



# Consolidated Financial Statements

**For the year ended December 31, 2023**

## Management Report

The management of The Regional Municipality of Halton has prepared the accompanying consolidated financial statements and is responsible for their accuracy and integrity. These financial statements consolidate all operations for which Halton Region has legislative and financial responsibility, as well as the operations of the Halton Regional Police Service and Halton Community Housing Corporation.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The adoption of these standards provides the reader of the consolidated financial statements a more complete view of Halton Region's assets and financial obligations. The reader is encouraged to review the summary of the significant accounting policies that are disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management has developed and maintained a comprehensive system of financial and internal controls, which includes an organizational structure that appropriately segregates authorization and recording functions, employs highly qualified professional staff and is built on sound budget policies, all of which are subject to a continuing program of internal audit. These controls ensure that the assets of Halton Region are properly safeguarded and that the business transactions of Halton Region are carried out within the legislative authority of the Province of Ontario and within the policies authorized by Regional Council, and that these transactions are completely and accurately reflected in Halton Region's consolidated financial statements and reports.

The Audit Committee of Regional Council reviews and approves the consolidated financial statements before such statements are submitted to Regional Council and published for the residents of Halton Region. As mandated by resolution of Council, the internal and external auditors have access to and regularly meet with the Audit Committee to discuss their audits and the results of their examination.

The 2023 consolidated financial statements have been examined by Halton Region's external auditors, Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants and their report precedes the consolidated financial statements.

A handwritten signature in black ink, appearing to read 'CW' followed by a stylized flourish.

*Cyndy Winslow*  
*Commissioner of Finance and Regional Treasurer*  
*May 22, 2024*

## Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of  
the Regional Municipality of Halton

### Opinion

We have audited the consolidated financial statements of the Regional Municipality of Halton, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Regional Municipality of Halton as at December 31, 2023, and the consolidated results of its operations, consolidated change 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of The Regional Municipality of Halton in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

### Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Regional Municipality of Halton'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 Regional Municipality of Halton or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional Municipality of Halton's financial reporting process.

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## Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Regional Municipality of Halton'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 Regional Municipality of Halton'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 consolidated 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 Regional Municipality of Halton to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Regional Municipality of Halton to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
May 22, 2024

# Consolidated Statement of Financial Position

As at December 31, 2023  
(Dollars in Thousands)

<b>FINANCIAL ASSETS</b>	<b>2023</b>		<b>2022 Restated (Note 21)</b>
Cash and cash equivalents	\$	156,183	\$ 208,899
<b>Accounts receivable:</b>			
Water and wastewater		46,209	45,685
Government Transfers		30,769	26,275
Other receivables		38,692	38,918
Other current assets		679	1,198
Investments (Note 2)		3,095,643	2,923,667
Loans receivable (Note 6)		4,924	4,669
<b>Recoverable gross long-term debt from:</b>			
Local Municipalities (Note 4)		261,561	235,323
<b>Total financial assets</b>		<b>3,634,660</b>	<b>3,484,634</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities (Notes 2 and 8)		413,696	392,021
Gross long-term liabilities (Note 4)		214,749	199,588
Sinking fund debentures (Note 4)		273,500	273,500
Deferred revenue (Note 10)		242,633	304,935
Asset retirement obligations (Note 11)		53,722	51,274
Employee future benefits liabilities (Note 13)		104,970	98,455
<b>Total liabilities</b>		<b>1,303,270</b>	<b>1,319,773</b>
<b>NET FINANCIAL ASSETS</b>		<b>2,331,390</b>	<b>2,164,861</b>
<b>NON-FINANCIAL ASSETS</b>			
Tangible capital assets (Note 3)		6,124,812	5,765,604
Prepaid expenses		4,188	3,189
Inventories		6,363	7,979
<b>Total non-financial assets</b>		<b>6,135,363</b>	<b>5,776,772</b>
<b>ACCUMULATED SURPLUS (Note 15)</b>	<b>\$</b>	<b>8,466,753</b>	<b>\$ 7,941,633</b>

*Commitments and contractual obligations (Note 7)*

*Contingent liabilities (Note 8)*

*Contingent assets (Note 9)*

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

# Consolidated Statement of Operations

For the year ended December 31, 2023

(Dollars in Thousands)

<b>REVENUES (Note 17)</b>	<b>2023 Budget (Note 18)</b>	<b>2023</b>	<b>2022 Restated (Note 21)</b>
Taxation	\$ 503,299	\$ 504,053	\$ 479,747
Development charges and developer contributions	368,506	368,506	339,962
User charges	273,164	276,724	269,273
Government transfers	384,830	389,017	310,549
Canada Community-Building Fund (formerly Federal Gas Tax)	17,394	20,003	25,060
Investment income	53,869	87,109	66,484
Other revenue	27,496	32,771	37,303
<b>Total revenues</b>	<b>1,628,558</b>	<b>1,678,183</b>	<b>1,528,378</b>
<b>EXPENSES (Note 17)</b>			
General government	39,537	47,494	45,897
Social and community services	339,192	342,151	243,242
Social housing	72,473	72,856	74,724
Water and wastewater services	231,369	235,231	223,530
Solid waste services	50,178	52,673	49,629
Protection services	213,333	212,239	200,647
Health services	102,107	105,144	121,726
Transportation services	64,660	63,908	70,589
Planning and development	19,171	19,479	21,244
Recreation and cultural services	1,951	1,888	1,579
<b>Total expenses</b>	<b>1,133,971</b>	<b>1,153,063</b>	<b>1,052,807</b>
<b>ANNUAL SURPLUS</b>	<b>494,587</b>	<b>525,120</b>	<b>475,571</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	<b>7,941,633</b>	<b>7,941,633</b>	<b>7,494,610</b>
Adjustment on first time adoption of PS 3280	-	-	(28,548)
<b>ACCUMULATED SURPLUS, END OF YEAR, AS ADJUSTED</b>	<b>\$ 8,436,220</b>	<b>\$ 8,466,753</b>	<b>\$ 7,941,633</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2023

(Dollars in Thousands)

	<b>2023 Budget (Note 18)</b>	<b>2023</b>	<b>2022 Restated (Note 21)</b>
Annual surplus	\$ 494,587	\$ 525,120	\$ 475,571
Acquisition of tangible capital assets	(503,409)	(503,409)	(375,294)
Amortization of tangible capital assets	141,742	141,742	144,360
Loss (gain) on disposal of tangible capital assets	(1,801)	(1,801)	1,387
Proceeds on disposal of tangible capital assets	4,260	4,260	13,105
Change in inventory and prepaid expenses	617	617	(2,804)
Change in net financial assets	135,996	166,529	256,325
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	2,164,861	2,164,861	1,943,661
Adjustment on first time adoption of PS 3280	-	-	(35,125)
<b>NET FINANCIAL ASSETS, END OF YEAR, AS ADJUSTED</b>	<b>\$ 2,300,857</b>	<b>\$ 2,331,390</b>	<b>\$ 2,164,861</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Cash Flows

For the year ended December 31, 2023

(Dollars in Thousands)

Cash provided by (used in):	<b>2023</b>		<b>2022</b>	
<b>OPERATING ACTIVITIES</b>			<b>Restated</b>	
			<b>(Note 21)</b>	
Annual surplus	\$	525,120	\$	475,571
Items not involving cash:				
Amortization		141,742		144,360
Loss (gain) on disposal of tangible capital assets		(1,801)		1,387
Contributed tangible capital assets		(78,550)		(1,435)
Change in non-cash assets and liabilities:				
Accounts receivable		(4,792)		(13,223)
Other current assets		519		(735)
Accounts payable and accrued liabilities		21,675		28,219
Deferred revenue		(62,302)		(20,530)
Inventory and prepaid expenses		617		(2,804)
Asset retirement obligations		2,448		1,115
Employee future benefits liabilities		6,515		6,483
Net change in cash and cash equivalents from operating activities		551,191		618,408
<b>CAPITAL ACTIVITIES</b>				
Proceeds on disposal of tangible capital assets		4,260		13,105
Cash used to acquire tangible capital assets		(424,859)		(373,859)
Net change in cash and cash equivalents from capital activities		(420,599)		(360,754)
<b>INVESTING ACTIVITIES</b>				
Loans receivable		(255)		162
Investments		(171,976)		(400,327)
Net change in cash and cash equivalents from investing activities		(172,231)		(400,165)
<b>FINANCING ACTIVITIES</b>				
Long-term debt issued and assumed		35		40
Long-term debt repaid		(8,845)		(13,988)
Mortgage repayments		(5,045)		(5,040)
Sinking fund contributions from Local Municipalities		2,778		2,669
Net change in cash and cash equivalents from financing activities		(11,077)		(16,319)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		(52,716)		(158,830)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		208,899		367,729
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$</b>	<b>156,183</b>	<b>\$</b>	<b>208,899</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

The Corporation of the Regional Municipality of Halton (Regional Municipality of Halton or Halton Region) is an upper-tier municipality in the Province of Ontario ("Province"), Canada. It conducts its operations guided by the provisions of provincial statutes such as the *Municipal Act 2001*, *Planning Act*, *Building Code Act*, *Provincial Offences Act* and other related legislation.

