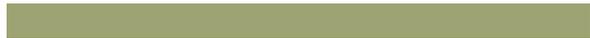


2022

ANNUAL FINANCIAL REPORT





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PROFILE

The Town of Halton Hills is a vibrant community, with a high quality of life. With a population of over 62,951 residents, Halton Hills offers a unique blend of urban-rural charm with exceptional amenities and proximity to Toronto, Canada's largest city. Renowned for its exceptional network of trails and parks, flourishing arts and culture sector, favorable economic and social-demographic characteristics, and leadership in environmental initiatives, Halton Hills is a prime location to live, play and invest.

With over 2,000 businesses, and growing, Halton Hills is open for business. Located directly along Canada's Innovation Corridor, the Town is a prime investment destination with a thriving and diverse economy. The Halton Hills Premier Gateway Employment Area offers strategically located and serviced lands with easy access to major markets through access to extensive highway, rail and water transportation networks. Halton Hills is focused on its key target sectors of food and beverage, advanced manufacturing, agri-business and clean technology. The Town actively supports and is proud of the significant economic contributions being made by the growing local business community.

Halton Hills is also a leader in taking environmental action. The Town takes a strategic approach to implementing initiatives that respond to a changing climate while addressing biodiversity, natural assets, adaptation, and ensuring that municipal facilities operate at peak efficiency to deliver quality services to residents, businesses, and visitors.



DEMOGRAPHICS

Population	62,951 (2.9% increase over 2016)
Median Age	42 years 67.9% 15 - 64 years old
Labour Force	36,155
Private Households	22,518 (73.04% detached)
Average Household size	2.9
Median Household Income	\$127,000
Post-Secondary Education (15 years and older)	57%
Language (first official spoken)	English 97.5%
Visible Minority	13.6%



Sources:

2021 Census – Statistics Canada; MPAC

TOWN'S STRATEGIC PLAN

A strategic plan is established each term of Council to identify the key priorities and outcomes for the term, enabling Council and staff to focus resources and measure progress. Setting priorities through the development of a strategic plan is an integral part of the Town's business planning cycle. A new strategic plan will be developed in 2023.

VISION

Small town living at its best is:

- Characterized by spectacular countryside, natural heritage, cultural heritage and small town feel;
- Enriched by a unique blend of urban and rural interconnected communities and neighbourhoods; and
- Supported by prosperous employment areas

MISSION

To plan for a vibrant urban and rural community, the Town of Halton Hills will deliver a broad range of public service while providing leadership on issues of concern in line with our stated values.

VALUES

- Foster a Healthy Community - To maintain and enhance a healthy community that provides a clean environment and a range of economic and social opportunities to ensure a superior quality of life in our community.
- Preserve, Protect and Enhance our Environment - To preserve, protect and enhance our natural environment for the health benefits and enjoyment it provides to present and future generations.
- Protect and Enhance our Agriculture - To protect and enhance the viability of our agricultural land base and agricultural industry.
- Foster a Prosperous Economy - To maintain and enhance the economic vitality of the Town through the provision of a wide range of opportunities for economic development.

- Preserve, Protect and Promote our Distinctive History - To preserve the historical urban and rural character of Halton Hills through the conservation and promotion of our built heritage, cultural heritage landscapes and archaeological resources.
- Preserve, Protect and Enhance our Countryside - To protect and enhance the open space character of our countryside.
- Achieve Sustainable Growth - To ensure that growth is managed so as to ensure a balanced, sustainable, well planned community infrastructure and services to meet the needs of its residents and businesses.
- Provide Responsive, Effective Municipal Government - To provide strong leadership in the effective and efficient delivery of municipal services

PRIORITIES & FOCUS AREAS

The following priorities and focus areas align with the Sustainable Development Goals, developed by the United Nations to promote prosperity while protecting the planet. The Town of Halton Hills has identified 7 strategic priorities:

- Shaping growth
- Transportation
- Climate change & environment
- Fiscal & corporate management
- Local autonomy & advocacy
- Ensure a vibrant agricultural community
- Youth & seniors initiatives

Shaping growth

Halton Hills harnesses its future population and employment growth to provide new opportunities for residents, workers, businesses, and visitors. The Town works to ensure housing is accessible to all its residents at any age or stage in life. Halton Hills grows in a way that embodies its values of social, economic, fiscal, and environmental sustainability. Staff engage with other levels of government to see that population growth in Halton Hills remains moderate.

The following focus areas support the shaping growth priority:

- Residential Greenfield Growth
- Intensification
- Downtown Revitalization
- Employment Lands
- Affordable Housing
- Water and Wastewater infrastructure

Transportation

People and goods move freely through Halton Hills on well-maintained transportation infrastructure. Getting around is safe for residents of all ages through a combination of traffic calming and active transport priority routes and trails. The municipality has a transit plan that is suitable for moving its residents and workers to where they want to go. Halton Hills advocates for greater regional connectivity for its residents and businesses.

The following focus areas support the transportation priority:

- Trucks
- Traffic Safety
- Bike Lanes
- Transit

Climate change and environment

The residents and businesses of Halton Hills are responsible members of the global community, and are leaders in the fight against climate change, with a goal to be a Net-Zero Carbon Community by 2030. Halton Hills communities prepare for changes we know are coming while reducing our carbon footprint. The municipality makes its landscape more climate resilient and beautiful through a lush tree canopy and public open space.

The following focus areas support the climate change and environment priority:

- Action on Climate Change
- Low Carbon Transition
- Resilient Infrastructure
- Tree Canopy

Fiscal and corporate management

Halton Hills is a well-run municipality that maintains spending within its means and keeps tax increases low and predictable. The municipality maintains services and service levels that support the quality of life of its residents and a hospitable environment for businesses.

The following focus areas support the fiscal and corporate management priority:

- Stick with Fiscal Plan
- Capital Assets and Liabilities Management
- Maintain Services
- Communications

Local autonomy and advocacy

Halton Hills is a leader within the Region of Halton and the Greater Golden Horseshoe. It is an example for other small, rapidly growing rural municipalities in Ontario. The municipality advocates for what it needs from other orders of government, and ensures its regional municipal partners act in its interests. Halton Hills works collaboratively with other agencies, governments, and public bodies to deliver what residents and businesses need to thrive.

The following focus areas support the local autonomy and advocacy priority:

- Provincial
- Federal

Ensure a vibrant agricultural community

As one of the most beautiful rural communities in Ontario, Halton Hills understands the value of its agricultural land base. The municipality protects the land base and system of infrastructure that supports its agricultural community. The community is supported in looking for ways of celebrating its rural character and drawing visitors from across the continent to enjoy its landscape and produce.

The following focus areas support the vibrant and agricultural community priority:

- Protect Agricultural Land
- Promote Agritourism

Youth and seniors initiatives

Young people and seniors are active members of the Halton Hills communities, and contribute to its daily life in multiple ways. The municipality engages with youth and seniors in ways that are sensitive to their habits and interests to ensure their voices are heard when decisions are being made. The youth and senior population of Halton Hills is supported by a variety of services and facilities tailored to their needs.

The following focus areas support the youth and seniors initiatives priority:

- Engagement
- Services and Facilities

2022 AWARDS & ACCREDITATION

CHILDREN'S PROGRAM ACCREDITATION

In 2022, the Town received accreditation for its children's programming from HIGH FIVE® - a proprietary approach based on five principles of healthy child development that are essential for quality programs. The Town earned the HIGH FIVE® accreditation by applying the principles of a caring leader, play, friends, participation and mastery, along with innovative practices, service excellence, frontline training and responding successfully to the impacts of the pandemic.



HILLSVIEW ACTIVE LIVING CENTRES ACCREDITATION

The Hillsview Active Living Centres received accreditation by CARF -- The Commission on Accreditation of Rehabilitation Facilities. This internationally recognized accreditation of health and human services involves meeting specific performance standards, having clear practices, appropriate documentation and evidence of adherence. The CARF recognition is indicative of Hillsview's integral position in the community providing support to seniors.



COMMONWEALTH HONOUR AWARDS TO CANADIAN LIFESAVING SOCIETY MEMBERS

Each year, Commonwealth Honour Awards are given to Canadian Lifesaving Society members, for long-term leadership and dedicated service to the Lifesaving Society. Two staff were recognized for their outstanding service with the Lifesaving Society.



Melissa Willson, Recreation Coordinator, Aquatics received the LSS Commonwealth Council Service Medal. This Service Medal is awarded to an instructor, examiner, field representative, volunteer, Branch officer, or committee member who has four years (or more) of service and has performed noteworthy services in any of these capacities for the Lifesaving Society.

Heather Morris-Stokes, Recreation Coordinator, Aquatics, received the LSS Commonwealth Council Bar to Service Award. This Bar to Service Medal is awarded to an instructor, examiner, field representative, volunteer, Branch officer, or committee member who has an additional four years of noteworthy services as per the Service Medal criteria.

2022 AWARDS & ACCREDITATION

CULTURE DAYS

Each year the Town of Halton Hills hosts the annual Culture Days fall festival celebrating creativity, diversity and artistic excellence as community members come together to celebrate the arts, heritage and cultural experiences. The event has grown steadily over the years and in 2022, received a number of accolades including:

- Ranking 4th place amongst mid-sized communities participating in Culture Days across the country.
- Receiving designation as an Ontario Culture Days Regional Hub.



FCM SUSTAINABLE COMMUNITIES CANADA AWARD

The FCM awards celebrate innovative Canadian environmental initiatives that demonstrate environmental responsibility and excellence. In 2022, the Town was part of a group that was awarded a [Sustainable Communities Canada Award](#) in the Community Buildings Retrofit category for the project: “Actionable Roadmap to Net Zero Ice Rinks: from technical solutions to practical implementation”. The project included a comprehensive analysis to inform retrofit projects to reduce or phase out natural gas and reduce greenhouse gas emissions at the Mold-Masters Sportsplex and Acton Arena. The municipality was a participant in the Climate Challenge Network who led the project.



2022 APPROVED FUNDING SOURCES

The Town seeks to leverage funding opportunities by applying for special grants. The projects below reflect funding that the Town secured for specific projects.

\$152,640 FOR THE CUSTOMER SERVICE STRATEGY

Funded from the Municipal Modernization Program

The Town used this funding to complete a service delivery review, which included identifying opportunities for increased effectiveness and efficiency in service delivery by conducting a thorough and comprehensive review of services offered by the town. The funding also provided for the development of a Customer Service Strategy which provided recommendations and a corresponding action plan for implementation, including targets, key performance indicators, timelines and milestones, governance model and roles and responsibilities.

\$91,600 FOR FLEET ELECTRIFICATION STUDY

Funded from the Infrastructure Canada - Permanent Public Transit Program - Zero Emission Transit Fund

The Town received a \$91,600 grant for a Fleet and Transit Electrification Study. The Town will utilize the funding for planning projects which include studies, modelling and feasibility analysis that will support the development of future larger scale capital projects. Through the Zero Emission Transit Fund, the Government of Canada is investing \$2.75 billion over five years to support municipalities and public transit operators plan for future electrification.

\$34,612 FOR IMPLEMENTATION OF HALTON HILLS FOREIGN DIRECT INVESTMENT (FDI) STRATEGY

Funded from Global Affairs Canada - CanExport Community Investments Program (CECI)

Funding was received to support the planning and execution of Halton Hills' first in-market international trade mission, with the objective to showcase Halton Hills and attract new investments from abroad by conducting in-person meetings with companies and investment influencers. Funding also supported lead generation activities, the development of new FDI marketing materials and an inbound digital marketing campaign.



2022 APPROVED FUNDING SOURCES

\$1,446,930 FOR FOUR (4) PROJECTS TO INSTALL HEAT RECOVERY SYSTEMS AND DEHUMIDIFIERS AT THE ACTON ARENA & COMMUNITY CENTRE (AACC) AND MOLDMASTERS SPORTSPLEX (MMSP)

Funded from the Canada Community Revitalization Fund

The Town received a non-repayable contribution from the Government of Canada, through the Federal Economic Development Agency for Southern Ontario (FedDev Ontario), to help fund the installation of new heat recovery systems at the AACC and MMSP and the replacement of existing dehumidifiers at AACC and MMSP that were at end of life. The new heat recovery systems allow for the facilities to re-use waste heat from the refrigeration systems to provide heat for other areas of the facilities, including the dehumidifiers. The new heat recovery system and dehumidifiers will improve the thermal comfort, ice making performance, and energy efficiency of the facilities while markedly reducing the facilities' GHG (greenhouse gas) emissions.



A MESSAGE FROM THE TREASURER

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



Moya Leighton CPA, CGA, MBA
Town Treasurer and Director of Finance
July 10, 2023

The Town of Halton Hills is pleased to present the 2022 management discussion and analysis, which provides a descriptive narrative to support the consolidated financial statements. These statements provide details of the municipality's financial position and activities for the fiscal year ended December 31, 2022 and include the operations of the Town, the Halton Hills Public Library Board, the Acton Business Improvement Area, the Georgetown Central Business Improvement Area and the Town's investment in its local distribution company, Halton Hills Community Energy Corporation (HHCEC).

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

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

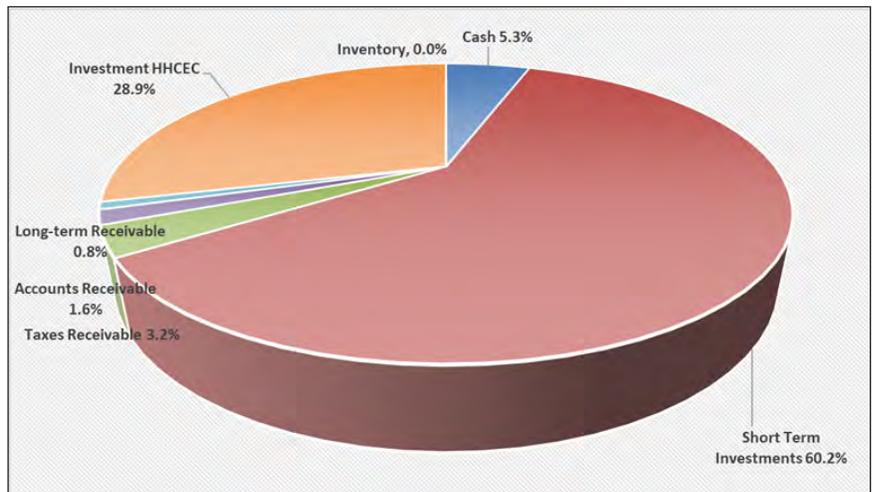
MANAGEMENT DISCUSSION & ANALYSIS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position is a snapshot of the total financial assets (cash, investments and receivables) less liabilities (payables, deferred revenue, long-term debt) at December 31, 2022, resulting in a net financial asset position for the Town. This statement also provides details relating to the Town’s non-financial assets including tangible capital assets and the Town’s accumulated surplus (reserves, unspent capital funds, equity in tangible capital assets).

FINANCIAL ASSETS

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



Cash & Short-Term Investments

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

Return on Investment

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

Investment in Halton Hills Community Energy Corporation

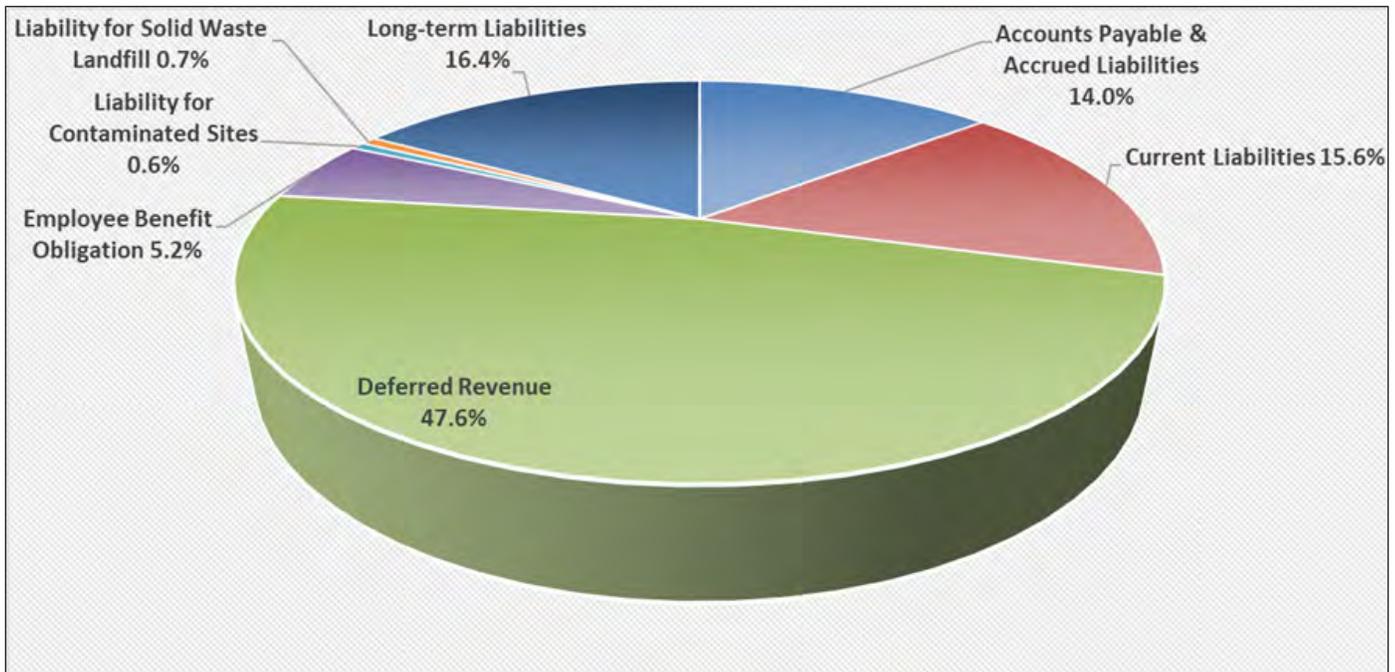
The Town’s investment in the Halton Hills Community Energy Corporation (HHCEC) amounts to 28.9% of the total financial assets or \$49.8M. Owned and controlled by the Town of Halton Hills, HHCEC and its wholly owned subsidiaries are accounted for on the modified equity basis in the consolidated financial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

LIABILITIES

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

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

Deferred revenue funds are analyzed in more detail on page 14.



Long-Term Liabilities

Long-term liabilities amount to \$12.1M, falling by \$4.3M since 2021 which is fully attributable to the repayment of debt principal. No new debentures were issued in 2022. The Town's debentures include \$11.8M payable to the Regional Municipality of Halton and \$320K payable to SouthWestern Energy.

The Province sets an allowable debt limit for municipalities whereby annual debt repayments should not exceed 25% of net revenues. Town Council has also approved further limitations on debt levels through the Corporate Debt Management Policy in 2019. This policy limits annual external debt carrying costs to a maximum of 10% of the annual tax levy. For 2022, the Town's debt carrying costs were 7.9% of the annual tax levy and therefore within the Council imposed debt target.

2022 Debt Repayments to Annual Tax Levy			
Debt Carrying Cost	2022 Tax Levy	2022 Town Debt Limit	Council Imposed Debt Limit
\$4,627,740	\$58,914,300	7.9%	10%

In addition to the prescribed debt limit, the Province monitors each municipality's debt load through a financial indicator which measures the annual debt servicing cost as a percentage of total operating revenue less donated assets. In the past few years, the Town has been in the low end of the moderate risk category. For 2022, this indicator moved into the low-risk category at 4.5%, as a result of increased debt room due to the retirement of a large debenture issuance from 2011, increased revenues from grants and the increased investment in HHCEC due to the Interest Rate SWAP. The Town also has \$23.5M of outstanding internal debt, that has been borrowed from reserves.

Deferred Revenue

Deferred revenue represents receipts which, by their nature, are restricted revenues. Once qualifying expenses are incurred by the Town, these deferred revenues are transferred into revenue in the fiscal period that they are expended. It is the largest contributor to the Town's liabilities with a total of \$35.3M, and consists of the following balances:

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

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

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

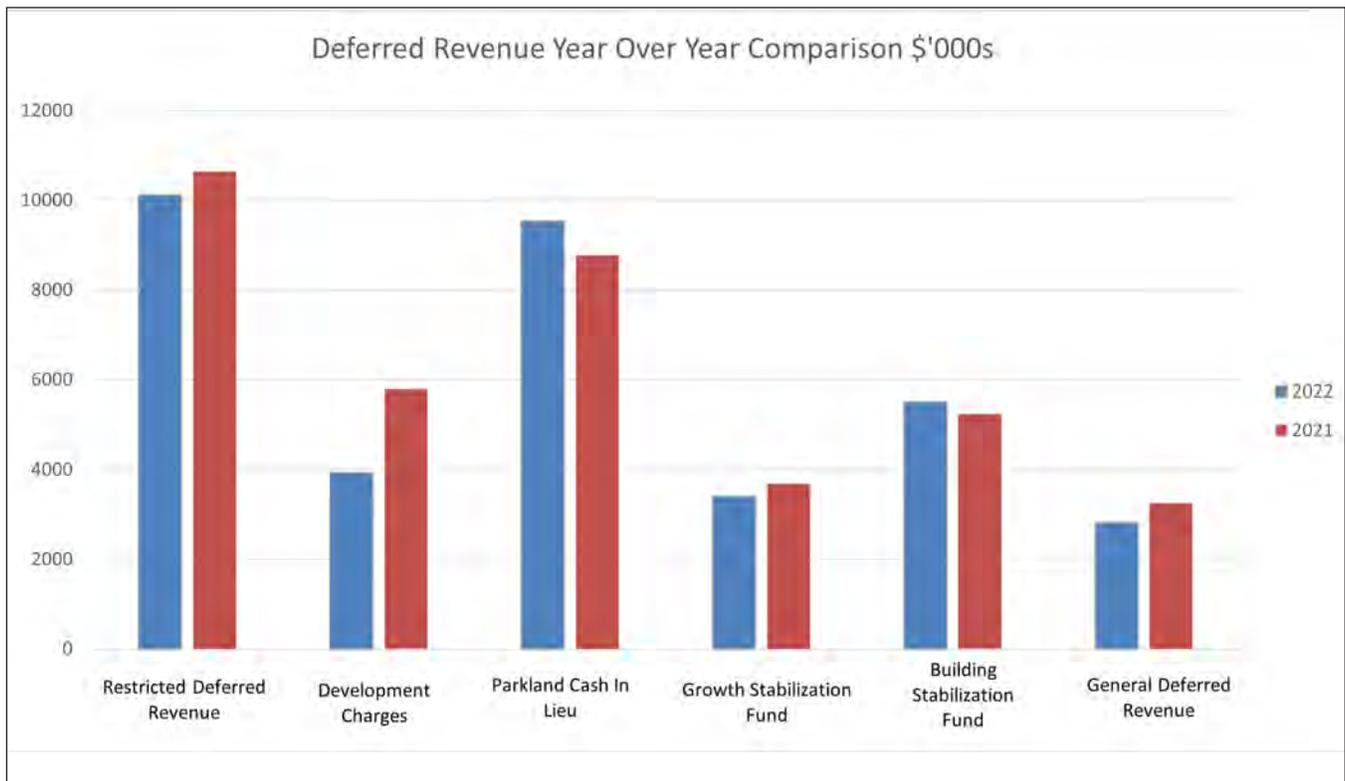
The Parkland Cash in Lieu Fund is also included within deferred revenues and totals \$9.5M at the end of 2022. The increase in 2022 is due to collections of \$752K with no offsetting in-year spending financed through the cash in lieu fund. The purpose of this fund is to finance the acquisition of land for parks or recreational purposes, and the development or redevelopment of land, parks and recreational facilities.

