

MANAGEMENT DISCUSSION & ANALYSIS

The 2023 Consolidated Financial Statements highlight the Town's commitment to program and service delivery, alongside prudent management of cash and reserves, to maintain financial stability and demonstrate resilience in challenging times.

The Town of Halton Hills is pleased to present the 2023 Management Discussion and Analysis (MD&A), offering a detailed narrative to accompany the consolidated financial statements. These statements outline the municipality's financial position and activities for the fiscal year ending December 31, 2023. They include the operations of the Town, the Halton Hills Public Library Board, the Acton Business Improvement Area, the Georgetown Central Business Improvement Area, the Town's investment in its local distribution company, Halton Hills Community Energy Corporation (HHCEC), and its investment in the shared services company, Halton Digital Access Services Corporation (HDASC).

The financial statements, prepared in accordance with 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 is explained in detail, providing comprehensive information on the Town's assets and liabilities, the activities undertaken during the year, and their financing.

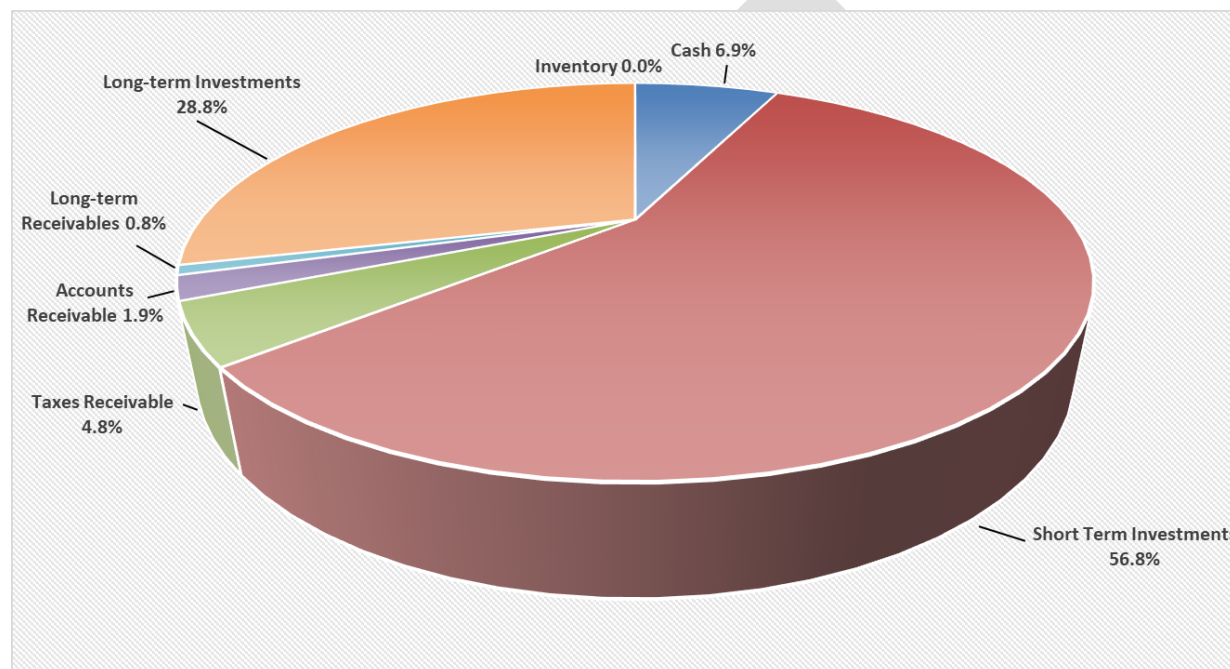
The Town also manages a number of trust funds which are not consolidated within the Town's own financial statements. These funds are reported and audited separately and are attached within this report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position presents a snapshot of the Town's financial health as of December 31, 2023. It outlines total financial assets, including cash, investments, and receivables, offset by liabilities such as payables, deferred revenue, and long-term debt, resulting in a net financial asset position. Additionally, this statement provides details on the Town's non-financial assets, which include tangible capital assets and the Town's accumulated surplus, encompassing reserves, unspent capital funds, and equity in tangible capital assets.

Financial Assets

The Town has maintained its financial assets at a consistent level, with net financial assets totaling \$172.3 million as of the end of 2023. The graph below offers a comprehensive breakdown of these financial assets:



Cash & Short Term Investments

Short-term investments of \$97.7M have decreased by \$6.1M compared to the prior year, while the Town's cash position has risen by \$2.7M since 2022. The combined decrease in cash and short-term investments is due to the funding of expenses related to the 2023 operating budget deficit (\$1.7M) and prepaid costs related to 2024 insurance premiums (\$1.3M).

Return on Investment

The Town invests its reserves with the Region of Halton through a pooled investment agreement and holds its day-to-day operating funds with Scotiabank in interest-bearing accounts. The combined rate of return from all investments is 3.08%, marking an increase from 2022's return of 2.27%. The rate of return on the investment portfolio has increased slightly, driven by the Bank of Canada's policy decision to increase interest rates throughout 2023, rising from 4.25% in December 2022 to 5.0% in December 2023.

