

MANAGEMENT DISCUSSION & ANALYSIS

The 2017 Consolidated Financial Statements attest to the Town's continued commitment to service and program delivery while maintaining a strong financial foundation to support future growth.

The Town of Halton Hills is pleased to present its 2017 Annual Financial Report including a management discussion and analysis, which provides a descriptive narrative to support the consolidated financial statements. These statements include the operations of the Town, the Halton Hills Public Library Board, the Acton Business Improvement Area, the Georgetown Business Improvement Area and the Town's investment in its local distribution company, Halton Hills Community Energy Corporation (HHCEC) and are intended to provide details regarding the financial position and activities of the Town for the fiscal year ended December 31, 2017

These financial statements, prepared in accordance with the Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) include 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 within this report and provide information concerning the Towns' assets and liabilities, the activities undertaken during the year and how they were financed.

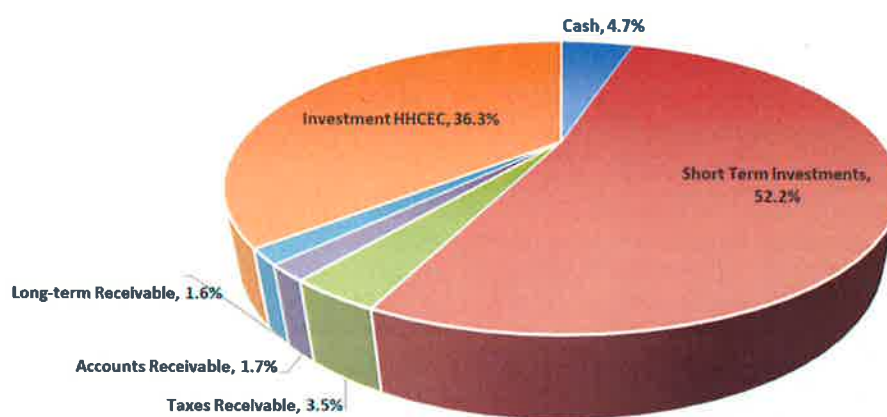
The Town also manages a number of trust funds which are not consolidated within the Town's own financial statements. These funds are reported and audited separately and are also attached within this report.

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, 2017 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 states the Town's accumulated surplus

Financial Assets

The Town's overall financial assets have increased by \$8.5M, totaling \$130.9M at the end of 2017. The main driver for this is the increase in the amount of short term investments. The following graph shows the distribution of financial assets:



Cash & Short Term Investments

Short term investments of \$68.4M have increased by \$10.5M since 2016. This increase is reflective of:

- additional contributions to Town reserves as a result of a favourable 2017 operating budget surplus;
- planned contributions to reserves for the arena debt repayments as per the financing plan;
- the transition to a full 24-7 fire service complement in line with the Fire Master Plan;
- the timing impact of cash outflows related to capital project commitments; and,
- cash inflows related to Development Charge collections.

Return on Investment

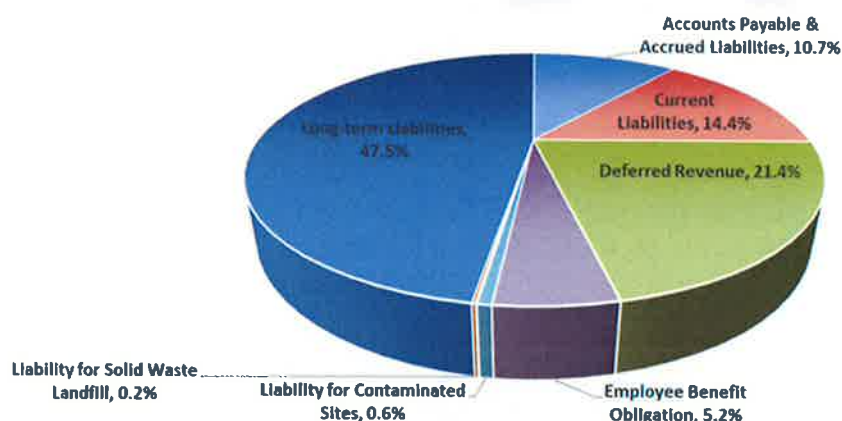
The Town invests its reserves with the Region of Halton through a pooled investment agreement and also holds its operating funds with Canadian Financial Institutions in interest bearing accounts. The combined rate of return from all investments is 2.78% and is subject to market conditions and fluctuations based on the pooled investment aggregate amount and the length of the investment term.