The Growth Stabilization Fund holds deferred revenues related to fees received for development applications and agreements. These fees are intended to fund the staff time related to the processing of the development applications and agreements. Due to the long-term nature of the new developments and the fact that related staff time could span multiple years, the fees are deferred until the costs are incurred. At the end of 2022, there is a total of \$3.4M in this fund.

The Town also has a Building Stabilization Fund within the deferred revenue line which amounted to \$5.5M at the end of 2022. As permitted under the Building Code Act, the purpose of this fund is to address fluctuations in year-to-year service volumes. This fund is used to defer revenues received in advance of work being performed.

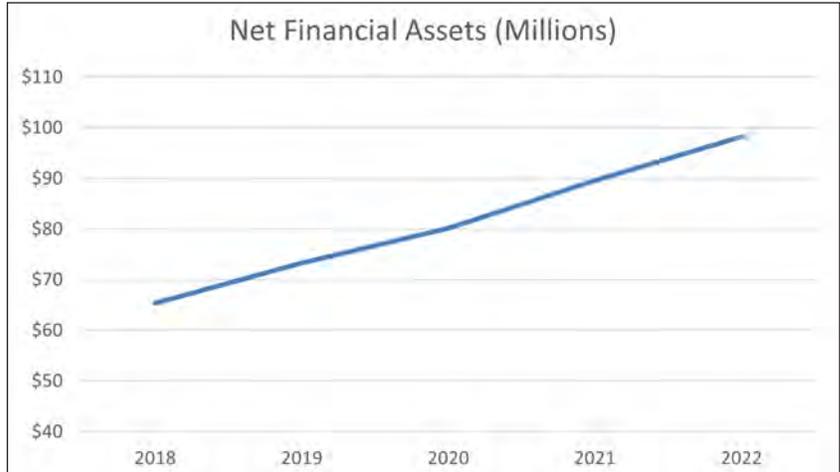
In addition to the restricted and obligatory funds outlined above, the deferred revenue line also includes \$2.8M of general deferred revenues such as the Ontario Community Infrastructure Fund (OCIF) and Regional revenues related to the fire station on Maple Avenue.

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



NET FINANCIAL ASSETS

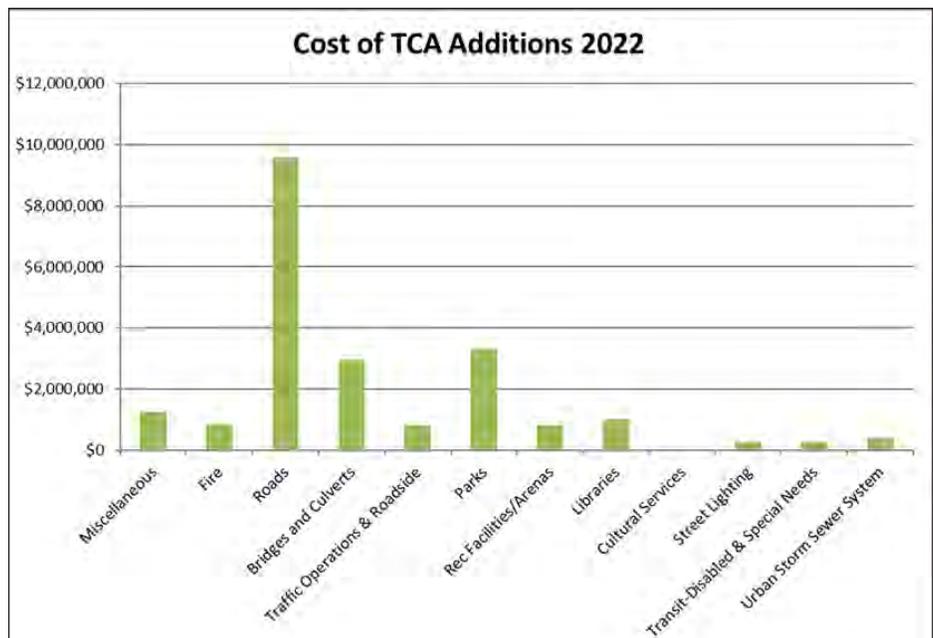
The Town is in a net financial asset position of \$98.2M which has increased by \$8.5M since 2021. This indicates there is an increase in resources available for the future. The increase in equity related to HHCEC was the main contributing factor to the growth in net financial assets in 2022. The following chart shows the increase since 2018 in the Town’s net financial assets value.



NON-FINANCIAL ASSETS

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

In 2022, the Town added over \$21.1M in tangible capital assets. Infrastructure projects related to the upgrade of the Town’s road network amounted to \$6.4M, with an additional \$3M spent on the upgrade and rehabilitation of Hungry Hollow Bridge. Projects focused on improving various community parks and trails, including replacement of the Mold-Masters Skatepark and improvements to Rennie Street Park, amounted to \$2.5M. Recreation facilities saw an investment of \$2.1M, which included projects such as the Acton Youth Centre renovation and the replacement of the dehumidification unit at Mold-Masters Arena. The following graph shows the distribution by cost and asset group of the 2022 tangible capital assets.



Investment in capital assets can be measured through different ratios and indicators; one such measure is the asset consumption ratio which calculates the closing amortization balance as a percentage of the total historical cost of capital assets. In essence, it highlights the aging of infrastructure and the potential need for replacement; the higher the ratio, the faster the assets are being used. At the end of 2022, the Town's asset consumption ratio had increased to 51.1%. The gradual historical increase in this ratio is attributable to a number of factors, including fewer large scale construction projects, and lower rates of new asset assumptions from developers. The following graph depicts the asset consumption ratio which shows an increasing trend over the last 5 years.



ACCUMULATED SURPLUS

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

The Town's reserves total \$39.3M (reserves of \$62.1M less DC interfund loans of \$23.5M) at the end of 2022. This represents a decrease of \$4.8M in the past 12 months and can be attributed in part to legal and insurance costs.

Most notably the accumulated surplus shows a net increase in the Town's equity in Halton Hills Community Energy of \$6.8M over the prior year's results which was driven by a number of factors: the repayment of \$2.8M to the Town related to a promissory note, and the receipt of dividends totalling \$1.7M which were offset by higher earnings in HHCEC of \$11.3M.

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

CONSOLIDATED STATEMENT OF OPERATIONS

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

BUDGET

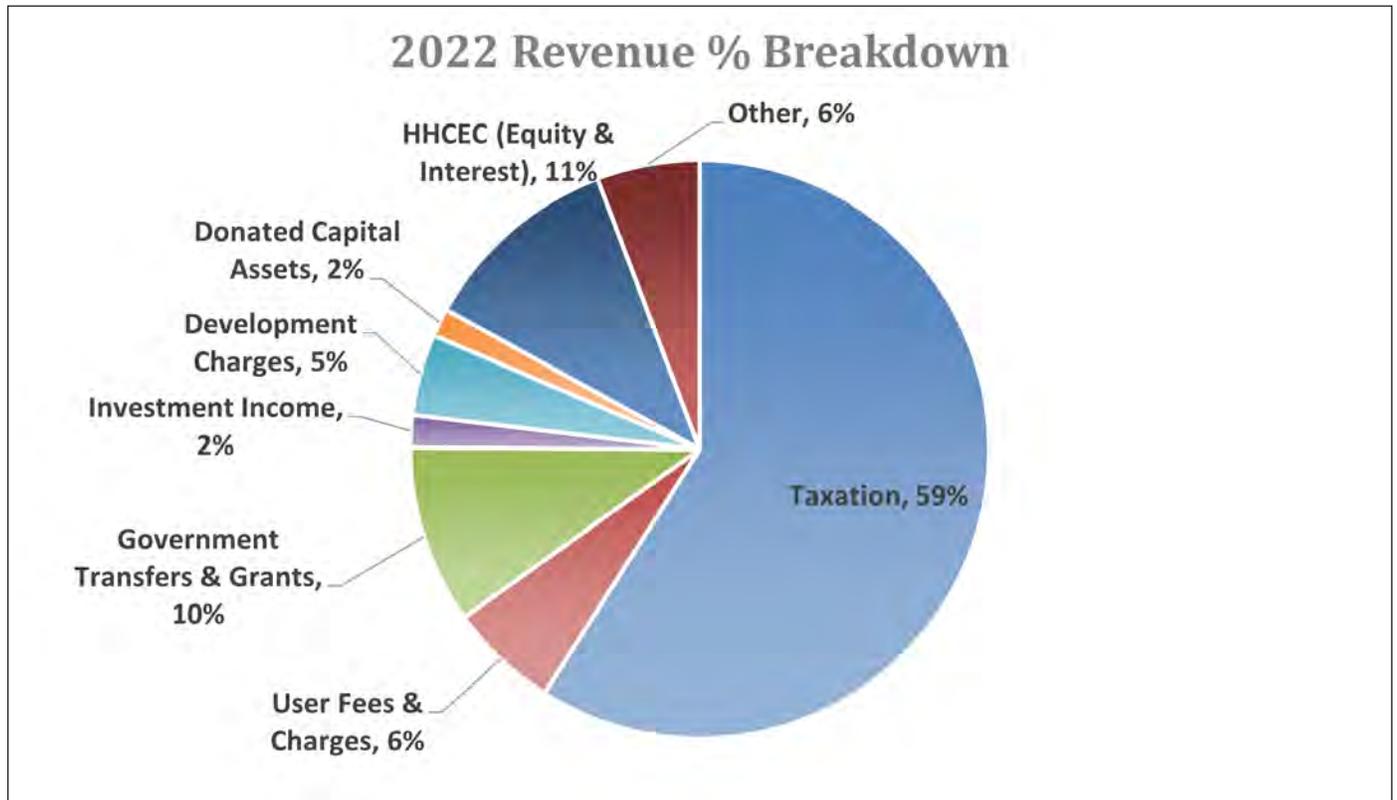
The Town compiles its annual operating and capital budgets in accordance with the Municipal Act. For the purposes of Financial Statement preparation in accordance with the Public Sector Accounting Board (PSAB) requirements, there are differences between the reported numbers. In order to ensure comparability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

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

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

REVENUES

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



Taxation

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

User Fees and Charges

Revenues from user fees and charges increased by \$2.3M in 2022 as operations continue to recover from COVID-19 closures and restrictions. Ice rentals and facility rentals increased by over \$1M in 2022 as Town and community programming returned to pre-COVID levels. Increased access to programming also resulted in an increase of \$700K in general registrations and admissions. Planning Fees have decreased slightly from the prior year, as a result of a reduced number of development applications received in 2022. The following table provides a breakdown of the various fees included in the reported user fee revenue line.

Comparison Of User Fees Year Over Year

	<u>2022</u>	<u>2021</u>	<u>Difference</u>
Activan	\$153,196	\$92,254	\$60,942
Aquafit/Lifesaving	83,118	54,782	28,336
Arena Floor Rental	58,033	33,683	24,350
Business Licenses	109,142	116,094	(6,952)
Cemetery Fees	361,211	292,607	68,604
Facility Rentals	463,180	207,056	256,124
General Admission	124,174	75,323	48,851
General Registration	974,287	329,068	645,219
Ice Rental	1,733,708	958,911	774,797
Memberships	46,261	(307)	46,568
Park Rental	347,932	255,365	92,567
Planning Fees	979,202	1,086,065	(106,863)
Tax Certificates & Information	392,728	283,294	109,434
Miscellaneous User Fees	540,529	249,527	291,002
	<u>\$6,366,701</u>	<u>\$4,033,722</u>	<u>\$2,332,979</u>

Development Charges

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

Government Transfers & Grants

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

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

Federal grant funding of \$2.1M from the Canada Community Building Fund (formerly, federal Gas Tax) was recognized as revenue, which is slightly higher than the funding reported in the prior year (\$1.9M). Funds received under the Canada Community Building Fund agreement are deferred and recognized as revenue when qualifying capital projects are completed. Upon completion of the construction works, funding is transferred to the capital project to cover the costs incurred.

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

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

Donated Capital Assets

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

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

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

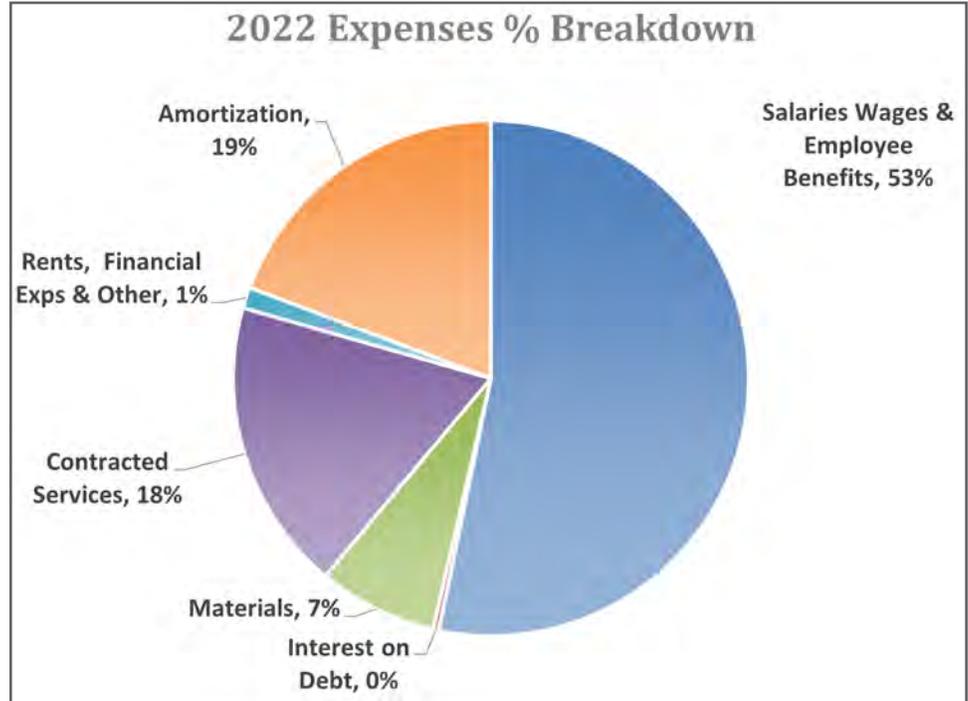
EXPENSES

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

Salaries, Wages & Employee Benefits

Labour costs including salaries, wages and benefits increased by \$3.7M in 2022 and continue to represent the largest proportion of expenses (53%). The increase can be attributed to the return to normal operations as COVID-19

restrictions were lifted and staff returned to work. Approved cost of living adjustments for non-union staff and contract increases for union employees result in annual incremental increases. Additionally, new positions were approved by Council through the 2022 budget to support Town services related to growth, and the conversion of contract positions to full-time allowed for the continued provision of essential services.



Amortization

Amortization expenses represent the annual allocation of a portion of the historical cost of tangible capital assets as an expense over its useful life. The purpose of amortization is to show the decline in the asset’s value as it ages through time and use. In 2022 the amortization expense increased by \$187K as the value of Town non-financial assets continues to grow.

Materials

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

Contracted Services

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

ANNUAL SURPLUS

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

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

The Consolidated Statement of Change in net financial assets outlines the difference between the reported annual surplus and the change in net financial assets. It provides details on the acquisition and use of non-financial assets, such as Tangible Capital Assets, and their impact on the net financial position. The increase in the net financial position is attributable to increases in financial assets, mainly cash and short-term investments. These are partially offset by increases in deferred revenues, resulting in an overall increase of \$8.5M in net financial assets.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows shows how the Town used its cash in 2022. By adjusting the annual surplus for items that do not result in a cash transaction and accounting for the changes in working capital since the prior year, the result is a net increase in cash of \$17.3M from operations. Of the total \$30.6M available in cash, \$23.7M was used to buy new capital assets and repay debt and loans. Additional monies of \$1.7M were received in the form of dividends from Halton Hills Community Energy Corporation, \$3.2M was received from the promissory note repayment (\$2.8M plus interest of \$378K) from HHCEC, and \$68K was received in cash proceeds from the disposal of fixed assets. With a positive cash balance on hand, a transfer of \$2.2M was made to the investment portfolio held and managed by the Region of Halton. The following table shows the movements of the Town's cash inflows and outflows throughout 2022:

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

PLANNING DOCUMENTS

Long Range Financial Plan

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

The LRFP is based on the following key principles:

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

Asset Management Plan

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

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

CONCLUSION

In recent years the Town has consistently focused on long-range financial planning and the need to be able to adapt quickly to changing conditions. Through the careful re-investment of available funds into reserves, a solid debt management approach and the implementation of a comprehensive COVID-19 cost reduction and mitigation plan, combined with the timely financial support provided through the Federal/Provincial Safe Restart Agreement, the Town was able to remain resilient in the face of these challenges. Maintaining financial strength is imperative as the Town concludes the 2022 fiscal year end and looks to 2023.



Moya Leighton CPA, CGA, MBA
Town Treasurer and Director of Finance
July 10, 2023

2022 AND BEYOND

2023 Budget

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

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

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

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

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

FINANCIAL MANAGEMENT

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

CAPITAL BUDGET

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

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

OPERATING BUDGET

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

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

FINANCE TEAM

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

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

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

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

MANAGEMENT REPORT

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

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

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

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

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



Moya Leighton CPA, CGA, MBA
Town Treasurer and Director of Finance
July 10, 2023



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2022 CONSOLIDATED FINANCIAL STATEMENTS

CORPORATION OF THE TOWN OF HALTON HILLS





KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Tel 905-523-8200
Fax 905-523-2222

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Halton Hills

Opinion

We have audited the consolidated financial statements of the Town of Halton Hills (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

July 25, 2023

THE CORPORATION OF THE TOWN OF HALTON HILLS**Consolidated Statement of Financial Position**

As at December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash	\$ 9,172,473	\$ 13,323,118
Short-term investments (Note 2)	103,895,693	101,670,670
Taxes receivable (Note 3)	5,517,550	5,132,506
Accounts receivable	2,695,967	2,977,327
Long-term receivables (Note 4)	1,368,811	1,374,228
Note Receivable from HHCEC (Note 5a)	7,400,000	10,200,000
Investment in HHCEC (Note 5d)	42,421,986	32,767,906
Inventory for resale	13,928	12,959
	172,486,408	167,458,714
Financial Liabilities		
Accounts payable and accrued liabilities (Note 7)	10,372,132	9,370,931
Other current liabilities	11,575,974	10,118,114
Deferred revenue (Note 8)	35,343,728	37,393,315
Employee benefits obligation (Note 9)	3,886,051	3,799,065
Liability for contaminated sites (Note 10)	458,558	430,976
Liability for post closure solid waste landfill (Note 11)	500,211	260,409
Long-term liabilities (Note 12)	12,164,834	16,451,551
	74,301,488	77,824,361
Net financial assets	98,184,920	89,634,353
Non-financial assets		
Tangible capital assets - net (Note 13)	335,051,553	331,941,625
Prepaid expenses and internal inventory	1,339,222	1,258,159
	336,390,775	333,199,784
Accumulated surplus (Note 14)	\$ 434,575,695	\$ 422,834,137
Contingent liabilities (Note 15)		
Lease commitments (Note 16)		
Impact of COVID-19 (Note 25)		

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Consolidated Statement of Change in Net Financial Assets
 Year ended December 31, 2022, with comparative information for 2021

	Budget (Note 21)	2022	2021
Annual surplus	\$ 11,635,179	\$ 11,741,558	\$ 13,256,478
Acquisition of tangible capital assets	(24,609,700)	(21,131,364)	(21,384,259)
Amortization of tangible capital assets	17,616,000	17,839,125	17,651,298
Loss / (Gain) on disposal of tangible capital assets	-	114,470	(122,145)
Proceeds on sale of tangible capital assets	-	67,841	194,685
Change in prepaid expenses and inventory	-	(81,063)	(132,743)
Change in net financial assets	4,641,479	8,550,567	9,463,314
Net financial assets, beginning of year	89,634,353	89,634,353	80,171,039
Net financial assets, end of year	\$ 94,275,832	\$ 98,184,920	\$ 89,634,353

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS**Consolidated Statement of Operations**

Year ended December 31, 2022, with comparative information for 2021

	Budget (Note 21)	2022	2021
Revenues			
Taxation	\$ 61,358,819	\$ 61,546,748	\$ 58,363,870
User fees and charges	7,653,909	6,366,701	4,033,722
Government transfers			
Federal (Note 17)	4,101,000	2,529,011	2,061,535
Provincial (Note 17)	2,830,544	6,871,984	5,106,337
Other municipalities	755,767	991,675	1,180,464
Investment income	1,155,000	1,889,468	1,768,687
Development charges (Note 8)	7,165,500	4,748,323	5,210,748
Donated tangible capital assets (Note 13a)	3,000,000	1,629,821	5,020,035
Donations	-	64,855	208,268
Interest from HHCEC (Note 5)	362,600	378,064	449,080
Equity income from HHCEC (Note 5)	4,184,411	11,346,030	6,617,313
Other	5,491,553	5,926,614	5,304,187
	98,059,103	104,289,294	95,324,246
Expenses			
General government	16,158,000	21,088,988	14,636,176
Protection services	14,950,555	15,407,561	14,641,289
Transportation services	25,040,973	26,818,437	23,791,176
Environmental services	1,425,700	1,489,803	2,247,153
Health services	382,216	392,922	368,276
Social and family services	907,020	871,565	815,840
Recreation and cultural services	23,162,127	22,751,442	20,412,024
Planning and development	4,397,333	3,727,018	5,155,834
	86,423,924	92,547,736	82,067,768
Annual Surplus	11,635,179	11,741,558	13,256,478
Accumulated surplus, beginning of year	422,834,137	422,834,137	409,577,659
Accumulated surplus, end of year (Note 14)	\$434,469,316	\$434,575,695	\$ 422,834,137

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS**Consolidated Statement of Cash Flows**

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Operating Activities		
Annual Surplus	\$ 11,741,558	\$ 13,256,478
Items not affecting cash:		
Loss /(Gain) on disposal of tangible capital assets	114,470	(122,145)
Amortization of tangible capital assets	17,839,125	17,651,298
Donated tangible capital assets	(1,629,821)	(5,020,035)
Change in employee benefit obligation	86,986	207,759
Change in liability for contaminated sites	27,582	20,523
Change in liability for post closure solid waste landfill	239,802	136,605
Equity gain from HHCEC	(11,346,030)	(6,617,313)
Changes in non-cash working capital:		
Taxes receivable	(385,044)	1,770,539
Accounts receivable	281,360	41,988
Long-term receivables	5,417	38,076
Prepaid expenses and inventory	(81,063)	(132,743)
Accounts payable and accrued liabilities	1,001,201	1,667,285
Other current liabilities	1,457,860	3,176,989
Deferred revenue	(2,049,587)	6,311,873
Inventory	(969)	(1,965)
Net change in cash from operations	17,302,847	32,385,212
Capital Activities		
Acquisition of tangible capital assets	(19,501,543)	(16,364,224)
Proceeds on sale of tangible capital assets	67,841	194,685
Net change in cash from capital activities	(19,433,702)	(16,169,539)
Investing Activities		
Acquisition (redemption) of investments	574,977	(11,396,545)
Dividends from HHCEC	1,691,950	1,691,949
Net change in cash from investing activities	2,266,927	(9,704,596)
Financing Activities		
Long-term debt repaid	(4,286,717)	(4,714,158)
Net change in cash from financing activities	(4,286,717)	(4,714,158)
Net change in cash activities	(4,150,645)	1,796,919
Cash, beginning of year	13,323,118	11,526,200
Cash, end of year	\$ 9,172,473	\$ 13,323,118

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
 Year ended December 31, 2022

1. Summary of Significant Accounting Policies

The consolidated financial statements of The Corporation of the Town of Halton Hills (Town) are the representation of the Town's management prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Significant accounting policies adopted by the Town are as follows:

(a) Basis of Consolidation

(i) Consolidated entities

These consolidated financial statements reflect the assets, liabilities, revenue, and expenses of the reporting entity (excluding Halton Hills Community Energy Corporation see (ii) below). The reporting entity is comprised of all organizations, local boards and committees accountable for the administration of their financial affairs and resources, to the Town, and which are owned and controlled by the Town. The following local boards are included in these consolidated financial statements:

The Halton Hills Library Board
 Acton Business Improvement Area
 Georgetown Central Business Improvement Area

All interdepartmental and organizational transactions and balances are eliminated on consolidation.

