

# MANAGEMENT DISCUSSION & ANALYSIS

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The 2024 Consolidated Financial Statements reflect the Town's continued commitment to delivering programs and services, while demonstrating prudent cash and reserve management to support long-term financial stability and resilience in the face of ongoing economic challenges.

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The Town of Halton Hills is pleased to present the 2024 Management Discussion and Analysis (MD&A), which provides a comprehensive narrative to accompany the consolidated financial statements. These statements outline the Town's financial position and results of operations for the fiscal year ended December 31, 2024. These statements include the activities of the Town, the Halton Hills Public Library Board, the Acton and Georgetown Business Improvement Areas, the Town's investment in Halton Hills Community Energy Corporation (HHCEC), and its interest in the shared services entity, Halton Digital Access Services Corporation (HDASC).

The Financial Statements are prepared in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board (PSAB) and include the Consolidated Statement of Financial Position, Statement of Operations, Statement of Change in Net Financial Assets, and Statement of Cash Flows. Each statement is explained in detail, providing comprehensive information on the Town's assets and liabilities, the activities undertaken during the year, and their financing.

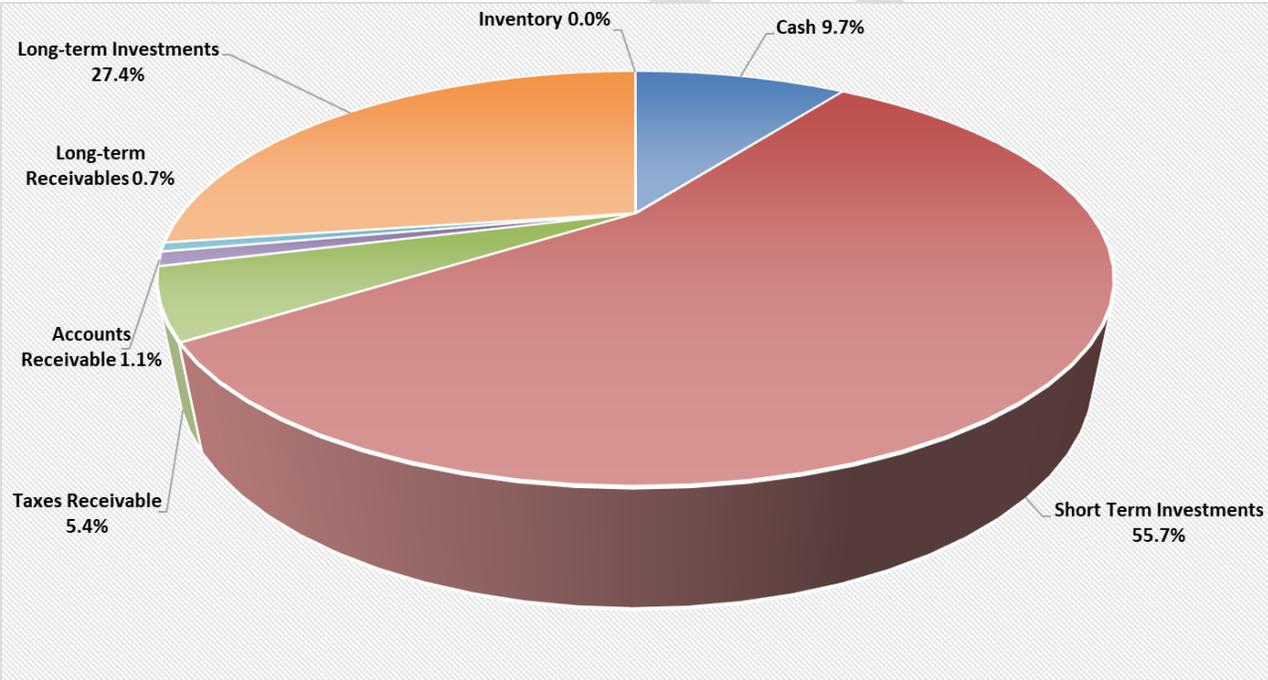
In addition, the Town administers several trust funds that are not consolidated within these financial statements. These trust funds are reported and audited separately, and their financial results are included in this report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Consolidated Statement of Financial Position provides an overview of the Town’s financial health as of December 31, 2024. 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. This statement also details the Town’s non-financial assets, including tangible capital assets and the Town’s accumulated surplus, which comprises reserves, unspent capital funds, and equity in tangible capital assets.

## Financial Assets

The Town's financial assets increased by \$13.9 million in 2024, bringing the total net financial assets to \$186.2 million at the end of 2024. The graph below provides a detailed breakdown of the Town’s financial assets.



### Cash & Short Term Investments

Short-term investments total \$103.6M, reflecting an increase of \$5.9M compared to the prior year. The Town’s cash position has also improved, increasing by \$6.2M since 2023. The combined growth in cash and short-term investments is due to the timing of a large building permit and development charge payment at year-end (\$4.2M) and the Town’s 2024 operating budget surplus (\$1.2M).

