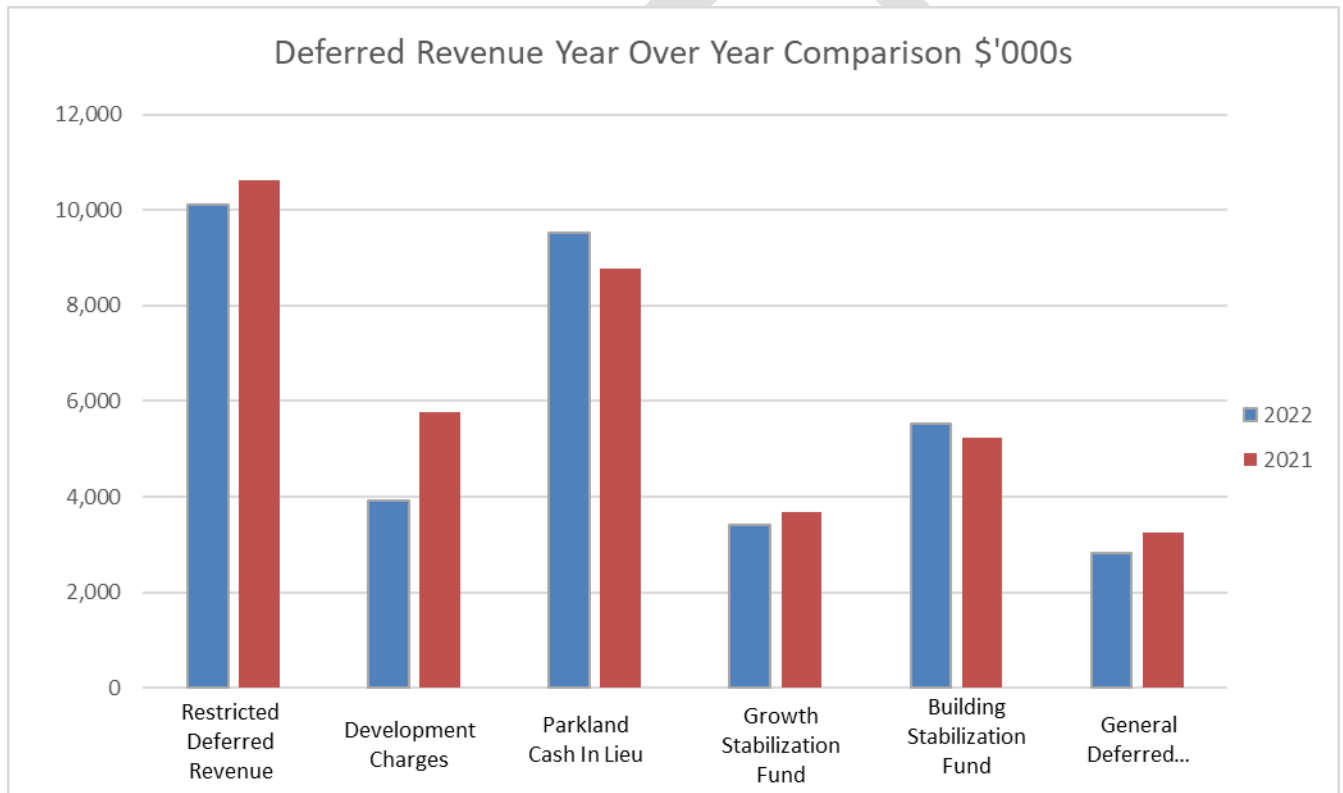
The Growth Stabilization fund holds deferred revenues related to fees received for development applications and agreements. These fees are intended to fund the staff time related to the processing of

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 2022, there is a total of \$3.4M in this fund.

The Town also has a Building Stabilization fund within the deferred revenue line which amounted to \$5.5M at the end of 2022. 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.