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Consolidated Statements

The consolidated financial statements for Halton Region have been prepared in accordance with Canadian public sector accounting standards (PSAS), as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). Significant accounting policies adopted by Halton Region are as follows:

### (b) Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of all entities which are accountable to and controlled by Halton Region. They include the activities of all committees of Regional Council and Boards, Halton Regional Police Service and the Halton Community Housing Corporation (HCHC). All interdepartmental and inter-organizational assets and liabilities and revenues and expenses have been eliminated. Halton Region owns 100% of HCHC and this entity is reported using the consolidated basis method, where inter-company transactions and balances between HCHC and Halton Region are eliminated.

The financial activities of the Halton Digital Access Services Corporation, Royal Botanical Gardens and the Conservation Authorities are excluded from these consolidated financial statements, except to the extent of Halton Region's contributions to these entities.

The Sinking Fund, established for the retirement of Sinking Fund debentures issued by Halton Region, is administered by Halton Region.

Trust funds which are administered by Halton Region are not included in these consolidated financial statements but are reported separately in Note 16.

### (c) Basis of accounting

#### i. Basis of accounting

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

#### ii. Foreign currency translation

Gains and losses on foreign currency transactions are charged to operations when they are realized.

#### iii. Deferred revenue

Deferred revenue represents revenues which have been collected or are receivable but for which the related services have yet to be performed or eligible expenditures incurred. Deferred revenue is comprised of general deferred revenue, development charges and the Canada Community-Building Fund (formerly Federal Gas Tax). Government transfers, such as the Canada Community-Building Fund (formerly Federal Gas Tax) are recognized when the transfer can be reasonably estimated, is authorized and has met eligibility criteria if required. Development charges and other externally restricted funds are recognized as revenue when the funds are spent for the purpose intended.



# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Basis of accounting (continued)

#### iv. Amortization methods

The cost, less residual value, of tangible capital assets is amortized on a straight-line basis over their estimated useful lives. Estimated useful lives for major categories of tangible capital assets are as follows:

##### General capital:

Buildings and building improvements	5 to 95 years
Computer hardware	3 to 10 years
Computer software	3 to 10 years
Land	Not amortized
Land improvements	5 to 70 years
Leasehold improvements	Based on lease term
Machinery and equipment	5 to 60 years
Vehicles	3 to 15 years

##### Infrastructure:

Buildings and building improvements	5 to 60 years
Land	Not amortized
Land improvements	10 to 25 years
Linear	11 to 90 years
Machinery and equipment	5 to 50 years

For vehicles, computer hardware and software tangible capital assets, one half of a full year's amortization is charged in the year of acquisition and in the final year of useful life. Land tangible capital assets are not amortized. For all other tangible capital assets amortization is calculated on a straight-line basis and commences in the year following acquisition, with a full year's amortization charged in the final year of useful life. No amortization is calculated for assets not in service or under construction until they are available to be put into service.

#### v. Contributed tangible assets

All assets contributed to Halton Region are valued at the fair value of the assets at the time of contribution. Revenue at an equal amount is recognized at the time of contribution.

#### vi. Excluded assets

Intangible assets, works of art, historical treasures, crown lands and natural resources have not been recorded as a reasonable estimate cannot be made and therefore are not recognized on the Consolidated Statement of Financial Position.

#### vii. Interest on debt to construct tangible capital assets

All interest on debt incurred during construction of related tangible capital assets is expensed in operations in the year incurred.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Basis of accounting (continued)

#### viii. 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.

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.

#### ix. Inventories

Inventories are valued at the lower of cost and net realizable value.

#### x. Reserves and discretionary reserve funds

Halton Region follows the practice of allocating interest income and annual surplus into reserves and discretionary reserve funds that are retained for specific purposes, including maintaining assets in a state of good repair. These reserves and discretionary reserve funds are established by Regional Council resolution or by by-law and are available for future uses. Amounts are only expended in accordance with the terms and policies established by Regional Council.

Balances appropriated in respect of items for which the reserves and discretionary reserve funds have been created are included in accumulated surplus and are reported in Note 15.

#### xi. Government transfers

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized, all eligibility criteria are met (if applicable) 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 meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished. Major categories of government transfers are reported in Note 17.

#### xii. Financial instruments

Financial assets and liabilities are recognized when Halton Region becomes a party to the contractual provisions of the financial instrument.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Basis of accounting (continued)

#### xiii. Financial instruments (continued)

The carrying value of the financial instruments reported on the Consolidated Statement of Financial Position of Halton Region are measured as follows:

<u>Instrument</u>	<u>Method</u>
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Other current assets	Amortized cost
Investments	Amortized cost
Loans receivable	Amortized cost
Recoverable gross long-term debt from Local Municipalities	Amortized cost
Accounts payable	Amortized cost
Gross long-term liabilities	Amortized cost

Amortized cost are amounts measured using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities). This includes allocating the interest income or interest expense over the relevant period, based on the effective interest rate. This methodology is applied to financial assets or financial liabilities that are not in the fair value category.

Cash and cash equivalents, accounts receivable, and accounts payable are initially recorded at their fair value, and subsequently measured at cost net of any provisions for impairment.

Investments are reported at amortized cost as no investments are traded on an active market.

#### xiv. Investments

Investments consist of fixed income securities issued by Canadian governments, banks and corporations and are carried at cost. When there has been a loss in market value that is not determined to be a temporary decline, the respective investment is written down to recognize the loss. Gains and losses on investments are recorded when incurred and interest is recorded when received or receivable. Discounts and premiums are amortized using the effective interest method. Sinking fund investments are managed as part of Halton Region's overall investment strategy and are included as investments on the Consolidated Statement of Financial Position.

#### xv. Use of estimates

The preparation of consolidated financial statements, in conformity with PSAS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates relate to accounts receivable, accrued liabilities, asset retirement obligations, employee future benefits and post-employment liabilities and certain expenses.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Basis of accounting (continued)

#### xvi. Use of estimates (continued)

Estimates are based on information available to management at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

#### xvii. Loans receivable

The loans receivable are valued at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability has been impaired. The loans receivable are written off when they are no longer recoverable. Recoveries of loans receivable previously written off are recognized in the year received. Interest revenue is recognized as it is earned. Loans receivable are reported in Note 6.

#### xviii. Cash and cash equivalents

Cash and cash equivalents include short-term investments with a term to maturity of 90 days or less at acquisition.

#### xix. Tax revenue

Property tax revenue is recognized on an accrual basis when the tax is authorized by the passing of the tax levy by-law. Taxes are levied on properties listed on the assessment roll and are based on the approved budget. Supplementary taxation is recognized when additional billings are issued for properties that are added to the assessment roll during the year.

At year-end, Halton Region evaluates the likelihood of having to repay taxes as a result of tax appeals or other changes and recognized a liability if the amount can be reasonably estimated.

#### xx. Asset retirement obligations

Asset retirement obligations are provisions for legal obligations for the retirement of Halton Region's tangible capital assets that are either in productive use or no longer in productive use.