### Return on Investment

The Town invests its reserves with the Region of Halton through a pooled investment agreement, while day-to-day operating funds are maintained in interest-bearing accounts with Scotiabank. The combined rate of return on all investments in 2024 was 3.43%, up from 3.08% in 2023. This increase is largely attributed to the Bank of Canada's policy decisions to raise interest rates throughout 2022 and 2023 (peaking at 5.0%) before beginning to lower rates in June 2024, ending the year at 3.25%.

### Long-term Investments

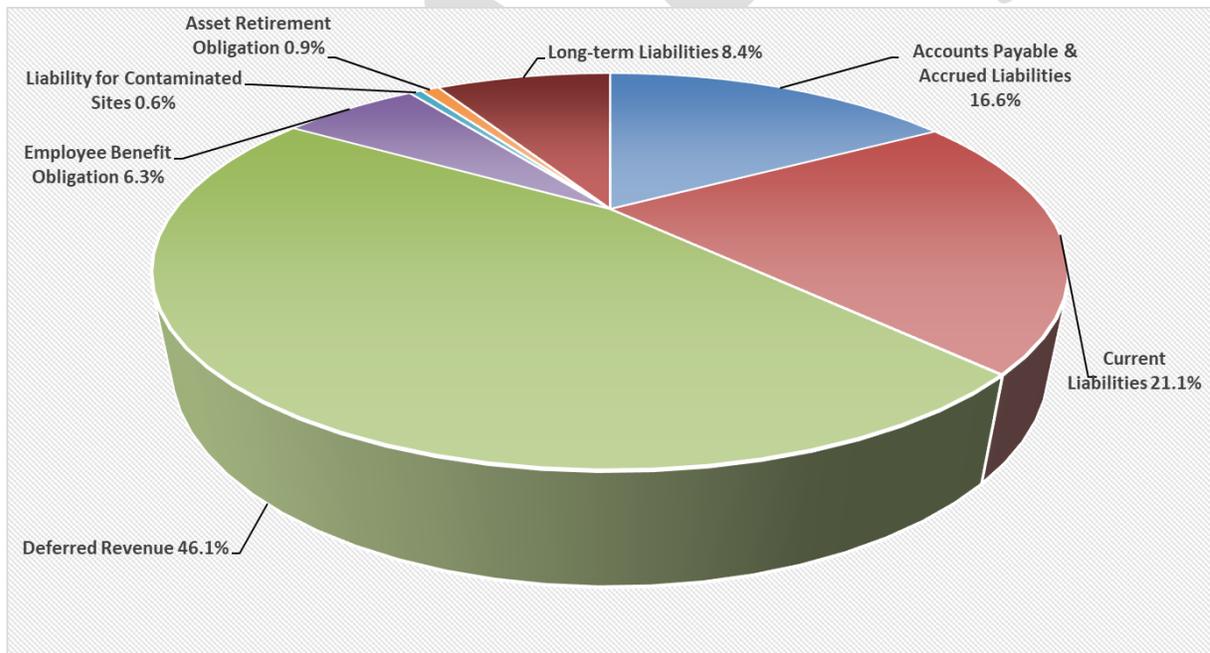
The Town's Long-term investments total \$50.9M and include the Town's investments in Halton Hills Community Energy Corporation (HHCEC) (\$43.6M), the outstanding promissory note with HHCEC (\$7.4M), and Halton Digital Access Services Corporation (HDASC) (deficit \$50K). Both HDASC and HHCEC are accounted for on the modified equity basis in the consolidated financial statements.

### Liabilities

The Town's liabilities total \$82.5M and have increased by \$4.2M since 2023, primarily driven by the rise in deferred revenue.

Accounts payable and other current liabilities have increased by \$2.2M since 2023, reaching a total of \$31.1M. This increase is primarily driven by the receipt of a development charge payment (\$4.2M) that was not yet due to be paid to the Town, and a (\$1.3M) increase in tax credits that had been processed but not yet disbursed to property owners. These increases were partially offset by a (\$2.8M) decrease in accounts payable, due to the timing of scheduled payment runs for 2024.

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



### Long term Liabilities

Long-term liabilities, relating to the remaining debt principal of \$6.9 million, have decreased by \$2.4 million since 2023 as a result of scheduled debt repayments. No new debentures were issued in 2024. The Town's current outstanding debentures consist of \$6.7 million payable to the Regional Municipality of Halton and \$128K payable to SouthWestern Energy.

The Province establishes an annual debt limit for municipalities, stipulating that annual debt repayments must not exceed 25% of net revenues. In addition, Town Council has adopted more restrictive limits through the 2019 Corporate Debt Management Policy, which caps annual external debt carrying costs at 10% of the annual tax levy. In 2024, the Town’s debt carrying costs were 3.7% of the annual tax levy, remaining well within the Council approved debt threshold.