Investment in Halton Hills Community Energy Corporation

The Town's investment in the Halton Hills Community Energy Corporation (HHCEC) amounts to 36.3% of the total financial assets or \$47.4M. 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 \$58.8M, and have dropped by \$2.9M since 2016, due mainly to the repayment of long term debt. Accounts payable and other current liabilities remain steady at a total of \$14.7M. A notable increase of \$1M in the employee benefit obligation is related to recent Ontario Workplace Safety and Insurance Act amendments to include lung cancer as a presumptive work-related disease for firefighters. The Town has a Workplace Safety Insurance Board reserve which can be used if needed to partially offset this unfunded liability.



Long term Liabilities

Long term liabilities represent the largest share of the Town's liabilities amounting to \$27.9M, a reduction of \$4.2M since 2016. These liabilities predominantly consist of debentures payable to the Regional Municipality of Halton. The Town's debt load is timed to drop considerably over the next five years as is depicted in the following table, leaving considerable debt room to support upcoming growth if required:

Current Debt Load Reduction Plan	
2018	\$25,616,653
2019	\$21,661,295
2020	\$18,042,091
2021	\$14,343,962
2022	\$10,562,445

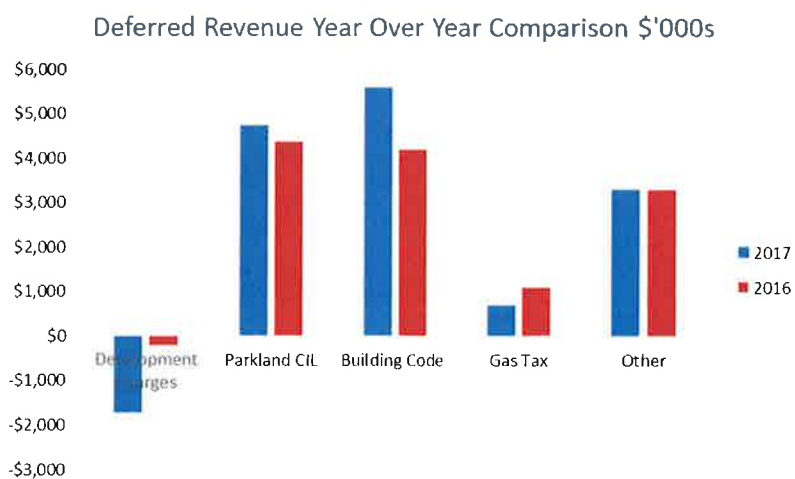
The Province sets an allowable debt limit for Municipalities whereby annual debt repayments should not exceed 25% of net revenues. Town Council has also approved a further restriction on debt levels through the 2012 Long Range Financial Plan, limiting annual debt charges to a targeted maximum of 10% of the annual tax levy. For 2017, the Town's debt repayments were within 0.1% of this target.

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. In the past few of years, the Town has been in the low end of the moderate challenge category; however, with the current debt load reduction plan, this will move into the low challenge category within the next twelve months.

Flexibility Indicator	Range	Actuals					
		2017	Level of Challenge	2016	Level of Challenge	2015	Level of Challenge
Debt Servicing Cost as a % of Total Operating Revenue	Low: < 5% Mod: 0% to 10% High: > 10%	5.8%	Mod	5.4%	Mod	5.0%	Low
						4.0%	Low

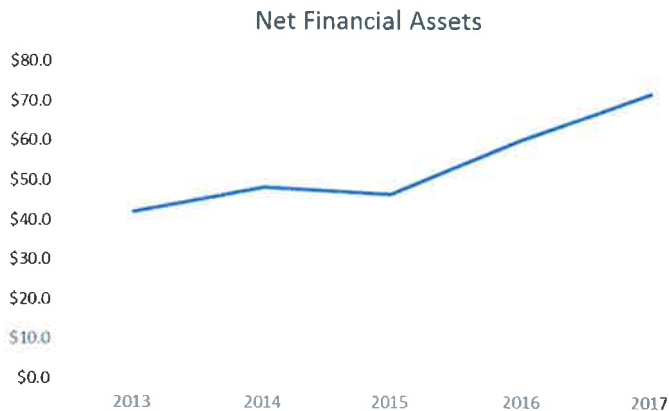
Deferred Revenue

Deferred revenue is another large contributor to the liabilities total at \$12.5M. This value is comparable to the prior year, however it is important to note the change in composition of deferred revenues. The development charges are in a deficit position and are currently being supported through a series of cash flow loans from various reserves. Deferred revenue related to building permit revenue has increased by \$1.4M due to the timing of the recognition of permit revenue. The following graph shows the year over year comparison of the change in composition of deferred revenue.



