

AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of The Corporation of the Town of Halton Hills as at December 31, 2006 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2006 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

GMA LLP

**Halton Hills, Ontario
April 25, 2007**

Licensed Public Accountants

THE CORPORATION OF THE TOWN OF HALTON HILLS

Consolidated Statement Of Financial Position

As At December 31, 2006

	<u>2006</u>	<u>2005</u>
ASSETS		
Financial Assets		
Cash	\$ 3,088,545	\$ 997,303
Short-term investments (Note 2)	31,194,260	33,052,328
Taxes receivable (Note 3)	3,452,933	3,605,653
Accounts receivable	3,275,724	2,028,491
Long-term receivables	1,797,382	3,918
Investment in Halton Hills Hydro Inc. (Note 4)	36,859,613	35,579,897
	<u>\$ 79,668,457</u>	<u>\$ 75,267,590</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 4,000,027	\$ 2,733,480
Other current liabilities	3,218,230	4,294,915
Deferred revenue (Note 7)	14,662,655	15,559,977
Employee benefits obligation (Note 8)	1,047,042	996,085
Net long-term liabilities (Note 9)	6,064,098	7,497,040
	<u>\$ 28,992,052</u>	<u>\$ 31,081,497</u>
NET FINANCIAL ASSETS	50,676,405	44,186,093
Non-financial Assets		
Prepaid expenses and inventory	213,806	213,783
NET ASSETS	\$ 50,890,211	\$ 44,399,876
MUNICIPAL POSITION		
Operating fund (Note 10)	\$ 378,553	\$ 372,785
Capital fund (Note 10)	11,936,974	6,968,990
Reserves and reserve funds (Note 10)	8,546,348	9,681,505
Equity in Halton Hills Hydro Inc. (Note 4)	36,859,613	35,579,897
	<u>57,721,488</u>	<u>52,603,177</u>
Amounts to be recovered from future revenues	(6,831,277)	(8,203,301)
	<u>\$ 50,890,211</u>	<u>\$ 44,399,876</u>

Contingencies (Note 20)

APPROVED ON BEHALF OF THE CORPORATION OF THE TOWN OF HALTON HILLS



ED DESOUSA, CGA

DIRECTOR OF FINANCE AND TREASURER



RICK BONNETTE

MAYOR



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

Consolidated Statement of Financial Activities

For The Year Ended December 31, 2006

	2006	2005
Revenue		
Taxation - all classes (Note 1(b)(iii))	\$ 75,599,969	\$ 68,640,849
Less amounts received for		
School Boards and Region (Note 12)	(53,333,290)	(48,424,979)
Net taxation for municipal purposes	22,266,679	20,215,870
User fees and charges	7,174,147	7,884,535
Government of Canada grants	733,795	11,189
Province of Ontario grants	2,117,561	743,736
Other municipalities	515,308	487,207
Investment income	2,557,547	2,143,888
Contributions from developers	4,170,614	3,084,242
Donations	339,976	156,523
Other	3,744,494	1,900,755
Total revenue	43,620,121	36,627,945
Expenditure		
Operating		
General government	4,965,168	4,482,481
Protection services	6,162,340	5,424,179
Transportation services	5,950,464	5,988,669
Environmental services	371,382	261,576
Health services	207,769	173,432
Social and family services	394,819	366,170
Recreation and cultural services	9,191,140	8,603,088
Planning and development	1,492,117	1,368,898
	28,735,199	26,668,493
Capital		
General government	870,578	236,053
Protection services	453,152	399,599
Transportation services	6,162,842	4,773,060
Environmental services	66,759	1,515,557
Health services	37,200	63,014
Social family services	1,000	19,675
Recreation and cultural services	2,267,934	1,539,453
Planning and development	416,737	80,886
	10,276,202	8,627,297
Reserve and Reserve Funds		
Debt interest payments	38,943	43,379
Total expenditure (Note 14)	39,050,344	35,339,169
Net revenue	4,569,777	1,288,776
Equity income from Halton Hills Hydro Inc. (Note 4)	1,279,716	972,224
Less debt principal repayments	731,205	695,874
Decrease in amounts to be recovered	(731,205)	(695,874)
Increase (decrease) in non-financial assets	23	(43,000)
Change in fund balances	\$ 5,118,311	\$ 1,522,126



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

THE CORPORATION OF THE TOWN OF HALTON HILLS
Consolidated Statement Of Changes In Financial Position
For The Year Ended December 31, 2006