<b>2024 Debt Repayments to Annual Tax Levy</b>			
<b>Debt Carrying Cost</b>	<b>2024 Tax Levy</b>	<b>2024 Town Debt Limit</b>	<b>Council Imposed Debt Limit</b>
\$2,600,886	\$69,968,495	3.7%	10%

In addition to the provincially prescribed debt limit, the Province assesses each municipality’s debt load using a financial indicator that measures annual debt servicing costs as a percentage of total operating revenue, excluding donated assets. In 2022, this indicator returned to the low-risk category after six consecutive years at a moderate risk, and in 2024 it remains in the low-risk category at 2.4%. The improvement in this indicator is attributed to the retirement of a significant debenture that was issued in 2011, which reduced the annual debt servicing costs in addition to a consistent increase in Town revenues over the same time period.

The Town has also borrowed \$27.1M from its own reserves with commitments to borrow a further \$6.9M, bringing the total internal debt to \$34M. 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 \$38M, and consists of the following balances:

<b>2024 DEFERRED REVENUE</b>		
	<b>\$000's</b>	<b>%</b>
Restricted Deferred Revenue	8,924	23.5%
Development Charges	2,566	6.7%
Community Benefit Charges	741	1.9%
Parkland Cash In Lieu	16,495	43.4%
Growth Stabilization Fund	2,044	5.4%
Building Stabilization Fund	5,646	14.8%
General Deferred Revenue	1,628	4.2%
	<u>\$38,045</u>	<u>100%</u>

Restricted deferred revenues of \$8.9M include unrecognized Canada Community Building Fund revenues of \$4.8M and Transportation Maintenance funds in the amount of \$3.5M for perpetual maintenance of

stormwater ponds and infrastructure. It also includes funds which are held by the Town for on-going maintenance of assumed subdivisions, and deferred government grants.

Development charges (DC) also contribute to the deferred revenue balance. Positive balances in the Transportation, Fire and Transit services funds total \$2.5M at the end of 2024. Several DC funds were in a negative position at the end of 2024 and required interim funding in the amount of \$27.1M (\$26.5M in 2023) from Town reserves.

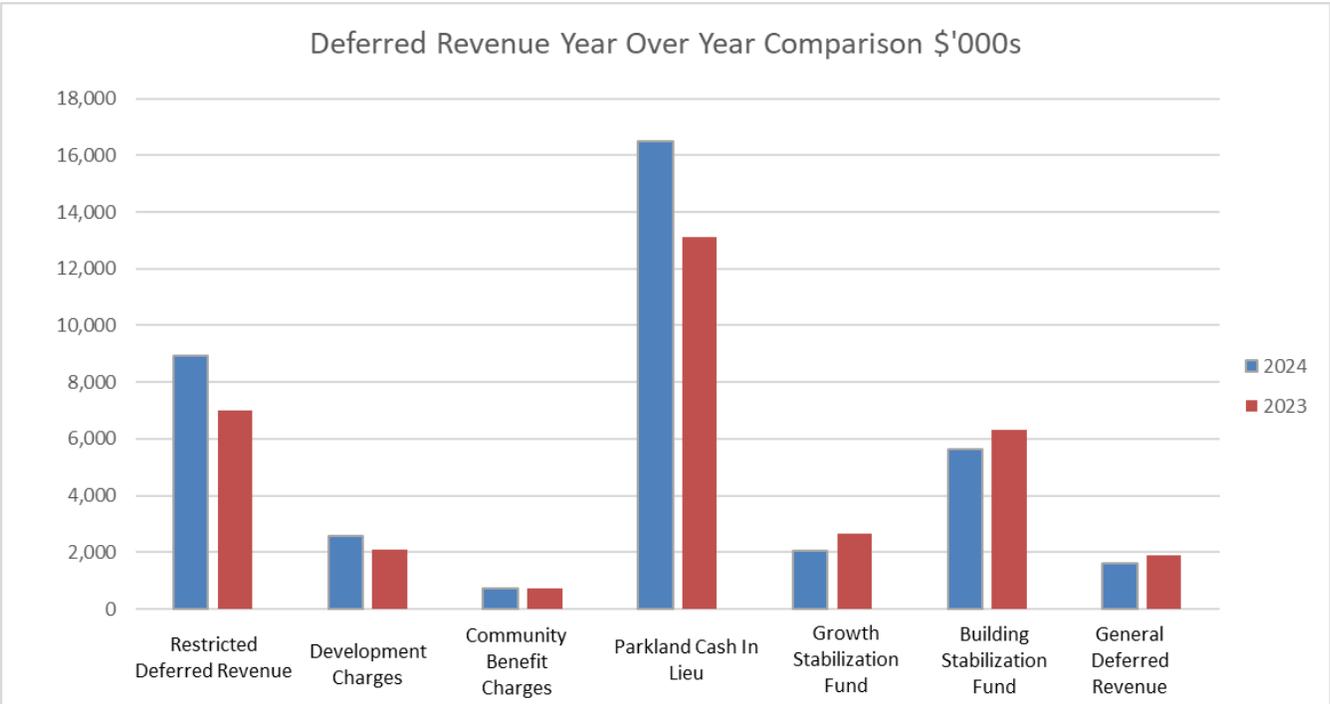
The Parkland Cash in Lieu fund is also included within deferred revenues and totals \$16.5M at the end of 2024 (\$13.1M in 2023). The increase in 2024 is due to collections of funds that exceeded in-year draws to finance eligible expenditures. The purpose of this fund is to finance the acquisition of 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 2024, there is a total of \$2M (\$2.6M in 2023) in this fund reflecting the use of these funds to support growth-related positions identified in the operating budget.