Long-term Investments

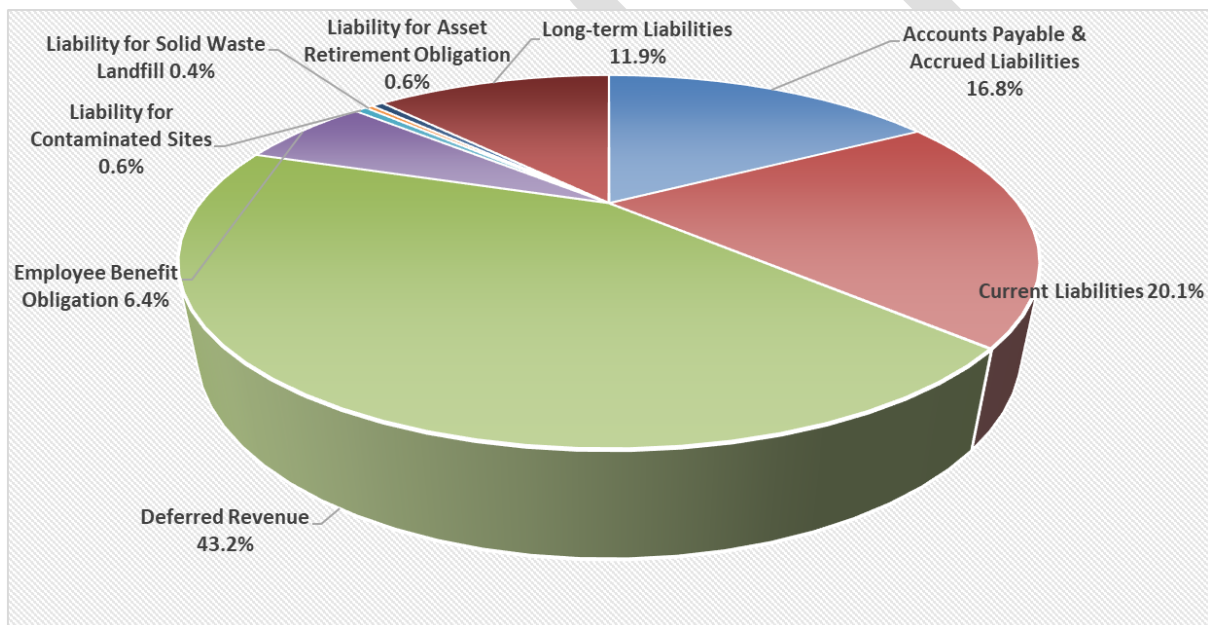
The Long-term investments of \$49.6M include the Town's investments in both Halton Hills Community Energy Corporation (HHCEC) (\$49.6M) and Halton Digital Access Services Corporation (HDASC) (negative \$25K). Both HDASC and HHCEC are accounted for on the modified equity basis in the consolidated financial statements.

Liabilities

The Town's liabilities total \$78M and have increased by \$4M since 2022, primarily driven by the rise in current liabilities.

Accounts payable and other current liabilities have risen by \$7M since 2022, to a total of \$28.97M. This is driven by a \$2.5M increase in the receipt of sub-division deposits, a \$1M increase in obligations pertaining to employee benefits, and an increase of \$2.8M in accounts payable which is related to the timing of the scheduled payment runs at the end of 2023.

Further details on deferred revenue funds can be found on page 4.



Long term Liabilities

Long-term liabilities relating to the remaining debt principal still to be paid of \$9.3M, has fallen by \$2.8M since 2022 due to debt repayments. No new debentures were issued in 2023. The Town's current outstanding debentures include \$9.1M payable to the Regional Municipality of Halton and \$157K payable to SouthWestern Energy.

The Province sets an allowable debt limit each year for municipalities prescribing that the annual debt repayments should not exceed 25% of net revenues. Town Council has also approved further limitations on debt levels through the 2019 Corporate Debt Management Policy. This policy limits annual external debt carrying costs to a maximum of 10% of the annual tax levy. For 2023, the Town's debt carrying costs were 4.8% of the annual tax levy and therefore within the Council imposed debt target.

2023 Debt Repayments to Annual Tax Levy			
Debt Carrying Cost	2023 Tax Levy	2023 Town Debt Limit	Council Imposed Debt Limit
\$3,061,162	\$63,286,800	4.8%	10%

In addition to the prescribed debt limit, the Province monitors the debt load of each municipality using a financial indicator that measures the annual debt servicing cost as a percentage of total operating revenue, excluding donated assets. In 2022, this indicator fell back into the low-risk category at 3%, after six years in the moderate risk category and remains low risk in 2023. The financial indicator was impacted by both a drop in the annual debt servicing costs due to the retirement of a significant debenture issued in 2011 which reduced annual servicing costs and a change in the operating revenues side from the receipt of additional grant revenues. Additionally, the Town has borrowed \$26.5 million from its own reserves with a commitment to borrow a further \$7.8M, bringing the total internal debt to \$34.3M. Internal debt is not reported separately in the financial statements, instead the Town's short term investments are reported net of the cash withdrawn, with an offsetting decline in accumulated surplus.