(ii) Investment in Halton Hills Community Energy Corporation (HHCEC)

The Town's investment in Halton Hills Community Energy Corporation (HHCEC) is accounted for on a modified equity basis, consistent with Canadian public sector accounting standards. Under the modified equity basis, HHCEC's accounting principles are not adjusted to conform with those of the Town and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of HHCEC in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from HHCEC are reflected as reductions in the investment asset account.

(iii) Accounting for region and school board transactions

The taxation revenues and development charges with respect to the school boards and the Region of Halton are not reflected in these consolidated financial statements.

(iv) Trust funds

Trust funds and their related operations administered by the Town are not consolidated but are reported separately on the trust funds financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS**Notes to Consolidated Financial Statements**

Year ended December 31, 2022

1. Summary of Significant Accounting Policies (Continued)**(b) (i) Basis of accounting**

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Short-term Investments

Short-term investments consist of bonds and debentures and are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments.

(iii) Inventory

Inventory for resale and internal inventory is valued at the lower of cost and net realizable value.

(iv) Tangible capital assets

(a) Tangible capital assets are recorded at cost plus all directly related charges incurred in order to bring the asset into a condition ready for use by the Town. Cost includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the asset. The only exception as noted below is for land, which is considered to have an infinite life. Amortization costs are recorded in the Consolidated Statement of Operations and are calculated and charged monthly against the appropriate asset class. The asset categories and useful lives are as follows:

ASSETS	USEFUL LIFE (YEARS)
Land	Infinite
Land improvements	3-100
Buildings	10-50
Equipment	3-25
Vehicles	3-20
Linear assets	5-50
Leasehold improvements	Duration of lease

The Town regularly reviews its tangible capital assets to eliminate obsolete items.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

1. Summary of Significant Accounting Policies (Continued)

(iv) Tangible capital assets (Continued)

Work in progress assets are not amortized until the asset is available for productive use. Interest on debt incurred during construction of related tangible capital assets is expensed in the consolidated statement of operations. Interest is not capitalized to the cost of work in progress assets.

(b) Contributed and donated tangible capital assets are recorded at their fair value at the date of receipt and are also recorded as revenue.

(v) Taxation and related revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) based upon Current Value Assessment (CVA). Tax rates are established annually by Town Council, incorporating amounts to be raised for local services and the requisition made by the Region of Halton in respect of regional services. The Town is required to collect education taxes on behalf of the Province of Ontario. Requisitions from the Region of Halton and the Province for education taxes are not reported in taxation revenue on the consolidated statement of operations. A mandatory property tax mitigation process exists in Ontario whereby commercial, industrial and multi-residential property tax increases are capped at the greater of 10% of the previous year's actual taxes and 5% of the previous year's actual CVA taxes. The cap is funded through a reserve at the Region. A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received the Town determines the taxes applicable and renders supplemental tax billings. Taxation revenues and related services are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known.

The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

(vi) Deferred revenue

Receipts which are restricted by governments, acts, legislation, or by agreement with external parties are in nature restricted revenues and are reported as deferred revenues. When qualifying expenses are incurred, deferred revenues are brought into revenue in the fiscal period they are expended.

(vii) Investment income

Investment income is reported as revenue in the period earned. Investment income earned on obligatory reserve funds and deferred revenue balances for which the nature of the restriction requires it, is added to the fund balance and forms part of the respective deferred revenue balances.

THE CORPORATION OF THE TOWN OF HALTON HILLS**Notes to Consolidated Financial Statements**Year ended December 31, 2022

1. Summary of Significant Accounting Policies (Continued)(viii) Other revenue

Other revenue received throughout the year is recognized on an accrual basis when collectability is reasonably assured.

(ix) Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(x) Employee benefits obligation(a) WSIB and health and dental benefits

The Town provides certain employee benefits which will require funding in future periods. These benefits include benefits under the Workplace Safety and Insurance Board (WSIB) Act, and extended health and dental benefits for a closed group of early retirees. An independent actuarial study to determine the costs of benefits under the Workplace Safety and Insurance Board Act and liabilities for future payments of extended health and dental benefits has been undertaken using management's best estimate of insurance and health care cost trends, long term inflation rates and discount rates. Unamortized actuarial gains and losses are amortized over the expected average remaining service life of the employee group (EARSL). EARSL is 13.42 years for WSIB and 14 years for extended health and dental benefits.

(b) Compensated vacation and overtime

Under CUPE agreement, unused vacation time and banked overtime hours for CUPE employees are calculated and accrued at December 31 as entitlement is earned between June 1 and May 31 annually.

(c) Pension agreement

The cost of multi-employer defined benefit pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period. OMERS has been accounted for as a defined contribution plan since it is a multi-employer plan.

(xi) Liability for contaminated sites

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

1. Summary of Significant Accounting Policies (Continued)

(xi) Liability for contaminated sites (continued)

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- a) An environmental standard exists
- b) Contamination exceeds the environmental standard
- c) The organization is directly responsible or accepts responsibility for the liability
- d) Future economic benefits will be given up, and
- e) A reasonable estimate of the liability can be made.

The liability is estimated based upon information that is available when the financial statements are prepared. It is based upon the costs directly attributable to the remediation activities required using a present value measurement technique.

(xii) Liability for post closure solid waste landfill

The Town accrues landfill post closure costs including pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The estimated costs to maintain solid waste landfill sites are based on estimated future expenses, discounted, adjusted for estimated inflation, and reduce the liability when paid.

Future events may result in significant changes to the estimated total expenses and the estimated liabilities, and would be recognized prospectively, as a change in estimate when applicable.

(xiii) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments, with a term to maturity of 90 days or less at acquisition.

(xiv) Long-term receivables

The long-term receivables are valued at cost. Recoverability is assessed annually, and a valuation allowance is recorded when recoverability has been impaired. The loan receivable is written off when it is no longer recoverable. Recoveries of loans receivable previously written off are recognized as revenue in the year received. Interest revenue is recognized as it is earned. Loans with significant concessionary terms (such as non-interest bearing loans), are accounted for as a grant which is shown as an expense on the Consolidated Statement of Operations. Long-term receivables are reported in Note 5.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

1. Summary of Significant Accounting Policies (Continued)

(xv) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Significant estimates include assumptions used in estimating provisions for accrued liabilities, doubtful accounts, in performing actuarial valuations of employee future benefits, estimating the liabilities for contaminated sites and post closure solid waste landfill. Actual results could differ from these estimates.

2. Short-term Investments

The Town pools its investment money with the Region of Halton in an effort to obtain a better rate of return. The Town is able to withdraw from funds as needed with no restrictions. The Town has \$103,895,693 (2021 - \$101,670,670) invested in the fund as at December 31, 2022. The market value of the investment is \$95,002,867 (2021 - \$102,064,590). During 2022, the invested funds earned a realized year-to-date rate of return, net of fees, of 2.24% (2021 – 2.46%).

3. Taxes Receivable

Included in taxes receivable of \$5,517,550 (2021 - \$5,132,506) as reported on the Consolidated Statement of Financial Position as at December 31, 2022, are taxes owing from 7 (2021 – 6) properties in the amount of \$310,029 (2021 - \$243,556), which have been placed under tax registration under the authority of the Municipal Tax Sales Act of 1990. It is the policy of council to take all authorized measures to control the escalation of defaulted tax payments.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

4. Long-term Receivables

	<u>2022</u>	<u>2021</u>
Halton Hills Gymnastic Centre Loan	\$ 124,831	\$ 161,442
Acton Town Hall	176,880	199,955
Georgetown Soccer Club	720,891	773,504
Halton Hills Minor Football Association	194,055	210,454
Home Retrofit Loans	127,071	-
Other long-term receivables	25,083	28,873
	\$ 1,368,811	\$ 1,374,228

Halton Hills Gymnastic Centre Loan

The loan is repayable annually in the amount of \$36,610 plus interest at the average 10 year Canadian Bond rate in effect at the beginning of the calendar year which was 1.82% (2021 – 1.22%). The loan amount is not to exceed \$324,000 and matures August 31, 2026.

Acton Town Hall

The loan is repayable monthly in the amount of \$1,923 plus interest based on the Bank of Canada prime business rate in effect on December 31 of the previous year which was 1.68% (2021 – 1.21%). The loan matures on December 3, 2030.

Georgetown Soccer Club Loan

The loan is repayable annually in the amount of \$102,600 and matures in 2032. It carries an effective interest rate of 6.5% (2021 – 6.5%).

Halton Hills Minor Football Association Loan

The loan is repayable annually in the amount of \$30,000 and matures in 2031. It carries an effective interest rate of 6.5% (2021 – 6.5%).

Home Retrofit Loans

The Town has 10 loans provided to local residents. Each loan is repayable annually in equal amounts, over a 10-year period, and carries an effective interest rate of 0%.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

5. Investment in Halton Hills Community Energy Corporation (“HHCEC”)

HHCEC and its wholly owned subsidiaries is owned and controlled by the Town and as a government business enterprise is accounted for on the modified equity basis in these consolidated financial statements.

HHCEC serves as the electrical distribution utility for Halton Hills’ residents. Other activities of HHCEC and its subsidiaries are to provide hot water tank and sentinel light rentals, water metre reading and billing services as well as energy related services.

(a) Promissory Note Receivable

HHCEC issued a promissory note to the Town, which bears interest at a prescribed rate set annually by the Town. The prescribed rate of interest on the note is 4.12% for the period January 1, 2022 to December 31, 2022 (2021 - 4.12%). Interest received during the year with respect to the promissory note is \$378,064 (2021 - \$449,080). The balance owing on the promissory note is \$7,400,000 at December 31, 2022. The repayment of the note has been deferred to a future date, which is yet to be determined.

The obligations of HHCEC for the promissory note payable to the Town are subordinated to secured credit agreements of HHCEC to TD bank.

(b) Loan payable to SouthWestern Energy Inc. (Geothermal)

The Town entered into an agreement with SouthWestern Energy Inc. to install a geothermal HVAC System at a Town facility. The loan payable was in the amount of \$535,614 with a prescribed rate of interest of 1.57% per annum (2021 – 1.57%). Quarterly interest and principal repayments are scheduled up to January 1, 2029 with an outstanding balance of \$185,707 as at December 31, 2022 (2021 - \$213,771).

(c) Loan payable to SouthWestern Energy Inc. (LED Streetlights and Parking Lot)

The Town entered into an agreement with SouthWestern Energy Inc. to implement an LED streetlight conversion project throughout the town, and also to install LED lights in the parking lot of the Town Hall. The total loan payable was in the amount of \$1,444,883 with a prescribed rate of interest of 3.95% per annum. Monthly interest and principal repayments are scheduled up to May 1, 2023 with an outstanding balance of \$134,628 as at December 31, 2022 (2021 - \$481,844).

(d) Investment in government business enterprise

The investment balance in HHCEC at December 31, 2022 is as follows:

	<u>2022</u>	<u>2021</u>
Investment in HHCEC at January 1	\$ 32,767,906	\$ 27,842,542
Equity change in earnings	11,346,030	6,617,313
Dividends on common shares	(1,691,950)	(1,691,949)
Investment in HHCEC at December 31	\$ 42,421,986	\$ 32,767,906

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

5. Investment in Halton Hills Community Energy Corporation (Continued)

The following table provides condensed supplementary consolidated financial information for HHCEC and its subsidiaries for the year ended December 31, 2022 and 2021:

Financial Position	2022	2021
Assets		
Current	\$ 17,565,656	\$ 16,058,278
Capital	118,101,805	114,754,184
Other	27,256,745	15,518,787
Total Assets	\$ 162,924,206	\$ 146,331,249
Liabilities		
Current	\$ 30,294,928	\$ 25,358,712
Promissory note payable to Town of Halton Hills	7,400,000	10,200,000
Other	82,807,292	78,004,631
Total Liabilities	\$ 120,502,220	\$ 113,563,343
Equity		
Share capital	\$ 16,161,663	\$ 16,161,663
Retained earnings	26,398,223	16,928,848
Accumulated other comprehensive loss	(137,900)	(322,605)
Total equity	\$ 42,421,986	\$ 32,767,906
Total liabilities and equity and regulatory balances	\$ 162,924,206	\$ 146,331,249
Financial Activities		
Revenue	\$ 82,332,811	\$ 81,330,487
Expenses	73,984,655	77,946,591
Net movement in regulatory balances	(2,813,169)	(3,233,417)
Net income & net movement in regulatory balances	\$ 11,161,325	\$ 6,617,313
Other comprehensive income	184,705	-
Total comprehensive income/(loss)	\$ 11,346,030	\$ 6,617,313
Equity income/(loss) from HHCEC	\$ 11,346,030	\$ 6,617,313
Retained earnings, beginning of year	\$ 16,928,848	\$ 12,003,484
Net income & net movement in regulatory balances	11,161,325	6,617,313
Dividends on common shares	(1,691,950)	(1,691,949)
Retained earnings, end of year	\$ 26,398,223	\$ 16,928,848
Accumulated other comprehensive income/(loss), beginning of y	\$ (322,605)	\$ (322,605)
Other comprehensive income	184,705	-
Accumulated other comprehensive income/(loss), end of year	\$ (137,900)	\$ (322,605)
Town of Halton Hills' investment in HHCEC represented by:		
Promissory note receivable	\$ 7,400,000	\$ 10,200,000
Investment in shares of HHCEC	16,161,663	16,161,663
Accumulated other comprehensive loss	(137,900)	(322,605)
HHCEC retained earnings	26,398,223	16,928,848
Investment in HHCEC	\$ 42,421,986	\$ 32,767,906
Total investment in HHCEC	\$ 49,821,986	\$ 42,967,906

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

5. Investment in Halton Hills Community Energy Corporation (Continued)

Related Party Transactions and Balances

The following summarizes the Town's related party transactions and balances with the Corporation for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<u>Transactions</u>		
Revenue		
Property taxes	\$156,489	\$144,262
Interest on promissory notes	378,064	449,080
Expenses		
Energy purchases (at commercial rates)	\$1,069,851	\$1,069,310
Distribution expenses	342,184	301,591
Street light maintenance and other	636,194	919,484
Dividends Received	\$1,691,950	\$1,691,951
Amounts due to the Town		
Promissory note	\$7,400,000	\$10,200,000
Amounts due to related party		
Accounts payable and accrued liabilities	\$387,402	\$648,142
Loan payable to SWE* (Geothermal)	\$185,707	\$213,771
Loan payable to SWE (LED Parking Lot & Streetlights)	\$134,627	\$481,844
*SWE - SouthWestern Energy Inc.		

6. Credit facilities

Credit facilities available to the Town from a financial institution, by way of loans, overdrafts or Bankers Acceptances, amount to \$10,000,000. Interest on these facilities is at prime minus 0.80%. These credit facilities were not utilized by the Town during 2022 or 2021.

THE CORPORATION OF THE TOWN OF HALTON HILLS

Notes to Consolidated Financial Statements

Year ended December 31, 2022

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include financial obligations to outside organizations and individuals as a result of transactions and events on or before the end of the accounting period. They are the result of contracts, agreements and legislation in force at the end of the accounting period that require the Town to pay for goods and services acquired or provided prior to the accounting date. A further breakdown is provided below:

	<u>2022</u>	<u>2021</u>
Trade Accounts Payable	\$ 9,341,782	\$ 7,535,464
Payables to Other Governments	848,066	1,602,163
Accrued Liabilities	182,284	233,304
	<u>\$10,372,132</u>	<u>\$9,370,931</u>

8. Deferred Revenue

In accordance with standards established by PSAB, obligatory reserve funds are reported as deferred revenue. Provincial legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Town are provided below:

	Balance at 31-Dec-21	Receipts	Revenue Recognized	Balance at 31-Dec-22
Development charges	\$ 5,784,579	\$ 2,898,059	\$ (4,748,323)	\$ 3,934,315
Parkland	8,780,797	833,456	(81,600)	9,532,653
Building Code Act, 1992	5,242,304	998,590	(720,521)	5,520,373
Gas tax - Federal	6,438,399	2,102,652	(2,138,161)	6,402,890
Deferred Government Grants	559,676	12,784	(466,337)	106,123
Growth Stabilization	3,687,126	122,683	(400,356)	3,409,453
Transportation Maintenance	3,195,609	72,992	(109,186)	3,159,415
Gateway Feature	183,345	4,188	-	187,533
Private Traffic Signal Maintenance	261,597	5,975	(737)	266,835
Total Deferred Revenue - Obligatory	34,133,432	7,051,379	(8,665,221)	32,519,590
Other	3,259,883	19,004,430	(19,440,175)	2,824,138
	<u>\$ 37,393,315</u>	<u>\$ 26,055,809</u>	<u>\$ (28,105,396)</u>	<u>\$ 35,343,728</u>

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

8. Deferred Revenue (Continued)

The balance reported for Development Charges funds at December 31, 2022 has been fully committed to be spent on active capital projects approved by Council as part of the budget process.

Development Charges Fund	Fund Balance at Dec 31, 2022	Loans from Town Reserves	Net Balance on Development Charges
Transportation Services	\$ 3,917,415	\$ (416,377)	\$ 3,501,038
Storm Water Management Services	-	(583,710)	(583,710)
Fire Protection Services	-	(1,237,588)	(1,237,588)
Recreation and Parks Services	-	(19,424,016)	(19,424,016)
Library Services	-	(1,431,801)	(1,431,801)
Administration Services	16,900	(427,549)	(410,649)
Transit Services	-	(6,223)	(6,223)
	<u>\$ 3,934,315</u>	<u>\$ (23,527,264)</u>	<u>\$ (19,592,949)</u>

9. Employee Benefits Obligation

Summary of employee benefits obligation is provided below:

Future payments required for:	<u>2022</u>	<u>2021</u>
Liability for WSIB (a)	\$ 1,544,600	\$ 1,516,336
Vacation pay liability (b)	173,593	186,650
Retirement benefits (c)	2,167,858	2,096,079
	<u>\$ 3,886,051</u>	<u>\$ 3,799,065</u>

(a) Liability for Workplace Safety & Insurance Board (WSIB)

The Town is a Schedule II employer under the Workplace Safety and Insurance Act. As a Schedule II employer, the Town assumes the liability for any award made under the Act.

An independent actuarial valuation dated November 2, 2022 estimated the liability at \$1,544,600 (2021 - \$1,516,336) as at December 31, 2022. A reserve in the amount of \$955,517 (2021 - \$870,820) is available to partially offset this liability. The Town plans to increase the funds available in the reserve to match the level of liability estimated by the actuarial valuation.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

9. Employee Benefits Obligation (continued)

(a) Liability for Workplace Safety & Insurance Board (WSIB) (continued)

The significant actuarial assumptions adopted in estimating the Town's accrued benefits obligations are as follows:

- Interest (discount rate): 3.75%
- Administration costs: 23.00%
- WSIB Benefit escalations: 1.25% for Loss of Earnings, 3.75% for Health Care, 2.00% for Survivor Benefits, and 2.00 % for Non-Economic Loss

Information about the Town's WSIB liability is as follows:

WSIB Liability	2022	2021
Accrued benefit obligation (ABO) at January 1	\$ 1,485,698	\$ 1,520,393
Service cost	126,620	123,005
Interest cost	55,337	56,661
Less expected benefit payments	(146,706)	(141,861)
Expected ABO at December 31	1,520,949	1,558,198
Actual ABO at December 31	1,520,949	1,485,698
Unamortized actuarial gain from current valuation	-	72,500
Unamortized actuarial gain / (loss) from prior valuations	23,651	(41,862)
Liability for Employee benefits obligation at December 31	\$ 1,544,600	\$ 1,516,336
Included in current service cost is amortization of the actuarial gain in the amount of \$6,987 (2021 - loss of \$2,128)		

(b) Vacation Pay Liability

The vacation year for CUPE members is from May 1 to April 30. Vacation earned in that twelve month period may be taken anytime during the following twelve months. The vacation pay liability at December 31, 2022 represents the vacation earned but not yet taken.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

9. Employee Benefits Obligation (continued)

(c) Retirement Benefits

The Town provides dental and health care benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS), or retires at a normal retirement age, up to the age of 65.

