



**2011 Financial Statements and  
Financial Information Return**

**THE CORPORATION OF THE TOWN OF HALTON HILLS  
2011 FINANCIAL STATEMENTS  
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**TOWN OF HALTON HILLS -TEN YEAR FINANCIAL REVIEW**

<b>Not subject to audit</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
1 POPULATION at the end of year (estimated)	58,786	59,900	58,700	57,700	56,700	55,000	53,900	52,700	51,300	49,400
2 AREA in acres at the end of year	69,350	69,350	69,350	69,350	69,350	69,350	69,350	69,350	69,350	69,350
3 EMPLOYEES - continuous full time	232	224	219	222	222	213	202	197	189	185
4 NUMBER of households	20,171	20,292	20,216	20,161	19,872	19,247	18,525	17,699	17,263	16,973
5 TAX ARREARS - per capita	101	104	98	89	69	63	67	54	61	87
- percentage of current levy	6.7	7.3	6.7	6.3	5.0	4.7	5.4	4.3	5.1	7.3
6 TRANSFERS TO THE REGION OR COUNTY	32,363	32,058	32,661	31,282	30,611	29,312	26,389	25,240	23,012	22,405
7 TRANSFERS TO THE SCHOOL BOARDS	26,017	26,075	25,905	25,425	24,988	24,021	22,036	21,623	21,212	20,471
8 LONG TERM LIABILITIES										
General municipal activities	472	588	883	931	1,209	1,472	2,115	2,727	3,309	3,864
- per capita	8	10	15	16	21	27	39	52	65	78
Municipal enterprises										
9 CHARGES FOR LONG TERM LIABILITIES										
General municipal activities	373	378	520	344	344	761	766	769	773	774
- per capita	6	6	9	6	6	14	14	15	15	16
10 RESERVES, RESERVE FUNDS AND DEFERRED REVENUE	33,073	24,804	20,578	23,114	20,882	21,962	24,062	20,755	15,669	12,468

All figures are in thousands of dollars except per capita figures.



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Halton Hills, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of changes in net financial assets, operations and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of Town of Halton Hills as at December 31, 2011, its consolidated changes in net financial assets; its consolidated results of operations, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Other Matters*

The financial statements of the Corporation of Town of Halton Hills for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on June 27, 2011.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

June 11, 2012  
Hamilton, Canada

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Consolidated Statement Of Financial Position**  
December 31, 2011, with comparative figures for 2010


	2011	2010
<b>Financial assets</b>		
Cash	\$ 3,545,142	\$ 1,808,072
Short-term investments (Note 2)	33,821,088	29,081,243
Taxes receivable (Note 3)	5,957,150	6,255,523
Accounts receivable	6,367,006	5,757,819
Long-term receivables (Note 4)	1,262,377	1,273,587
Investment - Halton Hills Community Energy Corp. (HHCEC) (Note 5)	38,276,052	38,347,638
Inventory for resale	18,689	22,000
	<b>89,247,504</b>	<b>82,545,882</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	7,195,856	7,214,508
Other current liabilities	4,407,034	4,434,079
Deferred revenue (Note 8)	13,397,897	12,513,448
Employee benefits obligation (Note 9)	1,198,109	1,106,063
Long-term liabilities (Note 10)	10,487,346	4,965,831
	<b>36,686,242</b>	<b>30,233,929</b>
<b>Net financial assets</b>	<b>52,561,262</b>	<b>52,311,953</b>
<b>Non-financial assets (Note 12)</b>		
Tangible capital assets - net (Note 13)	262,803,925	267,655,527
Prepaid expenses and inventory	164,663	175,084
	<b>262,968,588</b>	<b>267,830,611</b>
<b>Accumulated surplus (Note 14)</b>	<b>\$ 315,529,850</b>	<b>\$ 320,142,564</b>

Contingent liabilities (Note 15)  
Lease commitments ( Note 16)

Approved on behalf of the Corporation of the Town of Halton Hills:



Ed DeSousa, CGA  
Director of Corporate Services  
and Treasurer



Rick Bonnette  
Mayor

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Consolidated Statement of Change in Net Financial Assets**  
**Year Ended December 31, 2011, with comparative figures for 2010**

	Budget (Note 22)	2011	2010
<b>Annual (deficit) surplus</b>	\$ (11,224,649)	\$ (4,612,714)	\$ 7,532,773
Acquisition of tangible capital assets	(11,823,324)	(21,783,533)	(21,496,540)
Amortization of tangible capital assets	-	13,506,403	12,998,491
Loss on disposal of tangible capital assets	-	11,978,857	834,868
Write-down of tangible capital assets (Note 23)	-	909,737	-
Proceeds on sale of tangible capital assets	-	240,138	129,807
Change in prepaid expenses and supplies inventory	-	10,421	118,396
Change in net financial assets	(23,047,973)	249,309	117,795
Net financial assets, beginning of year	52,311,953	52,311,953	52,194,158
<b>Net financial assets, end of year</b>	\$ <b>29,263,980</b>	\$ <b>52,561,262</b>	\$ <b>52,311,953</b>