Deferred Revenue

Deferred revenue represents funds received 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 \$33.8M, and consists of the following balances:

2023 DEFERRED REVENUE		
	\$000's	%
Restricted Deferred Revenue	7,019	20.8%
Development Charges	2,080	6.2%
Community Benefit Charges	717	2.1%
Parkland Cash In Lieu	13,118	38.8%
Growth Stabilization Fund	2,655	7.9%
Building Stabilization Fund	6,330	18.7%
General Deferred Revenue	1,895	5.5%
	<u>\$33,814</u>	<u>100%</u>

Restricted deferred revenues of \$7M include unrecognized Canada Community Building Fund revenues of \$3M and Transportation Maintenance funds in the amount of \$3.4M for perpetual maintenance of stormwater ponds and infrastructure. 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 \$2M at the end of 2023. A number of DC funds were in a negative position at the end of 2023 and required interim funding in the amount of \$26.5M from Town reserves.

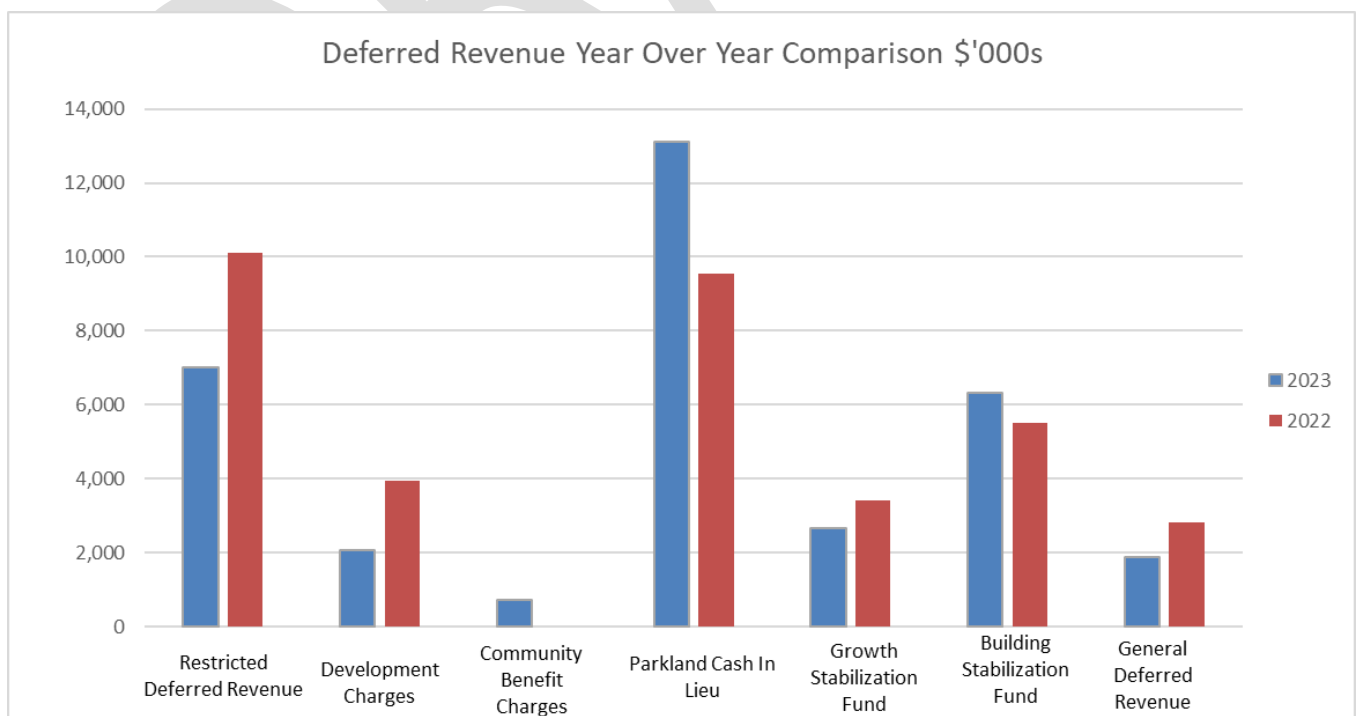
The Parkland Cash in Lieu fund is also included within deferred revenues and totals \$13.1M at the end of 2023. The increase in 2023 is due to collections exceeding in-year spending financed through the cash in lieu fund. The purpose of this fund is to finance the acquisition of land for parks or recreational 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 2023, there is a total of \$2.6M in this fund.

The Town also has a Building Stabilization fund within the deferred revenue line which amounted to \$6.3M at the end of 2023. 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.