Using the information contained in an independent actuarial valuation dated November 7, 2022, management has estimated a liability of \$2,167,858 (2021 - \$2,096,079) for the retirement benefits based on the present value of the current obligation for past and current employees. The significant actuarial assumptions adopted in estimating the Town's accrued benefit obligations are as follows:

- Interest (discount rate): 4.00%
- Future inflation rates: 1.75%
- Future salaries escalation: 2.75%
- Dental benefit escalation: 3.75%
- Health benefit escalation: 5.4167% for 2023 vs 2022, reducing by 0.333% per year to 3.75% per year in 2028 vs 2027

Information about the Town's benefit liabilities are as follows:

Retirement Benefit Liability	2022	2021
Accrued benefit obligation (ABO) at January 1	\$ 2,839,663	\$ 2,327,261
Current period benefit expense	139,010	137,752
Increase due to plan amendment	(20,769)	-
Interest accrued	110,829	93,128
Benefit payments	(235,346)	(135,888)
Expected ABO at December 31	2,833,387	2,422,253
Actuarial loss	-	417,410
ABO at December 31	2,833,387	2,839,663
Unamortized actuarial loss	(665,529)	(743,584)
Accrued benefit obligation at December 31	<u>\$ 2,167,858</u>	<u>\$ 2,096,079</u>
Included in current service cost is amortization of the actuarial loss in the amount of \$78,055 (2021 - \$45,668)		

THE CORPORATION OF THE TOWN OF HALTON HILLS

Notes to Consolidated Financial Statements

Year ended December 31, 2022

10. Liability for contaminated sites

The Town estimated a liability of \$458,558 as at December 31, 2022 (2021 - \$430,976) for remediation of a contaminated site. The site was a former junk yard with shallow soils less than 0.5m below grade which have been impacted and contain broken glass, bricks and small fragments of plastic and metal. The soil contamination obligates the Town to undertake remediation activities. Clean up and restoration to the standards set by the Ministry of Environment, Conservation and Parks requires subsurface investigation, sort/screen, removal of materials, and placement of clean fill. Subsequent to the initial measurement, the obligation will be adjusted at the end of each year to reflect the passage of time and changes in the estimated obligation. Changes in the obligation are recognized in the Consolidated Statement of Operations as an operating expense.

The future remediation costs and any post-remediation costs have an estimated undiscounted cost of \$475,983 and have been recorded in the financial statements at present value using a discount rate of 1.9%. Estimates for these costs are based upon quotes provided by experts.

11. Liability for post closure solid waste landfill

The Town ceased to operate its solid waste landfill site in 1973 and is required to conduct post-closure procedures. These procedures are conducted by the Region of Halton on behalf of the Town. The Region monitors the site and the expenditure is included in the waste management levy. The recorded liability of \$500,211 (2021 - \$260,409) is the present value of future cash flows associated with the closure and post-closure costs of \$10,109 annually, discounted using an average long-term borrowing rate of 5% net of an annual inflation rate of 6.0%. The total undiscounted liability is \$1,833,368. The estimated length of time required for post-closure care is estimated to be 40 years on a rolling basis.

12. Long-term Liabilities

(a)

Total long-term liabilities incurred by the Town at the end of the year.	<u>2022</u>	<u>2021</u>
Debentures payable to Region of Halton	\$ 11,844,499	\$15,755,936
LT Debt SWE (LED Streetlights & Parking lot) (Note 5c)	134,628	481,844
LT Debt SWE (Geothermal) (Note 5b)	185,707	213,771
	<u>\$ 12,164,834</u>	<u>\$16,451,551</u>

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
 Year ended December 31, 2022

12. Long-term Liabilities (Continued)

- (b) Of the long-term liabilities reported in (a) of this note, principal payments are payable as follows:

2023	\$	2,822,534
2024		2,431,301
2025		1,059,772
2026		1,080,644
2027		1,102,493
2028-2032		<u>3,668,090</u>
	\$	<u>12,164,834</u>

- (c) The long-term liabilities in (a) issued in the name of the Town have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (d) Interest expense on net long-term liabilities amounted to \$344,814 (2021 - \$488,909). The long-term liabilities bear interest at rates ranging from 0.85% to 3.95%.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

13. Tangible Capital Assets

Cost	Balance Dec 31, 2021	Additions	Disposals	Balance Dec 31, 2022
General				
Land	40,891,371	379,819	-	41,271,190
Land improvements	48,197,631	2,463,357	117,111	50,543,877
Buildings	94,464,769	2,363,814	444,394	96,384,189
Equipment	20,814,936	1,516,670	904,956	21,426,650
Vehicles	5,722,267	259,068	5,998	5,975,337
Leasehold improvements	396,309	-	-	396,309
Infrastructure				
Land	4,672,597	-	-	4,672,597
Land improvements	4,470,687	597,297	-	5,067,984
Buildings	8,930,205	192,525	-	9,122,730
Linear assets	388,676,522	11,547,700	1,138,707	399,085,515
Equipment	10,615,793	336,277	254,156	10,697,914
Vehicles	10,434,312	892,822	27,736	11,299,398
Construction in progress				
Work in progress	8,454,441	6,110,343	5,148,508	9,416,276
Total Cost	646,741,840	26,659,692	8,041,566	665,359,966
Accumulated Amortization				
General				
Land improvements	22,908,991	1,615,927	114,775	24,410,143
Buildings	44,127,953	2,714,461	64,574	46,777,840
Equipment	11,386,199	1,734,383	904,956	12,215,626
Vehicles	3,444,640	331,082	5,998	3,769,724
Leasehold improvements	245,823	13,365	-	259,188
Infrastructure				
Land improvements	1,726,788	178,995	-	1,905,783
Buildings	3,016,535	363,710	-	3,380,245
Linear assets	214,848,805	9,730,244	965,922	223,613,127
Equipment	6,835,213	477,523	246,966	7,065,770
Vehicles	6,259,268	679,435	27,736	6,910,967
Accumulated Amortization	314,800,215	17,839,125	2,330,927	330,308,413
Net Book Value				
General				
Land	40,891,371	379,819	-	41,271,190
Land improvements	25,288,640	847,430	2,336	26,133,734
Buildings	50,336,816	(350,647)	379,820	49,606,349
Equipment	9,428,737	(217,713)	-	9,211,024
Vehicles	2,277,627	(72,014)	-	2,205,613
Leasehold improvements	150,486	(13,365)	-	137,121
Infrastructure				
Land	4,672,597	-	-	4,672,597
Land improvements	2,743,899	418,302	-	3,162,201
Buildings	5,913,670	(171,185)	-	5,742,485
Linear assets	173,827,717	1,817,456	172,785	175,472,388
Equipment	3,780,580	(141,246)	7,190	3,632,144
Vehicles	4,175,044	213,387	-	4,388,431
Construction in progress				
Work in progress	8,454,441	6,110,343	5,148,508	9,416,276
Net Book Value - 2022	331,941,625	8,820,567	5,710,639	335,051,553
Net Book Value - 2021	328,281,204	10,670,382	7,009,961	331,941,625

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

13. Tangible Capital Assets (Continued)

(a) Contributed or Donated Capital Assets

The Town received \$1,629,821 (2021 - \$5,020,035) in contributed capital assets.

<u>Contributed Assets</u>	<u>2022</u>	<u>2021</u>
Paved Roads & Sidewalks	\$ 1,148,881	\$ 4,487,757
Street Lighting	119,172	216,278
Urban Storm Sewers	361,768	316,000
	<u>\$ 1,629,821</u>	<u>\$ 5,020,035</u>

(b) Tangible Capital Assets Disclosed at Nominal Values

There are no tangible capital assets recognized at a nominal value.

(c) Write Down of Tangible Capital Assets

The Town has recorded \$Nil (2021 - \$Nil) in write-downs of tangible capital assets.

(d) Works of art and historical treasures

The Town has received paintings and other pieces of artwork that are displayed at various Town facilities. The works of art and historical treasures are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of social rather than financial benefits they provide to the community. The historical costs of the art and treasures are not determinable or relevant to their significance. No valuation of the collection has been conducted or disclosed in the consolidated financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

14. Accumulated Surplus

	<u>2022</u>	<u>2021</u>
General surplus/deficit		
-General Surplus (Contract employee costs)	\$ 238,644	\$ 275,500
-General Surplus (Asset Disposal Proceeds)	647,799	579,958
-Unexpended capital financing	25,247,792	22,548,144
	26,134,235	23,403,602
Equity in tangible capital assets		
-Net tangible capital assets	325,635,277	323,487,184
-Construction in progress	9,416,276	8,454,441
-Debt issued (net of Region recoveries) (Note 12)	(12,139,751)	(16,422,677)
	322,911,802	315,518,948
Equity in HHCEC	49,821,986	42,967,906
Unfunded employee benefits	(2,555,331)	(2,539,985)
Unfunded liability for contaminated sites	(458,558)	(430,976)
Unfunded liability for postclosure care of solid waste landfill sites	(500,211)	(260,409)
Business Improvement Area	177,181	172,487
Recovery from Kiwanis user groups	649,145	718,158
Reserve funds set aside for specific purposes by Council		
- Operating	12,303,879	16,429,440
- Capital	26,081,337	26,844,736
Total Reserves	38,385,216	43,274,176
Reserve funds set aside for specific purposes related to discretionary funds		
- John Elliott Award	10,230	10,230
Total Discretionary Reserve Funds	10,230	10,230
	\$ 434,575,695	\$ 422,834,137

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

15. Contingent Liabilities

- (a) From time to time, the Town may be involved in claims in the normal course of business. Management assesses such claims and where material exposure is considered likely and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of the likely outcome. The Town does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.
- (b) In the normal course of business, appeals are made by taxpayers against property assessments, the resolution of which is not known as at the date of issuance of these financial statements. It is the practice of the Town to provide for any claims only when the amount of decrease in assessment can be estimated.

16. Lease Commitments

The Town leases premises and is committed to minimum annual lease payments under terms of lease agreements which include Georgetown Seniors Centre lease which expires in 2024 and also the 50 year lease of Heritage Acton for recreational programming purposes:

2023	\$	302,711
2024		238,462
2025		35,915
2026		14,193
2027		14,477
Thereafter		924,541
	\$	1,530,299

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

17. Government Transfers

<u>Federal</u>	<u>2022</u>	<u>2021</u>
Canada Community Building Fund (formerly Gas Tax)	\$ 2,138,161	\$ 1,939,407
Canada Community Revitalization Fund (CCRF)	314,502	-
Other grants	76,348	122,128
	<u>\$ 2,529,011</u>	<u>\$ 2,061,535</u>
<u>Provincial</u>		
Dedicated Gas Tax	\$ 572,249	\$ 571,275
Ministry of Health and Long Term Care	258,708	265,327
Ontario Community Infrastructure Fund	4,210,906	811,848
Safe-Restart Agreement Funding	466,337	1,039,205
Ontario Connecting Links	742,500	1,892,513
Municipal Modernization Program	219,867	-
Investing in Canada Infrastructure Program (ICIP)	241,396	-
Other grants	160,021	526,169
	<u>\$ 6,871,984</u>	<u>\$ 5,106,337</u>

18. Segmented Information

Segmented information has been identified based on various operating departments within the Town. Their activities are reported by functional area in the body of the financial statements. Revenue and expenses are separately disclosed in the segmented information, along with the services they provide, as follows:

General government – Mayor and Council, Office of the CAO, Finance, Information Technology, Purchasing

The departments within general government are responsible for the general management and control of the Town, including adopting bylaws, adopting administrative policy, levying taxes, providing administrative, technical, and financial services. They also ensure quality services are provided to the community and that the services provided are aligned with Council approved actions.

Protection services – Fire Protection and Preventive Services Department, By-law Enforcement, Licensing, Animal and Weed Control, Building Services

The Fire Protection and Preventive Services department provides a wide range of fire prevention, fire suppression and emergency rescue services. Community, marriage and business licensing are provided by Finance department. Animal and weed control are provided by the Planning & Infrastructure department. The Building Services Division is responsible for permit processing and building inspections and by-law enforcement.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

18. Segmented Information (Continued)

Transportation services – Planning & Infrastructure Department, Parking Control

The Planning & Infrastructure department is responsible for operations, infrastructure management (roads, bridges and sewers), traffic control, accessible transit service and development engineering. The Enforcement Services team under Office of the CAO provides the parking enforcement.

Environmental services – Storm Water Management

Storm water management services are provided by the Planning & Infrastructure department.

Health services

Cemetery services are provided by the Planning & Infrastructure department and Recreation and Parks departments.

Social and family services

The Senior Centres services are provided by the Recreation and Parks department.

Recreation and cultural services – Recreation and Parks Department, Library

The Recreation and Parks department is responsible for the development, provision and maintenance of facilities, parks and recreation and cultural programs and services. Planning & Infrastructure department provides the maintenance for parks. The Halton Hills Public Library provides the community with materials, programs and services to support and encourage informal life-long learning.

Planning and development – Planning and Sustainability, Economic Development, Business Improvement Area

The Planning & Infrastructure department provides direction to Council and the community through land use policy formulation and implementation. The Economic Development section of the Office of the CAO assists businesses through technical processes associated with the relocation or set up of business. With support of the Town, the Business Improvement Area board of management provides business promotion and improvement in downtown Acton and Georgetown.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

18. Segmented Information (Continued)

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Property taxation has been apportioned to segments based on net budgeted expenses. Equity income from Halton Hills Hydro has been included under the General Government segment, other revenue. For additional information, see the schedules below for the years 2022 and 2021.

2022	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning & Development	Total 2022
Revenue:									
Taxation for municipal purposes	\$ 10,493,948	\$ 10,647,029	\$ 17,832,915	\$ 2,028,273	\$ 272,195	\$ 645,934	\$ 16,494,896	\$ 3,131,558	\$ 61,546,748
User fees and charges	626,544	1,680	459,540	-	387,433	37,630	4,089,622	764,252	6,366,701
Government of Canada grants	7,054	-	2,138,161	-	-	-	333,551	50,245	2,529,011
Province of Ontario grants	883,802	-	5,620,986	-	-	218,531	123,898	24,767	6,871,984
Other municipalities	86,990	34,214	848,379	-	-	-	22,092	-	991,675
Investment income	1,889,468	-	-	-	-	-	-	-	1,889,468
Development charges	536,969	99,032	2,788,979	-	-	-	1,323,343	-	4,748,323
Donations	-	-	1,268,054	361,767	-	-	64,855	-	1,694,676
Gain/(Loss) on disposal	34,570	-	(146,756)	-	-	-	(2,284)	-	(114,470)
Other	13,855,908	2,479,088	727,381	-	1,997	77,697	241,539	381,568	17,765,178
Total revenue	28,415,253	13,261,043	31,537,639	2,390,040	661,625	979,792	22,691,512	4,352,390	104,289,294
Expenses:									
Salaries, wages & employee benefits	10,469,524	12,252,725	9,756,099	-	134,560	447,672	13,644,947	2,569,026	49,274,553
Interest on long-term debt	344,814	-	-	-	-	-	-	-	344,814
Purchased goods	516,090	356,286	3,334,626	-	19,943	65,535	2,250,560	379,915	6,922,955
Purchased services	9,200,323	1,423,774	3,816,932	-	41,377	22,386	1,801,637	641,620	16,948,049
Financial expenses	712,464	3,091	-	-	-	254,047	56,905	3,772	1,030,279
Transfers to others	(863,260)	575,500	(484,960)	-	101,172	81,549	661,526	116,434	187,961
	20,379,955	14,611,376	16,422,697	-	297,052	871,189	18,415,575	3,710,767	74,708,611
Amortization	709,033	796,185	10,395,740	1,489,803	95,870	376	4,335,867	16,251	17,839,125
Total expenses	21,088,988	15,407,561	26,818,437	1,489,803	392,922	871,565	22,751,442	3,727,018	92,547,736
Annual surplus/(deficit)	\$ 7,326,265	\$ (2,146,518)	\$ 4,719,202	\$ 900,237	\$ 268,703	\$ 108,227	\$ (59,930)	\$ 625,372	\$ 11,741,558

2021	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning & Development	Total 2021
Revenue:									
Taxation for municipal purposes	\$ 9,695,084	\$ 10,064,748	\$ 16,866,107	\$ 1,482,450	\$ 277,149	\$ 629,218	\$ 15,740,235	\$ 3,608,879	\$ 58,363,870
User fees and charges	321,840	116,094	601,789	-	316,058	36,983	1,974,697	666,261	4,033,722
Government of Canada grants	5,987	-	1,939,407	-	-	-	30,378	85,763	2,061,535
Province of Ontario grants	1,287,601	19,600	3,299,015	80,000	-	219,982	187,341	12,798	5,106,337
Other municipalities	217,984	33,293	929,187	-	-	-	-	-	1,180,464
Investment income	1,768,687	-	-	-	-	-	-	-	1,768,687
Development charges	817,796	125,072	2,328,137	-	-	-	1,939,743	-	5,210,748
Donations	145,000	-	4,803,757	216,278	-	-	63,268	-	5,228,303
Gain/(Loss) on disposal	77,177	-	73,831	-	-	-	(28,863)	-	122,145
Other	9,048,741	2,399,156	358,989	-	3,191	80,736	203,778	153,844	12,248,435
Total revenue	23,385,897	12,757,963	31,200,219	1,778,728	596,398	966,919	20,110,577	4,527,545	95,324,246
Expenses:									
Salaries, wages & employee benefits	9,166,319	11,344,024	9,088,243	683,908	143,939	466,601	12,137,250	3,219,563	46,249,847
Interest on long-term debt	488,909	-	-	-	-	-	-	-	488,909
Purchased goods	311,506	341,588	2,552,083	3,456	14,165	88,251	1,791,280	228,280	5,330,609
Purchased services	4,501,617	1,387,122	2,233,781	56,459	19,488	9,994	1,423,073	1,548,211	11,179,745
Financial expenses	697,905	-	-	-	-	251,970	57,485	9,648	1,017,008
Transfers to others	(1,189,608)	708,651	(296,052)	15,374	95,972	(1,352)	683,614	133,753	150,352
	13,976,648	13,781,385	13,578,055	759,197	273,564	815,464	16,092,702	5,139,455	64,416,470
Amortization	659,528	859,904	10,213,121	1,487,956	94,712	376	4,319,322	16,379	17,651,298
Total expenses	14,636,176	14,641,289	23,791,176	2,247,153	368,276	815,840	20,412,024	5,155,834	82,067,768
Annual surplus/(deficit)	\$ 8,749,721	\$ (1,883,326)	\$ 7,409,043	\$ (468,425)	\$ 228,122	\$ 151,079	\$ (301,447)	\$ (628,289)	\$ 13,256,478

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

19. Trust Funds

Trust funds administered by the Town amounting to \$3,292,657 (2021 - \$3,118,850) are not included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations.

20. Pension Agreements

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, which as of December 31, 2022, was on behalf of 421 members of its staff (2021– 403). The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions of employees with a normal retirement age of 65 were being made at a rate of 9% for earnings up to the yearly maximum pensionable earnings of \$64,900 and at a rate of 14.6% for earnings greater than the yearly maximum pensionable earnings. Contributions of employees with a normal retirement age of 60 (Fire Department) were being made at a rate of 9.2% for earnings up to the yearly maximum pensionable earnings of \$64,900 and at a rate of 15.8% for earnings greater than the yearly maximum pensionable earnings.

The amount contributed to OMERS for 2022 was \$3,409,527 (2021 - \$3,228,180) for current service and is included as an expense on the Consolidated Statement of Operations.

As OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. The OMERS pension plan has a deficit of \$6.7 billion as of December 31, 2022 (2021 – deficit of \$3.1 billion).

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

21. Budget data

The budget data presented in these consolidated financial statements is based upon the 2022 operating and capital budget approved by Council on December 6, 2021. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

Revenue:	Budget 2022
Operating Budget	\$ 85,221,432
Capital Budget	27,338,100
BIAs	408,260
Add:	
Donated Tangible Capital Assets	3,000,000
Equity Income on Investments	2,492,411
Less:	
Contribution from Reserves (Operating)	(2,538,800)
Contribution from Reserves (Capital)	(15,132,000)
Other transfers	(2,730,300)
Total Revenue	98,059,103
Expenses:	
Operating budget	85,221,432
Capital budget	27,338,100
BIAs	408,260
Add:	
Amortization	17,616,000
Less:	
Debt principal repayments	(4,282,900)
Acquisition of Tangible Capital Assets	(24,609,700)
Transfers to Reserves	(12,598,968)
Other transfers	(2,668,300)
Total Expenses	86,423,924
Annual Surplus	\$ 11,635,179

THE CORPORATION OF THE TOWN OF HALTON HILLS
Notes to Consolidated Financial Statements
Year ended December 31, 2022

22. Related Party Disclosures

The Town's related parties, as defined by the CPA Canada Public Sector Accounting Board in standard PS 2200 Related Party Disclosures, are Halton Hills Community Energy Corporation (HHCEC) and its subsidiaries, and key management personnel of the Town and their close family members. The Town may enter into transactions with these entities and individuals in the normal course of operations.

During fiscal year 2022 there were no material transactions between the Town and its key management personnel.

Transactions between the Town and HHCEC for fiscal year 2022 are itemized in Note 5 to the consolidated financial statements. Debt liabilities and promissory note receivable with HHCEC are also described in Note 5.

23. Contingent Assets

The Town does not have any contingent assets for the fiscal year ending December 31, 2022 (2021 - \$nil).

24. Contractual rights

The Town is involved with various contracts and agreements arising in the ordinary course of business. This results in contractual rights are rights to economic resources, leading to both revenues and assets in the future.

The Town has a number of Federal and Provincial funding agreements with estimated future funding of \$11M, and incoming rental agreement for Town-owned property of \$22,800 per year.

25. Impact of COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market, and social dislocating impact across the world. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus.