	<u>2006</u>	<u>2005</u>
OPERATIONS		
Net revenue	\$ 4,569,777	\$ 1,288,776
Uses		
Increase in taxes receivable	-	(785,922)
Increase in accounts receivable	(1,247,233)	-
Increase in long-term receivables	(1,793,464)	(2,121)
Decrease in accounts payable and accrued liabilities	-	(2,459,298)
Decrease in other current liabilities	(1,076,685)	-
Decrease in deferred revenue	(897,322)	-
Decrease in employee benefits obligation	-	(40,351)
Total uses	(5,014,704)	(3,287,692)
Sources		
Decrease in taxes receivable	152,720	-
Decrease in accounts receivable	-	1,290,461
Increase in accounts payable and accrued liabilities	1,266,547	-
Increase in other current liabilities	-	1,255,129
Increase in deferred revenue	-	3,981,928
Increase in employee benefits obligation	50,957	-
Total sources	1,470,224	6,527,518
Net change in cash from operations	1,025,297	4,528,602
INVESTING		
Decrease (Increase) in investments	1,858,068	(4,119,171)
Net change in cash from investing	1,858,068	(4,119,171)
FINANCING		
Long-term debt repaid	(731,205)	(695,874)
Employee benefits to be recovered from future revenues	(60,918)	9,827
Net change in cash from financing	(792,123)	(686,047)
Net change in cash	2,091,242	(276,616)
Cash, beginning of year	997,303	1,273,919
Cash, end of year	\$ 3,088,545	\$ 997,303



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

1. Significant Accounting Policies

The consolidated financial statements of The Corporation of the Town of Halton Hills (the "Town") are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local government as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Significant accounting policies of the Town include:

(a) (i) Reporting entity

These consolidated statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. 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, (excluding Halton Hills Hydro Inc. see (ii) below). The following local boards are included in these consolidated statements:

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

All material inter-entity transactions and balances are eliminated on consolidation.

(ii) Investment in Halton Hills Hydro Inc.

The Town's investment in Halton Hills Hydro Inc. is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for investments in government business enterprises. Under the modified equity basis, Halton Hills Hydro Inc.'s accounting principles are not adjusted to conform with those of the municipality and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of Halton Hills Hydro Inc. in its statement of financial activities with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from Halton Hills Hydro Inc. will be reflected as reductions in the investment asset account.

(iii) Accounting for region and school board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the Region of Halton are not reflected in the municipal fund balances of these financial statements.

(iv) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the trust funds statement of continuity and statement of financial position.

1. Significant Accounting Policies (Continued)

(b) Basis of accounting

(i) Accrual basis of accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures 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) Tangible capital assets

The historical cost and accumulated amortization of capital assets are not reported for municipal purposes. Tangible capital asset expenditures during the year are recorded as capital expenditures in the statement of financial activities.

(iii) Accounting for property tax phase-in and Bill 140 capping provisions resulting from the Ontario Fair Assessment System

The net impact in property taxes as a result of the application of phase-in and capping provisions, does not affect the consolidated statement of financial activities, as the full amount of the property taxes were levied.

(iv) Inventory

Inventory is valued at the lower of cost and net realizable value.

(v) Reserves and reserve funds

Certain amounts, as approved by Town Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(vi) Deferred revenue

Deferred revenue represents user charges and fees and development charges which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(vii) 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.

1. Significant Accounting Policies (Continued)

(viii) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Short-term Investments

Short-term investments which are reported at cost, have a market value of \$31,194,260 (2005 - \$32,559,835) at the end of the year.

3. Taxes Receivable

There are no taxes owing from properties 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.

4. Investment in Halton Hills Hydro Inc.

In recognition of the requirements of Bill 35 (the Energy Competition Act, 1998) the Town on August 8, 2000 passed a transfer by-law that transferred, at fair value, all of the assets and liabilities of the Halton Hills Hydro-Electric Commission, effective November 1, 2000, to four newly created corporations of the Town of Halton Hills. These four corporations, Halton Hills Hydro Inc. and its wholly owned subsidiaries, Halton Hills Energy Inc., SouthWestern Energy Inc. and Halton Hills Fibre Optics Inc. will carry on the former businesses of the Commission with all its rights, duties, obligations and responsibilities from the date of transfer. The Town is the sole shareholder of Halton Hills Hydro Inc.

Halton Hills Hydro Inc. is wholly-owned and controlled by the Town of Halton Hills and as a business enterprise is accounted for on the modified equity basis in these financial statements. Halton Hills Hydro Inc. serves as the electrical distribution utility for Halton Hills' residents. Other activities of Halton Hills Hydro Inc., and its subsidiaries, are to provide fibre optic services, water heater rental and sentinel lights.