Net Financial Assets

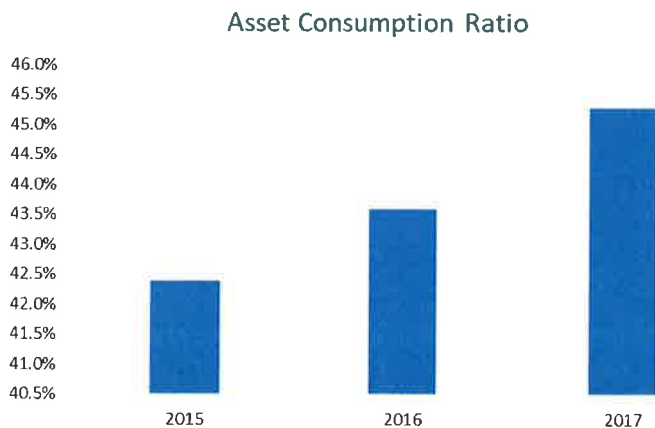
The Town is in a net financial asset position of \$72M which has increased by \$11.4M since 2016. This indicates there is an increase in resources available for the future, a continuing trend over the last few years. Higher balances in reserves and lower investments in tangible capital assets have contributed to this increase. The following chart shows the increase since 2013 in the net financial asset value:



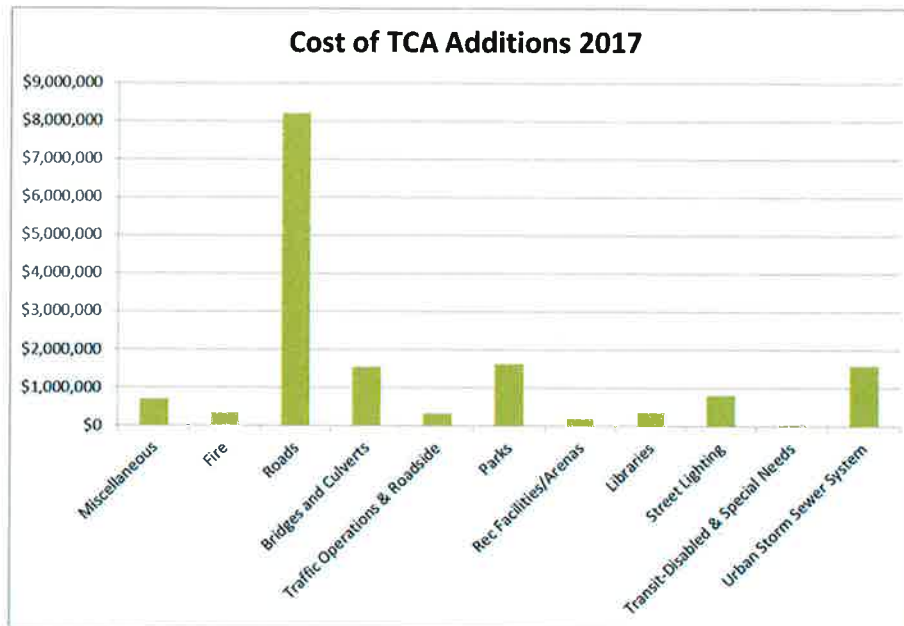
Non-Financial Assets

Non-financial assets primarily consist of net tangible capital assets (asset cost less accumulated amortization). In 2017, these assets decreased in value by \$2.5M indicating that they are amortizing at a faster rate than they are being replaced. Amortization uses an accounting useful life which often times is inconsistent with actual asset condition. The asset management group is currently conducting asset condition assessments, the results of which will be reflected in the 2018 capital budget and beyond to plan the timing of asset replacements, rehabilitations and enhancements.

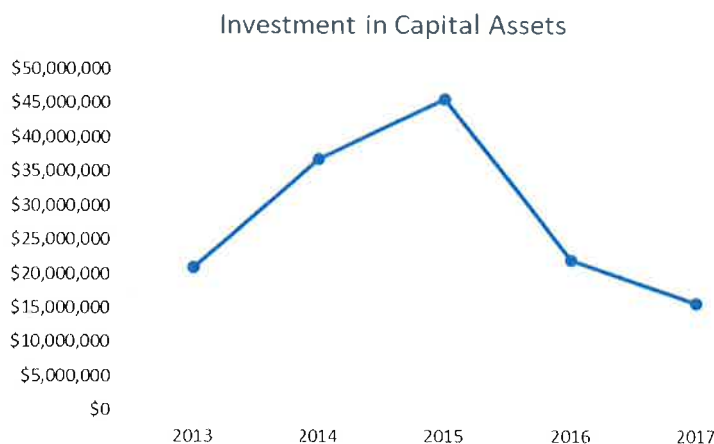
The following graph depicting the asset consumption ratio (accumulated amortization divided by asset cost) also shows the same declining trend over the last 3 years:



In 2017, the Town invested over \$8M in upgrading road infrastructure assets, mainly with the Armstrong Avenue reconstruction and through the regular pavement management program. An additional \$1.6M was spent to upgrade culverts and a further \$1.6M was used to improve various community parks. There were no other large infrastructure projects planned for 2017. The following graph shows the distribution of the 2017 tangible capital assets by cost over the different asset groups:

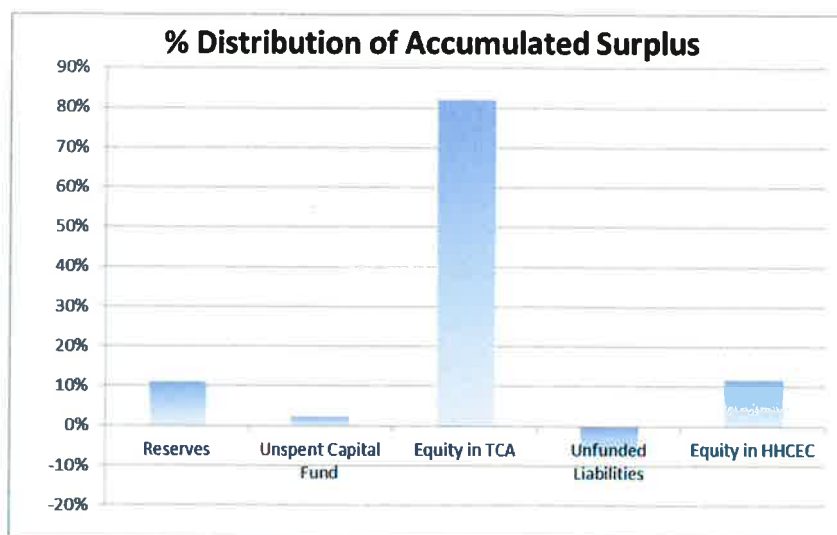


Over the past few years, the Town has undertaken some large construction projects such as the Public Works Operations Centre and a second ice pad at the Acton arena in 2015, and prior to that there was the construction of two new ice pads at the Mold Masters Sportsplex and a large scale renovation/expansion to the Georgetown Branch Library. The timing of such projects in combination with the timing of assumptions of assets from developers, results in fluctuations year-over-year in the investment in capital assets as can be seen in the following graph:



Accumulated Surplus

The accumulated surplus includes the Town's reserves of \$44.1M, discretionary reserve funds of \$642K and unspent capital project funds of \$9.1M. The majority of the accumulated surplus however, represents the value of non-financial assets such as equity in tangible capital assets held for the provision of future services and the Town's investment in Halton Hills Community Energy Corporation and therefore cannot be considered as cash. The following table illustrates the components of the accumulated surplus on a percentage basis:



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.

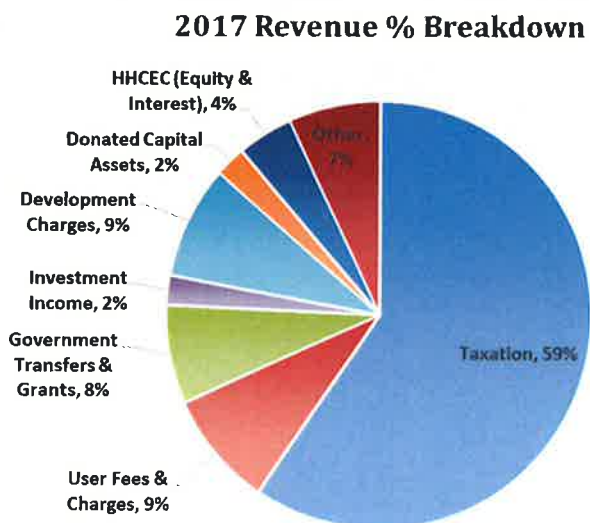
Budget

As part of the Town's annual budget process, a combined operating and capital budget compliant with the Public Sector Accounting Board (PSAB) requirements is presented to Council for approval. These numbers can be located in the budget columns of both the consolidated statement of operations and consolidated statement of change in net financial assets. The table below shows the transition from the cash-based operating surplus to the surplus reported in accordance with standards prescribed by PSAB:

Operating Budget Surplus	\$	1,486,670
Add general surplus		137,624
Remove operating transfers to & from reserves		12,551,101
Remove debt principal repayment		3,870,215
Add operating expenses from capital budget		(2,910,387)
Add revenues from capital budget		9,354,110
Add amortization expense		(18,350,776)
Add assumed/donated assets		1,874,482
Add net gain on asset disposal		59,073
Add post employment benefit expenses		(960,826)
Add post closure landfill expenses		7,607
Add contaminated sites expenses		(17,500)
Add interest income related to reserve balance		516,553
Add arena surcharge & misc recovery		289,633
Consolidation of HHCEC		1,001,574
Consolidation of BIAs (excluding amortization)		24,556
PSAB Annual Surplus	\$	8,933,709
<i>(Reported in the Financial Statements)</i>		