Several measures were put in place by the Federal Government which include the implementation of travel bans, self-imposed quarantine periods and social distancing. These measures have caused material disruption to individuals, businesses and organizations globally and in Ontario resulting in an economic shutdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

THE CORPORATION OF THE TOWN OF HALTON HILLS**Notes to Consolidated Financial Statements**Year ended December 31, 2022

25. Impact of COVID-19 (Continued)

The Town declared a state of emergency under the *Emergency Management Act Ontario*, on March 24, 2020. The declaration of a state of emergency provides the Mayor with the ability to take action and make orders, as necessary, to protect the health, safety and welfare of residents. During 2020 to 2022, several measures were undertaken in relation to the COVID-19 pandemic:

- Closure of parks and recreation facilities and administrative buildings
- Temporary termination of employees in non-essential services
- Suspension of penalties and interest on overdue amounts
- Mandatory working from home requirements for those able to do so

As at December 31, 2022, COVID-19 related operating budget losses of \$531,110 (2021 - \$1,039,205) were realized, of which \$466,337 was covered by Provincial/Federal Safe Restart Funding made available to the Town.

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2022 FINANCIAL STATEMENTS

Trust Funds OF THE CORPORATION OF THE TOWN OF HALTON HILLS





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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Halton Hills

Opinion

We have audited the financial statements of the Trust Funds of The Corporation of the Town of Halton Hills (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and a summary of significant accounting policies and other explanatory information

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
July 27, 2023

THE CORPORATION OF THE TOWN OF HALTON HILLS
Trust Funds
Statement of Financial Position

As at December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash	\$ 979,191	\$ 929,702
Investments (Note 2)	2,313,466	2,189,148
Net financial assets, accumulated surplus	\$ 3,292,657	\$ 3,118,850

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Trust Funds**Statement of Change in Net Financial Assets**

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Annual surplus	\$ 173,807	\$ 97,375
Net financial assets, beginning of year	3,118,850	3,021,475
Net financial assets, end of year	\$ 3,292,657	\$ 3,118,850

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS**Trust Funds****Statement of Operations**

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue		
Cemetery maintenance	\$ 123,260	\$ 65,846
Acquisition of Hillcrest Cemetery (Note 3)	-	-
Interest	72,701	51,311
	195,961	117,157
Expenses		
Transfer to Town of Halton Hills	21,030	18,322
Transfer to Georgetown Hospital	305	403
Limehouse Presbyterian Cemetery	819	1,057
	22,154	19,782
Annual surplus	173,807	97,375
Accumulated surplus, beginning of year	3,118,850	3,021,475
Accumulated surplus, end of year	\$ 3,292,657	\$3,118,850
Composition of Accumulated surplus		
Fairview Cemetery	\$ 699,089	\$ 661,758
Greenwood Cemetery	1,523,076	1,460,695
Hornby Presbyterian Cemetery	896	886
Limehouse Presbyterian Cemetery	40,484	40,248
Union Presbyterian Cemetery	6,288	4,710
Hillcrest Cemetery	1,007,798	935,558
Georgetown Hospital Foundation	15,026	14,995
Total trust funds	\$ 3,292,657	\$3,118,850

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS**Trust Funds****Statement of Cash Flows**

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Operating activities		
Annual surplus	\$ 173,807	\$ 97,375
Financing activities		
Acquisition of investments	(124,318)	(68,385)
Net change in cash	49,489	28,990
Cash, beginning of year	929,702	900,712
Cash, end of year	\$ 979,191	\$ 929,702

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS**Trust Funds****Notes to Financial Statements**Year ended December 31, 2022

1. Summary of Significant Accounting Policies

The financial statements of the Trust Funds of The Corporation of the Town of Halton Hills (the "Town") are the representation of the Trust's management prepared in accordance with Canadian public sector accounting standards recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The investments held at year end are in accordance with the Trustee Act R.S.O. 1990.

Significant accounting policies adopted by the Trust Funds of the Town are as follows:

i) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

ii) Investment income

Investment income is reported as revenue in the period earned.

iii) Investments

Investments are carried at cost. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

2. Investments

The Town pools its investment money with Halton Region in an effort to obtain a better rate of return. The Town is able to withdraw the funds as needed with no restrictions. The Town has \$2,313,466 (2021 - \$2,189,148) invested in the fund as at December 31, 2022. The market value of the amount invested is \$2,115,447 (2021 - \$2,197,630) at December 31, 2022. During 2022, the invested funds earned a realized year-to-date rate of return, net of fees, of 2.24% (2021 - 2.46%).

3. Hillcrest Cemetery Trust Fund

On March 27, 2018, the Town entered into a Trust deed for the Hillcrest Cemetery Trust whereby the ownership and assets of the Hillcrest Cemetery ("the Cemetery") were to be transferred to the Town by a local church organization for the ongoing maintenance of the Cemetery.

In 2022, no cash transfer was received from investments made previously by the Hillcrest Cemetery board (2021 - \$nil). A bequest estate distribution in the amount of \$26,405 was received in 2022 (2021 - \$nil).

THE CORPORATION OF THE TOWN OF HALTON HILLS
Trust Funds
Notes to Financial Statements
Year ended December 31, 2022

3. Hillcrest Cemetery Trust Fund (continued)

The following revenue and expenses have been recognized in 2021 and 2022 relating to the Cemetery:

	2022	2021
Revenue		
Cemetery maintenance	\$ 23,712	\$ 21,400
Acquisition of Hillcrest Cemetery	26,405	-
Interest	22,123	7,238
Total Revenue recognized	72,240	28,638
Expenses		
Transfer to Town of Halton Hills	-	-
Total Expenses recognized	-	-
	\$ 72,240	\$ 28,638

4. Trust Fund Transfers

Transfers from the trust funds are repayments of funds to the beneficiaries of the trust funds, as per agreed terms.

- i) Transfer to Town of Halton Hills – transfer of funds that are dedicated for the perpetual maintenance of cemeteries.
- ii) Transfer to Georgetown Hospital – transfer of interest earned on the funds entrusted to the Town.
- iii) Transfer to Limehouse Presbyterian Cemetery – transfer of interest earned in the prior year. In the case of the Limehouse Presbyterian Cemetery the Town holds the money on behalf of a third party cemetery operator who is responsible for the maintenance of the cemetery. The full amount of interest earned on the funds is forwarded annually to the cemetery operator.

2022 FINANCIAL STATEMENTS

The Library Board
OF THE CORPORATION OF THE
TOWN OF HALTON HILLS

hhpl halton hills
public library





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INDEPENDENT AUDITOR'S REPORT

To the Board Members of the Halton Hills Library Board, and to the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Halton Hills

Opinion

We have audited the accompanying financial statements of the Halton Hills Library Board (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Halton Hills Library Board as at December 31, 2022, and its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

July 25, 2023

THE CORPORATION OF THE TOWN OF HALTON HILLS**Halton Hills Library Board****Statement of Financial Position**

As at December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Accounts receivable	\$ -	\$ 450
Due from the Town of Halton Hills (Note 8)	806,513	779,249
	806,513	779,699
Financial liabilities		
Accrued liabilities	559	8,263
Deferred revenue	13,500	26,754
Due to Town of Halton Hills- loan for unfunded DC (Note 8)	1,431,801	1,119,562
Long-term liabilities (Note 2)	3,989,683	4,355,597
	5,435,543	5,510,176
Net debt	(4,629,030)	(4,730,477)
Non-financial assets		
Tangible capital assets (Note 3)	12,074,286	12,336,235
Impact of COVID-19 (Note 9)	-	-
Accumulated surplus (Note 5)	\$ 7,445,256	\$ 7,605,758

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS**Halton Hills Library Board****Statement of Change in Net Debt**

Year ended December 31, 2022, with comparative information for 2021

	Budget (Note 6)	2022	2021
Annual Surplus / (Deficit)	\$ 42,000	\$ (160,502)	\$ 156,642
Acquisition of tangible capital assets	(608,400)	(632,521)	(670,515)
Amortization of tangible capital assets	980,000	894,470	979,573
Change in net debt	413,600	101,447	465,700
Net debt, beginning of year	(4,730,477)	(4,730,477)	(5,196,177)
Net debt, end of year	\$ (4,316,877)	\$ (4,629,030)	\$ (4,730,477)

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS**Halton Hills Library Board****Statement of Operations**

Year ended December 31, 2022, with comparative information for 2021

	Budget (Note 6)	2022	2021
Revenue			
Town of Halton Hills	\$ 4,677,600	\$ 4,432,281	\$ 4,420,562
Government of Canada grants (Note 4)	-	19,049	27,384
Province of Ontario grants (Note 4)	61,300	74,088	138,273
Halton Hills contribution - Development charges	393,900	147,373	223,763
Fines, rentals and other	41,600	44,222	38,548
	5,174,400	4,717,013	4,848,530
Expenses			
Salaries, wages and benefits	3,782,750	3,562,206	3,394,230
Materials and supplies	23,400	70,638	60,655
Programming	16,800	15,070	7,330
Repairs and maintenance	10,900	14,623	17,463
Telephone	4,850	5,475	5,575
Advertising	3,700	4,370	4,109
Printing and photocopying	21,500	19,064	20,438
Audit	5,500	5,310	4,764
Contracted services	176,800	181,726	90,478
Equipment costs	2,500	2,500	2,500
General	103,700	102,063	104,773
Amortization	980,000	894,470	979,573
	5,132,400	4,877,515	4,691,888
Annual Surplus / (Deficit)	42,000	(160,502)	156,642
Accumulated surplus, beginning of year	7,605,758	7,605,758	7,449,116
Accumulated surplus, end of year	\$ 7,647,758	\$ 7,445,256	\$ 7,605,758

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE TOWN OF HALTON HILLS
HALTON HILLS LIBRARY BOARD
Statement of Cash Flows**

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Operating activities		
Annual Surplus / (Deficit)	\$ (160,502)	\$ 156,642
Item not affecting cash:		
Amortization of tangible capital assets	894,470	979,573
Changes in non-cash working capital:		
Accounts receivable	450	(450)
Due to/from Town of Halton Hills	(27,264)	(162,488)
Accrued liabilities	(7,704)	8,263
Deferred revenue	(13,254)	26,754
Due to Town of Halton Hills - unfunded DC	312,239	70,772
Net change in cash from operations	998,435	1,079,066
Capital activities		
Acquisition of tangible capital assets	(632,521)	(670,515)
Net change in cash from capital activities	(632,521)	(670,515)
Financing activities		
Long-term debt repaid	(365,914)	(408,551)
Net change in cash from financing activities	(365,914)	(408,551)
Net change in cash		
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Halton Hills Library Board
Notes to Financial Statements
Year ended December 31, 2022

1. Summary of Significant Accounting Policies

The financial statements of the Halton Hills Library Board of The Corporation of the Town of Halton Hills (the “Library”) are the representation of management prepared in accordance with Canadian public sector accounting standards as recommended and established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Significant accounting policies adopted by the Halton Hills Library Board are as follows:

(i) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Deferred revenue

Receipts which are restricted by governments or by agreement with external parties are in nature restricted revenues and are reported as deferred revenues. These amounts will be recognized as revenues in the fiscal year the services are performed.

(iii) Measurement Uncertainty

The preparation of financial statements in accordance with public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Actual results could differ from those estimates.

(iv) Other income

Other income is reported as revenue in the period earned.

(v) Government Transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing that the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made, except when and to the extent that, stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Halton Hills Library Board
Notes to Financial Statements
Year ended December 31, 2022

1. Summary of Significant Accounting Policies (continued)

(vi) Development charges

Development Charges are funded and recognized as revenue in the Library's Statement of Operations when eligible Library owned tangible capital assets are purchased.

(vii) Tangible Capital Assets

(a) Tangible capital assets are recorded at cost plus all directly related charges incurred in order to bring the asset into a condition ready for use by the Library. Cost includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the asset. The only exception as noted below, is for land, which is considered to have an infinite life. Amortization costs are recorded in the Statement of Operations and are calculated and charged monthly against the appropriate asset class. The asset categories and useful lives are as follows:

ASSET	USEFUL LIFE (YEARS)
Land	Infinite
Buildings	10-50
Equipment	3-25

The Library regularly reviews its tangible capital assets to eliminate obsolete items.

Assets under construction (work in progress) are not amortized until the asset is available for productive use. Interest is not capitalized to the cost of work in progress assets.

(b) Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

2. Long-term Liabilities

(a)

	<u>2022</u>	<u>2021</u>
Total long-term liabilities incurred by the Library	\$ 3,989,683	\$ 4,355,597

THE CORPORATION OF THE TOWN OF HALTON HILLS
Halton Hills Library Board
Notes to Financial Statements
Year ended December 31, 2022

2. Long-term Liabilities (cont'd)

- (b) Of the long-term liabilities reported in (a) of this note, principal payments are payable as follows:

2023	373,269
2024	380,732
2025	388,454
2026	396,232
2027	404,196
2028-2032	<u>2,046,800</u>
	<u>\$ 3,989,683</u>

- (c) Interest expense on net long-term liabilities amounted to \$85,006 (2021 - \$92,485).
The long-term liabilities bear interest at 2.0%.

3. Tangible Capital Assets

Cost	Balance December 31, 2021	Additions	Disposals	Balance December 31, 2022
Land	78,836	379,819	-	458,655
Buildings	17,392,486	110,936	(444,394)	17,059,028
Equipment	3,445,567	632,521	(365,232)	3,712,856
Work in progress	110,935	-	(110,935)	-
Total Cost	21,027,824	1,123,276	(920,561)	21,230,539
Accumulated Amortization				
Buildings	6,942,456	433,736	(64,574)	7,311,618
Equipment	1,749,133	460,734	(365,232)	1,844,635
Accumulated Amortization	8,691,589	894,470	(429,806)	9,156,253
Net Book Value				
Land	78,836	379,819	-	458,655
Buildings	10,450,030	(322,800)	(379,820)	9,747,410
Equipment	1,696,434	171,787	-	1,868,221
Work in progress	110,935	-	(110,935)	-
Net Book Value - 2022	12,336,235	228,806	(490,755)	12,074,286
Net Book Value - 2021	12,645,293	(309,058)	-	12,336,235

THE CORPORATION OF THE TOWN OF HALTON HILLS
Halton Hills Library Board
Notes to Financial Statements
Year ended December 31, 2022

3. Tangible Capital Assets (cont'd)

(i) Contributed Capital Assets

The Library received \$nil (2021 - \$nil) in contributed tangible capital assets.

(ii) Tangible Capital Assets Disclosed at Nominal Values

There are no tangible capital assets recognized at a nominal value.

(iii) Write-down of Tangible Capital Assets

The Library has not recorded write-downs of tangible capital assets in the current year or 2021.

4. Government Transfers

The government transfers reported in the Statement of Operations are:

	<u>2022</u>	<u>2021</u>
Federal		
Canada Summer Jobs grant	\$ 2,295	\$ 20,388
New Horizons for Seniors grant	<u>16,754</u>	<u>6,996</u>
	<u>\$ 19,049</u>	<u>\$ 27,384</u>
Provincial		
Per Capita	\$ 67,050	\$ 67,050
Other grants	-	47,482
Safe Restart Agreement Funding	<u>7,038</u>	<u>23,741</u>
	<u>\$ 74,088</u>	<u>\$ 138,273</u>

THE CORPORATION OF THE TOWN OF HALTON HILLS
Halton Hills Library Board
Notes to Financial Statements
Year ended December 31, 2022

5. Accumulated Surplus

	2022	2021
General Operating Surplus	\$ 240,627	\$ 325,894
Unexpended Capital financing	130,252	106,408
	370,879	432,302
Equity in tangible capital assets		
Net tangible capital assets	12,074,286	12,336,235
Due to Town for unfunded DCs	(1,431,801)	(1,119,562)
Debt recoverable	(3,989,683)	(4,355,597)
	6,652,802	6,861,076
Library Capital Reserve	421,575	312,380
Total Reserves	421,575	312,380
	\$ 7,445,256	\$ 7,605,758

THE CORPORATION OF THE TOWN OF HALTON HILLS
Halton Hills Library Board
Notes to Financial Statements
Year ended December 31, 2022

6. Budget

The budget data presented in these financial statements is based upon the 2022 operating and capital budgets approved by Council on December 6, 2021. Amortization was not incorporated into the development of the budget and, as such, has not been included in the budget approved by Council. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget 2022
Revenue:	
Operating Budget	\$ 4,283,400
Capital Budget	688,400
Add:	
Other transfers	202,600
Total Revenue	5,174,400
Expenses:	
Operating budget	4,486,000
Capital budget	688,400
Add:	
Amortization	980,000
Less:	
Acquisition of tangible capital assets	(608,400)
Debentures	(365,900)
Interfund transfers	(47,700)
Total Expenses	5,132,400
Annual Surplus	\$ 42,000

THE CORPORATION OF THE TOWN OF HALTON HILLS
Halton Hills Library Board
Notes to Financial Statements
Year ended December 31, 2022

7. Development Charges

The Town of Halton Hills manages a development charge obligatory reserve fund for the Library. At the end of 2022 there were no funds available in the development charge reserve to be utilized. This reserve is funded by contributions from developers as stipulated by the development charges by-law and identified in the development charges background study.

The development charges will be spent on tangible capital assets to facilitate Library growth. Tangible capital assets are Town owned, recognizing that the Town maintains title of Library facilities and furniture.

8. Related Party Transactions

The Town of Halton Hills manages all accounts receivable and payable on behalf of the Library. All transactions are made and posted using the Town's bank account held with Scotiabank and investment accounts held with the Region of Halton. The Due from the Town balance represents the net amount receivable of \$806,513 by the Library from the Town of Halton Hills at December 31, 2022 (2021 - \$779,249).

Over the last few years collections on development charges have been insufficient to cover eligible budgeted expenses. The Town has provided a loan to the Library in order to ensure that external debts could be honoured by the Library. The loan amount at December 31, 2022 is \$1,431,801 (2021 - \$1,119,562), and it is to be repaid annually over 10 years, at an effective interest rate of 2.7%. The loan repayment is contingent on future Development Charges collected by the Library.

9. Impact of COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market, and social dislocating impact across the world. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus.

Several measures were put in place by the Federal Government which include the implementation of travel bans, self-imposed quarantine periods and social distancing. These measures have caused material disruption to individuals, businesses and organizations globally and in Ontario resulting in an economic shutdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

THE CORPORATION OF THE TOWN OF HALTON HILLS
Halton Hills Library Board
Notes to Financial Statements
Year ended December 31, 2022

9. Impact of COVID-19 (cont'd)

The Town declared a state of emergency under the *Emergency Management Act Ontario*, on March 24, 2020. The declaration of a state of emergency provides the Mayor with the ability to take action and make orders, as necessary, to protect the health, safety and welfare of residents. During 2020 to 2022, several measures were undertaken in relation to the COVID-19 pandemic:

- Closure of Library facilities
- Suspension of penalties on overdue amounts
- Change of service delivery of some programs from paid in-person programs to free virtual programs
- Declared emergency leave for employees in non-essential services
- Mandatory working from home requirements for those able to do so

As at December 31, 2022, COVID-19 related operating budget losses of \$7,038 (2021 - \$23,741) were realized, but the Provincial/Federal Safe Restart Funding made available to the Library is currently sufficient to address this shortfall.

Financial Statements of
**ACTON BUSINESS
IMPROVEMENT AREA**

Year ended December 31, 2022



Downtown
ACTON

It's Worth the Drive!





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INDEPENDENT AUDITOR'S REPORT

To the Members of Acton Business Improvement Area

Opinion

We have audited the accompanying financial statements of Acton Business Improvement Area (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2022,
- the statement of operations and accumulated surplus for the year then ended,
- the statement of changes in net financial assets for the year then ended,
- the statement of cash flows for the year then ended,
- and notes, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our Auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Ontario

May 18, 2023

ACTON BUSINESS IMPROVEMENT AREA

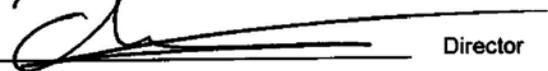
Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial Assets		
Cash	\$ –	\$ 6,612
Accounts receivable (note 3)	80,827	32,416
	<u>80,827</u>	<u>39,028</u>
Financial Liabilities		
Cheques issued in excess of funds on deposit	14,519	–
Accounts payable and accrued liabilities (note 3)	520	441
	<u>65,788</u>	<u>38,587</u>
Net financial assets	65,788	38,587
Non-Financial Assets		
Tangible capital assets (note 2)	61,178	63,374
Prepaid expenses	–	130
	<u>61,178</u>	<u>63,504</u>
Accumulated surplus	<u>\$ 126,966</u>	<u>\$ 102,091</u>

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

 Director
 Director

ACTON BUSINESS IMPROVEMENT AREA

Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 4)	2022	2021
Revenue:			
Town of Halton Hills (note 3)	\$ 102,568	\$ 106,821	\$ 96,970
Leathertown festival	18,000	16,795	–
Farmer's market	6,000	1,364	5,140
façade improvement grant (note 3)	5,000	–	566
Summer student grant	4,000	7,787	8,264
Infrastructure grant (note 3)	5,882	–	21,618
HHBTRF grant	–	100,009	–
	141,450	232,776	132,558
Expenses:			
Salaries and wages	50,853	51,737	52,203
Advertising and promotion	4,150	4,855	3,113
Repairs and maintenance	28,400	20,152	20,057
Rent	7,500	8,628	8,308
General expenses	9,400	11,162	5,905
façade Improvement expenses	10,000	–	1,500
Event entertainment	17,500	5,450	–
Amortization	–	2,196	2,219
Insurance	1,200	1,000	1,000
Professional fees	4,200	7,063	4,607
Miscellaneous	–	4,924	2,980
Bad debt expense	–	–	754
HHBTRF grant expense	–	90,734	–
Infrastructure	8,556	–	21,618
	141,759	207,901	124,264
Annual surplus (deficit)	(309)	24,875	8,294
Accumulated surplus, beginning of year	102,091	102,091	93,797
Accumulated surplus, end of year	\$ 101,782	\$ 126,966	\$ 102,091

The accompanying notes are an integral part of these financial statements.

ACTON BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 4)	2022	2021
Annual surplus (deficit)	\$ (309)	\$ 24,875	\$ 8,294
Purchase of tangible capital assets	–	–	(9,826)
Amortization of tangible capital assets	–	2,196	2,219
Prepaid expenses	–	130	(130)
Change in net financial assets	–	27,201	557
Net financial assets, beginning of year	–	38,587	38,030
Net financial assets, end of year	\$ (309)	\$ 65,788	\$ 38,587

The accompanying notes are an integral part of these financial statements.