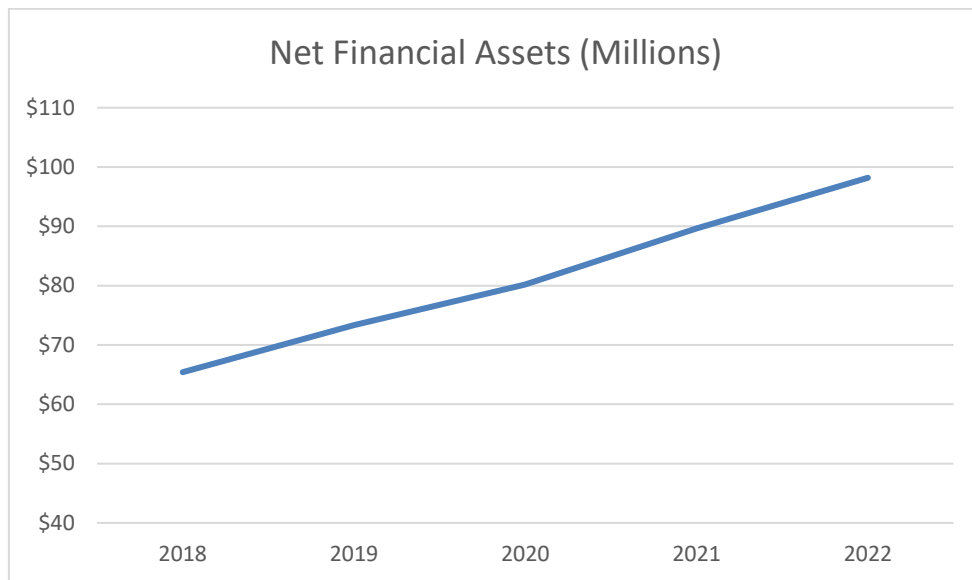
In addition to the restricted and obligatory funds outlined above, the deferred revenue line also includes \$2.8M of general deferred revenues such as the Ontario Community Infrastructure Fund (OCIF) and Regional revenues related to the fire station on Maple Avenue.

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

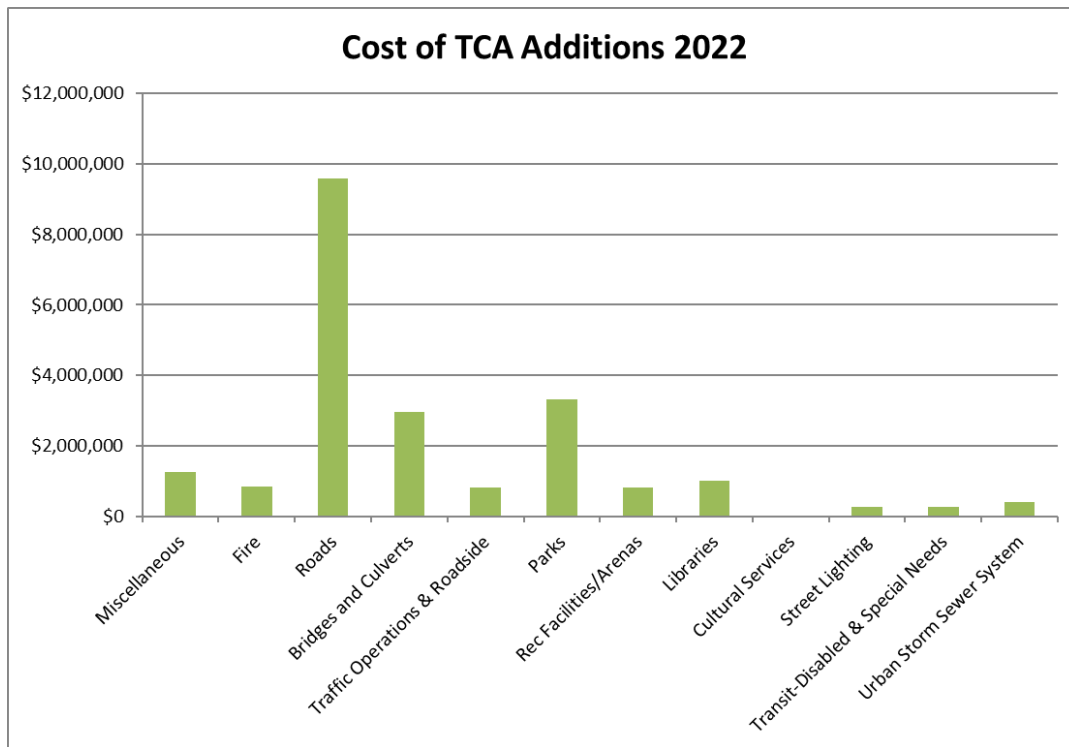
The Town is in a net financial asset position of \$98.2M which has increased by \$8.5M since 2021. This indicates there is an increase in resources available for the future. The increase in equity related to HHCEC was the main contributing factor to the growth in net financial assets in 2022. The following chart shows the increase since 2017 in the Town's net financial assets value:



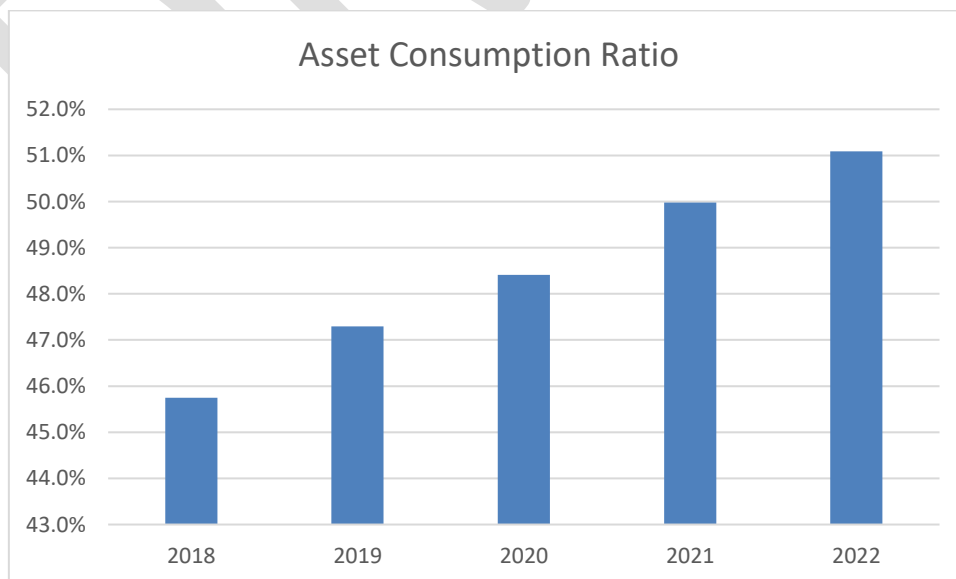
Non-Financial Assets

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 2022, the Town added over \$21.1M in tangible capital assets. Infrastructure projects related to the upgrade of the Town's road network amounted to \$6.4M, with an additional \$3M spent on the upgrade and rehabilitation of Hungry Hollow Bridge. Projects focused on improving various community parks and trails, including replacement of the Mold-Masters Skatepark and improvements to Rennie Street Park, amounted to \$2.5M. Recreation facilities saw an investment of \$2.1M, which included projects such as the Acton Youth Centre renovation and the replacement of the dehumidification unit at Mold-Masters Arena. The following graph shows the distribution by cost and asset group of the 2022 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 2022, the Town's asset consumption ratio had increased to 51.1%. 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. 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 \$39.3M (reserves of \$62.1M less DC interfund loans of \$23.5M) at the end of 2022. This represents a decrease of \$4.8M in the past 12 months and can be attributed in part to legal and insurance costs.

Most notably the accumulated surplus shows a net increase in the Town's equity in Halton Hills Community Energy of \$6.8M 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 in HHCEC of \$11.3M.

The Town's unexpended capital financing, which represents the backlog in the capital program, increased by \$2.7M over the prior year and totals \$25.2M.