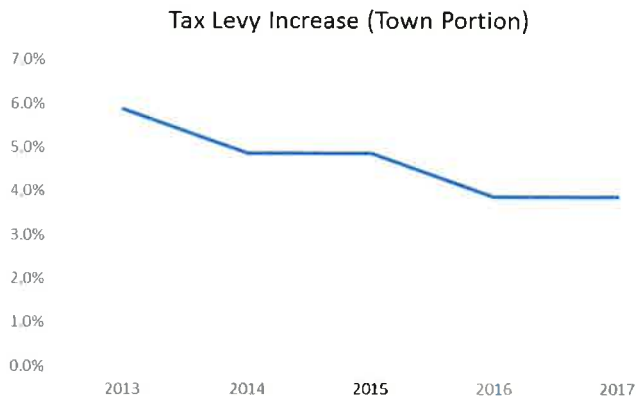
Revenues

Revenues have decreased by \$5.5M due to differences year-over-year in the recognition of gains on the disposal of fixed assets coupled with the lower utilization of development charge revenues, fewer assets assumed from developers and a decrease in the number of projects in 2017 that were eligible for recovery from the Regional Municipality of Halton. The following chart shows the percentage breakdown of all 2017 revenues:



Taxation

There was a 3.9% general levy tax increase (Town portion), net of assessment growth in 2017. This rate increase is comparable with prior year increases. The supplementary tax billing amount was approximately \$500K less than in the prior year, with fewer mid-year additions to the tax roll. The following table shows the declining trend for tax rate increases over the past 5 years:



User Fees & Charges

User fees have dropped slightly since the prior year mainly due to the decreases in the amount of planning fee revenue that was eligible to be recognized as per public sector accounting standards. In 2018, a recreation user fee review will be undertaken to examine and refine the cost recovery model. The following table shows further details of the types of fees included in the reported user fee revenue line:

Comparison Of User Fees Year Over Year			
	2017	2016	Difference
Activan	271,528	207,807	63,721
Aquafit/Lifesaving	141,681	130,360	11,321
Arena Floor Rental	90,983	86,692	4,291
Business Licenses	112,865	127,454	(14,589)
Cemetery Fees	247,514	233,691	13,823
Facility Rentals	390,027	407,088	(17,061)
General Admission	127,182	144,351	(17,169)
General Registration	1,163,330	1,143,282	20,048
Ice Rental	2,094,395	2,113,691	(19,296)
Memberships	96,714	95,974	740
Park Rental	304,508	323,819	(19,311)
Planning Fees	916,142	1,075,531	(159,389)
Tax Certificates & Information	266,595	261,256	5,339
Miscellaneous User Fees	761,847	746,634	15,213
	\$6,985,311	\$7,097,630	(112,319)

Development Charges

Development charges recognized as revenue in 2017 are considerably lower than the prior year, dropping by \$1.8M. In 2016, there was a large land purchase that was eligible for development charge funding which increased the amount of revenue that could be recognized for that year. The following table highlights how development charges were used in 2017 to fund the repayment of debentures and finance capital and non-capital projects:

	\$
Drainage Area No. 10	1,314,603
Armstrong Ave. Phase 1	1,148,041
New Equipment	321,937
Hornby Road Drainage	242,235
Sixth Line Steeles Ave. S	155,021
HHVHI 13 Neighbourhood Park	47,103
Upper Canada College Parkette	43,026
Fernbrook Ph3 (HHVHI 17) Parkette	19,457
Miscellaneous Capital Assets	72,018
Non Capital Expenditures	452,543
Fund Debentures	3,014,203
	<u>\$6,830,187</u>

Government Transfers and Grants

Transfers from upper levels of government also contribute substantially to the revenues of the Town. In 2017, they totaled \$5.9M. The federal gas tax revenues recognized remain constant year-over-year, resulting in similar spending patterns on core infrastructure. The Provincial grants have increased by \$678K, predominantly from the Ontario Community Infrastructure Fund (OCIF) and Connecting Links Funding.