ACTON BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 24,875	\$ 8,294
Item not involving cash:		
Amortization of capital assets	2,196	2,219
Change in non-cash operating working capital:		
Accounts receivable	(48,411)	(18,945)
Prepaid expenses	130	(130)
Accounts payable and accrued liabilities	79	(12,505)
Net change in cash from operating activities	(21,131)	(21,067)
Capital activities:		
Purchase of tangible capital assets	–	(9,826)
Net change in cash	(21,131)	(30,893)
Cash, beginning of year	6,612	37,505
Cash (cheques issued in excess of funds on deposit), end of year \$	(14,519)	\$ 6,612

The accompanying notes are an integral part of these financial statements.

ACTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The financial statements of the Business Improvement Area are the representations of management prepared in accordance with Canadian public sector accounting standards.

(a) Basis of accounting:

The Business Improvement Area follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(b) Government transfers:

Government transfers are recognized in the financial statements as revenues when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amounts can be made except when, and to the extent that, stipulations by the transferors give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(c) Other income:

Revenues from other income, fundraising and donations are recognized as earned.

(d) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

ACTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(e) Tangible capital assets:

- (i) Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on over their estimated useful lives at the following rates and methods:

Asset	Basis	Rate
Street signs	Straight-line	15 years
Trash receptacles	Straight-line	10 years
Computer equipment	Declining-balance	55%

Amortization is charged from the date of acquisition.

- (ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of the receipt and also recorded as revenue.

2. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Land	\$ 51,470	\$ –	\$ –	\$ 51,470
Street signs	4,761	–	–	4,761
Trash receptacles	4,612	–	–	4,612
Computer equipment	3,241	–	–	3,241
Container	3,158	–	–	3,158
Benches	5,214	–	–	5,214
	\$ 72,456	\$ –	\$ –	\$ 72,456

ACTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2021	Amortization expense	Disposals	Balance at December 31, 2022
Land	\$ –	\$ –	\$ –	\$ –
Street signs	4,681	80	–	4,761
Trash receptacles	231	461	–	692
Computer equipment	2,765	262	–	3,027
Container	884	455	–	1,339
Benches	521	938	–	1,459
	\$ 9,082	\$ 2,196	\$ –	\$ 11,278

	Net book value December 31, 2021	Net book value December 31, 2022
Land	\$ 51,470	\$ 51,470
Street signs	80	–
Trash receptacles	4,381	3,920
Computer equipment	476	214
Container	2,274	1,819
Benches	4,693	3,755
	\$ 63,374	\$ 61,178

(a) Contributed tangible capital assets:

The Business Improvement Area received \$nil during the year ended December 31, 2022 (2021 - \$nil) in contributed tangible capital assets.

(b) Tangible capital assets disclosed at nominal values:

There are no tangible capital assets recognized at a nominal value.

(c) Write-down of tangible capital assets:

The Business Improvement Area has not recorded write-downs of tangible capital assets during the year.

ACTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Related party transactions:

During the year, the Business Improvement Area recorded the following transactions with the Town of Halton Hills:

Revenue:

	2022	2021
Member levy collected on behalf of the Business Improvement Area	\$ 106,821	\$ 96,970

The Town of Halton Hills has also contributed \$nil (2021 - \$nil) from municipal assistance program and \$nil (2021 - \$566) from façade improvement program.

At the end of the year, the Business Improvement Area had a payable of \$nil (2021 - \$ nil) to the Town of Halton Hills related to operating expenses outstanding as of December 31 and accounts receivable of \$80,827 (2021 - \$24,151) including \$25,152 related to an infrastructure grant and façade improvement grants

4. Budget:

The budget data is based on the approved 2022 budget approved by the Board on October 19, 2021. Amortization and acquisitions of tangible capital assets were not contemplated on development of the budget and as such have not been included. For this reason, budget figures were not provided on the statement of changes in net financial assets.

Financial Statements of

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Year ended December 31, 2022





KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Tel 905-523-8200
Fax 905-523-2222

INDEPENDENT AUDITOR'S REPORT

To the Members of Georgetown Central Business Improvement Area

Opinion

We have audited the accompanying financial statements of Georgetown Central Business Improvement Area (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended,
- the statement of changes in net financial assets for the year then ended,
- the statement of cash flows for the year then ended,
- and notes, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Page 3

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
July 25, 2023

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Statement of Financial Position

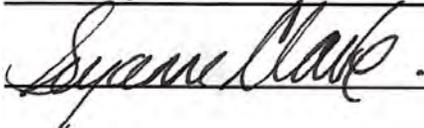
December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash	\$ 126,842	\$ 120,889
Accounts receivable (note 3)		34,384
	126,842	155,273
Liabilities		
Accounts payable and accrued liabilities (note 3)	43,415	23,888
Net financial assets	83,427	131,385
Non-financial assets		
Tangible capital assets (note 2)	53,745	66,888
Prepaid expenses	1,466	2,385
	55,211	69,273
Lease commitments (note 5)		
Accumulated surplus	\$ 138,638	\$ 200,658

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:





Director

Director

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	Budget (Note 4)	2022	2021
Revenue:			
Town of Halton Hills (note 3)	\$ 212,000	\$ 212,000	\$ 161,296
Farmer's market	32,000	42,208	32,778
Sponsorship program	2,500	1,870	1,100
Other events	8,750	10,460	14,430
Facade improvement grant (note 3)	5,000	–	339
Student grant	8,000	8,400	–
	268,250	274,938	209,943
Expenses:			
Salaries and wages	139,650	134,511	121,943
Repairs and maintenance	50,500	64,897	54,292
Advertising and promotion	28,250	38,974	26,695
Office and general	15,150	20,370	11,804
Non- recoverable HST	–	33,612	–
Facade improvement expenses	10,000	–	339
Rent	17,500	17,427	17,104
Amortization of tangible capital assets	–	14,055	14,162
Insurance	1,000	1,000	1,000
Professional fees	4,200	9,616	4,921
Memberships	2,000	2,496	1,416
	268,250	336,958	253,676
Annual deficit	–	(62,020)	(43,733)
Accumulated surplus, beginning of year	200,658	200,658	244,391
Accumulated surplus, end of year	\$ 200,658	\$ 138,638	\$ 200,658

The accompanying notes are an integral part of these financial statements.

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 4)	2022	2021
Annual deficit	\$ —	\$ (62,020)	\$ (43,733)
Amortization of tangible capital assets	—	14,055	14,162
Change in prepaid expenses and other	—	7	(980)
Change in net financial assets	—	(47,958)	(30,551)
Net financial assets, beginning of year	131,385	131,385	161,936
Net financial assets, end of year	\$ 131,385	\$ 83,427	\$ 131,385

The accompanying notes are an integral part of these financial statements.

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (62,020)	\$ (43,733)
Item not involving cash:		
Amortization of tangible capital assets	14,055	14,162
Change in non-cash operating working capital:		
Accounts receivable	34,384	(10,938)
Prepaid expenses and deposits	919	(982)
Accounts payable and accrued liabilities	19,527	(4,942)
Net change in cash from operating activities	6,865	(46,433)
Capital activities:		
Purchase of tangible capital assets	(912)	–
Net change in cash	5,953	(46,433)
Cash, beginning of year	120,889	167,322
Cash, end of year	\$ 126,842	\$ 120,889

The accompanying notes are an integral part of these financial statements.

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2022

The Georgetown Central Business Improvement Area was established in accordance with Section 220 of the Municipal Act (R.S.O. 1990) for the purpose of providing improvement, beautification and maintenance of lands, buildings and structures in the area and the promotion of Georgetown as a business and shopping area.

1. Significant accounting policies:

The financial statements of the Georgetown Central Business Improvement Area are the representations of management prepared in accordance with Canadian public sector accounting standards.

(a) Basis of accounting:

The Business Improvement Area follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or creation of a legal obligation to pay.

(b) Government transfers:

Government transfers are recognized in the financial statements as revenues when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amounts can be made except when, and to the extent that, stipulations by the transferors give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(c) Other income:

Other income is reported as revenue in the period earned.

(d) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(e) Tangible capital assets:

Tangible capital assets are stated at cost plus all directly related charges incurred in order to bring the asset into a condition ready for use by the organization less accumulated amortization. Tangible capital assets are amortized over the estimated useful life of the asset. All asset categories are amortized. Amortization costs are recorded in the statement of operations. Amortization is calculated and charged monthly against the appropriate asset class. Tangible capital assets are amortized over their estimated useful lives at the following rates and methods.

Asset	Basis	Rate/Years
Waste receptacles and benches	Straight-line	10 years
Leasehold improvements	Straight-line	5 years
Signage and sculpture	Straight-line	15 years
Office furniture	Declining balance	20%
Computer equipment	Declining balance	55%

The organization regularly reviews its capital assets to eliminate obsolete items.

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Waste receptacles and benches	\$ 18,143	\$ –	\$ –	\$ 18,143
Leasehold improvements	13,023	–	–	13,023
Signage and sculpture	125,614	–	–	125,614
Office furniture	9,503	–	–	9,503
Computer equipment	2,970	919	–	3,889
	\$ 169,253	\$ 919	\$ –	\$ 170,172

Accumulated amortization	Balance at December 31, 2021	Amortization expense	Disposals	Balance at December 31, 2022
Waste receptacles and benches	\$ 10,159	\$ 1,814	\$ –	\$ 11,973
Leasehold improvements	9,118	2,605	–	11,723
Signage and sculpture	75,325	8,374	–	83,699
Office furniture	4,989	903	–	5,892
Computer equipment	2,774	359	–	3,133
	\$ 102,365	\$ 14,055	\$ –	\$ 116,420

	Net book value December 31, 2021	Net book value December 31, 2022
Waste receptacles and benches	\$ 7,982	\$ 6,169
Leasehold improvements	3,907	1,302
Signage and art sculpture	50,289	41,914
Office furniture	4,514	3,610
Computer equipment	196	750
	\$ 66,888	\$ 53,745

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Related party transactions:

During the year, the Business Improvement Area recorded the following transactions with the Town of Halton Hills:

Revenue:

	2022	2021
Member levy collected on behalf of the Business Improvement Area	\$ 212,061	\$160,546

The Town of Halton Hills has also contributed \$nil (2021 - \$750) from municipal assistance program and \$nil (2021 - \$339) from façade improvement program. At the end of the year, the Business Improvement Area had a payable of \$31,500 (2021 - \$7,059) to the Town of Halton Hills related to operating expenses and advances and a receivable of \$nil (2021 - \$5,339) for the façade improvement grant.

4. Budget:

The budget data presented in these financial statements is based upon the 2022 budget approved by the Board on October 19, 2021.

5. Lease commitments:

The Business Improvement Area is committed to minimum annual lease payments under an operating lease for its office space expiring in 2024 as follows:

2023	\$	17,932
2024		1,498
	\$	19,430

Consolidated Financial Statements of
**HALTON HILLS COMMUNITY
ENERGY CORPORATION**

Year ended December 31, 2021





KPMG LLP
 Commerce Place
 21 King Street West, Suite 700
 Hamilton ON L8P 4W7
 Canada
 Tel 905-523-8200
 Fax 905-523-2222

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Halton Hills Community Energy Corporation:

Opinion

We have audited the consolidated financial statements of Halton Hills Community Energy Corporation, (the Corporation), which comprise:

- The consolidated statement of financial position as at December 31, 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



Page 2

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Page 3

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants
Hamilton, Canada
April 20, 2023

HALTON HILLS COMMUNITY ENERGY CORPORATION

Consolidated Statement of Financial Position

Year ended December 31, 2022, with comparative information for 2021

	Note	2022	2021
Assets			
Current assets			
Accounts receivable	4	\$ 8,477,135	\$ 8,309,823
Unbilled revenue		6,298,447	6,068,383
Income tax receivable		127,056	53,616
Materials and supplies	5	1,965,358	728,193
Current portion of note receivable	8	163,134	375,281
Prepaid expenses		534,526	522,982
Total current assets		17,565,656	16,058,278
Non-current assets			
Property, plant and equipment	6	118,101,805	114,754,184
Note receivable	8	157,201	320,334
Deferred charges		223,781	223,781
Derivative asset	20	8,773,384	-
Deferred income taxes	9	6,502,596	5,005,999
Goodwill		295,604	295,604
Total non-current assets		134,054,371	120,599,902
Total assets		151,620,027	136,658,180
Regulatory balances	10	11,304,179	9,673,069
Total assets and regulatory balances		\$ 162,924,206	\$ 146,331,249

HALTON HILLS COMMUNITY ENERGY CORPORATION

Consolidated Statement of Financial Position

Year ended December 31, 2022, with comparative information for 2021

	Note	2022	2021
Liabilities			
Current liabilities			
Bank indebtedness		\$ 9,135,055	\$ 5,426,658
Accounts payable and accrued liabilities	11	17,162,122	15,723,630
Current portion of bank term loans	12	3,345,739	3,288,599
Customer deposits		587,296	622,998
Current portion of lease liability	7	34,574	32,956
Current portion of note payable	19	-	2,800,000
Income taxes payable		30,142	263,871
Total current liabilities		30,294,928	28,158,712
Non-current liabilities			
Bank term loans	12	57,215,899	56,115,277
Note payable	19	7,400,000	7,400,000
Employee future benefits	13	940,735	1,179,693
Lease liability	7	38,934	19,975
Deferred revenue		7,872,141	6,457,732
Derivative liability	20	-	1,467,930
Deferred income taxes	9	15,616,681	10,459,063
Total non-current liabilities		89,084,390	83,099,670
Total liabilities		119,379,318	111,258,382
Equity			
Share capital	14	16,161,663	16,161,663
Retained earnings		26,398,223	16,928,848
Accumulated other comprehensive loss		(137,900)	(322,605)
Total equity		42,421,986	32,767,906
Total liabilities and equity		161,801,304	144,026,288
Regulatory balances	10	1,122,902	2,304,961
Contingencies	18		
Total liabilities, equity and regulatory balances		\$ 162,924,206	\$ 146,331,249

See accompanying notes to the consolidated financial statements.

On behalf of the Board:



Director



Director

HALTON HILLS COMMUNITY ENERGY CORPORATION

Consolidated Statement of Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021

	Note	2022	2021
Revenue			
Distribution revenue		\$ 15,105,469	\$ 14,064,765
Other income	16	4,821,588	4,656,044
		19,927,057	18,720,809
Sale of electricity		62,405,754	62,609,678
Total revenue	15	82,332,811	81,330,487
Operating expenses			
Employee salaries and benefits	17	5,803,875	5,623,920
Material costs		408,954	299,793
Contract services		1,082,657	734,083
Property costs		1,395,972	1,253,507
Other costs		608,385	895,121
Communication costs		517,402	509,731
Depreciation		4,035,727	3,856,558
		13,852,972	13,172,713
Cost of power purchased		64,053,820	64,086,528
Total expenses		77,906,792	77,259,241
Income from operating activities		4,426,019	4,071,246
Loss on disposal of property, plant and equipment		(1,744)	(2,514)
Finance income		93,154	46,785
Finance costs			
Interest		(2,646,661)	(2,514,934)
Fair value adjustment on derivative liability	20	10,241,315	4,017,879
Total finance income		7,594,654	1,502,945
Income (loss) before income taxes		12,112,083	5,618,462
Income tax expense	9	(3,763,927)	(2,234,566)
Net income		8,348,156	3,383,896
Net movement in regulatory balances, net of tax			
Net movement in regulatory balances	10	1,739,333	2,229,673
Income tax	10	1,073,836	1,003,744
		2,813,169	3,233,417
Net income and net movement in regulatory balances		\$ 11,161,325	\$ 6,617,313
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement of (gain) post-employment benefits, net of tax	9	(184,705)	-
Other comprehensive income for the year		(184,705)	-
Total comprehensive income for the year		\$ 11,346,030	\$ 6,617,313

HALTON HILLS COMMUNITY ENERGY CORPORATION

Consolidated Statement of Changes in Equity

Year ended December 31, 2022, with comparative information for 2021

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2021	\$ 16,161,663	\$ 12,003,484	\$ (322,605)	\$ 27,842,542
Net income and net movement in regulatory balances	-	6,617,313	-	6,617,313
Dividends	-	(1,691,949)	-	(1,691,949)
Balance at December 31, 2021	\$ 16,161,663	\$ 16,928,848	\$ (322,605)	\$ 32,767,906
Balance at January 1, 2022	\$ 16,161,663	\$ 16,928,848	\$ (322,605)	\$ 32,767,906
Net income and net movement in regulatory balances	-	11,161,325	184,705	11,346,030
Dividends	-	(1,691,950)	-	(1,691,950)
Balance at December 31, 2022	\$ 16,161,663	\$ 26,398,223	\$ (137,900)	\$ 42,421,986

See accompanying notes to the consolidated financial statements.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Operating activities		
Total comprehensive income for the year	\$ 11,346,030	\$ 6,617,313
Adjustments for:		
Depreciation	4,260,867	4,092,853
Gain on sale of property, plant and equipment	-	(183,622)
Amortization of deferred revenue	(422,375)	(379,270)
Employee future benefits	(238,958)	16,813
Net finance costs	2,553,507	2,468,149
Income tax expense (recovery)	3,763,927	2,234,566
Fair value adjustment on derivative liability	(10,241,314)	(4,017,879)
Change in non-cash operating working capital:		
Accounts receivable	(167,312)	(1,283,753)
Unbilled revenue	(230,064)	1,971,657
Materials and supplies	(1,237,165)	274,132
Prepaid expenses	(11,544)	89,936
Accounts payable and accrued liabilities	1,861,480	4,227,980
Customer deposits	(35,702)	(7,929)
Capital contributions	1,836,784	1,479,869
Regulatory balances	(2,813,169)	(3,233,417)
Income tax paid	(449,573)	(99,990)
Income tax received	39,498	18,830
Interest paid	(2,646,661)	(2,514,934)
Interest received	93,154	46,785
Net cash from operating activities	7,261,410	11,818,089
Investing activities		
Purchase of property, plant and equipment	(7,550,087)	(8,062,940)
Proceeds on disposal of property, plant and equipment	-	301,775
Proceeds from note receivable	375,280	361,418
Net cash used by investing activities	(7,174,807)	(7,399,747)
Financing activities		
Dividends paid	(2,114,939)	(1,018,974)
Issuance of bank term loans	2,800,000	33,877,000
Repayment of bank term loans	(1,642,238)	(32,562,246)
Principal repayments of lease liabilities	(37,823)	(52,391)
Repayment of note payable	(2,800,000)	(2,800,000)
Net cash used by financing activities	(3,795,000)	(2,556,611)
Change in bank indebtedness	(3,708,397)	1,861,731
Bank indebtedness, beginning of year	(5,426,658)	(7,288,389)
Bank indebtedness, end of year	\$ (9,135,055)	\$ (5,426,658)

See accompanying notes to the consolidated financial statements.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

1. Reporting entity:

Halton Hills Community Energy Corporation (the "Corporation") is wholly-owned by the Town of Halton Hills.

The Corporation is the parent company of Halton Hills Hydro Inc., SouthWestern Energy Inc. and 2008949 Ontario Ltd. o/a Quality Tree Service. The principal activities of the Corporation are to deliver electricity and energy related services to customers in the Town of Halton Hills, generate energy and provide water meter reading and billing services for residents of the Town of Halton Hills. The address of the Corporation's registered head office is 43 Alice Street, Halton Hills (Acton), Ontario.

The consolidated financial statements comprise the Corporation and its subsidiaries as at and for the year ended December 31, 2022.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 20, 2023.

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgments:

(i) Assumptions and estimation uncertainty:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

2. Basis of presentation (continued):

(d) Use of estimates and judgments (continued):

(ii) Judgements:

Information about significant judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial information is included in the following note:

- (i) Note 3(c) – determination of the performance obligation for contributions from customers and the related amortization period
- (ii) Note 3(i), 10 – recognition and measurement of regulatory balances
- (iii) Note 3(n), 7 – leases; whether an arrangement contains a lease

(e) Rate regulation:

The Corporation is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

2. Basis of presentation (continued):

(e) Rate regulation (continued):

Rate setting:

(i) *Distribution revenue:*

For the distribution revenue, the Corporation files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Company filed an application with the Ontario Energy Board (OEB) on November 25, 2019 for rates pursuant to the OEB's Price Cap IR framework for electricity rates effective May 1, 2020. On April 16, 2020 the OEB issued its Decision and Order approving electricity distribution rates and other charges for effective May 1, 2020.

The Company filed a COS application on August 27, 2020 for rates effective May 1, 2021. On March 18, 2021 the OEB issued its Decision and Order approving electricity distribution rates and other charges for effective May 1, 2021.

The Company filed an application with the Ontario Energy Board (OEB) on October 29, 2021 for rates pursuant to the OEB's Price Cap IR framework for electricity rates effective May 1, 2022. On March 24, 2022 the OEB issued its Decision and Order approving electricity distribution rates and other charges for effective May 1, 2022.

The Company filed an application with the Ontario Energy Board (OEB) on November 11, 2022 for rates pursuant to the OEB's Price Cap IR framework for electricity rates effective May 1, 2023. On March 23, 2023 the OEB issued its Decision and Order approving electricity distribution rates and other charges for effective May 1, 2023.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

2. Basis of presentation (continued):

(e) Rate regulation (continued):

(ii) Electricity rates:

The OEB sets electricity prices for certain low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity or pursuant to their contract with a retailer. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

The OEB issued an Accounting Guidance on February 21, 2019 to standardize the accounting processes used by electricity distributors to improve the accuracy of settlements with the IESO for low-volume consumers. The standardization seeks to facilitate the accurate disposition of commodity pass-through variance account balances. The Corporation implemented these procedures by the due date of August 31, 2019 retroactive to January 1, 2019 as required by the OEB.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the following wholly owned corporations:

- Halton Hills Community Energy Corporation
- Halton Hills Hydro Inc.
- Southwestern Energy Inc.
- 2008949 Ontario Ltd. o/a Quality Tree Service

Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiaries are included in these consolidated financial statements from the date on which control commences until the date on which control ceases.

All inter-company accounts and transactions have been eliminated.

(b) Financial instruments:

All financial assets and all financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Derivatives are classified as financial liabilities at fair value through profit or loss. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f).

Hedge accounting has not been used in the preparation of these financial statements.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

3. Significant accounting policies (continued):

(c) Revenue recognition:

Sale and distribution of electricity:

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

Capital contributions:

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

3. Significant accounting policies (continued):**(c) Revenue recognition (continued):***Other revenue:*

Revenue earned from the provision of services is recognized as the service is rendered. Amounts received in advance of these milestones are presented as deferred revenue.