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

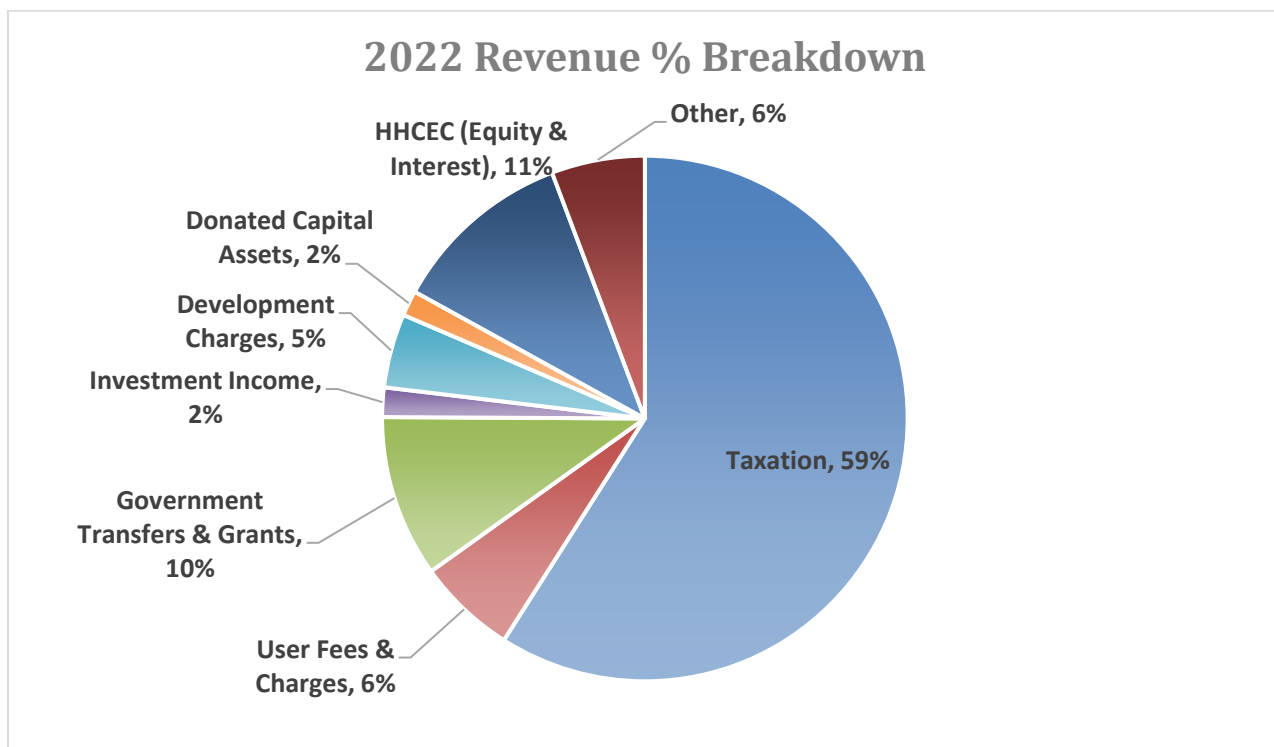
The Town compiles its annual operating and capital budgets in accordance with the Municipal Act. For the purposes of Financial Statement preparation in accordance with the Public Sector Accounting Board (PSAB) requirements, there are differences between the reported numbers. In order to ensure comparability 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:

Operating Budget Deficit	\$ (860,864)
Transfer unused contract carry forward to general surplus	<u>(238,644)</u>
Adjusted Operating Budget Deficit	\$ (1,099,508)
Remove funding from surplus (prior year general surplus)	(36,856)
Increase deficit by reversal of non-PSAB eligible expenditures	
<i>Debt principal repayment</i>	4,282,926
<i>Net transfers to/(from) reserves</i>	5,989,429
Add other revenues (external to operating budget)	
<i>Non reserve revenues that fund the capital budget</i>	13,301,203
<i>Assumed assets</i>	1,629,821
<i>Investment income allocated directly to reserves</i>	441,468
<i>Miscellaneous recoveries allocated to reserves</i>	35,258
Add other expenses (external to operating budget)	
<i>Loss on disposal of assets</i>	(114,470)
<i>Contaminated sites</i>	(27,582)
<i>Increase liability for post closure landfill</i>	(239,802)
<i>Amortization</i>	(17,839,125)
<i>Capital expenses not considered Tangible Capital Assets</i>	(4,071,834)
<i>Post employment benefits</i>	(100,043)
<i>Recovery from Kiwanis user groups</i>	(69,013)
Consolidate net income /(loss) of other entities	
<i>BIAs</i>	5,606
<i>HHCEC</i>	9,654,080
PSAB Annual Surplus	<u>\$11,741,558</u>
<i>(Reported in the Financial Statements)</i>	