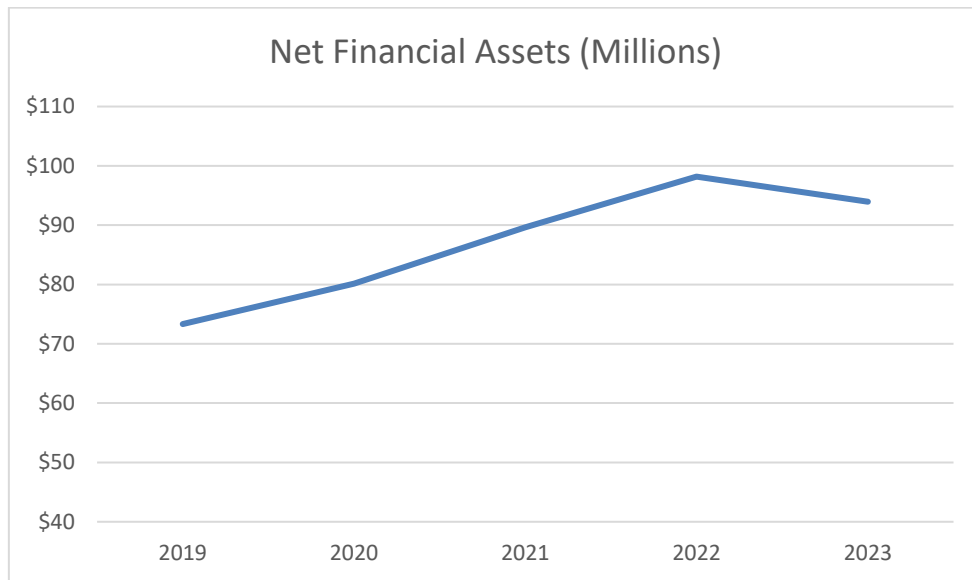
In addition to the restricted and obligatory funds outlined above, the deferred revenue line also includes \$1.9M of general deferred revenues such as the Ontario Community Infrastructure Fund (OCIF) and Regional revenues related to the fire station on Maple Avenue.

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

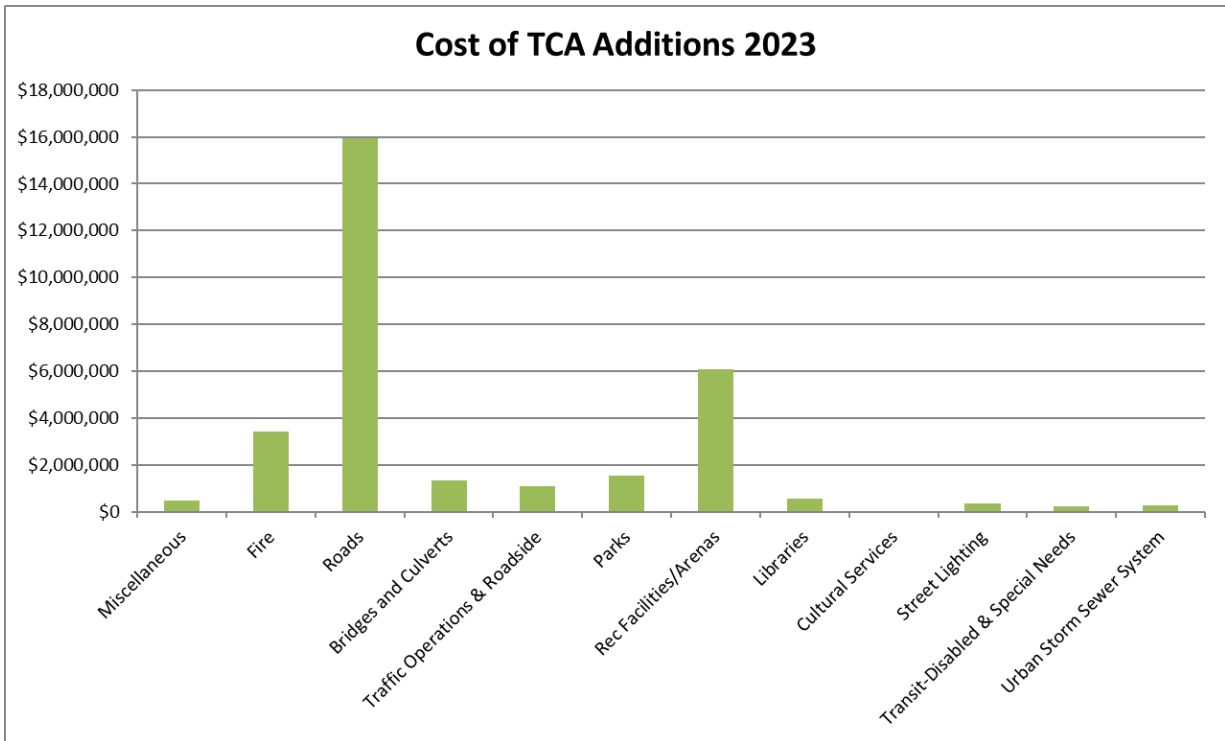
The Town is in a net financial asset position of \$94M which has decreased by \$4.2M since 2022. A positive net position indicates there are resources available for the future. The decrease for 2023 is attributed to unfavourable operating budget spending and higher capital spending in the year. The following chart shows the increase since 2019 in the Town's net financial assets value:



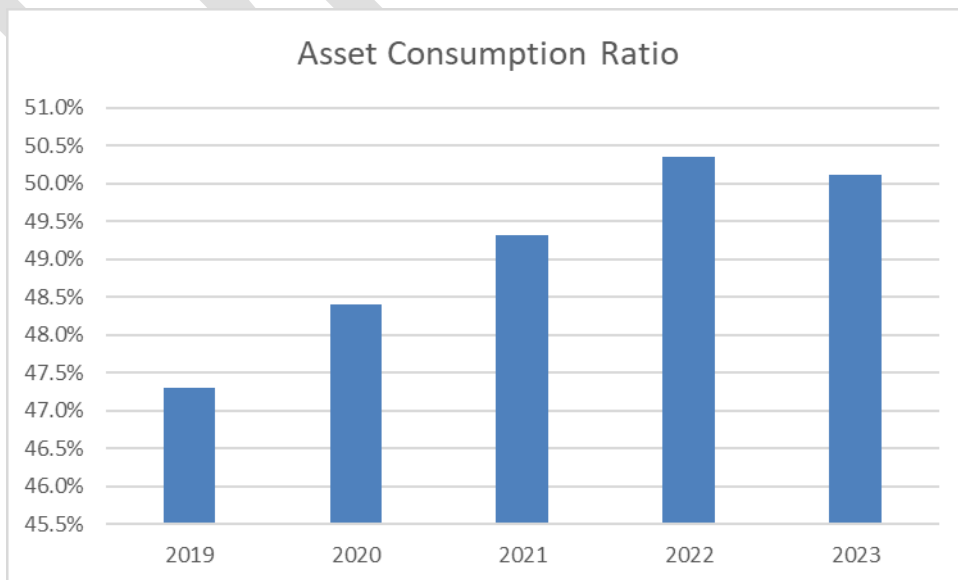
Non-Financial Assets

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 division 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 2023, the Town added over \$31M in tangible capital assets. Infrastructure projects related to the upgrade of the Town's road network amounted to \$16.4M, with an additional \$1.1M spent on replacing the culvert on Sixth Line. The heat pumps in Town Hall, Maple Avenue Fire Station and the South Headquarters Fire Station were replaced for \$1.1M. A further \$3.9M was invested in Mold Masters Arena for the replacement of the dehumidification units. The following graph shows the distribution by cost and asset group of the 2023 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 2023, the Town's asset consumption ratio had decreased slightly to 50.1%, from 50.4% in the year before. Historically, the Town's asset consumption ratio had been rising due to several factors, such as a decline in large-scale construction projects and a reduced rate of new asset acquisitions from developers. However, in 2023, the completion of significant road projects positively influenced this ratio. The graph below illustrates the asset consumption ratio, highlighting the trend over the past five years:



Accumulated Surplus

In addition to reflecting 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 both Halton Hills Community Energy Corporation, and Halton Digital Access Services Corporation.

The Town's reserves total \$37.7M (reserves of \$64.2M less DC internal loans of \$26.5M) at the end of 2023. This represents a decrease in reserve balances of \$1.6M in the past 12 months which can be attributed to the 2023 operating budget deficit and the need to incur additional internal borrowing due to lower than planned DC receipts.

Most notably the accumulated surplus shows a net increase in the Town's equity in Tangible Capital Assets of \$13M when compared to the previous year, mainly due to investments in road and bridge upgrades.

The Town's unexpended capital financing, which represents the backlog in the capital program, decreased by \$4.4M over 2022 and totals \$20.8M.

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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

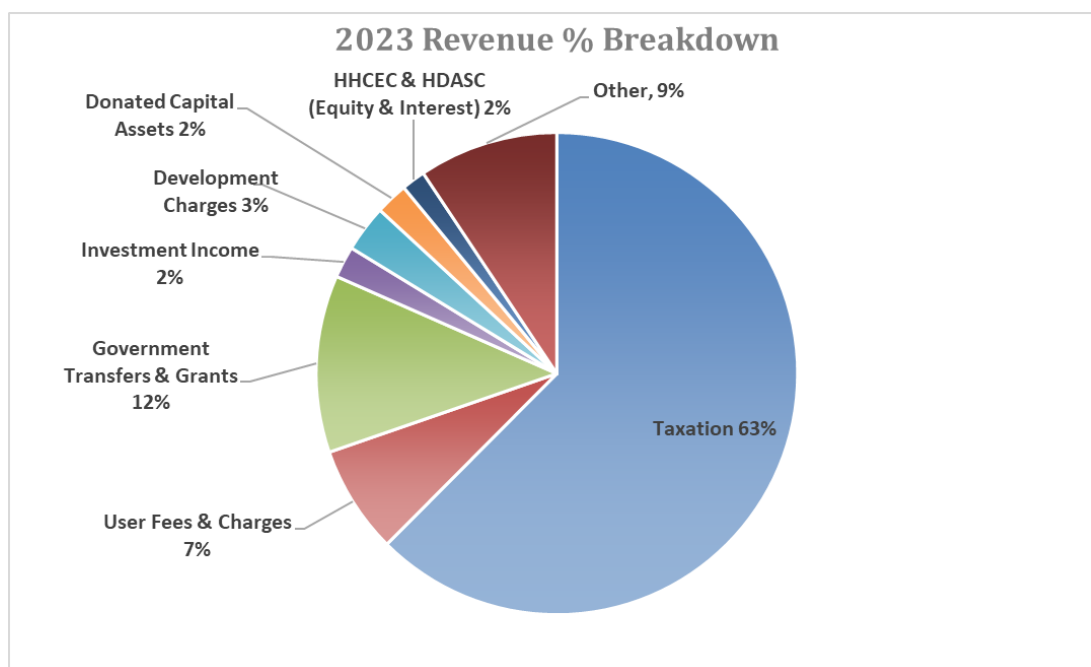
The Town compiles its annual operating and capital budgets in accordance with the Municipal Act. For the purposes of Financial Statement preparation in accordance with the Public Sector Accounting Board (PSAB) requirements, there are differences between the reported numbers. To ensure comparability of 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	\$ (1,373,556)
Transfer unused contract carry forward to general surplus	<u>(258,003)</u>
Adjusted Operating Budget Deficit	\$ (1,631,559)
Remove funding from surplus (prior year general surplus)	19,361
Increase deficit by reversal of non-PSAB eligible expenditures	
<i>Debt principal repayment</i>	2,818,684
<i>Net transfers to/(from) reserves</i>	10,631,223
Add other revenues (external to operating budget)	
<i>Non reserve revenues that fund the capital budget</i>	16,815,491
<i>Assumed assets</i>	2,299,366
<i>Investment income allocated directly to reserves</i>	598,426
<i>Miscellaneous recoveries allocated to reserves</i>	63,336
<i>Gain on disposal of assets</i>	1,837,401
Add other expenses (external to operating budget)	
<i>Contaminated sites</i>	(15,591)
<i>Decrease liability for post closure landfill</i>	210,865
<i>Increase liability for asset reirement obligations</i>	(14,845)
<i>Amortization</i>	(18,259,028)
<i>Capital expenses not considered Tangible Capital Assets</i>	(3,728,152)
<i>Post employment benefits</i>	(1,133,476)
<i>Recovery from Kiwanis user groups</i>	(52,895)
Consolidate net income /(loss) of other entities	
<i>BIAs</i>	(15,036)
<i>HHCEC</i>	(236,451)
<i>HDASC</i>	(25,509)
PSAB Annual Surplus	<u>\$10,181,611</u>
<i>(Reported in the Financial Statements)</i>	