An asset retirement obligation is recognized when, as at the financial reporting date:

- a. there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a tangible capital asset;
- b. the past transaction or event giving rise to the liability has occurred;
- c. it is expected that future economic benefits will be given up; and
- d. a reasonable estimate of the amount can be made.

Halton Region recognizes asset retirement obligations in the period in which it incurs a statutory, contractual, or legal obligation associated with the retirement of tangible capital assets resulting from acquisition, construction, development, and/or normal operation of the tangible capital assets.

The liabilities are measured initially at management's best estimate of the discounted future cash flows required to settle the retirement obligation. For tangible capital assets that are still in productive use, the estimated retirement costs are capitalized and amortized on the same basis as the related tangible capital asset. For assets that are not recorded or are no longer in productive use, the liability is expensed in the period.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Basis of accounting (continued)

#### xxi. Asset retirement obligations (continued)

In subsequent periods, the liability is accreted over time. The asset retirement obligations estimates are adjusted, if necessary, for changes in the liability estimate or timing of the future cash flows, as applicable. Accretion expenses are included in the Consolidated Statement of Operations. Actual costs incurred are charged against the asset retirement obligation to the extent of the liability recorded. Differences between actual costs incurred and the liability, if any, are recognized in the Consolidated Statement of Operations when remediation is completed.

#### xxii. Pensions and employee future benefits liabilities

Halton Region accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan.

Vacation entitlements are accrued for as entitlements are earned.

Other post-employment benefits and compensated absences liabilities are accrued in accordance with the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation was determined by reference to Halton Region's cost of borrowing. Unamortized actuarial gains/losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Unamortized gains/losses for event triggered liabilities, such as those determined as claims related to the Workplace Safety and Insurance Board (WSIB), are recognized when determined.

Costs related to prior-period employee services arising from plan amendments are recognized in the period in which the plan is amended.

Halton Region has set aside reserve funds intended to fund certain of these obligations, either in full or in part. These reserve funds were created under municipal by-law and do not meet the definition of a plan asset under *PS 3250 Retirement Benefits*. Therefore, for the purposes of these consolidated financial statements, the plans are considered unfunded.

#### xxiii. Adoption of new accounting standards

The Region adopted the following standards beginning January 1, 2023 prospectively: PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments and PS 3450 Financial Instruments.

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Basis of accounting (continued)

#### xxiv. Adoption of new accounting standards (continued)

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 Temporary Investments no longer applies.

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

The adoption of these standards had no significant impact on the consolidated financial statements of the Region. In the absence of a financial impact, no Statement of Remeasurement Gains and Losses has been included in the consolidated financial statements in the current year.

Effective January 1, 2023 Halton Region also adopted PS 3280, Asset Retirement Obligations. In the past, Halton Region has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability (PS 3270). Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset. When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

The modified retroactive application method has been elected by the Region, with the impact of adopting this standard reported in Note 21. Under this method, Halton Region recognized:

- a. a liability for any existing asset retirement obligations, adjusted for accumulated accretion;
- b. an asset retirement cost capitalized as an increase to the carrying amount of related tangible capital assets;
- c. accumulated amortization on the capitalized cost; and
- d. an adjustment to the opening accumulated surplus balance.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Basis of accounting (continued)

#### xxv. Canadian Public Sector Accounting standards issued but not yet adopted

The standards noted below were not in effect for the year ended December 31, 2023, and therefore, have not been applied in preparing these consolidated financial statements. Management is assessing the impact of these standards on future statements.

Standards applicable for fiscal years beginning on or after April 1, 2023:

Topic	Description
Section PS 1000 – Financial statement concept	This Section describes the concepts underlying the development and use of accounting principles in government financial statements. Such financial statements are designed to meet the common information needs of external users of financial information about a government.
Section PS 1100 – Financial statement objectives	This Section identifies and describes objectives of government financial statements that are generally acceptable to the users and preparers of the statements.
Section PS 3400 – Revenues	This Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.
Section PS 3160 – Public Private Partnerships	This Section establishes standards on how to account for public private partnership arrangements.
Guideline PSG 8 – Purchased intangibles	This guideline explains the scope of the intangibles now allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in Section PS 1000.

Standards applicable for fiscal years beginning on or after April 1, 2026:

Topic	Description
The Conceptual Framework for Financial Reporting in the Public Sector	The PSAB's Conceptual Framework for Financial Reporting in the Public Sector replaces the conceptual aspects of section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 2. INVESTMENTS

Halton Region's investment policy as approved by Regional Council has an emphasis on the preservation and safety of capital while ensuring the liquidity of funds needed to meet Halton Region's obligations.

	2023		2022	
	Cost	Market Value	Cost	Market Value
Investments	\$ 3,095,643	\$ 2,942,575	\$ 2,923,667	\$ 2,680,309

In addition, Halton Region includes in its investment portfolio a balance of \$100,154 (2022 - \$106,209) which is restricted, as the funds are those of a Local Municipality. These funds are included within Accounts Payable and Accrued Liabilities in the Consolidated Statement of Financial Position.

## 3. TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost on the Consolidated Statement of Financial Position. Halton Region has tangible capital assets with a net book value of \$737,816 (2022 - \$615,084) that are not being amortized as they are under construction. During the year there were no write-downs of assets (2022 - \$nil). Roads and underground water and sewer systems in the amount of \$78,550 (2022 - \$1,435) were contributed to Halton Region and were recorded at their fair value at the time of contribution. Halton Region has no tangible capital assets recognized at a nominal value. As per Halton Region's policy, there was no interest capitalized during the year (2022 - \$nil). Halton Region owns various works of art and historical treasures that have not been included as tangible capital assets and therefore, are not recognized on the consolidated financial statements. These items are categorized as Museum Historical Artifacts or Museum Archival Materials.

Tangible capital assets related to asset retirement obligations are included at a cost of \$18,610 (2022 - \$17,300) and accumulated amortization of \$11,855 (2022 - \$11,293).



# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 3. TANGIBLE CAPITAL ASSETS (CONTINUED)

The following tables summarize tangible capital asset balances by category for the years 2023 and 2022:

Asset Type	Opening Balance 01-Jan-23	Additions/ (Transfers)	Disposals	Ending Balance 31-Dec-23	Opening Accumulated Amortization Balance 01-Jan-23	Amortization	Disposals	Ending Accumulated Amortization Balance 31-Dec-23	Ending Net Book Value 31-Dec-23
<b>General</b>									
Buildings and building improvements	\$ 314,048	\$ 61,788	\$ 420	\$ 375,416	\$ 145,029	\$ 7,468	\$ 30	\$ 152,467	\$ 222,949
Computer hardware	46,956	7,137	3,478	50,615	29,326	5,870	3,470	31,726	18,889
Computer software	20,666	2,104	1,250	21,520	17,669	1,213	1,250	17,632	3,888
Land	206,144	28,633	415	234,362	-	-	-	-	234,362
Land improvements	80,390	9,059	74	89,375	44,106	1,661	74	45,693	43,682
Leasehold improvements	4,925	170	-	5,095	3,715	159	-	3,874	1,221
Machinery and equipment	235,825	47,884	795	282,914	141,869	7,772	795	148,846	134,068
Vehicles	40,195	3,982	2,577	41,600	24,975	3,956	2,280	26,651	14,949
<b>Total general capital</b>	<b>949,149</b>	<b>160,757</b>	<b>9,009</b>	<b>1,100,897</b>	<b>406,689</b>	<b>28,099</b>	<b>7,899</b>	<b>426,889</b>	<b>674,008</b>
<b>Infrastructure</b>									
Buildings and building improvements	612,018	19,476	4	631,490	203,546	12,416	3	215,959	415,531
Land	341,734	26,262	-	367,996	-	-	-	-	367,996
Land improvements	149,554	4,161	3	153,712	73,379	4,735	3	78,111	75,601
Linear	4,369,113	138,978	1,382	4,506,709	1,048,080	65,156	259	1,112,977	3,393,732
Machinery and equipment	860,776	31,043	1,002	890,817	400,130	31,336	777	430,689	460,128
<b>Total infrastructure</b>	<b>6,333,195</b>	<b>219,920</b>	<b>2,391</b>	<b>6,550,724</b>	<b>1,725,135</b>	<b>113,643</b>	<b>1,042</b>	<b>1,837,736</b>	<b>4,712,988</b>
<b>Assets under construction</b>	<b>615,084</b>	<b>122,732</b>	<b>-</b>	<b>737,816</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>737,816</b>
<b>Total tangible capital assets</b>	<b>\$ 7,897,428</b>	<b>\$ 503,409</b>	<b>\$ 11,400</b>	<b>\$ 8,389,437</b>	<b>\$ 2,131,824</b>	<b>\$ 141,742</b>	<b>\$ 8,941</b>	<b>\$ 2,264,625</b>	<b>\$ 6,124,812</b>