Revenues

Revenues have increased by \$9.0M since 2021 driven mainly by the annual taxation increase and the change in equity income from HHCEC. The following chart illustrates the percentage breakdown of all 2022 revenues:



Taxation

Council approved a 4.57% general levy tax increase (Town portion) for 2022. The taxes levied support the general services expected by residents and provide services that enhance the quality of life in Halton Hills. The 2022 tax increase supported transportation and transit, recreation and culture, parks and open spaces, environmental measures (including climate change adaptation and mitigation), fire services, library services, administration, and Council.

User Fees & Charges

Revenues from user fees and charges increased by \$2.3M in 2022 as operations continue to recover from COVID-19 closures and restrictions. Ice rentals and facility rentals increased by over \$1M in 2022 as Town and community programming returned to pre-COVID levels. Increased access to programming also resulted in an increase of \$700K in general registrations and admissions. Planning Fees have decreased slightly from the prior year, as a result of a reduced number of development applications received in 2022. 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>2022</u>	<u>2021</u>	<u>Difference</u>
Activan	\$153,196	\$92,254	\$60,942
Aquafit/Lifesaving	83,118	54,782	28,336
Arena Floor Rental	58,033	33,683	24,350
Business Licenses	109,142	116,094	(6,952)
Cemetery Fees	361,211	292,607	68,604
Facility Rentals	463,180	207,056	256,124
General Admission	124,174	75,323	48,851
General Registration	974,287	329,068	645,219
Ice Rental	1,733,708	958,911	774,797
Memberships	46,261	(307)	46,568
Park Rental	347,932	255,365	92,567
Planning Fees	979,202	1,086,065	(106,863)
Tax Certificates & Information	392,728	283,294	109,434
Miscellaneous User Fees	540,529	249,527	291,002
	<u>\$6,366,701</u>	<u>\$4,033,722</u>	<u>\$2,332,979</u>

Development Charges

In 2022, \$4.7M of development charges were recognized as revenue, which is a decrease from 2021 (\$5.2M). Recognition of revenue from development charges is used to fund eligible growth-related capital projects and any associated debenture repayments.

Government Transfers and Grants

Transfers from upper levels of government are a significant source of revenue for the Town. In 2022, government transfers totaled \$10.4M (10% of revenues).

In 2020 and 2021, the Town received COVID-19 pandemic relief funding from the Federal/Provincial Safe Restart (SRA) grants. A total of \$572K in SRA funding was available to address operating pressures during 2022 in both transit and general (non-transit) municipal operations. In 2022, \$466K was applied to COVID-19 impacts in municipal (\$437K) and transit (\$29K) operations. The non-transit stream of funding has now been fully utilized by the Town, and approximately \$106K of the Transit stream funding remains.

Federal grant funding of \$2.1M from the Canada Community Building Fund (formerly, federal Gas Tax) was recognized as revenue, which is slightly higher than the funding reported in the prior year (\$1.9M). 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 is received through several grant programs that support municipal services such as Connecting Links funding for municipal roads (\$742K), the Provincial Gas Tax for transit services (\$572K), Safe Restart funding to address COVID-19 operating pressures (466K), and Ontario Health and the Seniors Active Living Centre (SALC) grants (\$259K). In 2022, \$4.2M in revenue from the Ontario Community Infrastructure Fund (OCIF) was recognized in funding for road construction projects. This was a significant increase over 2021 due to the timing of construction costs and a one-time double allocation of funds from the Province in 2022.

Transfers from other municipalities decreased by \$189K mainly due to the timing of the Region of Halton's capital program.