Revenues

Revenues have increased by \$1.6M since 2022 driven mainly by the annual taxation increase and grants from other levels of government. The following chart illustrates the percentage breakdown of all 2023 revenues:



Taxation

Council approved a 6.62% increase in the general levy tax (Town portion) for 2023. This tax increase supports the general services expected by residents and enhances the quality of life in Halton Hills. The 2023 tax increase ensures the continued delivery of services and programs and allocates resources for legislative compliance. Additionally, it provides funding for investments in transportation and transit services, addresses climate change mitigation and adaptation measures, and supports service enhancements in equity, diversity, and inclusion (EDI), Truth and Reconciliation (TRC), and heritage.

User Fees & Charges

Revenues from user fees and charges increased by \$1.3M in 2023 as operations continued to recover from the COVID-19 pandemic. Programming and facilities were operating at capacity in 2023 resulting in an increase in ice rentals and facility rentals by \$684K over 2022 levels and registration in community programming also resulted in an increase of \$530K in general registrations and admissions. As more patrons visited Town facilities, miscellaneous revenue from advertising, concessions and vending machines also increased by \$229K.

Planning Fees decreased slightly from the prior year, due to a reduced number of development applications received in 2023. The expenditures related to Planning fees required funding from the recognition of unearned planning fees held in the Growth Stabilization Reserve Fund (reported under “other” revenue). 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>2023</u>	<u>2022</u>	<u>Difference</u>
Activan	\$190,666	\$153,196	\$37,470
Aquafit/Lifesaving	94,272	83,118	11,154
Arena Floor Rental	82,994	58,033	24,961
Business Licenses	139,284	109,142	30,142
Cemetery Fees	359,539	361,211	(1,672)
Facility Rentals	636,039	463,180	172,859
General Admission	109,218	124,174	(14,956)
General Registration	1,443,069	974,287	468,782
Ice Rental	2,214,114	1,733,708	480,406
Memberships	110,141	46,261	63,880
Park Rental	353,868	347,932	5,936
Planning Fees	872,860	979,202	(106,342)
Tax Certificates & Information	293,095	392,728	(99,633)
Miscellaneous User Fees	769,355	540,529	228,826
	<u>\$7,668,514</u>	<u>\$6,366,701</u>	<u>\$1,301,813</u>

Development Charges

In 2023, \$3.3M of development charges were recognized as revenue, which is a decrease of \$1.4M from 2022 (\$4.7M). 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 2023, government transfers totaled \$12.6M (12% of revenues).

Federal grant funding of \$6.2M was recognized as revenue in 2023, an increase of \$3.7M over the prior year. Funding received under federal grants such as the Canada Community Building Fund (formerly, federal Gas Tax) 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. The amount of CCBF funding received each year is reasonably consistent; with the revenue recognition variances being driven by the timing of construction.

Provincial funding is received through several grant programs that support municipal services ranging from seniors' services to road construction. The Town received funding through the Ontario Community Infrastructure Fund (OCIF), Ministry of Transportation Connecting Links Funding, Ontario Trillium Foundation Community Building Fund and Seniors Active Living Centres grant program. The 2022 comparative year reported a larger than usual Provincial grant funds due to one-time funding to address COVID-19 operating pressures and needs to be considered when comparing the year over year decrease in provincial funding revenues in 2023 of \$1.4M.