The Town also has a Building Stabilization fund within the deferred revenue line which amounted to \$5.6M at the end of 2024 (\$6.3M). 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. The reduction in the balance of the Building Permit reserve for 2024 is related to a \$904,000 deficit in building permit revenues collected in 2024 when compared with actual building permit related activity for 2024.

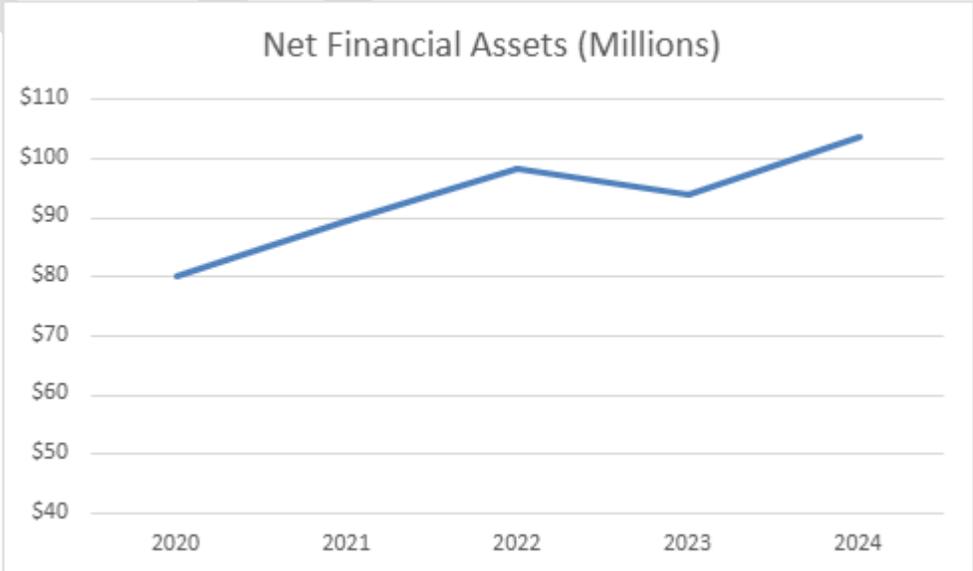
In addition to the restricted and obligatory funds outlined above, the deferred revenue line also includes \$1.6M of general deferred revenues such as the Ontario Community Infrastructure Fund (OCIF) and Regional revenues related to the fire station on Maple Avenue.

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**

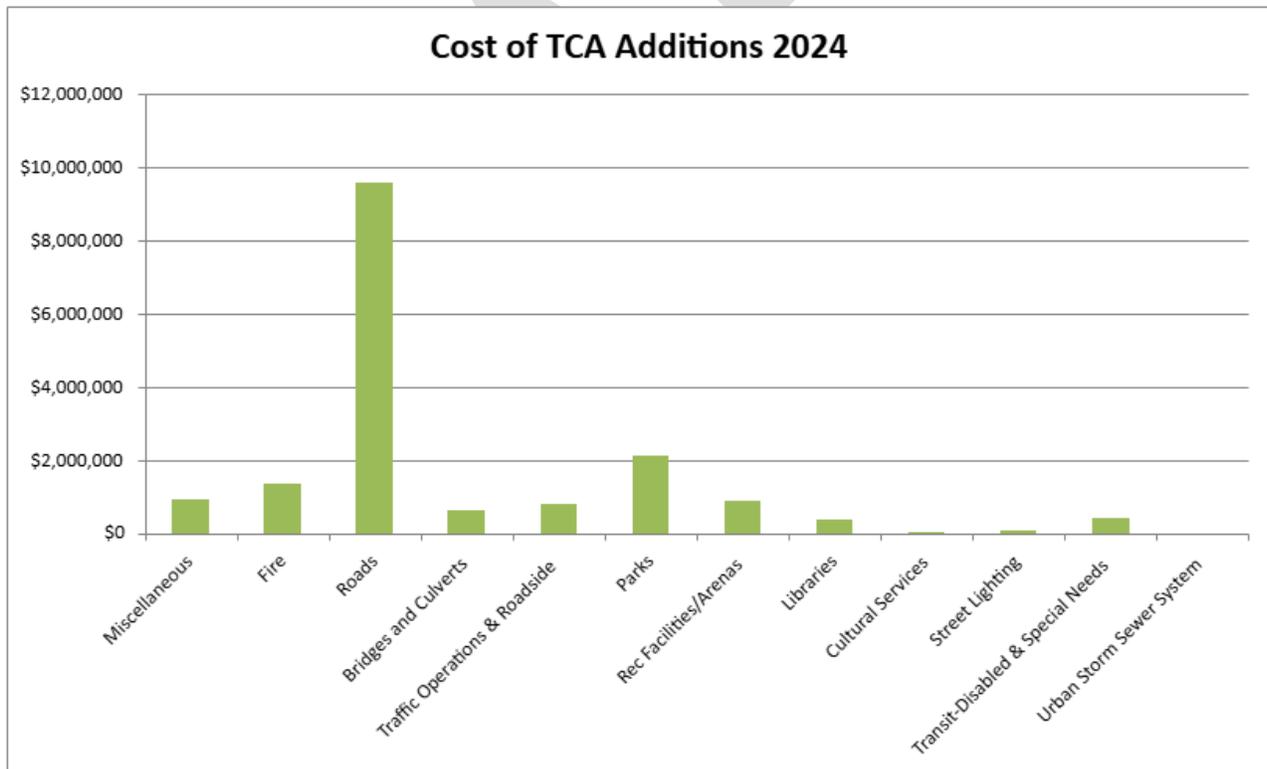
As of the end of 2024, the Town is in a net financial asset position of \$103.7 million, representing an increase of \$9.7 million from the prior year. A positive net financial asset position indicates that the Town has resources available to support future obligations and priorities. The year-over-year increase is primarily attributed to a combination of factors, including an operating budget surplus and higher year-end cash and investment balances. The slight decline in the 2023 net financial assets can be attributed to significant acquisition of tangible capital assets in the year, with the largest share invested in infrastructure projects related to upgrades of Town’s road network. The following chart illustrates the growth in the Town’s net financial assets since 2020:



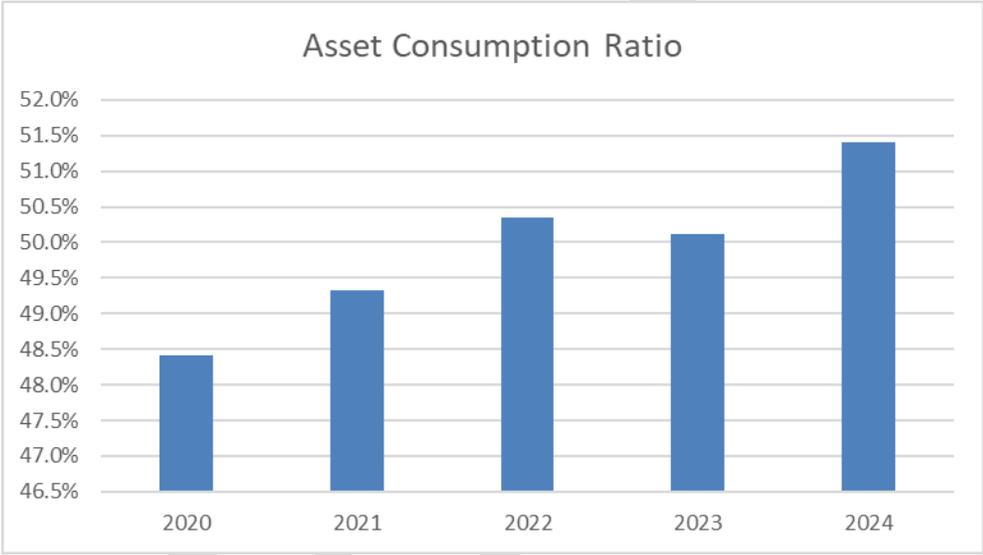
## Non-Financial Assets

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 2024, the Town added over \$17.1M in tangible capital assets. Infrastructure projects related to the upgrade of the Town's road network amounted to \$9.5M and include road additions, vehicles and equipment, \$1.1M in outdoor washroom facilities at Trafalgar Sports Park, \$528K in parking lot paving, and \$1.3M in fire vehicle replacements. The following graph shows the distribution by cost and asset group of the 2024 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 2024, the Town’s asset consumption ratio had increased slightly to 51.4%, from 50.1% in the year before. Historically, the Town’s asset consumption ratio has been increasing due to several contributing factors, including a slowdown in large-scale construction projects, an underfunded asset management plan resulting from lower than projected budget increases for the state of good repair program, and a reduced pace of new asset acquisitions from developers. 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 \$45.4M (reserves of \$72.6M less DC internal loans of \$27.1M) at the end of 2024. This represents an increase in reserve balances of \$7.7M in the past 12 months which can be attributed to the distribution of the 2024 operating budget surplus, approved increases to operating budget contributions to reserves, and repayment of internal borrowing from loans related to development charges.

The Town’s unexpended capital financing, which represents the backlog in the capital program, increased by \$748K over 2023 and totals \$21.5M.