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



**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Consolidated Statement of Operations**  
Year Ended December 31, 2011, with comparative figures for 2010

	Budget (Note 22)	2011	2010
<b>Revenues</b>			
Taxation	\$ 32,195,787	\$ 32,248,352	29,189,001
User fees and charges	8,619,200	7,755,179	7,824,001
Government transfers			
Federal (Note 17)	1,786,200	1,636,189	3,151,616
Provincial (Note 17)	546,800	1,028,898	3,683,028
Other municipalities	874,200	848,629	656,238
Investment income	930,000	1,282,011	1,384,908
Development charges	3,946,200	1,393,139	3,548,204
Donated tangible capital assets	-	9,960,209	3,472,167
Donations	125,700	449,311	335,512
Interest from HHCEC (Note 5)	1,008,873	1,008,873	1,008,873
Equity income from HHCEC (Note 5)	1,113,027	981,391	985,273
Other	1,367,611	6,144,037	2,206,055
	52,513,598	64,736,218	57,444,876
<b>Expenses</b>			
General government	7,019,128	6,994,615	6,460,168
Protection services	7,904,210	7,649,616	7,617,505
Transportation services	30,214,772	34,353,268	17,216,202
Environmental services	1,474,487	1,629,621	1,488,213
Health services	315,594	467,684	373,202
Social and family services	596,122	561,140	490,062
Recreation and cultural services	14,077,586	15,545,484	14,172,983
Planning and development	2,136,348	2,147,504	2,093,768
	63,738,247	69,348,932	49,912,103
<b>Annual (deficit) surplus</b>	(11,224,649)	(4,612,714)	7,532,773
<b>Accumulated surplus, beginning of year</b>	320,142,564	320,142,564	312,609,791
<b>Accumulated surplus, end of year (Note 14)</b>	\$ 308,917,915	\$ 315,529,850	320,142,564

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Consolidated Statement of Cash Flows**  
Year Ended December 31, 2011, with comparative figures for 2010

	2011	2010
<b>Operating Activities</b>		
Annual (deficit) surplus	\$ (4,612,714)	\$ 7,532,773
Items not affecting cash:		
Loss on disposal of tangible capital assets	11,978,857	834,868
Write-down of tangible capital assets	909,737	-
Amortization of tangible capital assets	13,506,403	12,998,491
Donated tangible capital assets	(9,960,209)	(3,472,167)
Change in employee benefit obligation	92,046	36,517
Equity income from HHCEC	(981,391)	(985,273)
Changes in non-cash working capital:		
Taxes receivable	298,373	(517,807)
Accounts receivable	(609,187)	(2,946,747)
Prepaid expenses and inventory	10,421	118,396
Accounts payable and accrued liabilities	(18,652)	(1,910,007)
Other current liabilities	(27,045)	272,416
Deferred revenue	884,449	(1,408,452)
Inventory for resale	3,311	4,347
<b>Net change in cash from operations</b>	<b>11,474,399</b>	<b>10,557,355</b>
<b>Capital Activities</b>		
Acquisition of tangible capital assets	(11,823,324)	(18,024,373)
Proceeds on disposal of tangible capital assets	240,138	129,807
<b>Net change in cash from capital activities</b>	<b>(11,583,186)</b>	<b>(17,894,566)</b>
<b>Investing Activities</b>		
(Acquisition) redemption of investments	(4,728,635)	7,381,301
Dividends from HHCEC	1,052,977	1,038,065
<b>Net change in cash from investing activities</b>	<b>(3,675,658)</b>	<b>8,419,366</b>
<b>Financing Activities</b>		
Long-term debt issued	6,701,829	-
Long-term debt repaid	(1,180,314)	(1,345,686)
<b>Net change in cash from financing activities</b>	<b>5,521,515</b>	<b>(1,345,686)</b>
<b>Net change in cash activities</b>	<b>1,737,070</b>	<b>(263,531)</b>
Cash, beginning of year	1,808,072	2,071,603
<b>Cash, end of year</b>	<b>\$ 3,545,142</b>	<b>\$ 1,808,072</b>

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

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**1. Summary of Significant Accounting Policies**

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

Significant accounting policies adopted by the Town are as follows:

**(a) Basis of Consolidation**

**(i) Consolidated entities**

These consolidated financial statements reflect the assets, liabilities, revenue, and expenses of the reporting entity. 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 Community Energy Corporation see (ii) below). The following local boards are included in these consolidated financial statements:

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

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

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

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

**(iii) Accounting for region and school board transactions**

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

**(iv) Trust funds**

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

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**1. Summary of Significant Accounting Policies (Continued)**

(b) (i) Basis of accounting

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

(ii) Investments

Short term investments are carried at the lower of cost and market value.