Transfers from other municipalities decreased by \$104K due to the closure of COVID-19 vaccination sites at Town facilities. The Region of Halton had provided funding for the operation of sites during 2022 that was not required in 2023.

Donated Capital Assets

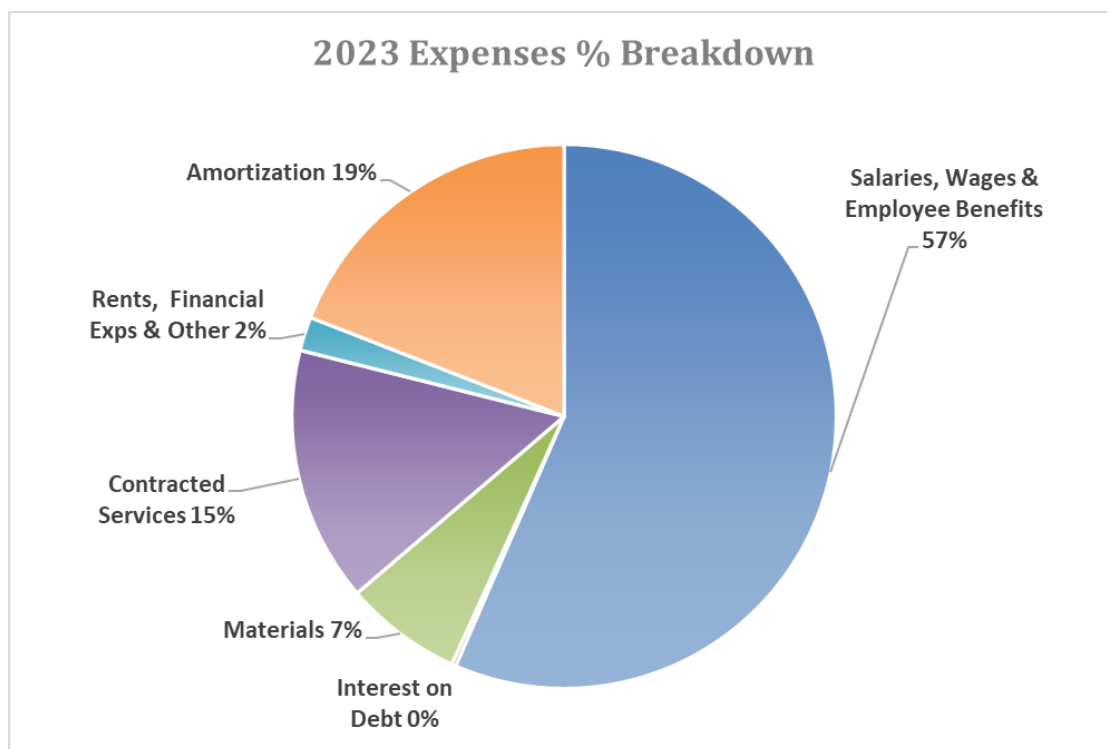
Donated tangible capital assets include any assets that the Town has assumed from developers, private organizations or individuals. These are reported as revenue in the statement of operations as the assets provide a future benefit to the Town. The Town assumed new tangible capital assets from developers in 2023 such as roads, storm water management infrastructure and streetlights, which resulted in the addition of approximately \$2.3M to the Town’s capital asset inventory. The following tables provide details of the 2023 asset assumptions:

<u>Contributed Assets</u>	<u>2023</u>	<u>2022</u>
Paved Roads & Sidewalks	\$ 1,929,008	\$ 1,148,881
Street Lighting	80,029	119,172
Storm Water Management	290,329	361,767
	<u>\$ 2,299,366</u>	<u>\$ 1,629,821</u>

<u>2023</u>	<u>Developer</u>	<u>\$</u>
<u>Type of Assumption</u>		
Subdivision 20M-1092 & 20M-1136	Halton Hills Village Homes	1,970,951
Subdivision 20R-17282	Broccolini Development	328,415
		<u>\$2,299,366</u>

Expenses

Expenses have increased by \$3M over 2022, driven mainly by salaries, wages and benefits. The following table shows the percentage split of total expenses:



Salaries, Wages & Employee Benefits

Labour costs including salaries, wages and benefits increased by \$4.8M in 2023 and continue to represent the largest proportion of expenses (57%). The increase can be attributed to the return to normal operations and increases in programming after COVID-19. Approved cost of living adjustments for non-union staff and contract increases for union employees resulted in annual incremental increases, as well as performance increments and job evaluation changes for existing staff. Additionally, new positions were approved by Council through the 2023 budget to support Town services in preparation for growth and to address changes in legislation.

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 2023 the amortization expense increased by \$420K as the value of Town non-financial assets continues to grow.

Materials

Material costs, representing 7% of total expenses from the Town, remained consistent with a small decrease of \$245K in 2023. Inflationary increases resulted in increased utility costs (\$210K) and vehicles supplies (\$167K). This was offset by savings in winter control materials (\$274K) due to the timing of winter events, and materials used for other Public Works operations (\$298K).

Contracted Services

Contracted services decreased by \$2.4M to \$14.5M in 2023, representing 15% of the Town's total expenses. Spending on contracted services was higher in 2022 due to non-routine one-time legal related costs, resulting in a net year over year decrease for 2023 in contracted services.