Donated Capital Assets

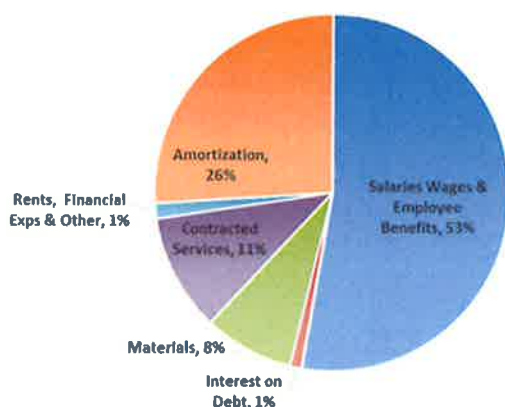
In 2017, the Town assumed \$1.8M of tangible capital assets from developers. These are reported as revenue in the statement of operations as the asset provides a future benefit to the Town. Each time the Town acquires additional assets there will be a corresponding increase in future operating budgets to take account of the need for increased staff hours and material resources for their maintenance and upkeep. The following table highlights the 2017 asset assumptions from developers:

<u>Type of Assumption</u>	<u>Development</u>	\$
Paved Roads & Sidewalks	Chester & Mountainview Ph 2	1,130,503
Street Lighting	Chester & Mountainview Ph 2	90,554
Urban Storm Sewers	First Gulf - Fifth Line Re-alignment	536,644
Storm water Management Pond	Churchill Road South	94,581
Traffic Operations	Chester & Mountainview Ph 2	22,200
		<u>\$1,874,482</u>

Expenses

Expenses have increased by \$3.4M, driven in the main from inflationary labour increases, additional positions to support growth and increased amortization costs from recently added facilities. The following table shows the percentage split of total expenses:

2017 Expenses % Breakdown



Salaries, Wages & Employee Benefits

Labour costs have increased by 7.1% since 2016. There were 14.5 full time equivalent positions added to the staff complement in 2017. In addition, there was a non-union cost of living adjustment of 1.75% and various job re-evaluations resulting from the re-organization that happened mid-way through the year. There were also increases from other contractual obligations relating to unionized staff. The aggregate cost of these increases was mitigated to some degree by savings from salary gaps resulting from planned delays in hiring for staff vacancies.

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 over time and from its usage in the provision of services. In 2017, amortization expenses increased by \$912K, due largely to the amortization of new roads.

Contracted Services

Contracted services increased by \$876K or 13.2% when compared with the prior year. In 2017, increases in legal fees and insurance were responsible for the variances year-over-year; however, when compared to a five year average, the 2017 costs are comparable and reasonable.

Materials

Material costs in 2017 have decreased by \$531K or 8.4% mainly because of the favourable winter season weather conditions. Fewer snow events mean lower usage of sand and salt and more constant temperatures mitigated the impacts of the freeze-thaw cycle, resulting in a lower demand for asphalt required for filling potholes.

Annual Surplus

An annual surplus of \$8.9M is being reported and contributes to the accumulated surplus which now stands at \$405.8M.

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 demonstrates how the Town has increased its net financial assets through lower investments in tangible capital asset additions coupled with increased capital asset consumption and a relatively small increase in the amounts of prepaid expenses and supplies inventory.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows shows how the Town used its cash in 2017. By adjusting the annual surplus for items that do not result in a cash transaction and taking into account the changes in working capital since the prior year, the result is a net increase in cash of \$27.2M from operations. \$18.5M of this cash was used to buy new capital assets and repay debt and loans. Additional monies of \$1.6M were received in the form of dividends from Halton Hills Community Energy Corporation, and \$415K was provided as an additional financing facility from Southwestern Energy (SWE) to cover the upfront cost of the LED street light conversion project. Of the total \$16.4M cash on hand, \$10.2M of excess cash was transferred to the Region of Halton to take advantage of the pooled investment arrangement, leaving remaining cash on hand at Canadian banking institutions of \$6.1M. The following table shows the movements in the Town's cash throughout 2017:

Cash at beginning of year		\$5,657,592
Annual Surplus	\$8,933,709	
Adjust for all non-cash transactions	\$14,708,808	
Remove impact of non-cash working capital	\$3,568,716	
	<u>\$27,211,233</u>	<u>\$32,868,825</u>
How was this cash used?		
Purchase of new Capital Assets	(\$13,882,149)	
Repayment of Debt and Other Loans	(\$4,696,984)	
	<u>(\$18,579,133)</u>	<u>\$14,289,692</u>
New cash coming in the door....		
Additional Note Payable to SWE (LED program)	\$415,467	
Cash from Fixed Asset disposals	\$59,073	
Dividends from HHCEC	\$1,691,951	
	<u>\$2,166,491</u>	<u>\$16,456,183</u>
Move excess cash to invest with Region		(\$10,293,825)
Cash at end of year		\$6,162,358

LONG RANGE FINANCIAL PLANNING

Investments in Town reserves have been steadily increasing over the past five years. Long range financial planning is an ongoing activity and is critical given the increasing complexity of the Town's financial portfolio, and the increased gap in cash flow timing as growth-related capital investments are made in advance of the anticipated population growth. Work is currently underway to develop a forecasting tool through the 2018 Long Range Financial Plan that will further support key financing decisions.