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(Dollars in Thousands)

## 3. TANGIBLE CAPITAL ASSETS (CONTINUED)

Asset Type	Opening Balance 01-Jan-22 Restated	Additions/ (Transfers)	Disposals	Ending Balance 31-Dec-22 Restated	Opening Accumulated Amortization Balance 01-Jan-22 Restated	Amortization Restated	Disposals	Ending Accumulated Amortization Balance 31-Dec-22 Restated	Ending Net Book Value 31-Dec-22 Restated
<b>General</b>									
Buildings and building improvements	\$ 308,434	\$ 5,614	\$ -	\$ 314,048	\$ 136,454	\$ 8,575	\$ -	\$ 145,029	\$ 169,019
Computer hardware	43,961	3,693	698	46,956	24,380	5,644	698	29,326	17,630
Computer software	19,863	803	-	20,666	16,492	1,177	-	17,669	2,997
Land	201,545	4,901	302	206,144	-	-	-	-	206,144
Land improvements	78,918	1,472	-	80,390	42,188	1,918	-	44,106	36,284
Leasehold improvements	4,925	-	-	4,925	3,556	159	-	3,715	1,210
Machinery and equipment	231,747	4,283	205	235,825	134,391	7,673	195	141,869	93,956
Vehicles	36,242	5,873	1,920	40,195	22,755	3,892	1,672	24,975	15,220
<b>Total general capital</b>	<b>925,635</b>	<b>26,639</b>	<b>3,125</b>	<b>949,149</b>	<b>380,216</b>	<b>29,038</b>	<b>2,565</b>	<b>406,689</b>	<b>542,460</b>
<b>Infrastructure</b>									
Buildings and building improvements	612,502	1,063	1,547	612,018	191,172	12,681	307	203,546	408,472
Land	319,201	25,441	2,908	341,734	-	-	-	-	341,734
Land improvements	141,078	8,617	141	149,554	68,784	4,717	122	73,379	76,175
Linear	4,356,966	36,259	24,112	4,369,113	998,588	65,475	15,983	1,048,080	3,321,033
Machinery and equipment	855,168	10,437	4,829	860,776	370,874	32,449	3,193	400,130	460,646
<b>Total infrastructure</b>	<b>6,284,915</b>	<b>81,817</b>	<b>33,537</b>	<b>6,333,195</b>	<b>1,629,418</b>	<b>115,322</b>	<b>19,605</b>	<b>1,725,135</b>	<b>4,608,060</b>
<b>Assets under construction</b>	<b>348,246</b>	<b>266,838</b>	<b>-</b>	<b>615,084</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>615,084</b>
<b>Total tangible capital assets</b>	<b>\$ 7,558,796</b>	<b>\$ 375,294</b>	<b>\$ 36,662</b>	<b>\$ 7,897,428</b>	<b>\$ 2,009,634</b>	<b>\$ 144,360</b>	<b>\$ 22,170</b>	<b>\$ 2,131,824</b>	<b>\$ 5,765,604</b>

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 4. LONG-TERM LIABILITIES

The use of long-term liabilities to finance capital expenditures is governed by Provincial legislation. Provincial legislation gives Halton Region exclusive authority to issue long-term debt for both Halton Region and local municipal purposes. The legislation also permits Halton Region to issue debt on behalf of the Halton District School Board and the Halton Catholic District School Board, at the request of these School Boards. The responsibility for raising the amounts required to service these liabilities lies with the respective Local Municipalities, School Boards and Halton Region. The debentures are direct, joint and several obligations of Halton Region and all its Local Municipalities.

Halton Region has purchased \$6,461 (2022 - \$4,997) of its own debentures which have not been cancelled. This investment in own debentures is included in the investments on the Consolidated Statement of Financial Position. The gross outstanding principal amount from these debentures for 2023 is \$273,500 (2022 - \$273,500).

Long-term liabilities, reported on the Consolidated Statement of Financial Position, are comprised of the following:

	<b>2023</b>	<b>2022</b>
Long-term liabilities incurred by Halton Region	\$ 190,691	\$ 170,485
Mortgages payable by HCHC	24,058	29,103
Subtotal gross long-term liabilities	<b>214,749</b>	<b>199,588</b>
Sinking Fund debentures	273,500	273,500
Total long-term liabilities incurred by Halton Region	<b>488,249</b>	<b>473,088</b>
Less recoverable from Local Municipalities:		
Long-term debentures	176,278	147,262
Sinking Fund debentures	85,283	88,061
Subtotal Local Municipalities	<b>261,561</b>	<b>235,323</b>
Less cumulative Sinking Fund contributions from Local Municipalities	19,717	16,939
<b>Net long-term liabilities at year end</b>	<b>\$ 206,971</b>	<b>\$ 220,826</b>

Sinking Fund debentures consist of the following amounts:

Sinking Fund #148-11 was issued on October 11, 2011 for a 30-year term and total value of \$106,000.

	<b>2023</b>	<b>2022</b>
Opening earnings	\$ 22,235	\$ 19,816
Halton Region contributions	2,605	1,827
Interest earned	771	592
<b>Sinking Fund #148-11 earnings to date</b>	<b>\$ 25,611</b>	<b>\$ 22,235</b>

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 4. LONG-TERM LIABILITIES (CONTINUED)

Sinking Fund #43-15 was issued on April 6, 2015 for a 30-year term and total value of \$167,500. Halton Region's portion is \$62,500, while \$90,000 was borrowed on behalf of the Town of Oakville and \$15,000 for the Town of Milton.

	2023	2022
Opening earnings	\$ 27,020	\$ 22,761
Halton contributions	1,262	1,262
Oakville contributions	1,816	1,816
Milton contributions	303	303
Interest earned	1,051	878
<b>Sinking Fund #43-15 earnings to date</b>	<b>\$ 31,452</b>	<b>\$ 27,020</b>

Halton Region's long-term liabilities at the end of the year are to be recovered from:

	2023	2022
Property taxes – general purpose levy	\$ 49,894	\$ 53,842
Water	21,678	25,820
Wastewater	19,300	20,318
Development charges	116,099	120,846
<b>Net long-term liabilities at year end</b>	<b>\$ 206,971</b>	<b>\$ 220,826</b>

## 5. CHARGES FOR LONG-TERM LIABILITIES

The charges for the year required to service the long-term liabilities are:

	2023	2022
Gross principal repayment	\$ 34,569	\$ 39,468
HCHC mortgages	5,045	5,040
Less amounts recovered	(25,724)	(25,480)
Net principal	<b>13,890</b>	<b>19,028</b>
Gross interest paid	14,406	14,222
HCHC mortgages	955	870
Less amount recovered	(8,759)	(7,999)
Net interest	<b>6,602</b>	<b>7,093</b>
<b>Total net principal and interest</b>	<b>\$ 20,492</b>	<b>\$ 26,121</b>

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 5. CHARGES FOR LONG-TERM LIABILITIES (CONTINUED)

Debentures bear interest at rates ranging from 0.75% (2022 - 0.50%) to 5.50% (2022 - 5.50%). Mortgages of \$24,058 (2022 - \$29,103) on the properties of HCHC are secured by a first charge on the assets of HCHC with amortization periods ranging between 10 and 30 years and interest rates ranging between 0.74% (2022 - 0.74%) and 5.94% (2022 - 5.94%).

Net interest on long-term liabilities identified above, are included in the Consolidated Statement of Operations.