## 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

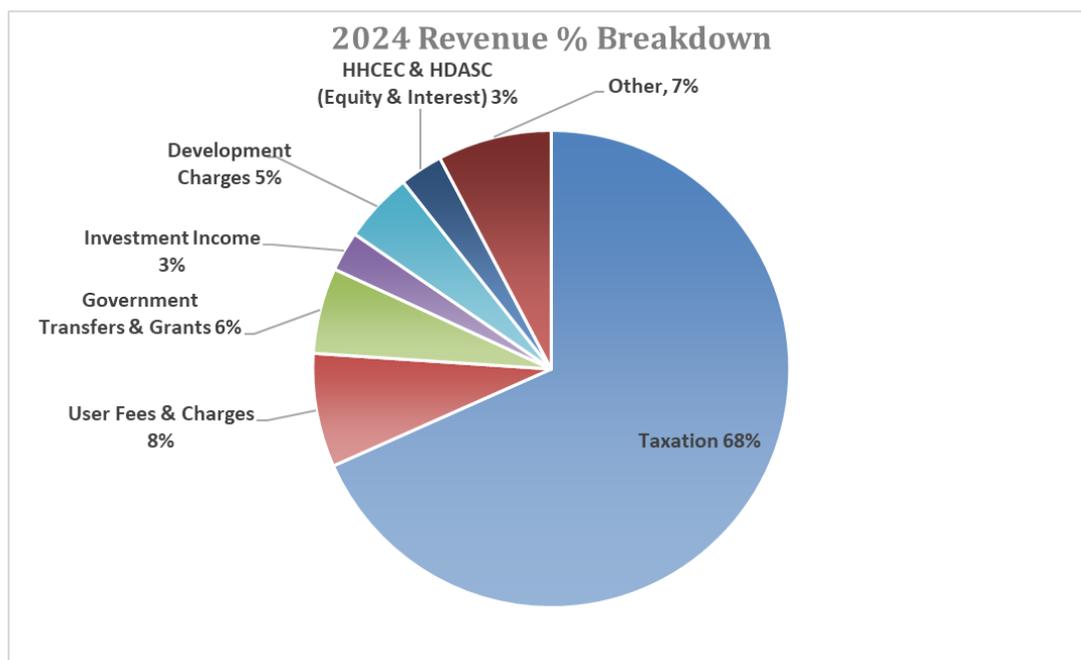
The Town compiles its annual operating and capital budgets in accordance with the Municipal Act. For the purposes of Financial Statement preparation in accordance with the Public Sector Accounting Board (PSAB) requirements, there are differences between the reported numbers. To ensure comparability of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

<b>Operating Budget Surplus</b>	<b>\$ 1,599,278</b>
Unused budgeted contract labour retained in general surplus	<u>(251,188)</u>
<b>Adjusted Operating Budget Surplus</b>	<b>\$ 1,348,090</b>
Net change in unused budgeted contract labour	(6,816)
Increase surplus by reversal of non-PSAB eligible expenditures	
<i>Debt principal repayment</i>	2,427,390
<i>Net transfers to/(from) reserves</i>	12,643,419
Add other revenues (external to operating budget)	
<i>Non reserve revenues that fund the capital budget</i>	11,526,230
<i>Investment income allocated directly to reserves</i>	599,524
<i>Miscellaneous recoveries allocated to reserves</i>	57,740
<i>Gain on disposal of assets</i>	712,527
<i>Decrease liability for post closure landfill</i>	33,337
Add other expenses (external to operating budget)	
<i>Contaminated sites</i>	(8,061)
<i>Increase liability for asset reirement obligations</i>	(7,672)
<i>Amortization</i>	(19,020,514)
<i>Capital expenses not considered Tangible Capital Assets</i>	(3,904,410)
<i>Post employment benefits</i>	(172,442)
<i>Recovery from Kiwanis user groups</i>	(76,781)
Consolidate net income /(loss) of other entities	
<i>BIAs</i>	20,814
<i>HHCEC</i>	1,448,586
<i>HDASC</i>	(24,985)
<b>PSAB Annual Surplus</b>	<b><u>\$ 7,595,976</u></b>
<i>(Reported in the Financial Statements)</i>	

## Revenues

Revenues have increased by \$868K since 2023 driven by the annual tax levy increase, user fees, and investment income. These increases are partially offset by reductions in recognition of grants from other levels of government and there were no contributed tangible capital assets in 2024. The following chart illustrates the percentage breakdown of all 2024 revenues:



### *Taxation*

Council approved a 9.04% increase in the general levy tax (Town portion) for 2024. This tax increase supports the general services expected by residents and enhances the quality of life in Halton Hills. The 2024 tax increase provided resources for delivering a broad range of public services to its residents and businesses as approved through the 2024 budget process. The following priority areas were the focus of the 2024 tax increase: maintaining existing service levels, the management of existing infrastructure and assets, addressing corporate and community security, and implementing Council directed initiatives.

### *User Fees & Charges*

Revenue from user fees and charges increased by \$558K in 2024, driven by the ongoing recovery in programming and facility utilization. Recreation programming experienced steady growth across multiple areas, including swimming lessons, summer camps, seniors programming, and active living initiatives, contributing to a \$250K increase over 2023. Demand also increased for facility and ice rentals for recreation programs and from user groups, generating an additional \$183K in revenue. Conversely, cemetery sales declined by \$112K compared to 2023 due to a series of plot buy-backs and reduced interment demand.