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under Conservation and Demand Management (CDM) programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(d) Materials and supplies:

Materials and supplies, the majority of which are consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

3. Significant accounting policies (continued):**(e) Property, plant and equipment:**

Items of property, plant and equipment ("PP&E") used in rate-regulated activities are measured at deemed cost established on the transition date less accumulated depreciation. All other items of PP&E measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of six months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

3. Significant accounting policies (continued):**(e) Property, plant and equipment (continued):**

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction in process assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

Asset	Years
Distributions system	25 - 50
Plant	20 - 42
Fleet	8 - 15
Other equipment	5 - 20
Computer equipment and software	1 - 5
General office	5
Store equipment	10
Contributed capital	20 - 50

(f) Impairment:**(i) Financial assets measured at amortized cost:**

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

3. Significant accounting policies (continued):**(f) Impairment (continued):****(ii) Non-financial assets (continued) :**

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination for the purposes of impairment testing is allocated to CGU's that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorated basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(h) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

3. Significant accounting policies (continued)

(i) Regulatory balances:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Employee future benefits:

The Corporation pays certain life insurance benefits, under unfunded defined benefit plans, on behalf of its retired employees and extended health and dental benefits under unfunded defined benefit plans, on behalf of early retirees.

(i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

3. Significant accounting policies (continued):

(j) Employee future benefits (continued):

(i) Pension plan (continued):

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Post-employment benefits, other than pension:

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurement of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(k) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash balances and the note receivable.

Finance costs comprise interest expense on borrowings, customer deposits, fair value adjustment on derivative liability and lease liabilities. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

3. Significant accounting policies (continued):

(l) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFEC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

(m) Goodwill:

Goodwill is measured at cost less accumulated impairment losses as described in note 3(f).

(n) Leased assets:

At inception of a contract, the Corporation assesses whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

3. Significant accounting policies (continued):

(n) Leased assets (continued):

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(o) Cash and cash equivalents:

Cash and cash equivalents is comprised of cash balances as well as bank overdraft amounts.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

4. Accounts receivable:

	2022	2021
Service revenue	\$ 6,148,211	\$ 5,485,806
Recoverable work	1,755,636	1,462,322
Other	496,856	987,204
Town of Halton Hills	387,402	648,142
Less: allowance for expected credit losses	(310,970)	(273,651)
	\$ 8,477,135	\$ 8,309,823

The accounts receivable from the Town of Halton Hills is in the normal course of operations and is due under normal terms of trade.

5. Materials and supplies:

The Corporation has included certain major standby equipment as in-service fixed assets and amortizes these assets over their estimated useful lives. The Corporation has reclassified \$987,192 (2021 - \$818,598) to capital assets during the year.

The amount of inventory consumed by the Corporation and recognized as an expense during 2022 was \$408,954 (2021 - \$299,793). No amount of inventory has been written down due to obsolescence (2021 - \$nil).

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

6. Property, plant and equipment:

	January 1, 2022	Additions/ Depreciation	Disposals/ Retirements	Transfers	December 31, 2022
<i>Cost</i>					
Distributions system	\$ 109,148,073	\$ 4,549,965	\$ -	\$ -	\$113,698,038
Plant	12,935,443	56,080	-	-	12,991,523
Fleet	3,846,296	93,946	(11,613)	-	3,928,629
Other equipment	3,623,262	675,417	-	-	4,298,679
Computer equipment and software	2,113,616	137,447	-	-	2,251,063
General office	355,642	5,914	-	-	361,556
Store equipment	4,732	-	-	-	4,732
Construction in process	6,420,337	2,089,718	-	-	8,510,055
	138,447,401	7,608,487	(11,613)	-	146,044,275
<i>Accumulated Depreciation</i>					
Distributions system	16,332,824	3,256,871	-	-	19,589,695
Plant	2,135,241	217,830	-	-	2,353,071
Fleet	2,035,457	367,288	(9,470)	-	2,393,275
Other equipment	1,375,301	224,938	-	-	1,600,239
Computer equipment and software	1,542,836	170,921	-	-	1,713,757
General office	266,826	20,875	-	-	287,701
Store equipment	4,732	-	-	-	4,732
Construction in process	-	-	-	-	-
	23,693,217	4,258,723	(9,470)	-	27,942,470
Carrying amount	\$ 114,754,184	\$ 3,349,764	\$ (2,143)	\$ -	\$118,101,805
<hr/>					
	January 1, 2021	Additions/ Depreciation	Disposals/ Retirements	Transfers	December 31, 2021
<i>Cost</i>					
Distributions system	\$ 103,658,971	\$ 5,489,102	\$ -	\$ -	\$109,148,073
Plant	12,862,672	72,771	-	-	12,935,443
Fleet	3,778,532	297,088	(229,324)	-	3,846,296
Other equipment	3,308,576	382,169	(67,483)	-	3,623,262
Computer equipment and software	1,944,095	169,521	-	-	2,113,616
General office	262,189	93,453	-	-	355,642
Store equipment	4,732	-	-	-	4,732
Construction in process	4,861,501	1,558,836	-	-	6,420,337
	130,681,268	8,062,940	(296,807)	-	138,447,401
<i>Accumulated Depreciation</i>					
Distributions system	13,183,918	3,148,906	-	-	16,332,824
Plant	1,919,813	215,428	-	-	2,135,241
Fleet	1,793,350	353,279	(111,172)	-	2,035,457
Other equipment	1,235,778	207,005	(67,482)	-	1,375,301
Computer equipment and software	1,387,874	154,962	-	-	1,542,836
General office	253,553	13,273	-	-	266,826
Store equipment	4,732	-	-	-	4,732
Construction in process	-	-	-	-	-
	19,779,018	4,092,853	(178,654)	-	23,693,217
Carrying amount	\$110,902,250	\$ 3,970,087	\$ (118,153)	\$ -	\$114,754,184

Interest capitalized in property, plant and equipment for 2022 was \$nil (2021 - \$ nil).

Included in fleet are right-of-use assets of \$169,800 (2021 - \$158,797) as further described in Note 7. During the year, the Company added \$68,700 (2021 - \$Nil) to rolling stock as further described in note 7. The Company made a cash down payment of \$10,300 related to this lease.

At December 31, 2022, property, plant and equipment with a carrying value of \$118,101,805 (2021 - \$114,754,184) are subject to a general security agreement.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

7. Lease liabilities:

Right-of-use asset	2022	2021
Opening balance	\$ 158,797	\$ 206,592
Renewal/additions	68,700	-
Depreciation	(57,697)	(47,795)
	\$ 169,800	\$ 158,797

Lease liabilities	2022	2021
Opening balance	\$ 52,931	\$ 105,322
Renewal/additions	58,400	-
Interest expense	878	2,235
Interest repayments	(878)	(2,235)
Repayments	(37,823)	(52,391)
	\$ 73,508	\$ 52,931

Lease liabilities	2022	2021
Current	\$ 34,574	\$ 32,956
Non-current	38,934	19,975
	\$ 73,508	\$ 52,931

Maturity analysis of undiscounted lease liabilities	2022	2021
Less than one year	\$ 34,778	\$ 33,835
One to five years	53,524	20,179
Total undiscounted lease liabilities	\$ 88,302	\$ 54,014

8. Note receivable:

The note receivable from the Town of Halton Hills in the issued amount of \$241,398 bears interest of 1.568% (2021 - 1.568%) per annum with quarterly interest and principal repayments up to August 30, 2029.

A second note receivable for the issued amount of \$1,444,883 from the Town of Halton Hills was issued. It bears interest of 3.95% (2021 – 3.95%) and matures on May 1, 2023.

	2022	2021
Total note receivable	\$ 320,335	\$ 695,615
Less: current portion	163,134	375,281
	\$ 157,201	\$ 320,334

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

9. Income tax expense:

Current tax expense

	2022	2021
Current year	\$ 164,648	\$ 169,068
Adjustment for prior years	4,852	299,097
	\$ 169,500	\$ 468,165

Deferred tax expense

	2022	2021
Origination and reversal of temporary differences	\$ 3,594,427	\$ 1,766,401
	\$ 3,594,427	\$ 1,766,401

Tax adjustment included in other comprehensive income	66,594	-
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Reconciliation of effective tax rate

	2022	2021
Income before taxes	\$ 13,851,416	\$ 7,848,135
Canada and Ontario statutory income tax rates	26.50%	26.50%
Expected tax provision on income at statutory rates	3,670,625	2,079,756
Increase (decrease) in income taxes resulting from:		
Permanent differences	1,223	(5,250)
Non-deductible expenses	-	-
Adjustment for prior years	92,330	149,881
Other	(251)	10,179
Income tax expense	\$ 3,763,927	\$ 2,234,566

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

9. Income tax expense (continued):

Significant components of the Corporation's deferred tax balances:

	2022	2021
Deferred tax assets (liabilities):		
Property, plant and equipment	\$(13,291,734)	\$ (10,459,063)
Post-employment benefits	249,295	312,619
Deferred revenue	2,086,355	1,655,389
Non-capital losses	3,314,242	1,998,251
Other	79,461	72,517
Corporate minimum tax	773,243	578,221
Fair value adjustment on derivative liability	(2,324,947)	389,002
	\$ (9,114,085)	\$ (5,453,064)

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

10. Regulatory balances:

Reconciliation of the carrying amount for each regulatory account:

Regulatory deferral account debit balances	January 1, 2022	Additions/ disposals	Recovery/ reversal	December 31, 2022	Remaining recovery/ reversal years
Other regulatory assets	\$ -	\$ 91,274	\$ -	\$ 91,274	1-3 yrs
RCVA retail services	-	-	-	-	1-3 yrs
RCVA service transaction request	-	-	-	-	1-3 yrs
Low voltage variance	1,083,771	(623,201)	-	460,570	1-3 yrs
LRAM variance account	158,352	2,598	-	160,950	3-5 yrs
Smart meter capital & recovery	-	-	-	-	1-3 yrs
RSVA wholesale market services	108,314	1,144,514	-	1,252,828	1-3 yrs
RSVA network services	727,246	479,913	-	1,207,159	1-3 yrs
RCVA connection services	148,383	34,217	-	182,600	1-3 yrs
Global adjustment	607,661	(572,041)	-	35,620	1-3 yrs
Deferred income taxes	6,839,342	1,073,836	-	7,913,178	*
	\$ 9,673,069	\$ 1,631,110	\$ -	\$ 11,304,179	

Regulatory deferral account debit balances	January 1, 2021	Additions/ disposals	Recovery/ reversal	December 31, 2021	Remaining recovery/ reversal years
COVID recovery	\$ 162,637	\$ (4,758)	\$ (157,879)	\$ -	1-3 yrs
RCVA retail services	34,498	13,024	(47,522)	-	1-3 yrs
RCVA service transaction request	550	114	(664)	-	1-3 yrs
Low voltage variance	812,703	268,423	2,645	1,083,771	1-3 yrs
LRAM variance account	465,600	37,946	(345,194)	158,352	3-5 yrs
Smart meter capital & recovery	99,349	62	(99,411)	-	1-3 yrs
RSVA wholesale market services	-	384,874	(276,560)	108,314	1-3 yrs
RSVA network services	557,355	392,438	(222,547)	727,246	1-3 yrs
RCVA connection services	256,126	(30,917)	(76,826)	148,383	1-3 yrs
Global adjustment	-	(33,802)	641,463	607,661	1-3 yrs
Deferred income taxes	5,835,598	1,003,744	-	6,839,342	*
	\$ 8,224,416	\$ 2,031,148	\$ (582,495)	\$ 9,673,069	

*The deferred income taxes balances will be recovered over the lives of the related capital assets.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

10. Regulatory balances (continued):

Regulatory deferral account credit balances	January 1, 2021	Additions/ Disposals	Recovery/ reversal	December 31, 2022	Remaining recovery/ reversal years
Other Regulatory Assets	\$ -	\$ -	\$ -	\$ -	3-5 yrs
Low voltage variance	-	-	-	-	1-3 yrs
Smart metering entity charge	(16,267)	(64,308)	-	(80,575)	1-3 yrs
RSVA wholesale market services	-	-	-	-	1-3 yrs
RSVA power	(1,426,661)	1,313,796	-	(112,865)	1-3 yrs
Global adjustment	-	-	-	-	1-3 yrs
Disposition and refund regulatory balance	(862,033)	(67,429)	-	(929,462)	1-3 yrs
	\$ (2,304,961)	\$ 1,182,059	\$ -	\$ (1,122,902)	

Regulatory deferral account credit balances	January 1, 2021	Additions/ Disposals	Recovery/ reversal	December 31, 2021	Remaining recovery/ reversal years
Other Regulatory Assets	\$ (103,208)	\$ 986,976	\$ (883,768)	\$ -	3-5 yrs
Low voltage variance	-	-	-	-	1-3 yrs
Smart metering entity charge	(32,710)	(13,302)	29,745	(16,267)	1-3 yrs
RSVA wholesale market services	(505,443)	384,874	120,569	-	1-3 yrs
RSVA power	(1,201,561)	311,294	(536,394)	(1,426,661)	1-3 yrs
Global adjustment	(2,214,703)	(33,802)	2,248,503	-	1-3 yrs
Disposition and refund regulatory balance	(32,102)	75,180	(905,111)	(862,033)	1-3 yrs
	\$ (4,089,725)	\$ 1,711,220	\$ 73,544	\$ (2,304,961)	

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy, weather and conservation. The Company has received approval from the OEB to establish its regulatory balances.

Settlement of the deferral accounts is done on an annual basis through application to the OEB. The Company did not ask for disposition of 2018 balances in the 2020 IRM application, however the Company requested and received authorization for final disposition on all 2017, 2018 and 2019 audited balances (both Group 1 and Group 2) with the 2021 Cost of Service application.

The OEB requires the Company to estimate its income taxes when it files a cost of service rate application to set its rates. As a result, the Company has recognized a regulatory debit account for the amount of deferred taxes that will ultimately be recovered from its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates. Costs in the other regulatory debit balances are related to increased OEB Assessment costs, increased pole attachment revenue, depreciation adjustment tracking and MTS incremental capital costs and recoveries, as per OEB direction.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. For the period January 01, 2022 to December 31, 2022 the rates were 0.57% from January 2022 to March 2022, 1.02% from April 2022 to June 2022; 2.20% from July 2022 to September 2022 and 3.87% from October 2022 to December 2022. (For the period January 01, 2021 to December 31, 2021 the rate was 0.57%).

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

11. Accounts payable and accrued liabilities:

	2022	2021
Accounts payable – energy purchases	\$ 13,776,714	\$ 10,741,830
Payroll payable	570,991	502,305
Other	2,814,417	4,479,495
	\$ 17,162,122	\$ 15,723,630

12. Credit facilities:

a) Credit limit:

The Corporation has an operating credit facility available from a financial institution in the amount of \$10,150,000 (2021 - \$9,150,000) bearing interest at prime. Credit is available to the Corporation in the form of prime based loans, bankers' acceptances, letters of credit or stand-by letters of guarantee. At year end the operating line utilized is \$9,078,000 (2021 - \$5,575,000) and is included in bank indebtedness. Security is in the form of a first charge over the assets of its subsidiaries and undertakings and an assignment of liability and fire insurance has been provided. Amounts under this facility are due on demand.

b) Security on electricity purchases:

As of May 2022, in order for Halton Hills Hydro Inc. to obtain the electricity it requires to distribute to its customers, Halton Hills Hydro Inc. is required to provide security to the Independent Electricity System Operator based on its estimated usage. The security obtained was a letter of credit issued in the amount of \$1,754,315 (2021 - \$1,754,315) from a financial institution.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

12. Credit facilities (continued):

c) Term loans:

	2022	2021
Capital Transformer Station Swap #1: Fixed term loan bearing interest at rate of 3.776% due Sept 1, 2049 repayable monthly in the amount of \$107,000 principal and interest.	\$ 21,600,477	\$ 22,059,396
Capital Term Loan Swap #2: Fixed term loan bearing interest at rate 2.621% due May 25, 2051 repayable monthly in the amount of \$124,756 principal and interest.	29,974,802	30,676,233
Capital Term Loan 13: Floating rate term loan due August 10, 2026 bearing interest at prime rate repayable monthly in the amounts of \$17,445	2,609,508	2,753,007
Capital Term Loan 14: Fixed rate term loan due August 10, 2027 bearing interest at prime rate repayable monthly in the amounts of \$22,846	2,753,334	-
Term Loan Facility 3: The amount is due on demand with scheduled monthly principal payments of \$5,770 plus interest. Interest is at floating prime rate.	934,752	998,222
Term Loan Facility 4: The amount is due on demand with scheduled monthly principal payments of \$4,168 plus interest. Interest is at floating prime rate.	758,275	804,120
Bank Term Loan: Reducing Term Facility with a contractual term of 5 years to July 20, 2023 and an amortization period of 20 years to July 2, 2033. The loan interest is at a floating prime rate. The loan is payable in the amount of \$15,201 monthly principal plus interest.	1,930,490	2,112,898
	\$ 60,561,638	\$ 59,403,876

The Corporation has entered into an interest rate swap agreement to pay a fixed rate of interest of 3.776%, exclusive of bank transaction fees, in lieu of prime rate on its capital transformer station loan to effectively reduce interest rate risk associated with the floating rate debt. The interest rate swap agreement was effective September 6, 2019 with the initial notional amount of CAD \$23,000,000. Payments are made monthly on the 1st of each month commencing on October 1, 2019 up to and including the Termination Date of August 1, 2049.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

12. Credit facilities (continued):

c) Term loans (continued):

The Corporation executed a second interest rate swap transaction on April 29, 2020 in the amount of \$31,077,000 at fixed interest rate of 2.621%. The loan was funded on May 25, 2021 and has an amortization term of 30 years. This swap transaction is to refinance existing term loans that matured in May 2021. Payments are made monthly on the 25th of each month commencing on June 25, 2021 up to and including the Termination Date of May 24, 2051.

Notwithstanding any demand features, scheduled principal payments on the term loans are as follows:

2022	\$	1,771,969
2023		1,819,530
2024		1,869,901
2025		1,921,488
2026		1,974,904
2025 – 2051		51,203,846
		60,561,638
Less: current portion		1,771,969
Long-term portion of loans	\$	58,789,669

The current portion of long term debt including the demand features of applicable debt totals \$3,345,739. Under the provisions of the term loan agreements, the Corporation is required to comply with certain financial covenants. As at December 31, 2022, the Corporation is in compliance with the financial covenants relating to combined debt service coverage ratio of non-consolidated Halton Hills Community Energy Corporation and SouthWestern Energy Inc. and debt to capitalization ratio and debt service coverage ratio of Halton Hills Hydro Inc.

13. Employee future benefits:

(a) OMERS pension plan:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2022, the Corporation made employer contributions of \$528,402 to OMERS (2021 - \$490,287), of which \$281,311 (2021 - \$265,325) has been capitalized as part of PP&E and the remaining amount of \$247,091 (2021 - \$224,962) has been recognized in profit or loss. The Corporation estimates that a contribution of \$610,871 to OMERS will be made during the next fiscal year.

As at December 31, 2022, OMERS had approximately 559,000 members, of whom 60 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2022, which reported that the plan was 95% (2021 - 97%) funded, with an unfunded liability of \$6.7 billion (2021 - \$3.1 billion). This unfunded liability is likely to result in future payments by participating employers and members.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

13. Employee future benefits (continued):

(b) Employee future benefits other than pension:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and re-measurements recognized for post-employment benefit plans. The accrued benefit liability and expenses for the year ended December 31, 2022 were based on results and assumptions determined by actuarial valuation as at December 31, 2022.

Reconciliation of the obligation	2022	2021
Defined benefit obligation, beginning of year	\$ 1,179,693	\$ 1,162,880
Included in profit or loss		
Current service cost	31,553	37,449
Interest cost	36,740	36,297
Actuarial loss (gain)	(251,298)	-
	996,688	1,236,626
Benefits paid	(55,953)	(56,933)
Defined benefit obligation, end of year	\$ 940,735	\$ 1,179,693
Actuarial assumptions	2022	2021
General inflation	3.20%	2.00%
Discount (interest) rate	5.05%	3.20%
Salary levels	3.00%	3.00%
Medical costs	4.90%	4.70%
Dental costs	5.10%	4.90%

14. Share capital:

	2022	2021
Authorized:		
Unlimited number of common shares		
Issued:		
2,000 common shares	\$ 16,161,663	\$ 16,161,663

Dividends:

The Corporation has established a dividend policy to pay 50% of budgeted net income with consideration given to the cash position, the working capital requirements and the net capital expenditures requirements.

The Corporation declared aggregate dividends in the year on common shares of \$846 per share (2021 - \$846), which amounted to total dividends declared in the year of \$1,691,950 (2021 - \$1,691,949).

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

15. Revenue from contracts with customers:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include performance incentive payments under CDM programs.

	2022	2021
Revenue from contracts with customers	\$ 77,511,223	\$ 76,674,443
Other revenue:		
CDM programs	389,376	252,974
Other	4,432,212	4,403,070
	\$ 82,332,811	\$ 81,330,487

In the following table, revenue from contracts with customers is disaggregated by type of customer.

	2022	2021
Residential	\$ 37,567,237	\$ 37,061,501
Commercial	39,420,991	39,076,855
Other	522,995	536,087
	\$ 77,511,223	\$ 76,674,443

16. Other income:

	2022	2021
Rendering of services	\$ 4,009,837	\$ 4,024,699
Amortization of deferred revenue	422,375	378,371
Government grants under CDM programs	389,376	252,974
	\$ 4,821,588	\$ 4,656,044

17. Employee salaries and benefits:

	2022	2021
Salaries, wages and benefits	\$ 5,352,360	\$ 5,217,013
CPP and EI remittances	159,218	144,000
Contributions to OMERS	279,957	246,094
Post-employment benefit plans	12,340	16,813
	\$ 5,803,875	\$ 5,623,920

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

18. Contingencies:

General:

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

Contingent Liability:

On March 24, 2022, the Company, after reviewing the Assurance of Voluntary Compliance ("AVC") released by another Local Distribution Company on March 11, 2022 that identified the issue, proactively launched an initial review of its billing methodology and self-reported to the Ontario Energy Board ("OEB") that a similar issue related to overcharging customers as a result of proration of fixed charges also apply to the Company. The Company was charging customers more than the OEB-approved fixed charges as the result of its billing system configuration. Based on current customer count and overcharged amounts for four years (the 2018, 2019, 2020 and 2021 rate years) the total impact of all refunds was \$450,420. On September 8, 2022 the OEB accepted an 'Assurance of Voluntary Compliance' ("AVC") from the Company. The 2022 pre-tax impact recognized in these financial statements is a reduction of fixed distribution rates \$300,420 (\$450,420 less \$150,000 recognized in 2021).