The following table shows how the reserve balances have increased over the last five years, the contributions that have been made to reserves, the draw-downs from reserves and the loans that have been established to interim finance development charges:

	2013	2014	2015	2016	2017
Opening Balance	\$26,766,720	\$22,496,285	\$25,460,827	\$29,919,510	\$38,969,150
Contributions as per long range plan	\$8,324,780	\$9,998,600	\$10,940,100	\$11,022,463	\$11,584,491
Additional contributions	\$4,970,652	\$3,712,337	\$8,234,090	\$9,549,773	\$4,694,233
Surplus distribution	\$0	\$39,754	\$771,282	\$850,478	\$1,486,670
Interest earned	\$604,227	\$419,190	\$547,310	\$543,634	\$516,261
Utilization of reserves	(\$18,170,094)	(\$11,205,339)	(\$16,034,099)	(\$12,916,708)	(\$13,061,634)
Ending Balance	\$22,496,285	\$25,460,827	\$29,919,510	\$38,969,150	\$44,189,171
Cash loans from reserves to DCs	(\$2,128,173)	(\$2,105,099)	(\$2,105,099)	(\$10,137,288)	(\$10,724,128)
Cash available in reserves	\$20,368,112	\$23,355,728	\$27,814,411	\$28,831,862	\$33,465,043

ASSET MANAGEMENT PLAN

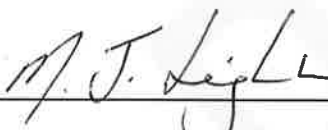
Asset management is the application of financial, technical, strategic planning and other inter-disciplinary techniques to effectively utilize and realize value from physical assets over their lifecycles. The Town is currently working to enhance its 2014 Asset Management plan, which was originally comprised of the limited asset categories of roads, bridges and culverts. Next steps include the expansion of the asset categories included in the plan and the development of a corporate asset management policy, a level of service strategy, a state of infrastructure report and a risk management framework.

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. Ultimately the culminating effect of this alignment is reflected in the annual capital and operating budgets where carefully planned funding ensures ongoing commitment to preserving optimal asset lifecycles.

CONCLUSION

Consistent tax rate increases of 3.9% (Town portion) combined with a solid debt management approach and commitment to maintaining healthy reserves have all contributed to the Town having preserved a steady financial position over the last few years. Extensive growth is planned for Halton Hills in the near future, and as such, some growth-related capital investments have already taken place and the Town is proud to showcase new arenas, libraries and a state-of-the-art operations centre. Like most other municipalities, rapid growth has placed a strain on the management and collection of development charges to cover these costs as building to meet demand occurs in advance of receipt of cash flows from developers. As such, the Town has taken the approach to interim cash-flow the cost of growth from healthy reserves, until development charges can be recovered. The Town's financial position was boosted in 2017 due to lower levels of investment in tangible capital assets and a focus on reinvestment back to reserves. The 2017 operating surplus was also relatively healthy, a true testament to careful management of operating budgets and a sustained commitment to reserve building in order to support future growth.

In 2018, the Town will re-evaluate its financial portfolio through the undertaking of a long range financial plan. This plan will incorporate asset management planning and the impacts of both the Vision Georgetown and Premier Gateway secondary plans. Continued focus on the Town's finances will be imperative to the successful growth and development of a sustainable community.