The charges shown in the previous table are recovered as follows:

	<b>2023</b>	<b>2022</b>
Property taxes – general purpose levy	\$ 5,722	\$ 5,944
Water and wastewater revenues	5,762	8,431
Development charges	9,008	11,746
<b>Total</b>	<b>\$ 20,492</b>	<b>\$ 26,121</b>

The principal amounts required for long-term liabilities are as follows:

	<b>Installment principal</b>	<b>Sinking Fund #148-11</b>	<b>Sinking Fund #43-15</b>	<b>HCHC mortgages</b>	<b>Total</b>
2024	\$ 8,024	\$ 3,489	\$ 1,661	\$ 5,209	\$ 18,383
2025	3,384	3,603	1,715	6,757	15,459
2026	3,470	3,721	1,771	4,171	13,133
2027	-	3,842	1,829	4,946	10,617
2028	-	3,968	1,889	2,975	8,832
2029-2045	-	87,071	53,476	-	140,547
<b>Total</b>	<b>\$ 14,878</b>	<b>\$ 105,694</b>	<b>\$ 62,341</b>	<b>\$ 24,058</b>	<b>\$ 206,971</b>

## 6. LOANS RECEIVABLE

Halton Region has loans receivable in the amount of \$4,924 (2022 - \$4,669). The loans receivable are valued at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability has been impaired. The loans receivable are written off when they are no longer recoverable. Recoveries of loans receivable previously written off are recognized in the year received. Interest revenue is recognized as it is earned.

As per Regional Council report CS-07-07, Halton Region has agreed to provide Conservation Halton with debt financing on capital infrastructure for Watershed Management & Support Services projects. The loans provided to Conservation Halton are based on the actual cost of the project. The repayment amount for 2023 is \$491 (2022 - \$525). Each loan is repayable over a set period at a variable interest rate listed below.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 6. LOANS RECEIVABLE (CONTINUED)

As per Regional Council report DI-03-23 / LPS23-23, Halton Region entered into a loan receivable agreement with Halton Digital Access Services Corporation on June 30, 2023. Annual repayments of \$100 will begin on June 30, 2028. Interest charges to incur in the event of default.

	2023	2022
<b>Conservation Halton</b>		
Loans repayable over 10 years bearing interest of 3.0% with maturity dates from 2023-2027	\$ 253	\$ 416
Loans repayable over 20 years bearing interest of 3.0% with maturity dates from 2038-2042	631	574
Loans repayable over 30 years bearing interest of 3.2% with maturity dates from 2048-2050	3,540	3,679
<b>Total loans receivable from Conservation Halton</b>	<b>\$ 4,424</b>	<b>\$ 4,669</b>
<b>Halton Digital Access Services Corporation</b>		
Loans repayable over 5 years, non-interest bearing, beginning 2028	500	-
<b>Total loans receivable from Halton Digital Access Services Corporation</b>	<b>500</b>	<b>-</b>
<b>Total</b>	<b>\$ 4,924</b>	<b>\$ 4,669</b>

## 7. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

- a. Halton Region has outstanding contractual obligations of \$707,356 (2022 - \$596,063) for capital works still to be constructed. Regional Council has approved the required financing for these obligations.
- b. Halton Region has entered into operating leases for various office premises and equipment requiring the following payments over the next five years:

2024	\$2,330
2025	1,290
2026	1,157
2027	758
2028	677
- c. Halton Region enters into various service contracts and other agreements in the normal course of business, which have been approved by the appropriate level of management or by Regional Council but which have not been reported as commitments.
- d. The Region has issued letters of credit for \$4,878 (2022 - \$2,396) in order to meet the credit requirements and conditions of certain agreements related to capital projects.

## 8. CONTINGENT LIABILITIES

Certain legal claims against Halton Region are currently outstanding. No provision has been made for any claims that are expected to be covered by insurance or where the outcome is not determinable. Liabilities for non-insured claims are recorded in the year in which they are determined likely to occur and the amount can be estimated.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 8. CONTINGENT LIABILITIES (CONTINUED)

At year-end, Halton Region evaluated the likelihood of having to repay taxes as a result of tax appeals or other changes and recognized a liability in the amount of \$2,205 (2022 - \$3,551) which is included in Accounts payable and accrued liabilities in the Consolidated Statement of Financial Position.

## 9. CONTINGENT ASSETS

As at December 31, 2023, Halton Region has certain outstanding legal actions in which Halton Region is seeking damages. Halton Region has determined that resolution of these claims in favour of Halton Region is undeterminable as at December 31, 2023.

## 10. DEFERRED REVENUE

Halton Region's deferred revenue is comprised of obligatory reserve funds and general deferred revenues. A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. Halton Region has development charge reserve funds in the amount of \$147,550 (2022 - \$199,572) and reserve fund for the Canada Community-Building Fund (formerly Federal Gas Tax) in the amount of \$39,361 (2022 - \$39,907). These reserve funds are considered obligatory as Provincial and Federal legislation restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

In the case of development charges, revenue recognition occurs after the funds have been collected or are receivable and when Halton Region has approved and incurred the eligible expenditures for the capital projects for which the development charges were raised. The funds received before expenditures are incurred are set aside, as required by the *Development Charges Act, 1997*, to defray the cost of growth-related capital projects associated with new development.

The deferred revenue, reported on the Consolidated Statement of Financial Position, is made up of the following:

	Balance at 31-Dec-22	Inflows	Revenue Earned	Balance at 31-Dec-23
Development charges	\$ 199,572	\$ 237,143	\$ 289,165	\$ 147,550
Canada Community-Building Fund (formerly Federal Gas Tax)	39,907	19,457	20,003	39,361
Total obligatory reserve funds	239,479	256,600	309,168	186,911
Unexpended capital financing	46,207	26,460	28,210	44,457
Permits	2,495	1,790	1,409	2,876
Developer accelerated (Note 15)	11,415	4,309	11,428	4,296
Developer water meters	1,172	625	465	1,332
Other	4,167	3,849	5,255	2,761
Total general deferred revenue	65,456	37,033	46,767	55,722
<b>Total</b>	<b>\$ 304,935</b>	<b>\$ 293,633</b>	<b>\$ 355,935</b>	<b>\$ 242,633</b>

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 11. ASSET RETIREMENT OBLIGATIONS

Halton Region's asset retirement obligations consist of the following:

### Regulated substances

Halton Region owns and operates various tangible capital assets including buildings, water mains, waste water mains, water treatment plants and storm mains that contain certain regulated substances requiring remediation upon decommissioning. The *Canadian Environment Protection Act*, 1999, governs the protection of the environment and human health with respect to regulated substances. In addition, the Canada Occupational Health and Safety Regulations also outlines requirements for exposure control, as well as requirements on disposal and decontamination of these regulated substances.

### Landfill

Halton Region owns and operates one active landfill site. It also owns and monitors four inactive landfill sites. The active site has a remaining life expectancy of 23 years, assuming the waste diversion targets are met. Expected closure and post-closure care costs of the active landfill site and the expected monitoring and capital rehabilitation costs of the inactive landfill sites have been reported as a liability on the Consolidated Statement of Financial Position. The estimated length of time required for post-closure care is 40 years. Halton Region also monitors seven inactive landfill sites owned by the Local Municipalities. Under agreements with the four Local Municipalities, Halton Region may recover the cost of capital rehabilitation that may be required and is not responsible for any third-party claims that may result from these inactive sites. The Local Municipalities bear the cost of monitoring the inactive sites and therefore these costs have not been included in the landfill post-closure liability.

The liability for asset retirement obligations has been estimated using a net present value technique with a discount rate of 3.0%. A reconciliation of the beginning and ending balance of the liability is as follows:

	2023	2022
Asset retirement obligations at beginning of year	\$ 51,274	\$ -
Opening adjustments for PS 3280	-	50,158
Liabilities incurred during the year	1,343	-
Accretion expense	1,150	1,116
Asset retirement obligation settled during the year	(45)	-
<b>Asset retirement obligations at end of year</b>	<b>\$ 53,722</b>	<b>\$ 51,274</b>

## 12. CONTAMINATED SITES

A contaminated site exists when substances introduced into the air, soil, water or sediment exceeds the maximum acceptable environmental standards. A liability for remediation occurs when a site is not in productive use and the estimated liability includes costs directly attributable to remediation activities as well as post remediation, maintenance and monitoring of the contaminated site, net of any expected recoveries.