(iii) Inventory

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

(iv) Tangible capital assets

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

<b>ASSETS</b>	<b>USEFUL LIFE (YEARS)</b>
Land	Infinite
Land improvements	3-100
Buildings	10-50
Machinery and equipment	3-25
Vehicles	3-20
Linear assets	10-50
Leasehold improvements	Duration of Lease

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

Assets under construction (work in progress) are not amortized until the asset is available for productive use. Interest on debt incurred during construction of related tangible capital assets is expensed in operations.

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

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**1. Summary of Significant Accounting Policies (Continued)**

(v) Taxation and related revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) based upon Current Value Assessment (CVA). Tax rates are established annually by Town Council, incorporating amounts to be raised for local services and the requisition made by the Region of Halton in respect of regional services. The Town is required to collect education taxes on behalf of the Province of Ontario. A mandatory property tax mitigation process exists in Ontario whereby commercial, industrial and multi-residential property tax increases are capped at the greater of 10% of the previous year's actual taxes and 5% of the previous year's actual CVA taxes. The cap is funded through a clawback of reassessment related tax decreased in these property classes. A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received the Town determines the taxes applicable and renders supplemental tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known.

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

(vi) Deferred revenue

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

(vii) Investment income

Investment income earned on surplus current funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

(viii) Miscellaneous revenue recognition

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

(ix) 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.

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

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**1. Summary of Significant Accounting Policies (Continued)**

(x) Employee benefits obligation

The Town provides certain employee benefits which will require funding in future periods. These benefits include benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and extended health and dental benefits for a closed group of early retirees.

An independent actuarial study to determine the costs of benefits under the Workplace Safety and Insurance Board Act and liabilities for future payments of extended health and dental benefits has been undertaken using management's best estimate of insurance and health care cost trends, long term inflation rates and discount rates.

Unamortized actuarial gains and losses are amortized over the expected average remaining service life of the employee group ("EARSL"). EARSL is 12 years for both WSIB and extended health and dental benefits.

(xi) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments, with a term to maturity of 90 days or less at acquisition. Investing and financing activities that do not require the use of cash or cash equivalents are excluded from the Consolidated Cash Flow Statement and disclosed separately.

(xii) 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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Significant estimates include assumptions used in estimating provisions for accrued liabilities and doubtful accounts, and in performing actuarial valuations of employee future benefits.

The Town's implementation of PS3150 has also required management to make estimates of historical costs, useful lives and residual values of tangible capital assets.

Actual results could differ from these estimates.

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

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**1. Summary of Significant Accounting Policies (Continued)**

(xiii) Future changes in significant accounting policies

The following accounting standards have been issued by the Public Sector Accounting Board (PSAB) but are not yet effective. The Town is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3510, "Tax Revenue", is effective for years beginning on or after April 1, 2012. This section sets out the recognition criteria and reporting requirements of tax revenue and provides guidance on tax-related accounting issues.

Section PS 3410, "Government Transfers", is effective for years beginning on or after April 1, 2012. This section sets out the recognition criteria and reporting requirements for Government transfers.

Section PS 3260, "Liability for Contaminated Sites", is effective for years on or after April 1, 2014. This section sets out the recognition criteria and reporting requirements for a liability associated with remediation of contaminated sites.

Section PS 3450, "Financial Instruments", is effective for years on or after April 1, 2015. This section sets out recognition criteria and reporting requirements for all types of financial instruments, including derivatives.

**2. Short-term Investments**

The Town pools their investment money with Halton Region in an effort to obtain a better rate of return. The Town is able to withdraw from the fund as needed with no restrictions. The Town has \$33,821,088 (2010 - \$29,081,243) invested in the fund as at December 31, 2011. The market value of the investment is \$37,366,037. During 2011, the invested funds earned a realized year-to-date rate of return, net of fees, of 6.03%.

**3. Taxes Receivable**

Included in taxes receivable of \$5,957,150 (2010 - \$6,255,523) as reported on the consolidated statement of financial position as at December 31, 2011, are taxes owing from 7 (2010 - 2) properties in the amount of \$898,373 (2010 - \$107,155), which have been placed under tax registration under the authority of the Municipal Tax Sales Act of 1990. It is the policy of council to take all authorized measures to control the escalation of defaulted tax payments.