Moya Leighton CPA, CGA, MBA

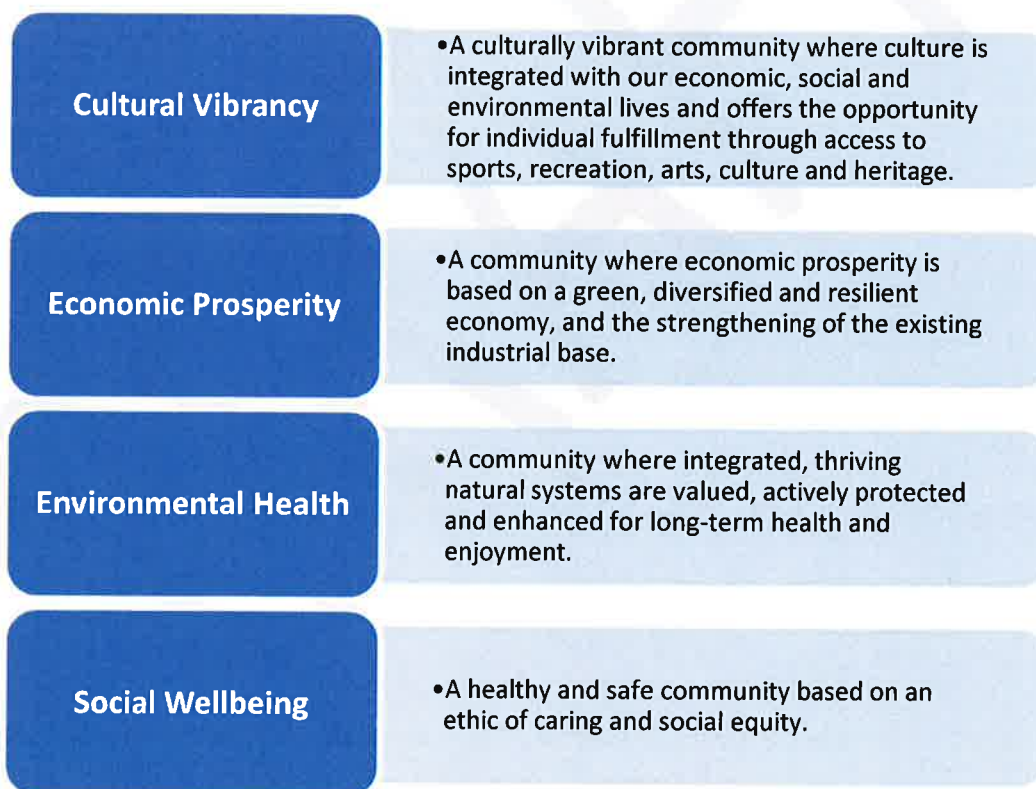
Town Treasurer and Manager of Accounting

May 28th, 2018

2018 and Beyond

The Town of Halton Hills prides itself in maintaining a small-town feel while competing with large municipalities to attract investments and offering residents the amenities of big city living. The slogan 'Small Town Living at its Best' is reflective of the Town's exceptionally high quality of life. While there is an expectation of relatively modest growth in 2018, the Town is preparing to meet provincial growth targets of an additional 30,000 people by 2031.

Over the next several years, the Town endeavours to create a balance between managing expected growth, addressing replacement of existing infrastructure and providing the quality of life expected by residents. As such, the municipal tax levy has been stabilized at a 3.9% increase (net of assessment growth) over the past three years. These increases are reflective of the Municipal Price Index for the area, but still address the requirements needed to maintain current levels of service expected by residents. Central to the Town's approach to growth planning is its strong interest in sustainable development and energy conservation. This interest is reflected in an integrated sustainability strategy organized under four pillars:



The 2018 Capital Budget addresses the Town's need for maintaining existing transportation infrastructure, as well as the construction of 22nd Side Road and the Eighth Line and Halton Hills Drive extensions. In addition, the Georgetown Sports Action Park, Trafalgar Sports Park and phase two of the Hungry Hollow Trails projects are expected to be underway in 2018. Phase two of the Gellert Community Centre is scheduled for commencement in 2019.

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. The Council of the Town of Halton Hills has ultimate authority to allocate funds and this is done through the annual operating and capital budget process. The following areas are subject to rigorous defined processes and controls supporting reasonable 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 pre-defined prioritization 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 where there is 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 and they are accountable to the CAO, Council and tax payers 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, Town 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 and gain 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 tax payer. It is presented to Council mid-way through the budget process to obtain a direction for staff to follow when preparing the operating 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 where tax payers have the opportunity to speak as a delegation.

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

Treasury Team

The Town has a highly skilled Treasury team responsible for all finance functions from debt management to taxes to budgets. In addition to being responsible for maintaining accurate records, the team is responsible for providing regular information to management who are accountable for the programs, services and capital projects that they manage and deliver. They also report periodically to Council and tax payers on various financial aspects such as reserve balances, and performance against budget.

Through the careful management of the Town's financial portfolio, the Treasury team provides advice to Senior Management and Council on the various financial options that are available to support growth and maintain existing programs and service levels.

Annually, the Treasury 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 Treasury 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 Treasury team also has the responsibility for developing, monitoring and ensuring compliance with financial controls. Strong financial controls and processes provide reasonable assurance on the accuracy of the Town's data and the ensuing financial statements. Accurate information is of utmost importance for sound decision making and effective management of Town resources.

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 guidance on the treatment of various transactions from a technical aspect. Note 1 of the accompanying notes to the financial statements includes a summary of the significant accounting policies that have been used to prepare the financial statements.

The consolidated financial statements have been audited by KPMG LLP, the current 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 Community and Corporate Affairs Committee at the planning stage of the audit and again at the completion of the audit to present the findings.

A handwritten signature in dark ink, appearing to read 'M. J. Leighton', is written over a horizontal line.

Moya Leighton CPA, CGA, MBA

Town Treasurer and Manager of Accounting

May 28th, 2018