There are no contaminated sites, as at December 31, 2023, that meet the specified criteria (2022 - \$nil).



# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 13. EMPLOYEE FUTURE BENEFITS LIABILITIES

Halton Region provides certain employee benefits that will require funding in future periods. These benefits include sick leave benefits, benefits under the *Workplace Safety and Insurance Board (WSIB) Act, 1997*, long-term disability, early retirement plan, travel benefit, extended health and dental benefits. Halton Region has established reserve funds to mitigate the future impact of these obligations and this has been reported in Note 15. Employee future benefits and reserves relating to these liabilities are as follows:

	2023		2022	
	Accrued Liability	Reserve	Accrued Liability	Reserve
Retirement benefits				
Halton Region employees	\$ 19,357	\$ 23,281	\$ 18,058	\$ 22,363
Halton Regional Police Service	40,156	36,104	38,394	36,036
WSIB				
Halton Region employees	16,604	22,203	15,097	21,202
Halton Regional Police Service	10,275	4,529	8,288	6,009
Long-term disability				
Halton Region employees	8,506	13,797	8,753	13,309
Halton Regional Police Service	5,038	6,926	4,679	6,534
Vacation pay				
Halton Region employees	4,872	-	4,992	-
Halton Regional Police Service	92	-	126	-
Vested sick leave entitlements				
Halton Regional Police Service	70	105	68	102
<b>Total</b>	<b>\$ 104,970</b>	<b>\$ 106,945</b>	<b>\$ 98,455</b>	<b>\$ 105,555</b>

Information about Halton Region's benefit plan is as follows:

	2023	2022
Accrued benefit obligation:		
Balance, beginning of year	\$ 120,565	\$ 117,281
Current benefit cost	9,393	9,078
Interest	3,260	3,154
Benefits paid	(9,026)	(8,948)
Actuarial loss	8,297	-
Balance, end of year	132,489	120,565
Unamortized actuarial loss	(27,519)	(22,110)
Liability for benefits	104,970	98,455
Amortization of actuarial loss	\$ 2,888	\$ 3,199

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 13. EMPLOYEE FUTURE BENEFITS LIABILITIES (CONTINUED)

The liabilities were determined by an actuarial valuation as at December 31, 2023. The actuarial loss is the result of assumptions used in the actuarial valuation as at December 31, 2023 that varied from assumptions used in prior valuations. These assumptions pertain to the distribution of eligible employee groups, discount rate, benefit cost escalation, mortality and termination rates. The unamortized actuarial loss is amortized over the expected average remaining service life with estimates to December 31, 2026. Halton Region commissions actuarial reviews of the retirement benefits, WSIB and long-term disability obligations every three years.

	<b>2023</b>	<b>Remaining Service Life</b>
Retirement benefits	206	7 to 13 years
WSIB	(20,370)	9 to 10 years
Long-term disability	(7,355)	8 years
<b>Total</b>	<b>(27,519)</b>	

The liabilities were based upon a number of assumptions regarding future events, which reflect management's best estimate. Key actuarial assumptions established for this valuation are:

	<b>2023</b>	<b>2022</b>
Expected inflation rate	2.00%	1.75%
Discount rate:		
Retirement benefits	4.25%	3.00%
WSIB	4.50%	2.75%
Long-term disability	4.75%	2.25%
Expected salary increase	3.00%	2.75%
Expected dental care cost increase	4.00%	3.75%
Expected health cost increase	5.08% in 2023, reducing by 0.33% per year to 3.75% in 2027	5.42% in 2022, reducing by 0.33% per year to 3.75% in 2027

### Sick leave benefit plan

Under a former sick leave benefit plan, some employees hired prior to January 1, 1974, are entitled to receive cash payments for unused sick leave upon termination of employment or retirement. In 2023, payments out of the vested sick leave plan amounted to \$nil (2022 - \$nil) and have been reported on the Consolidated Statement of Operations. Sick leave benefits of \$70 (2022 - \$68) are anticipated to be paid out in 2023 and have been reported on the Consolidated Statement of Financial Position.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 14. PENSION AGREEMENTS

Halton Region makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its 4,146 eligible members. This plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of credited service and average earnings.

The accrued benefit obligation of the OMERS Plan as shown in the OMERS financial statements as at December 31, 2023 is \$128.6 billion (2022 - \$124.2 billion) with an actuarially determined funding deficit of \$4.2 billion (2022 - \$6.7 billion). OMERS is a multi-employer plan; therefore, Halton Region does not recognize any share of the pension deficit.

Halton Region's contribution to OMERS for its current service amounted to \$34,326 (2022 - \$31,074) and is included as an expense on the Consolidated Statement of Operations. Employee contributions amounted to \$34,326 (2022 - \$31,074).

Contributions for employees with a normal retirement age of 65 were made at a rate of 9.0% for earnings up to the yearly maximum pensionable earnings of \$66.6 and at a rate of 14.6% for earnings greater than the yearly maximum pensionable earnings. For uniformed police officers with a normal retirement age of 60, those rates were 9.2% and 15.8% respectively.

## 15. ACCUMULATED SURPLUS

Accumulated surplus consists of the following balances:

	2023	2022 Restated
Unexpended capital financing	\$ 1,322,952	\$ 1,054,271
Reserves and discretionary reserve funds (detailed below)	1,352,082	1,471,922
Sinking Fund investment	37,347	32,318
Tangible capital assets	6,124,812	5,765,604
Developer Financed assets	(4,296)	(11,415)
Amounts to be recovered in future years:		
From reserves and reserve funds on hand	(113,044)	(110,811)
From future revenues	(253,100)	(260,256)
<b>Total Accumulated Surplus</b>	<b>\$ 8,466,753</b>	<b>\$ 7,941,633</b>

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 15. ACCUMULATED SURPLUS (CONTINUED)

	2023	2022 Restated
Reserves and discretionary reserve funds set aside by Regional Council:		
Stabilization - rate	\$ 33,392	\$ 36,933
Stabilization - tax	79,103	78,977
Regional COVID recovery	6,161	11,465
Program specific	119,551	107,857
Workplace safety and insurance	26,733	27,211
Self-insurance - general	8,193	7,376
Self-insurance - employee benefits	80,212	78,344
Asset Retirement Obligation (ARO) Landfill Reserve	22,837	22,110
Equipment replacement - vehicle	10,078	10,199
Equipment replacement - building	3,041	4,691
Equipment replacement - equipment	21,233	21,213
Capital - rate	301,103	349,983
Capital - tax	447,935	465,855
Capital - investment	112,062	125,836
Other	80,448	123,872
<b>Total Reserves and Discretionary Reserve Funds</b>	<b>\$ 1,352,082</b>	<b>\$ 1,471,922</b>

## 16. TRUST FUNDS

Trust Funds, in the amount of \$73 (2022 - \$79), for the residents of Allendale, Creek Way Village and Post Inn Village, which are administered by Halton Region, have not been included in these consolidated financial statements, and are reported separately on the Statement of Financial Position of the Long Term Care Trust Fund Statements.

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# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 17. SEGMENTED INFORMATION

Segmented information has been identified based on lines of service provided by Halton Region. Halton Region's services are provided by departments and their activities are reported by functional area in the body of the consolidated financial statements. Certain lines of services that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

### **Protection Services**

The mandate of the Protection Services programs is to ensure the safety of the lives and property of citizens, preserve peace and good order, prevent crimes from occurring, detect offenders, and enforce the law.

### **Transportation Services**

The Transportation Services division is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems and street lighting.

### **Water and Wastewater Services**

The Water and Wastewater Services divisions are responsible for the collection and treatment of wastewater (including storm) and the treatment and distribution of drinking water in order to provide high-quality drinking water to residents of Halton Region.