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

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**4. Long-term Receivables**

	<u>2011</u>	<u>2010</u>
Acton Agricultural Society Loan	<b>\$1,056,911</b>	<b>\$1,185,827</b>
<p>The loan is repayable in blended semi-annual principal and interest payments, bears interest annually at the 10 year Canadian bond rate in effect at the beginning of the year (2011- 3.21%) and matures November 2020.</p>		
Halton Hills Gymnastic Centre Loan	<b>124,310</b>	-
<p>The loan bears interest at the 10 year Canadian Bond rate (August 2011 – 2.58%) and payment of interest owing on the loan over the first three years (2011-2014) is being deferred. Blended semi-annual principal and interest payments will start in 2015. The loan amount is not to exceed \$324,000 and matures September 30, 2023.</p>		
Other long-term receivables	<b>81,156</b>	<b>87,760</b>
	<b><u>\$1,262,377</u></b>	<b><u>\$1,273,587</u></b>



**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

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

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. 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.

On January 1, 2009, articles of amendment were filed to change the name of the subsidiary, Halton Hills Energy Inc., to Halton Hills Community Energy Corporation. A corporate restructuring dated January 1, 2009 resulted in HHCEC becoming the parent company of Halton Hills Hydro Inc., Halton Hills Fibre Optics Inc., and SouthWestern Energy Inc. The Town is the sole shareholder of HHCEC.

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

On May 25, 2009, Halton Hills Council authorized the sale of Halton Hills Fibre Optics Inc. to Atria Networks LP effective June 1, 2009. As a result of this sale, Halton Hills Fibre Optics Inc. is no longer a subsidiary of HHCEC as at December 31, 2009.

On April 12, 2010, Halton Hills Council authorized the purchase of the assets of Hummingbird Wireless from Atria Networks LP effective April 19, 2010.

On June 21, 2010, Harvester Energy Canada Inc. was registered as a company and is a wholly owned subsidiary of HHCEC.

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

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

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

	2011	2010
<b>Financial Position:</b>		
<b>Assets</b>		
Current	\$ 15,006,425	\$ 14,819,795
Capital	31,667,726	31,572,873
Other	8,674,745	8,275,788
<b>Total assets</b>	<b>\$ 55,348,896</b>	<b>\$ 54,668,456</b>
<b>Liabilities</b>		
Current	\$ 12,557,950	\$ 15,333,830
Promissory note payable to Town of Halton Hills	16,141,970	16,141,970
Other	4,514,894	986,988
<b>Total liabilities</b>	<b>33,214,814</b>	<b>32,462,788</b>
<b>Equity</b>		
Share capital	16,161,663	16,161,663
Retained earnings	5,972,419	6,044,005
<b>Total equity</b>	<b>22,134,082</b>	<b>22,205,668</b>
<b>Total liabilities and equity</b>	<b>\$ 55,348,896</b>	<b>\$ 54,668,456</b>
<b>Financial Activities:</b>		
Revenue	\$ 56,817,099	\$ 52,891,790
Expenses	55,835,708	51,906,517
<b>Net earnings</b>	<b>981,391</b>	<b>985,273</b>
Retained earnings, beginning of year	6,044,005	6,096,797
Dividends on common shares	(1,052,977)	(1,038,065)
<b>Retained earnings, end of year</b>	<b>\$ 5,972,419</b>	<b>\$ 6,044,005</b>
<b>Town of Halton Hills' investment in HHCEC represented by:</b>		
Promissory note receivable (a)	\$ 16,141,970	\$ 16,141,970
Investment in shares of HHCEC	16,161,663	16,161,663
HHCEC retained earnings	5,972,419	6,044,005
<b>Total investment in HHCEC</b>	<b>\$ 38,276,052</b>	<b>\$ 38,347,638</b>

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

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

(a) Promissory Note Receivable

HHCEC issued a promissory note to the Town, which bears interest at a prescribed rate set annually by the Town, and is due December 31, 2012. For 2010 to 2011, the prescribed rate of interest is 6.25%. There are no fixed terms for the repayment of principal. Interest received during the year with respect to the promissory note is \$1,008,873 (2010 - \$1,008,873).

**6. Bank Indebtedness**

Credit facilities available to the Town from a financial institution, by way of loans, overdrafts or Bankers Acceptances, amount to \$500,000. Interest on these facilities is at prime minus .75% per annum. At December 31, 2011, these credit facilities were not utilized by the Town.