Donated Capital Assets

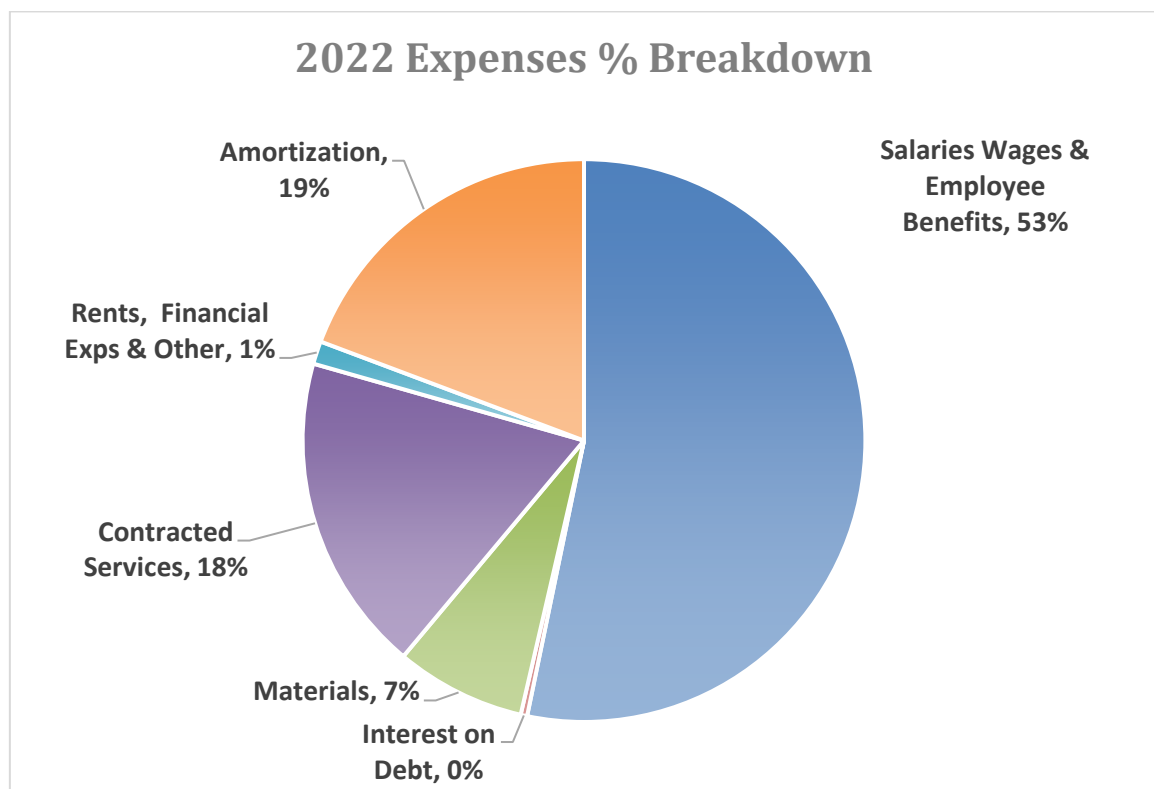
Donated tangible capital assets include any assets that the Town has assumed from developers, private organizations or individuals. These are reported as revenue in the statement of operations as the assets provide a future benefit to the Town. The Town assumed new tangible capital assets from developers in 2022 such as roads, storm water management infrastructure and streetlights, which resulted in the addition of over \$1.6M to the Town's capital asset inventory. The following tables provide details of the 2022 asset assumptions:

<u>Contributed Assets</u>	<u>2022</u>	<u>2021</u>
Paved Roads & Sidewalks	\$ 1,148,881	\$ 4,487,757
Street Lighting	119,172	216,278
Storm Water Management	361,767	316,000
	<u>\$ 1,629,821</u>	<u>\$ 5,020,035</u>

<u>2022</u>	<u>Developer</u>	<u>\$</u>
<u>Type of Assumption</u>		
Subdivision 20M-1161	Worthington Homes (Estates of Black Creek)	1,629,821
		<u>\$1,629,821</u>

Expenses

Expenses have increased by \$10.5M over 2021, as the Town resumes normal operations and recovers from the impacts of COVID-19. The following table shows the percentage split of total expenses:



Salaries, Wages & Employee Benefits

Labour costs including salaries, wages and benefits increased by \$3.7M in 2022 and continue to represent the largest proportion of expenses (53%). The increase can be attributed to the return to normal operations as COVID-19 restrictions were lifted and staff returned to work. Approved cost of living adjustments for non-union staff and contract increases for union employees result in annual incremental increases. Additionally, new positions were approved by Council through the 2022 budget to support Town services related to growth, and the conversion of contract positions to full-time allowed for the continued provision of essential services.