ANNUAL SURPLUS

An annual surplus of \$10.1M is being reported for 2023, which increases the Town's accumulated surplus to \$444.8M.

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 decrease in the net financial position is attributable to increases in financial liabilities, mainly in accounts payable and accrued liabilities which in turn are partially offset by decreases in long-term liabilities, resulting in an overall decrease of \$4.2M 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 2023. 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 \$24.3M from operations. Of the total \$33.5M available in cash, \$31.3M 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, and \$1.8M was received in cash proceeds from the disposal of fixed assets.

There was a net cash outflow from the pooled investment held with the Region of \$6.1M. This consisted of \$2.9M in earned interest which was offset by a withdrawal of \$9M to ensure availability of sufficient working capital throughout December and early 2024. This transfer was placed into the Town's Scotiabank operating account, increasing the cash balance to \$11.8M by the end of December 2023. The following table shows the movements of the Town's cash inflows and outflows throughout 2023:

Cash at beginning of year		\$9,172,473
Annual Surplus	\$10,181,611	
Adjust for all non-cash transactions	\$13,647,698	
Remove impact of non-cash working capital	\$541,602	
	<u>\$24,370,911</u>	<u>\$33,543,384</u>
How was this cash used?		
Purchase of new Capital Assets	(\$28,549,154)	
Repayment of Debt and Other Loans	(\$2,822,534)	
	<u>(\$31,371,688)</u>	<u>\$2,171,696</u>
New cash coming in the door.....		
Cash from Fixed Asset disposals	\$1,855,061	
Dividends from HHCEC	\$1,691,951	
	<u>\$3,547,012</u>	<u>\$5,718,708</u>
Investments transferred from the Region		\$6,150,410
Cash at end of year		\$11,869,118

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 prioritized long-range financial planning and the ability to adapt swiftly to changing conditions. By carefully reinvesting available funds into reserves and implementing a robust debt management strategy, the Town has demonstrated resilience in the face of various challenges. The Town’s relatively favorable results are a testament to meticulous management of operating budgets and a sustained commitment to maintaining healthy reserves to support future growth. Continuing to focus on long-range financial planning and adaptability will be crucial to sustaining the Town’s positive fiscal position.

Moya Leighton CPA, CGA, MBA

Treasurer

July 8, 2024

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2023 and Beyond

2024 Budget

In developing the budget for 2024 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 2024 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 2024 municipal tax levy increase is 9.04% (net of assessment growth) and includes the following:

- 7.51% general levy to address inflation and additional funding required to maintain existing service levels, as well as to support statutory compliance, and proposed new/enhanced services,
- 0.50% increase for insurance costs in the base budget, and
- 1.03% of continued special levy dedicated to supporting the Town's state of good repair program (0.78%) and a new special levy for future healthcare initiatives (0.25%).

The Town's 2024 capital budget totals \$26,592,000 and is comprised of 110 projects. The 2024 capital budget & forecast (2025-2033) is developed in consideration of the Long Range Financial Plan (LRFP), the Corporate Asset Management Plan, the Corporate Energy Plan, departmental strategic plans, as well as in-year Council and committee reports. The ten-year program supports:

- Approved growth management land use strategy
- Local job growth and business investment opportunities
- Transportation issues including traffic safety and active transportation
- Maintaining infrastructure in a state-of-good-repair

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 Budget Committee with opportunity for public input prior to final adoption by Council.

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 proposed operating budget is presented to Council early in the process to allow opportunity for discussion and public input. The operating budget process culminates with a Budget Committee meeting and final adoption by Council.

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 and budgets, providing advice on various options available to support growth and maintain existing programs and service levels.

In addition to maintaining accurate records, the Finance team regularly provides information to management, who are accountable for the programs, services, and capital projects they oversee. The team also reports periodically to Council on various financial matters, including reserve balances and performance against the budget.

Annually, the Finance team prepares the Town's financial statements in compliance with the standards set by the Public Sector Accounting Board (PSAB) and coordinates the operating and capital budget processes. Adhering to Ontario Regulation 284/09, which mandates municipalities to prepare a report to Council detailing expenses excluded from budgets, the Finance team converts the budget into a PSAB-compliant format. This report is presented to the Budget Committee, audited by the Town's external auditors, and included in the annual consolidated financial statements.

The Finance team is also responsible for developing, monitoring, and ensuring compliance with financial controls. Recognizing that accurate information is crucial for sound decision-making and effective resource management, robust financial controls and processes are essential. These controls provide reasonable assurance regarding the accuracy of the Town's data and the resulting 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 implemented numerous accounting policies to provide technical guidance for various transactions. Note 1 in the accompanying financial statement notes contains a summary of the significant accounting policies utilized in preparing the financial statements. As of January 1, 2023, the Public Sector Accounting Board introduced two new accounting standards applicable to municipalities: PS 3280 – Asset Retirement Obligations, and PS 3450 – Financial Instruments. These standards were adopted by the Town for the 2023 financial statements. Additional notes to the financial statements offer further details on the financial impact of these new standards on the Town's financial results.

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

Treasurer

July 8, 2024