**7. Accounts Payable and Accrued Liabilities**

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

	2011	2010
Trade accounts payable	\$ 5,019,639	\$ 5,260,808
Payables to other governments	1,946,116	1,834,104
Accrued liabilities	230,101	119,596
	<u>\$ 7,195,856</u>	<u>\$ 7,214,508</u>

**8. Deferred Revenue**

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

	Balance at 31-Dec-10	Revenue	Transfers	Balance at 31-Dec-11
Development charges	\$ 7,337,743	\$ 2,098,719	\$(2,069,226)	\$ 7,367,236
Capital committed	21,506	1,002	-	22,508
Parkland	1,414,463	630,974	(1,399,071)	646,366
Building Code Act, 1992	271,681	853,409	-	1,125,090
Gas tax - Federal	1,302,742	1,773,543	(1,142,019)	1,934,266
Total deferred revenue - obligatory	<u>10,348,135</u>	<u>5,357,647</u>	<u>(4,610,316)</u>	<u>11,095,466</u>
Other	2,165,313	2,492,781	(2,355,663)	2,302,431
	<u>\$ 12,513,448</u>	<u>\$ 7,850,428</u>	<u>\$(6,965,979)</u>	<u>\$ 13,397,897</u>

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

**9. Employee Benefits Obligation**

Summary of employee benefits obligation is provided below:

Future payments required for:	2011	2010
Liability for WSIB (a)	\$ 416,059	\$ 372,818
Vacation pay liability (b)	121,206	112,798
Retirement benefits (c)	660,844	620,447
<b>Total</b>	<b>\$ 1,198,109</b>	<b>\$ 1,106,063</b>

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

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

An independent actuarial valuation dated February 27, 2012, estimated the liability at \$ 416,059 (2010 - \$372,818) as at December 31, 2011. A reserve in the amount of \$ 473,890 (2010 - \$449,890) has been provided for this liability. The calculations were based on an interest rate of 5% and an inflation rate for benefits of 2% to 4.5%.

(b) Vacation Pay Liability

The vacation year for CUPE members is from May 1 to April 30. Vacations earned in that twelve month period may be taken anytime during the following twelve months. The vacation pay liability at December 31, 2011 represents the vacation earned but not yet taken.

(c) Retirement Benefits

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

Using the information contained in an independent actuarial valuation dated February 27, 2012, management has estimated a liability of \$660,844 (2010 - \$620,447) for the retirement benefits based on the present value of the current obligation for past and current employees. The calculations were based on an interest rate of 5% and inflation rates for benefit premiums of 3% to 7%.

(d) Information about the Town's defined benefit plans is as follows:

	Retirement Benefits	WSIB
Accrued benefit obligation at January 1, 2011	\$ 620,447	\$ 372,818
Service cost	20,892	82,391
Interest cost	45,867	15,416
Benefit payments	(62,570)	(41,277)
	624,636	429,348
Unamortized actuarial gain (loss)	36,208	(13,289)
Accrued benefit obligation at December 31, 2011	<b>\$ 660,844</b>	<b>\$ 416,059</b>

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

**10. Long-term Liabilities**

	<u>2011</u>	<u>2010</u>
(a) Total long-term liabilities incurred by the Town at the end of the year.	<b>\$ 10,487,346</b>	<b>\$ 4,965,831</b>

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

2012	\$ 1,214,454
2013	1,118,129
2014	1,149,768
2015	958,587
2016	980,218
2017-2031	<u>5,066,190</u>
	<b><u>\$ 10,487,346</u></b>

(c) The long-term liabilities in (a) issued in the name of the Town have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) Interest expense on net long-term liabilities amounted to \$217,765 (2010 - \$257,333).

**11. Charges for Long-term Liabilities**

Total charges for the year for long-term liabilities which are reported on the Consolidated Statement of Financial Position are as follows:

	<u>2011</u>	<u>2010</u>
Principal	\$ 1,180,314	\$ 1,345,686
Interest	<b>217,765</b>	<b>257,333</b>
	<b><u>\$ 1,398,079</u></b>	<b><u>\$ 1,603,019</u></b>

**12. Non-financial Assets**

Tangible capital and other non-financial assets are accounted for as assets by the Town because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the Town unless they are sold.