General Liability Insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2022, no assessments have been made.

19. Related party transactions:

(a) Parent and ultimate controlling party

The Corporation is a wholly-owned subsidiary of the Town of Halton Hills. The Town produces consolidated financial statements that are available for public use.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

19. Related party transactions (continued):

(b) Transactions with parent (the Town):

The Corporation had the following transactions with its ultimate parent, a government entity:

	2022	2021
Transactions:		
Revenue		
Street light maintenance & other	\$ 636,194	\$ 919,484
Distribution revenue	342,184	310,591
Sale of electricity	1,069,851	1,069,310
Finance income on the loans receivable	12,783	29,724
Expenses		
Property taxes	156,489	144,262
Interest	378,064	449,080
Dividends	2,114,939	1,691,951
Balances:		
Amounts due from:		
Accounts receivable	387,402	648,142
Loan receivable, bearing interest at 1.568% per Annum with quarterly interest and principal Repayments up to August 30, 2029	185,707	231,770
Loan receivable bearing interest at 3.95% per annum	134,627	481,844

The Corporation delivers electricity to the Town throughout the year for the electricity needs of the Town and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Corporation also provides additional services to the Town, including streetlight, traffic and other outdoor lighting maintenance services, sentinel lights and water and waste water billing and customer care services.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

19. Related party transactions (continued):**(b) Transactions with parent (the Town) (continued):**

The note payable is due to the Town of Halton Hills and bears interest at a prescribed rate set annually by the Town of Halton Hills. In 2022, the prescribed rate was 4.12% (2021 - 4.12%). Subsequent to the letter dated October 24, 2019 the Town of Halton Hills agreed to defer the repayment schedule of the loan to a future date yet to be determined. Accordingly, the unpaid balance of \$7,400,000 is presented as a long-term liability. The Company incurred interest expense in respect of the note payable of \$378,064 (2021 - \$449,080).

(c) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and management team members. The compensation paid or payable is as follows:

	2022	2021
Salaries, directors fees, bonuses and short term benefits	\$ 2,765,347	\$ 2,340,593
Employee future benefits	6,667	5,172
	\$ 2,772,014	\$ 2,345,765

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

20. Financial instruments and risk management:

Fair value disclosure:

The carrying values of accounts receivable, unbilled revenue, income taxes receivable/payable and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand. The carrying value of the bank overdraft approximates fair value as the overdraft bears interest at current market rates.

The fair value of the loan payable to the parent (Town) at December 31, 2022 is \$6.3 million. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2022 was 5.5%. The fair value of the note receivable from the ultimate parent (Town) at December 31, 2022 approximates carrying value.

Financial risks:

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk:

Financial assets carry credit risk that a counter party will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Halton Hills. No single customer accounts for a balance in excess of 2% (2021 - 2%) of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for expected credit losses and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for expected credit losses at December 31, 2022 is \$310,970 (2021 - \$273,651). An impairment loss of \$70,000 (2021 - \$70,000) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. As a result of the COVID-19 pandemic, certain of the Corporation's customers have experienced loss of employment, business shut-downs and other disruptions.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

20. Financial instruments and risk management (continued):**Financial risks (continued):****(b) Credit risk (continued):**

The extension of the OEB's winter disconnection ban negatively impacted the Corporation's ability to exercise the full extent of its collection tools to manage the credit risk. In response to the increased collection risk, the Corporation has increased its loss allowance for expected credit losses to adjust for the higher level of expected customer defaults on accounts receivable. The Corporation has estimated the expected credit losses using its historical loss rates and recent trends for customer collections along with current and forecasted economic conditions and data. There is a greater degree of estimation uncertainty over this loss estimate than previous years. To support residential and small business customers struggling to pay their energy bills, the Government of Ontario provided funding for the COVID-19 Energy Assistance Program ("CEAP"). The Corporation was allocated a portion of this funding and actively participated in the program.

At December 31, 2022, approximately \$254,705 (2021 - \$260,525) is considered 90 days past due. The Corporation has over 23,259 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. The Corporation manages credit risk for certain of its general service customers through credit insurance. As at December 31, 2022 the Corporation holds security deposits in the amount of \$587,296 (2021 - \$622,998).

Deposits from electricity distribution customers are applied against any unpaid portion of individual customer accounts. Consumer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution service. Consumer deposits are also refundable to residential electricity distribution customers demonstrating an acceptable level of credit risk, as determined by the Corporation. Interest expense of \$3,212 (2021 - \$5,286) was incurred on consumer deposits. Interest is paid on customer deposits at a market rate reset quarterly as directed by the Ontario Energy Board.

(c) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to interest rate risk since some of its term loans bear interest at prime rates. The Corporation is also exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

20. Financial instruments and risk management (continued):**Financial risks (continued):****(b) Market risk (continued):**

The Company is exposed to interest rate risk on its variable loans. The Company has mitigated this risk through the use of interest rate swap agreements as further described below.

The Company executed an interest rate swap transaction on January 4, 2021 in the amount of \$22,465,140. This swap transaction is to finance the construction loan relating to the capital transformer station. The effect is to fix the interest rate on the term facility loan at 3.776%. As at December 31, 2022, the interest rate swap is in a favourable position of \$2,012,597 (2021 - unfavourable position of \$2,675,862). Accordingly, the Company has recognized an unrealized fair value derivative gain of \$4,688,460 during the year (2021 - gain of \$2,809,947).

The Company has executed a second interest rate swap transaction on April 29, 2020 in the amount of \$31,077,000 at fixed interest rate of 2.621%. The loan was funded on May 25, 2021 and has an amortization term of 30 years. This swap transaction is to refinance existing term loans that matured in May 2021. As at December 31, 2022, the interest rate swap is in a favourable position of \$6,760,786 (2021 – favourable position of \$1,207,932). Accordingly, the Company has recognized an unrealized fair value derivative gain of \$5,552,854 during the year.

The potential replacement cost to the Company of the two interest rate swaps, representing estimated fair value derivative asset as presented on the balance sheet, was \$8,773,384 (2021 – derivative liability of \$1,467,930), which was in the favour of the Company. The Company entered into these interest rate swap transactions to fix the interest rate over the long-term and intends to hold these to maturity at which time there should be no replacement cost.

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due. The line of credit is outlined in note 12(a). The majority of accounts payable, as reported on the balance sheet, are due within 60 days. The COVID-19 pandemic has placed increased liquidity pressure on the Corporation. The Corporation's currently available liquidity is expected to be sufficient to address any reasonably foreseeable impacts that the COVID-19 pandemic may have on the Corporation's cash requirements.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

20. Financial instruments and risk management (continued):**Financial risks (continued):****(d) Capital disclosures:**

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity, bank term loans, and note payable. As at December 31, 2022, shareholder's equity amounts to \$42,421,986 (2021 - \$32,767,906), bank term loans amounts to \$60,561,638 (2021 - \$59,403,876) and note payable amounts to \$7,400,000 (2021 - \$10,200,000).



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FIVE YEAR STATISTICS

2018 - 2022



5 Year Statistics	2022	2021	2020	2019	2018
Consolidated Statement of Financial Position					
Financial assets					
Cash	\$ 9,172,473	\$13,323,118	\$11,526,200	\$4,457,168	\$4,338,742
Short term investments	103,895,693	101,670,670	87,474,125	87,825,659	76,402,708
Taxes receivable	5,517,550	5,132,506	6,903,045	5,282,666	5,424,874
Accounts receivable	2,695,967	2,977,327	3,019,315	2,562,137	1,713,340
Long-term receivables	1,368,811	1,374,228	1,412,304	1,437,926	1,823,142
Note Receivable from HHCEC	7,400,000	10,200,000	13,000,000	16,141,970	16,141,970
Investment HHCEC	42,421,986	32,767,906	27,842,542	30,001,721	31,736,574
Inventory for resale	13,928	12,959	10,994	15,782	15,570
Non-financial assets	336,390,775	333,199,784	329,406,620	326,146,060	327,665,074
Total Assets	\$ 508,877,183	\$ 500,658,498	\$480,595,145	\$473,871,089	\$465,261,994
Financial liabilities					
Accounts payable and accrued liabilities	\$ 21,948,106	\$ 19,489,045	\$ 14,644,771	\$ 15,084,790	\$ 14,729,531
Deferred revenue	35,343,728	37,393,315	31,081,443	31,633,419	25,911,748
Employee benefits payable	3,886,051	3,799,065	3,591,306	3,441,497	3,148,700
Liability for contaminated sites	458,558	430,976	410,453	407,600	375,952
Liability for post closure solid waste landfill	500,211	260,409	123,804	130,121	140,902
Long term liabilities	12,164,834	16,451,551	21,165,709	23,696,743	23,925,060
Total Liabilities	\$ 74,301,488	\$ 77,824,361	\$ 71,017,486	\$ 74,394,170	\$ 68,231,893
Accumulated Surplus	\$ 434,575,695	\$ 422,834,137	\$409,577,659	\$399,476,919	\$397,030,101
Consolidated Statement of Change in Net Financial Assets					
Annual surplus	\$ 11,741,558	\$ 13,256,478	\$ 10,100,740	\$ 2,446,818	\$ 1,729,191
Acquisition of tangible capital assets	(21,131,364)	(21,384,259)	(21,220,398)	(16,223,879)	(12,482,561)
Amortization of tangible capital assets	17,839,125	17,651,298	17,612,409	17,497,188	17,922,371
(Gain)/loss on disposal of tangible capital assets	114,470	(122,145)	(3,068,910)	349,527	673,182
Proceeds on disposal of tangible capital assets	67,841	194,685	3,236,038	167,023	152,736
Change in inventory and prepaid expenses	(81,063)	(132,743)	180,301	(270,845)	(125,968)
Change in net financial assets	\$ 8,550,567	\$ 9,463,314	\$ 6,840,180	\$ 3,965,832	\$ 7,868,951
Net Financial Assets, Beginning of Year	\$ 89,634,353	\$ 80,171,039	\$ 73,330,859	\$ 69,365,027	\$ 61,496,076
Net Financial Assets, End of Year	\$ 98,184,920	\$ 89,634,353	\$ 80,171,039	\$ 73,330,859	\$ 69,365,027

5 Year Statistics	2022	2021	2020	2019	2018
Consolidated Statement of Operations					
Revenue					
Property taxes					
- General levy	\$ 58,914,300	\$ 56,039,500	\$ 53,557,300	\$ 50,689,500	\$ 47,322,000
- PIL & Supplementary taxes	2,632,448	2,324,370	2,444,695	2,924,076	2,971,503
User fees	6,366,701	4,033,722	3,591,456	7,412,618	7,433,145
Government transfers - Federal	390,850	122,128	62,251	8,734	131,024
- Federal gas tax	2,138,161	1,939,407	1,729,345	473,313	1,733,232
- Provincial	6,299,735	4,535,062	4,501,501	1,950,197	2,548,490
- Provincial gas tax	572,249	571,275	577,421	566,422	553,478
- Other Municipalities	991,675	1,180,464	2,376,900	1,401,503	619,449
Investment income*	1,889,468	1,768,687	2,076,930	2,176,220	1,920,591
Development Charges	4,748,323	5,210,748	5,226,869	2,526,926	2,900,123
Assets assumed from developers	1,629,821	5,020,035	3,455,911	4,065,621	297,489
Interest from HHCEC	378,064	449,080	567,962	665,049	665,049
Equity income from HHCEC	11,346,030	6,617,313	(1,467,179)	(42,902)	2,073,249
Other income	5,991,469	5,512,455	8,308,067	6,169,143	5,904,166
Total Revenue	\$ 104,289,294	\$ 95,324,246	\$ 87,009,429	\$ 80,986,420	\$ 77,072,988
Expenses					
Salaries, wages and benefits	\$ 49,274,553	\$ 46,249,847	\$ 42,566,655	\$ 42,383,370	\$ 39,770,233
Materials	6,922,955	5,330,610	5,303,603	6,465,418	5,897,132
Contracted services	16,948,049	11,179,745	9,734,901	10,183,018	9,017,745
Financial expenses	1,030,279	1,017,007	966,320	1,105,385	1,165,889
Government transfers	187,961	150,352	127,735	252,686	737,266
Interest on debentures	344,814	488,909	597,066	652,537	833,161
Amortization	17,839,125	17,651,298	17,612,409	17,497,188	17,922,371
Total Expenses	\$ 92,547,736	\$ 82,067,768	\$ 76,908,689	\$ 78,539,602	\$ 75,343,797
Annual Surplus	\$ 11,741,558	\$ 13,256,478	\$ 10,100,740	\$ 2,446,818	\$ 1,729,191
Accumulated Surplus, Beginning of Year	\$ 422,834,137	\$ 409,577,659	\$399,476,919	\$397,030,101	\$395,300,910
Accumulated Surplus, End of Year	\$ 434,575,695	\$ 422,834,137	\$409,577,659	\$399,476,919	\$397,030,101
*Return on Investment	2.27%	2.02%	2.63%	2.85%	2.76%

5 Year Statistics	2022	2021	2020	2019	2018
Long Term Liabilities					
Debentures	\$ 12,164,834	\$ 16,451,551	\$ 21,165,709	\$ 23,696,743	\$ 23,106,178
Loans payable	-	-	-	-	818,882
Total Long Term Liabilities	\$ 12,164,834	\$ 16,451,551	\$ 21,165,709	\$ 23,696,743	\$ 23,925,060
Recoverable from (\$)					
Tax levy/Reserves	\$ 2,269,696	\$ 3,768,612	\$ 5,676,787	\$ 7,174,450	\$ 8,074,128
Development charges	9,870,056	12,654,066	15,456,317	16,486,014	14,992,155
User fees	-	-	-	-	818,882
Upper tier municipality	25,083	28,873	32,605	36,279	39,895
	\$ 12,164,834	\$ 16,451,551	\$ 21,165,709	\$ 23,696,743	\$ 23,925,060
Recoverable from (%)					
Tax levy/Reserves	18.7%	22.9%	26.8%	30.3%	33.7%
Development charges	81.1%	76.9%	73.0%	69.6%	62.7%
User fees	0.0%	0.0%	0.0%	0.0%	3.4%
Upper tier municipality	0.2%	0.2%	0.2%	0.2%	0.2%
	100.0%	100.0%	100.0%	100.0%	100.0%
Annual Debenture Costs (Net debt)					
Principal	\$ 4,282,926	\$ 4,710,426	\$ 4,427,360	\$ 3,924,068	\$ 3,951,798
Interest	344,814	488,909	597,066	652,537	833,161
	\$ 4,627,740	\$ 5,199,335	\$ 5,024,426	\$ 4,576,605	\$ 4,784,959
Funded from (\$)					
Tax levy/Reserves	\$ 1,576,264	\$ 2,048,320	\$ 2,044,000	\$ 1,953,223	\$ 1,773,763
Development charges	3,051,477	3,151,015	2,980,426	2,623,382	3,011,196
	\$ 4,627,741	\$ 5,199,335	\$ 5,024,426	\$ 4,576,605	\$ 4,784,959
Funded from (%)					
Tax levy/Reserves	34.1%	39.4%	40.7%	42.7%	37.1%
Development charges	65.9%	60.6%	59.3%	57.3%	62.9%
	100.0%	100.0%	100.0%	100.0%	100.0%
Annual Repayment Limit*	\$ 11,242,300	\$ 12,789,509	\$ 11,534,735	\$ 11,045,350	\$ 10,634,102
Council Debenture Cap**	\$ 5,891,430	\$ 5,603,950	\$ 5,355,730	\$ 5,068,950	\$ 4,732,200

* Annual repayment limit is calculated at 25% of own source revenues, less current year net debt charges

**Council directed debt cap is calculated at 10% of tax levy

5 Year Statistics	2022	2021	2020	2019	2018
Reserves, Reserve Funds					
Reserves	\$ 40,296,250	\$ 44,144,996	\$ 43,044,910	\$ 55,473,764	\$ 50,191,667
Discretionary reserve funds	10,230	10,230	10,618	10,335	10,442
Ending Reserve Balance	\$ 40,306,480	\$ 44,155,226	\$ 43,055,528	\$ 55,484,099	\$ 50,202,109
Obligatory Reserve Funds and Deferred Revenue					
Development Charges	\$ 3,934,315	\$ 5,784,579	\$ 6,985,870	\$ 8,289,194	\$ 8,289,194
Parkland	9,532,653	8,780,797	6,576,062	5,940,227	4,943,282
Gas tax	6,402,890	6,438,399	4,473,714	4,219,585	884,069
Building permit	5,520,373	5,242,304	5,186,685	4,903,656	5,253,688
Deferred Federal Grants	106,123	559,676	908,659	345,392	229,012
Growth Stabilization	3,409,453	3,687,126	1,061,799	-	-
Transportation Maintenance	3,159,415	3,195,609	3,011,529	2,931,375	2,927,866
Gateway Feature	187,533	183,345	179,625	174,844	169,947
Private Traffic Signal Maintenance	266,835	261,597	256,288	249,467	243,452
Other deferred revenue	2,824,138	3,259,883	2,441,212	4,579,678	2,971,238
Ending Deferred Revenue Balance	\$ 35,343,728	\$ 37,393,315	\$ 31,081,443	\$ 31,633,419	\$ 25,911,748
Interfund Loans					
Development charges	\$ 23,527,264	\$ 21,577,353	\$ 19,559,459	\$ 19,169,607	\$ 14,273,829
Reserves	(24,142,332)	(22,071,800)	(20,059,906)	(19,682,054)	(14,812,080)
Operating fund	615,068	494,447	500,447	512,447	538,251
Net interfund Loans	\$ -				

Expenditure Analysis					
Total consolidated expenditures per capita	\$1,470	\$1,304	\$1,257	\$1,284	\$1,232
Debt charge per capita	\$74	\$83	\$82	\$75	\$78
Debt charge per household	\$206	\$234	\$227	\$208	\$218
Interest on Debt charges as % of consolidated expenditures	0.4%	0.6%	0.8%	0.8%	1.1%
Revenue Analysis					
Property taxes and user fees as a % of consolidated revenue	65.1%	65.5%	68.5%	75.4%	74.9%
Total grants as a % of consolidated revenue	9.0%	7.5%	7.9%	3.7%	6.4%
Debt charges as a % of consolidated revenue	4.4%	5.5%	5.8%	5.7%	6.2%
Staffing Analysis (as at December 31) ^(Note 1)					
Full time positions	349	341	347	333	321
Part time positions	522	445	373	402	399
Seasonal employees	27	26	31	40	35
Tangible Capital Asset Cost					
Assets, beginning of year	\$ 646,741,840	\$ 628,529,776	\$609,856,805	\$599,829,298	\$605,154,959
Additions	26,659,692	28,321,680	27,496,566	17,552,347	15,786,460
Disposals	(8,041,566)	(10,109,616)	(8,823,595)	(7,524,841)	(21,112,121)
Assets, end of year	\$ 665,359,966	\$ 646,741,840	\$628,529,776	\$609,856,804	\$599,829,298
Tangible Capital Asset Amortization					
Accumulated amortization, beginning of year	\$ 314,800,215	\$ 300,248,572	\$285,016,462	\$273,199,096	\$272,259,029
Annual amortization	17,839,125	17,651,298	17,612,409	17,497,188	17,922,371
Accumulated amortization on disposal	(2,330,927)	(3,099,655)	(2,380,299)	(5,679,823)	(16,982,304)
Accumulated Amortization, end of year	\$ 330,308,413	\$ 314,800,215	\$300,248,572	\$285,016,461	\$273,199,096
Net Book Value of Tangible Capital Assets					
	\$ 335,051,553	\$ 331,941,625	\$328,281,204	\$324,840,343	\$326,630,202
Investment in HHCEC					
Promissory note receivable	\$ 7,400,000	\$ 10,200,000	\$ 13,000,000	\$ 16,141,970	\$ 16,141,970
Investment in shares of HHCEC	16,161,663	16,161,663	16,161,663	16,161,663	16,161,663
Retained earnings	26,260,323	16,606,243	11,680,879	13,840,058	15,574,911
Investment in HHCEC, end of year	\$ 49,821,986	\$ 42,967,906	\$ 40,842,542	\$ 46,143,691	\$ 47,878,544

5 Year Statistics	2022	2021	2020	2019	2018
Statistics					
Population ^(Note 2)	62,951	62,951	61,161	61,161	61,161
Households ^(Note 3)	22,518	22,206	22,123	22,049	21,975
Residential permits issued	420	729	555	278	319
Non-residential permits issued	298	100	91	285	379
Total paved lane km	893	891	891	891	891
Total unpaved lane km	24	24	24	24	24
Trails total km	28	26	26	25	25
Indoor recreational facility space (m ²)	33,410	30,510	30,510	30,510	30,510
Outdoor recreational facility space (m ²)	14,545	14,545	14,545	14,545	14,545
Taxable Assessment (\$'000s) (non-weighted)					
Residential	\$ 12,102,371	\$ 12,018,419	\$ 11,896,199	\$ 11,128,884	\$ 10,321,749
Multi-Residential	111,505	112,017	114,443	112,332	110,234
Farm/Forests/Pipelines	444,411	451,018	453,931	432,936	404,343
Commercial & Industrial (C/I)	1,950,434	1,933,208	1,900,325	1,697,821	1,484,787
Total Taxable Assessment (\$'000s)	\$ 14,608,721	\$ 14,514,662	\$ 14,364,898	\$ 13,371,973	\$ 12,321,113
Annual assessment growth rate ^(Note 4)	0.5%	0.7%	2.3%	2.8%	0.8%
Ratio of C/I to Total Taxable Assessment	13.4%	13.3%	13.2%	12.7%	12.1%
Annual Taxes on weighted CVA of \$100,000 (residential rate)					
Town portion	\$380	\$364	\$351	\$359	\$364
Region portion	285	279	274	284	295
Education	153	153	153	161	170
Total Annual Taxes on weighted CVA	\$818	\$796	\$779	\$804	\$829

Note 1 - Staffing reported based on MMAH requirements

Note 2 - Source: Stats Canada

Note 3 - Source: MPAC

Note 4 - Based on unweighted assessment value

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TOWN OF HALTON HILLS

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