The following table provides a breakdown of the various fees included in the reported user fee revenue line:

<b>Comparison Of User Fees Year Over Year</b>			
	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>Difference</u></b>
Activan	\$187,331	\$190,666	( <b>\$3,335</b> )
Aquafit/Lifesaving	104,557	94,272	10,285
Arena Floor Rental	82,692	82,994	( <b>302</b> )
Business Licenses	168,106	139,284	28,823
Cemetery Fees	247,941	359,539	( <b>111,598</b> )
Facility Rentals	669,211	636,039	33,173
General Admission	120,773	109,218	11,556
General Registration	1,651,323	1,443,069	208,254
Ice Rental	2,364,392	2,214,114	150,277
Memberships	129,604	110,141	19,462
Park Rental	305,894	353,868	( <b>47,975</b> )
Planning Fees	1,055,510	872,860	182,650
Tax Certificates & Information	313,457	293,095	20,362
Miscellaneous User Fees	825,883	769,355	56,528
	<u>\$8,226,673</u>	<u>\$7,668,514</u>	<u>\$558,160</u>

Planning fee revenue, encompassing development applications and agreements, rose by \$183K in 2024 as application volumes rebounded from the lower-than-average levels seen in 2023. To support expenditures associated with planning fees, unearned Planning fees held in the Growth Stabilization Reserve Fund were recognized as revenue under other revenue on the statement of operations.

#### *Development Charges*

In 2024, \$5M of development charges were recognized as revenue, which is an increase of \$1.7M from 2023 (\$3.3M). Recognition of revenue from development charges is used to fund eligible growth-related capital projects or any associated debenture repayments from previously constructed projects.

#### *Government Transfers and Grants*

Transfers from upper levels of government are a significant source of revenue for the Town. In 2024, government transfers totaled \$6.2M (6% of revenues).

Federal grant funding of \$1.3M was recognized as revenue in 2024, representing a decrease of \$4.9M compared to the prior year. This decline is mainly driven by the timing of capital expenditures. Funding received under federal grants, such as the Canada Community Building Fund, are deferred and recognized as revenue upon completion of qualifying capital projects. Once construction works are completed, the funding is allocated to the capital project to cover the costs incurred. The amount of Canada Community Building Fund funding received each year remains relatively consistent, with revenue recognition variances being influenced 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) which is allocated to capital projects and recognized as revenue as expenditures in eligible capital projects occur. Other Provincial grants included the Seniors Active Living Centres program and Provincial Gas Tax which is applied to specialized transit services (ActiVan). Overall, provincial funding decreased by \$1.7M compared to 2023, primarily due to completion of two grant programs: the Ontario Connecting Links program and the Municipal Modernization Program.

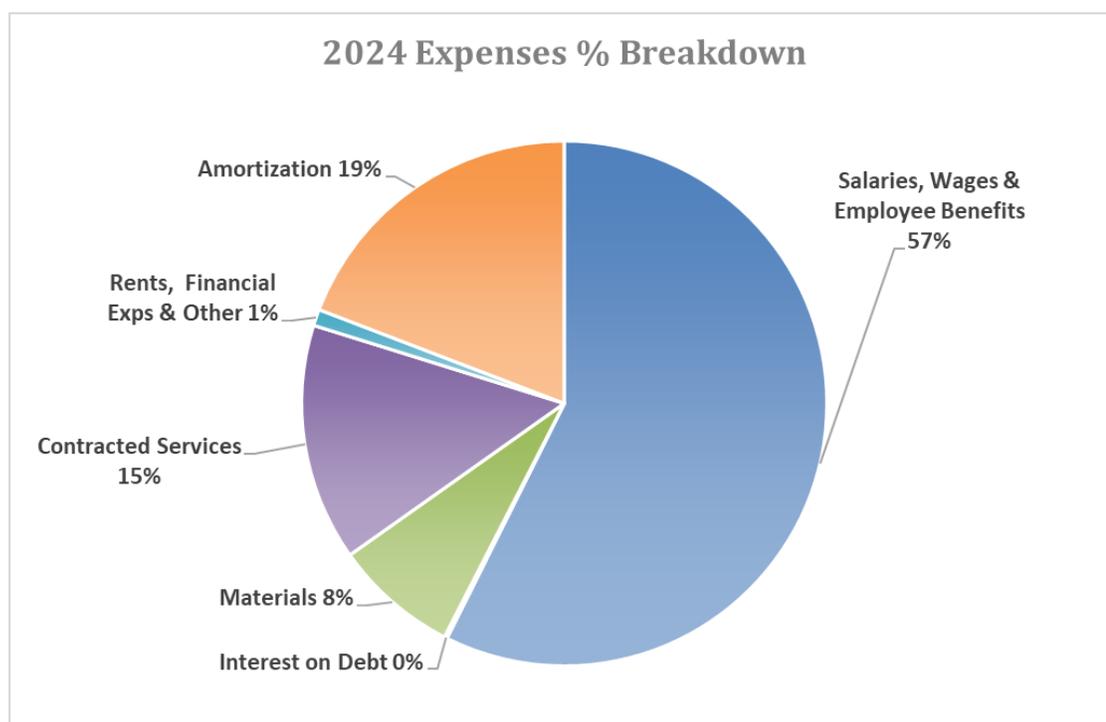
Transfers from other municipalities increased by \$276K due to capital construction work completed on a shared boundary road with Wellington County. The cost of the project was recovered from Wellington County as per the boundary agreement in place.