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 2022 the amortization expense increased by \$187K as the value of Town non-financial assets continues to grow.

Materials

Material costs also increased in 2022 with the return to normal operations. Total spending on materials increased by \$1.6M, representing 7% of total expenses for the Town. Inflationary increases impacted all types of materials, with key drivers being winter control materials such as salt (400K), fuel costs (262K) and utilities (215K).

Contracted Services

Contracted services increased by \$5.8M to \$16.9M in 2022. The increase is mainly related to insurance and legal costs incurred in 2022. General insurance costs for the Town increased by over \$511K during 2022 as municipalities throughout the industry continue to experience increasing rates. The Public Works surface treatment roads program was \$508K larger in 2022 as works from 2021 were deferred due to contractor shortages.

ANNUAL SURPLUS

An annual surplus of \$11.7M is being reported for 2022, which increases the Town's accumulated surplus to \$434.6M

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 \$8.5M in net financial assets.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows shows how the Town used its cash in 2022. 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 \$17.3M from operations. Of the total \$30.6M available in cash, \$23.7M 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 \$378K) from HHCEC, and \$68K was received in cash proceeds from the disposal of fixed assets. With a positive cash balance on hand, a transfer of \$2.2M 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 2022:

Cash at beginning of year		\$13,323,118
Annual Surplus	\$11,741,558	
Adjust for all non-cash transactions	\$5,332,114	
Remove impact of non-cash working capital	\$229,175	
	<u>\$17,302,847</u>	<u>\$30,625,965</u>
How was this cash used?		
Purchase of new Capital Assets	(\$19,501,543)	
Repayment of Debt and Other Loans	(\$4,286,717)	
	<u>(\$23,788,260)</u>	<u>\$6,837,705</u>
New cash coming in the door.....		
Cash from Fixed Asset disposals	\$67,841	
Promissory Note repayment from HHCEC	\$2,800,000	
Dividends from HHCEC	\$1,691,950	
	<u>\$4,559,791</u>	<u>\$11,397,496</u>
Investments transferred to the Region		(\$2,225,023)
Cash at end of year		\$9,172,473

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 remain resilient in the face of these challenges. Maintaining financial strength is imperative as the Town concludes the 2022 fiscal year end and looks to 2023.

Moya Leighton CPA, CGA, MBA

Town Treasurer and Director of Finance

July 10, 2023

2022 and Beyond

2023 Budget

In developing the budget for 2023 and beyond, staff recognize current fiscal pressures, all associated impacts and the overarching goal of upholding the quality of life for residents and business owners through continued service excellence. The following guiding principles provide a foundation for determining priorities in meeting that goal.

1. Restore appropriate funding for reserves to support long-term financial stability
2. Maintain current service levels for programs and staffing, leverage technology solutions to support efficiencies and productivity
3. Align capital programs with available resources while ensuring compliance with legislation and health and safety standards
4. Defer the growth-related capital program until development charges are received

The 2023 budget continues to focus on supporting the priorities of the Town's Strategic Plan within the targets and mitigation measures set out in the LRFP and the financial policies approved by Council. The 2023 municipal tax levy increase is 6.62% (net of assessment growth) and includes the following:

- 4.19% general levy to address inflation and additional funding required to maintain existing service levels, as well as to support statutory compliance, and select enhanced services,
- 1.83% increase to the insurance special levy which is dedicated to address the combined impact of increasing insurance premiums and WSIB self-insurance costs in the base budget, and
- 0.6% of continued special levy dedicated to closing the infrastructure gap

The Town's 2023 capital budget totals \$23,643,000 and is comprised of 83 projects. The 2023 capital budget and forecast (2024-2032) focuses on timely investment to maintain existing assets in a state of good repair, aligning the growth-related capital projects with the timing of growth, while ensuring financial affordability and sustainability.

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 scoring matrix. Financial affordability is determined through the Long Range Financial Plan 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 to provide direction for staff when preparing the budget details. The final proposed budget is discussed again with members of Council 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 utmost 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

July 10, 2023