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

**13. Tangible Capital Assets**

Cost	Balance, beginning of year	Additions	Disposals	Balance, end of year
<b>General</b>				
Land	\$ 17,652,569	\$ 1,324,116	\$ (820,701)	\$ 18,156,984
Land improvements	30,441,334	4,911,002	(21,097)	35,331,239
Buildings	41,782,247	4,897,072	(181,844)	46,317,475
Equipment	15,728,451	1,198,700	(882,305)	16,044,846
Vehicles	3,834,933	109,496	(66,902)	3,877,527
Leasehold improvements	248,298	-	-	248,298
Work in progress	6,805,415	(1,610,548)	-	4,994,867
<b>Infrastructure</b>				
Land	3,579,950	137,480	-	3,717,410
Land improvements	1,572,638	675,784	(757,923)	1,490,499
Buildings	1,330,827	-	-	1,330,827
Linear assets	302,551,750	20,232,964	(21,834,321)	300,950,393
Equipment	8,078,852	1,689,250	(5,330)	7,762,772
Vehicles	6,849,740	332,021	-	7,181,761
Work in progress	15,164,598	(11,913,784)	-	3,250,814
<b>Total Cost</b>	<b>\$ 453,419,402</b>	<b>\$ 21,783,533</b>	<b>\$ (24,550,423)</b>	<b>\$ 450,652,512</b>

**Accumulated Amortization**

<b>General</b>				
Land improvements	\$ 9,443,773	\$ 1,161,415	\$ (20,622)	\$ 10,584,566
Buildings	16,818,890	1,708,501	(150,408)	18,376,983
Equipment	11,309,117	879,900	(859,092)	11,329,925
Vehicles	1,608,925	217,706	(59,438)	1,767,193
Leasehold improvements	82,012	34,017	-	116,029
<b>Infrastructure</b>				
Land improvements	1,239,419	41,053	(757,923)	522,549
Buildings	712,618	22,468	-	735,084
Linear assets	137,907,824	8,552,430	(9,573,024)	136,887,230
Equipment	3,377,375	358,646	(1,184)	3,734,837
Vehicles	3,266,124	530,267	-	3,796,391
Work in progress	-	-	-	-
<b>Accumulated Amortization</b>	<b>\$ 185,763,875</b>	<b>\$ 13,506,403</b>	<b>\$ (11,421,691)</b>	<b>\$ 187,848,587</b>

**Net Book Value**

<b>General</b>				
Land	\$ 17,652,569	\$ 1,324,116	\$ (820,701)	\$ 18,156,984
Land improvements	20,997,561	3,749,587	(475)	24,746,673
Buildings	24,965,557	2,988,571	(11,436)	27,942,692
Equipment	4,417,334	318,800	(23,213)	4,712,921
Vehicles	2,228,008	(108,210)	(7,484)	2,110,334
Leasehold improvements	168,286	(34,017)	-	132,269
Work in progress	6,805,415	(1,610,548)	-	4,994,867
<b>Infrastructure</b>				
Land	3,579,950	137,480	-	3,717,410
Land improvements	333,219	634,731	-	967,950
Buildings	618,011	(22,468)	-	595,543
Linear assets	164,643,926	11,680,534	(12,261,297)	164,063,163
Equipment	2,701,477	1,330,604	(4,146)	4,027,935
Vehicles	3,583,618	(198,246)	-	3,385,370
Work in progress	15,164,598	(11,913,784)	-	3,250,814
<b>Net Book Value - 2011</b>	<b>\$ 267,655,527</b>	<b>\$ 8,277,130</b>	<b>\$ (13,128,732)</b>	<b>\$ 262,803,925</b>
<b>Net Book Value - 2010</b>	<b>\$ 260,122,153</b>	<b>\$ 8,498,049</b>	<b>\$ (964,675)</b>	<b>\$ 267,655,527</b>

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

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**13. Tangible Capital Assets (Continued)**

(b) Contributed tangible capital assets

The Town records all tangible capital assets contributed by an external party as revenue, valued at the fair market value at the date of receipt. The value of contributed assets received during the year was \$9,960,209 (2010 - \$3,472,167).

(c) Tangible capital assets disclosed at nominal value

No tangible capital assets are recognized at nominal value in the financial statements.

(d) Works of art and historical treasures

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

**14. Accumulated Surplus at the end of the year**

	<u>2011</u>	<u>2010</u>
General surplus / deficit		
- for general reduction of town taxation		
- Town	\$ 71,100	\$ 121,100
- library	727	19,100
- for special charges reduction of taxation of other boards	2,488	(7,449)
- other	3,743,966	5,193,378
	<u>3,818,281</u>	<u>5,326,129</u>
Equity in tangible capital assets		
- Net tangible capital assets	254,558,244	245,885,514
- Construction in progress	8,245,681	21,770,013
- Debt issued (net of Region recoveries)	(10,414,535)	(4,888,798)
	<u>252,389,390</u>	<u>262,766,729</u>
Equity in HHCEC	38,276,052	38,347,638
Unfunded employee benefits	(875,293)	(791,655)
Business Improvement Area	(5,883)	37,724
Reserves set aside for specific purposes by Council		
- for insurance	333,161	272,972
- for workers' compensation	473,890	449,890
- for election	39,500	-
- for tax rate stabilization	365,767	654,039
- for capital purposes	20,068,761	12,448,410
<b>Total reserves</b>	<u>21,281,079</u>	<u>13,825,311</u>
Reserve funds set aside for specific purposes by Council		
- for John Elliott Award	10,158	10,188
- for capital purposes	636,066	620,500
<b>Total reserve funds</b>	<u>646,224</u>	<u>630,688</u>
	<u>\$ 315,529,850</u>	<u>\$ 320,142,564</u>