### **Solid Waste Services**

The Solid Waste Services division is responsible for the planning, collection and disposal of solid waste, administering the green cart program and recycling, including minimization programs and facilities for solid waste.

### **Health Services**

The Health Department delivers a variety of public health programs and services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement. Staffs work in the community to deliver programs such as paramedic services, immunization, nutrition, mental health, sexual health, insect control and health inspection.

### **Social and Community Services**

The Social and Community Services department provides programs and services that enhance the quality of life of Halton residents and provides them with social support services, including services for children, youth, families and seniors.

### **Social Housing**

Through implementation of the Comprehensive Housing Strategy, Halton Region continues to advocate for the provision of housing types for all incomes and all stages of life from emergency shelters and government assisted housing to private sector affordable housing. Operations of HCHC are included as part of the Social Housing segment.

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# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 17. SEGMENTED INFORMATION (CONTINUED)

### **Other Services consists of the General Government, Planning and Development, Recreation and Cultural Services:**

#### **General Government**

General Government includes the components of municipal government responsible for governing the Regional Municipality of Halton, providing direction and leadership to staff, and sustaining the organization. These divisions and branches supply administrative and financial leadership for the Regional Corporation including adopting by-laws and policy, levying taxes, issuing debentures and providing administrative, technical, facility management, and financial services.

#### **Planning and Development**

The Planning and Development department provides a long-term comprehensive approach to planning and development processes to ensure the efficient use of land and community infrastructure.

#### **Recreational and Cultural Services**

The Recreational and Cultural Services department fosters discovery, appreciation and understanding of the Region's heritage and manage Halton Region's artifact and archival collection. It also oversees the implementation of the Halton Region Waterfront Parks program.

Certain allocation methodologies are employed in the preparation of segmented financial information. Services are funded primarily by taxation such as property tax revenues and by user fees for water and wastewater services. General purpose levy and payment in lieu of taxes are allocated to the segments based on a percentage of budgeted net expenditures approved in the 2023 Budget. In addition, certain government transfers and other revenues have been apportioned based on a percentage of budgeted expenses. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 17. SEGMENTED INFORMATION (CONTINUED)

For additional information see the Consolidated Schedule of Segment Disclosure below for the years 2023 and 2022:

	Protection Services	Transportation Services	Water and Wastewater Services	Solid Waste Services*	Health Services	Social and Community Services	Social Housing	Other Services**	Total Consolidated 2023
<b>Revenues</b>									
Taxation*									
General purpose levy	\$ 196,231	\$ 63,779	\$ 21	\$ 17,029	\$ 47,095	\$ 56,408	\$ 41,638	\$ 45,887	\$ 468,088
Solid waste levy	-	-	-	30,813	-	-	-	-	30,813
Payments in lieu	2,160	702	-	-	518	621	458	693	5,152
User charges	5,268	703	247,386	2,656	73	17,819	441	2,378	276,724
Provincial Transfers	8,237	21,468	-	-	60,357	270,902	17,324	581	378,869
Federal Transfers	29	5,555	14,450	-	79	2,151	7,689	198	30,151
Investment income	-	-	3,617	-	-	-	-	83,492	87,109
Development charges and developer contributions	3,630	176,646	148,201	266	1,520	-	3,027	35,216	368,506
Other revenue	1,760	-	90	10,268	24	824	17,901	1,904	32,771
<b>Total revenues</b>	<b>217,315</b>	<b>268,853</b>	<b>413,765</b>	<b>61,032</b>	<b>109,666</b>	<b>348,725</b>	<b>88,478</b>	<b>170,349</b>	<b>1,678,183</b>
<b>Expenses</b>									
Salaries, wages and employee benefits	162,929	3,840	41,930	5,221	72,270	89,253	7,760	75,995	459,198
Materials	9,364	2,975	35,954	1,568	4,740	7,947	4,545	6,413	73,506
Contracted services	14,478	25,471	43,984	39,418	6,153	20,195	9,772	39,471	198,942
Rents and financial expenses	259	140	2,407	483	1,917	1,152	5,998	2,758	15,114
Government transfers	10,939	21	552	197	949	201,619	34,832	6,571	255,680
Debt expense	1,584	-	4,056	-	7	-	955	-	6,602
Amortization of tangible capital assets	10,655	27,521	86,222	1,957	1,915	2,367	5,423	5,682	141,742
Program support	2,031	3,940	20,126	3,829	17,193	19,618	3,571	(70,308)	-
Other operating expenses	-	-	-	-	-	-	-	2,279	2,279
<b>Total expenses</b>	<b>212,239</b>	<b>63,908</b>	<b>235,231</b>	<b>52,673</b>	<b>105,144</b>	<b>342,151</b>	<b>72,856</b>	<b>68,861</b>	<b>1,153,063</b>
<b>Annual surplus</b>	<b>\$ 5,076</b>	<b>\$ 204,945</b>	<b>\$ 178,534</b>	<b>\$ 8,359</b>	<b>\$ 4,522</b>	<b>\$ 6,574</b>	<b>\$ 15,622</b>	<b>\$ 101,488</b>	<b>\$ 525,120</b>

\* The allocation of taxation amount is based on a percentage of budgeted net expenditures except for Solid Waste as this amount is collected through By-Law 33-23.

\*\* Other Services consist of General Government, Planning and Development, and Recreation and Cultural Services.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 17. SEGMENTED INFORMATION (CONTINUED)

	Protection Services	Transportation Services	Water and Wastewater Services	Solid Waste Services	Health Services	Social and Community Services	Social Housing	Other Services**	Total Consolidated 2022 Restated
<b>Revenues</b>									
Taxation*									
General purpose levy	\$ 185,188	\$ 61,680	\$ 21	\$ 16,336	\$ 43,899	\$ 52,905	\$ 38,894	\$ 46,699	\$ 445,622
Solid waste levy	-	-	-	29,288	-	-	-	-	29,288
Payments in lieu	2,011	669	-	-	477	574	422	684	4,837
User charges	4,622	812	240,457	3,198	76	16,622	278	3,208	269,273
Provincial Transfers	7,116	6,251	105	-	80,691	184,619	20,232	5,400	304,414
Federal Transfers	-	20,847	4,215	-	94	414	5,405	220	31,195
Investment income	-	-	3,617	-	-	-	-	62,867	66,484
Development charges and developer contributions	2,633	177,091	151,951	177	1,798	-	2,571	3,741	339,962
Other revenue	1,315	-	11,122	5,598	31	528	16,972	1,737	37,303
<b>Total revenues</b>	<b>202,885</b>	<b>267,350</b>	<b>411,488</b>	<b>54,597</b>	<b>127,066</b>	<b>255,662</b>	<b>84,774</b>	<b>124,556</b>	<b>1,528,378</b>
<b>Expenses</b>									
Salaries, wages and employee benefits	153,410	4,076	39,273	4,694	89,396	82,367	6,707	65,731	445,654
Materials	8,479	5,294	25,710	1,201	5,534	6,845	3,538	6,612	63,213
Contracted services	13,063	24,503	40,266	37,815	6,645	26,048	8,993	37,903	195,236
Rents and financial expenses	267	6,995	6,383	384	2,126	914	5,597	3,506	26,172
Government transfers	10,452	21	552	212	1,050	107,647	40,683	5,860	166,477
Debt expense	1,648	-	4,567	-	8	-	870	-	7,093
Amortization of tangible capital assets	11,589	26,487	88,935	2,057	2,003	2,287	5,117	5,885	144,360
Program support	1,739	3,213	17,844	3,266	14,964	17,134	3,219	(61,379)	-
Other operating expenses	-	-	-	-	-	-	-	4,602	4,602
<b>Total expenses</b>	<b>200,647</b>	<b>70,589</b>	<b>223,530</b>	<b>49,629</b>	<b>121,726</b>	<b>243,242</b>	<b>74,724</b>	<b>68,720</b>	<b>1,052,807</b>
<b>Annual surplus</b>	<b>\$ 2,238</b>	<b>\$ 196,761</b>	<b>\$ 187,958</b>	<b>\$ 4,968</b>	<b>\$ 5,340</b>	<b>\$ 12,420</b>	<b>\$ 10,050</b>	<b>\$ 55,836</b>	<b>\$ 475,571</b>

\* The allocation of taxation amount is based on a percentage of budgeted net expenditures except for Solid Waste as this amount is collected through By-Law 17-22.