#### *Contributed Capital Assets*

Contributed 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 did not assume any new tangible capital assets in 2024.

## Expenses

Expenses have increased by \$3.4M over 2023, 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 \$2.8 million in 2024 and continue to represent the largest proportion of expenses at 57%. This increase is primarily driven by approved cost of living adjustments for non-union staff and contract increases for CUPE and Fire union employees as identified in the collective bargaining agreements. Additional contributing factors include higher statutory and private benefit costs, position adjustments resulting from the job evaluation process, and new positions that were approved by Council through the 2024 budget process to address pressures from downloaded services and growing demand for 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 2024 the amortization expense increased by \$761K mainly the result of the large road additions (\$16.4M) at the end 2023 beginning to have depreciation recognized in 2024.

### *Materials*

Material costs, representing 8% of the Town's total expenses, increased by \$913K in 2024. Included in these costs are inflationary and volume demand increases of \$210K stemming from market rates and the installation of new HVAC systems at the arenas. Additionally, the cost of materials used for road maintenance and winter control activities have increased by \$260K compared to 2023. Library services

also contributed to the overall increase in material costs with a continued shift toward electronic subscriptions and e-books which are operating expenditures instead of capital assets.

#### *Contracted Services*

Contracted services remained consistent with prior spending levels at \$14.5M in 2024, a decrease of \$27K from 2023, representing 15% of the Town's total expenses.

#### **ANNUAL SURPLUS**

An annual surplus of \$7.6M is being reported for 2024, which increases the Town's accumulated surplus to \$452.3M.

#### **CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

The Consolidated Statement of Change in net financial assets outlines the difference between the reported annual surplus and the change in net financial assets. It provides details on the acquisition and use of non-financial assets, such as Tangible Capital Assets, and their impact on the net financial position. The increase in the net financial position is attributable to increases in financial assets, mainly cash and short-term investments. These are partially offset by increases in deferred revenues, resulting in an overall increase of \$9.7M 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 2024. 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 \$29.4M from operations. Of the total \$41.2M available in cash, \$19.5M was used to buy new capital assets and repay debt and loans. Additional monies of \$1.4M were received in the form of dividends from Halton Hills Community Energy Corporation, and \$0.7M was received in cash proceeds from the disposal of fixed assets.

There was a net cash inflow to the pooled investment held with the Region of \$5.9M. This consisted of \$2.9M in earned interest and a \$3M transfer into the investment portfolio. The following table shows the movements of the Town's cash inflows and outflows throughout 2024:

<b>Cash at beginning of year</b>		<b>\$11,869,118</b>
Annual Surplus	\$7,595,976	
Adjust for all non-cash transactions	\$15,580,396	
Remove impact of non-cash working capital	<u>\$6,231,963</u>	
	<u>\$29,408,335</u>	<u>\$41,277,453</u>
<b>How was this cash used?</b>		
Purchase of new Capital Assets	(\$17,105,200)	
Repayment of Debt and Other Loans	<u>(\$2,431,301)</u>	
	<u>(\$19,536,501)</u>	<u>\$21,740,952</u>
<b>New cash coming in the door.....</b>		
Cash from Fixed Asset disposals	\$781,725	
Dividends from HHCEC	<u>\$1,492,000</u>	
	<u>\$2,273,725</u>	<u>\$24,014,677</u>
Investments transferred to the Region	(\$5,918,858)	
<b>Cash at end of year</b>		<b>\$18,095,819</b>

## 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 placed a strong emphasis on long-range financial planning and maintaining the flexibility to respond to evolving circumstances. Through the strategic reinvestment of available funds into reserves and the implementation of a disciplined debt management approach, the Town has demonstrated resilience amid a range of fiscal challenges. These positive results reflect prudent operating budget management and a continued commitment to building and preserving healthy reserves to support future growth. Maintaining a focus on long-term planning and adaptability will remain essential to sustaining the Town's strong financial position.

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Moya Leighton CPA, CGA, MBA

Treasurer

July 7, 2025

## 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 statements notes contains a summary of the significant accounting policies utilized in preparing the financial statements. Note 2 of the financial statements provides a list of new accounting standards introduced by the Public Sector Accounting Board in 2024 that are applicable to municipalities: PS 3400 Revenue, PSG – 8 Purchased Intangibles and PS 3160 Public Private Partnerships. The adoption of these standards in 2024 did not have a significant impact on the Town's 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.

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Moya Leighton CPA, CGA, MBA

Treasurer

July 7, 2025