**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

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**15. Contingent Liabilities**

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

**16. Lease Commitments**

The Town leases premises and is committed to minimum annual lease payments under terms of lease agreements which expire in 2014 as follows:

2012	\$	211,188
2013		154,016
2014		116,745

**17. Government Transfers**

The Town recognizes the transfer of Government funding as revenue or expense in the period that the events giving rise to the transfer occurred. The Government transfers reported in the Consolidated Statement of Operations are:

	2011	2010
<b>Federal</b>		
Federal Gas Tax	\$ 1,030,656	\$ 1,233,781
Infrastructure Stimulus Fund	341,411	943,589
Community Adjustment Fund	60,119	579,808
Building Canada Fund	9,466	239,384
Recreation Infrastructure Fund	33,249	128,260
Other grants	161,288	26,794
	<u>\$ 1,636,189</u>	<u>\$ 3,151,616</u>
<b>Provincial</b>		
Community Adjustment Fund	\$ 59,215	\$ 988,290
Infrastructure Stimulus Fund	179,128	900,872
Investing in Ontario Act	39,382	649,277
Recreation Infrastructure Fund	33,249	299,242
Building Canada Fund	9,466	239,384
Dedicated Gas Tax	262,540	-
Other grants	445,918	605,963
	<u>\$ 1,028,898</u>	<u>\$ 3,683,028</u>

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

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**18. Segmented Information**

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

**General government – Mayor and Council, Office of the CAO, Corporate Services**

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

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

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

**Transportation services – Infrastructure Services Department, Parking Control**

The Infrastructure Services department is responsible for operations, infrastructure management (roads, bridges and sewers), traffic control, accessible transit service and development engineering. The Corporate Services department provides parking enforcement.

**Environmental services – Storm Water Management**

Storm water management services are provided by the Infrastructure Services department.

**Health services**

Cemetery services are provided by the Infrastructure Services and Recreation and Parks departments.

**Social and family services**

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

**Recreation and cultural services – Recreation and Parks Department, Library**

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

**18. Segmented Information (Continued)**

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

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

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Property taxation has been apportioned to segments based on net budgeted expenses. For additional information, see the schedules below for the years 2011 and 2010.

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning & Development	Total 2011
<b>Revenue:</b>									
Taxation for municipal purposes	\$ 3,252,607	\$ 3,557,193	\$ 15,974,814	\$ 757,800	\$ 217,480	\$ 260,939	\$ 7,228,896	\$ 998,623	\$ 32,248,352
User fees and charges	\$ 1,689,520	\$ 117,149	\$ 495,515	\$ 60,284	\$ 307,560	\$ 107,702	\$ 4,525,348	\$ 452,101	\$ 7,755,179
Government of Canada grants	\$ 3,866	\$ -	\$ 899,223	\$ 307,622	\$ -	\$ -	\$ 419,173	\$ 6,305	\$ 1,636,189
Province of Ontario grants	\$ -	\$ -	\$ 403,820	\$ -	\$ -	\$ 165,290	\$ 438,044	\$ 20,936	\$ 1,028,898
Other municipalities	\$ -	\$ 213,207	\$ 613,376	\$ 22,046	\$ -	\$ -	\$ -	\$ -	\$ 848,629
Investment income	\$ 1,282,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,282,011
Development charges	\$ 31,251	\$ 20,752	\$ 1,095,622	\$ 50,344	\$ -	\$ -	\$ 195,170	\$ -	\$ 1,393,139
Donations	\$ 6,828	\$ 13,779	\$ 9,960,209	\$ -	\$ -	\$ -	\$ 428,704	\$ -	\$ 10,409,520
Other	\$ 5,660,130	\$ -	\$ 740,813	\$ -	\$ -	\$ -	\$ 1,733,358	\$ -	\$ 8,134,301
<b>Total revenue</b>	<b>11,926,213</b>	<b>3,922,079</b>	<b>30,183,391</b>	<b>1,198,095</b>	<b>525,040</b>	<b>533,939</b>	<b>14,969,494</b>	<b>1,477,965</b>	<b>64,736,218</b>
<b>Expenses:</b>									
Salaries, wages & employee benefits	4,137,736	5,886,493	5,013,756	221,038	219,402	298,622	8,094,223	1,553,399	25,424,669
Interest on long-term debt	133,714	30,187	-	-	13,465	-	40,400	-	217,766
Purchased goods	988,045	537,970	1,767,539	156,440	177,763	56,867	2,525,267	305,477	6,515,368
Purchased services	1,006,544	279,306	6,831,437	95,479	13,109	43,296	1,679,816	233,247	10,182,314
Financial expenses	44,004	1,229	10,369	-	16,745	152,916	185,203	846	411,302
Transfers to others	64,728	-	-	-	12,060	-	73,707	52,021	202,516
	6,241,057	6,838,792	13,653,278	472,957	452,544	551,701	12,598,616	2,144,990	42,953,935
Amortization	312,693	806,965	8,670,862	1,156,664	15,140	9,609	2,532,156	2,514	13,506,403
Write-down of tangible capital assets	-	-	909,737	-	-	-	-	-	909,737
Loss (gain) on disposal	440,865	3,859	11,119,591	-	-	(170)	414,712	-	11,978,857
<b>Total expenses</b>	<b>6,994,615</b>	<b>7,649,616</b>	<b>34,353,268</b>	<b>1,629,621</b>	<b>467,684</b>	<b>561,140</b>	<b>15,545,484</b>	<b>2,147,504</b>	<b>69,348,932</b>
<b>Net revenue (expenses)</b>	<b>\$ 4,931,598</b>	<b>\$ (727,537)</b>	<b>\$ (1,169,877)</b>	<b>\$ (431,526)</b>	<b>\$ 57,356</b>	<b>\$ (27,201)</b>	<b>\$ (575,990)</b>	<b>\$ (669,539)</b>	<b>\$ (1,612,714)</b>