\*\* Other Services consist of General Government, Planning and Development, and Recreation and Cultural Services.



# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 18. BUDGET COMPARISON

The budget data presented in these consolidated financial statements are based upon the 2023 operating and capital budgets approved by Regional Council and the HCHC Board of Directors on January 25, 2023.

The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years.

In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

	<b>2023 Budget</b>
<b>Halton Region approved Operating Revenues budget (FN-06-23)</b>	<b>\$1,131,885</b>
In-year changes*	84,548
Revised approved budget	1,216,433
Development charges and developer contributions	368,506
Government Transfers	28,835
Gain on disposal of tangible capital assets	3,589
Other revenue adjustments	(471)
Reclassification between revenue and expense	(348)
<b>HCHC approved Operating Revenues budget (HC-03-23)</b>	<b>30,067</b>
HCHC in-year changes**	10,477
HCHC PSAS adjustments	(6,512)
HCHC intercompany transactions	(22,018)
<b>Total consolidated revenues</b>	<b>1,628,558</b>
<b>Halton Region approved Operating Expenses budget (FN-06-23)</b>	<b>\$1,131,885</b>
In-year changes*	84,548
Revised approved budget	1,216,433
Transfers to reserves - capital	(227,200)
Transfers from reserves - capital	9,526
Debt charges - principal	(13,122)
Transfers to reserves - operating	(55,023)
Transfers from reserves - operating	7,528
Amortization	136,871
Capital project cost resulting in operating expenses	42,731
Loss (gain) on disposal of tangible capital assets	1,756
Employee future benefits	6,514
Asset retirement obligations	453
Reclassification between revenue and expense	(348)
<b>HCHC approved Operating Expenses budget (HC-03-23)</b>	<b>30,067</b>
HCHC in-year changes**	10,477
HCHC PSAS adjustments	(10,739)
HCHC intercompany transactions	(21,953)
<b>Total consolidated expenses</b>	<b>1,133,971</b>
<b>Annual surplus</b>	<b>\$494,587</b>

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 18. BUDGET COMPARISON (CONTINUED)

<b>In-year changes</b>		<b>Amount</b>
<b>*Refer to Halton Region Report No.:</b>		
SS-07-23 - Nurse Practitioner Funding in Long-Term Care	\$	132
SS-08-23 - Children's Services Program and Funding Update		82,522
SS-13-23 - Increased Provincial Funding for Homelessness Prevention in Halton		3,284
FN-17-23 - 2023 Tax Policy		(1,390)
<b>Total</b>	<b>\$</b>	<b>84,548</b>
<b>**Refer to Halton Community Housing Corporation Report No.:</b>		
HC-07-23 - Capital Funding for HCHC under the National Housing Co-Investment Fund Renewal and Repair Program	\$	7,000
HC-17-23 - Property Management of 30 Normandy Place		3,477
<b>Total</b>	<b>\$</b>	<b>10,477</b>

## 19. PUBLIC LIABILITY INSURANCE

Halton Region and HCHC have comprehensive risk management programs in place for the identification, evaluation and treatment of risk designed to minimize or prevent the risk of damage to Halton Region and HCHC properties and the risk of third-party property damage or bodily injury.

	<b>Halton Region</b>		<b>HCHC</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Insurance period of one year beginning on	1/1/2023	1/1/2022	11/1/2023	11/1/2022
Third-party public liability claim limit per occurrence up to	\$ 50,000	\$ 50,000	\$ 5,000	\$ 5,000
Maximum deductible limit per occurrence - Liability	100	100	25	25
Maximum deductible limit per occurrence - Property	100	100	50	50
Insurance claims expense	294	354	-	-
Estimated value of outstanding litigated claims	1,365	1,845	40	45
Self-insurance reserve fund (Note 15)	\$ 8,193	\$ 7,376	\$ N/A	\$ N/A

Insurance claims of \$294 (2022 - \$354), as noted in the above table, are included as an expense in the Consolidated Statement of Operations. In 2023, Halton Region's insurance providers changed the coverage limit for Halton Region's replacement costs. The replacement cost coverage per occurrence is set at a limit of \$300,000 for Halton Region and \$35,000 for HCHC. In 2022, the replacement cost coverage was \$100,000 for Halton Region and \$35,000 for HCHC.

HCHC uses purchased insurance and Halton Region uses a combination of self-insurance and purchased insurance to protect themselves financially against the risks that they cannot reasonably control. Halton Region is self-insured for claims such as environmental liability, Councillor and employee legal indemnification. These claims are expensed within the current operating year and are funded through the self-insurance reserve fund as are all Halton Region's insurance claim deductibles.

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# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 20. FAIR VALUE AND RISK MANAGEMENT

Financial instruments are classified as either fair value, cost, or amortized cost. Halton Region determines the classification of its financial instruments at initial recognition.

Halton Region is exposed to a variety of financial risks, including credit risk and liquidity risk. Halton Region's overall risk management program seeks to minimize potential adverse effects on financial performance.

### **Credit Risk**

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. Halton Region is exposed to credit risk with respect to accounts receivable and other investments. Halton Region assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in Allowance for Doubtful Accounts. The maximum exposure to credit risk of Halton Region is the carrying value of these assets. Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

There have been no significant changes to credit risk exposure from prior year.

### **Liquidity Risk**

Liquidity risk is the risk that Halton Region will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Halton Region manages its liquidity risk by monitoring its operating requirements, and prepares a budget, as well as cash forecasts, to ensure that it has sufficient funds to fulfill obligations.

There have been no significant changes to the liquidity risk exposure from prior year, as Halton Region maintains its AAA/Aaa credit score.

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. Halton Region is not subject to significant interest rate risk as its cash and cash equivalents, investments, and long term debt have fixed interest rates and are intended to be carried until maturity. Since cash and cash equivalents are carried at amortized cost, their valuation does not change with changes in fair value.

Halton Region follows an investment policy approved by Regional Council.

### **Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Halton Region is not exposed to this risk due to the amounts held in foreign currency being immaterial.

# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 21. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2023 Halton Region adopted PS 3280, Asset Retirement Obligations using the modified retroactive application method.

The implementation of the new asset retirement obligations standard resulted in the following changes to the 2022 comparative consolidated financial statements:

	As previously reported	Adjustment	2022 Restated
<b>Consolidated Statement of Financial Position</b>			
Tangible capital assets	\$5,759,598	\$6,006	\$5,765,604
Landfill closure and post-closure liabilities	16,089	(16,089)	-
Asset retirement obligations	-	51,274	51,274
Net Financial Assets	2,200,046	(35,185)	2,164,861
Accumulated surplus, end of year	7,970,812	(29,179)	7,941,633
<b>Consolidated Statement of Operations</b>			
Expenses:			
General government	45,892	5	45,897
Social and community services	243,161	81	243,242
Social housing	73,585	1,139	74,724
Water and wastewater services	223,327	203	223,530
Solid waste services	50,435	(806)	49,629
Protection services	200,646	1	200,647
Health services	121,718	8	121,726
Annual surplus	476,202	(631)	475,571
Accumulated surplus, beginning of year	7,494,610	(28,548)	7,466,062
Accumulated surplus, end of year	7,970,812	(29,179)	7,941,633
<b>Consolidated Statement of Changes in Net Financial Assets</b>			
Annual surplus	476,202	(631)	475,571
Amortization of tangible capital assets	143,789	571	144,360
Net financial assets, beginning of year	1,943,661	(35,125)	1,908,536
Net financial assets, end of year	2,200,046	(35,185)	2,164,861
<b>Consolidated Statement of Cash Flows</b>			
Annual surplus	476,202	(631)	475,571
Amortization of tangible capital assets	143,789	571	144,360
Landfill closure and post-closure liabilities / Asset retirement obligations	\$1,055	\$60	\$1,115

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# Notes to Consolidated Financial Statements

For the year ended December 31, 2023  
(Dollars in Thousands)

## 22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.