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning & Development	Total 2010
<b>Revenue:</b>									
Taxation for municipal purposes	\$ 3,777,958	\$ 4,454,778	\$ 10,068,174	\$ 870,319	\$ 218,252	\$ 266,592	\$ 8,288,475	\$ 1,224,452	\$ 29,189,001
User fees and charges	\$ 578,904	\$ 1,371,497	\$ 364,802	\$ 83,480	\$ 269,495	\$ 91,242	\$ 4,597,511	\$ 447,070	\$ 7,824,001
Government of Canada grants	\$ 3,041	\$ -	\$ 2,059,633	\$ -	\$ -	\$ -	\$ 1,082,637	\$ 6,305	\$ 3,151,616
Province of Ontario grants	\$ 5,717	\$ -	\$ 1,914,802	\$ -	\$ -	\$ 142,966	\$ 1,568,246	\$ 61,290	\$ 3,683,020
Other municipalities	\$ -	\$ 197,707	\$ 433,873	\$ 24,658	\$ -	\$ -	\$ -	\$ -	\$ 666,238
Investment income	\$ 1,384,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,384,908
Development charges	\$ -	\$ 445,358	\$ 1,459,956	\$ 48,547	\$ -	\$ -	\$ 1,600,560	\$ (6,217)	\$ 3,548,204
Donations	\$ 15,107	\$ 41,000	\$ 3,472,167	\$ -	\$ -	\$ -	\$ 279,405	\$ -	\$ 3,807,679
Other	\$ 3,472,167	\$ -	\$ 278,475	\$ -	\$ -	\$ -	\$ 449,559	\$ -	\$ 4,200,201
<b>Total revenue</b>	<b>9,237,802</b>	<b>6,510,340</b>	<b>20,051,882</b>	<b>1,027,004</b>	<b>507,747</b>	<b>520,799</b>	<b>17,856,393</b>	<b>1,732,908</b>	<b>57,444,876</b>
<b>Expenses:</b>									
Salaries, wages & employee benefits	4,051,681	5,696,311	4,429,461	160,913	201,012	266,137	7,871,984	1,474,658	24,142,157
Interest on long-term debt	-	155,491	37,172	-	-	-	64,670	-	257,333
Purchased goods	925,860	418,958	1,456,400	131,591	124,622	52,767	2,229,804	323,069	5,663,159
Purchased services	1,068,610	534,096	1,560,114	148,474	28,361	24,866	1,614,932	259,407	5,238,860
Financial expenses	18,086	311,925	9,146	-	325	147,212	103,830	(52,097)	538,427
Transfers to others	68,923	-	-	-	12,060	-	71,310	86,515	238,808
	6,133,160	7,116,781	7,492,381	440,978	366,380	480,982	11,956,530	2,091,552	36,078,744
Amortization	320,372	473,905	8,919,363	1,047,235	6,822	9,080	2,219,498	2,216	12,990,491
Loss on disposal	6,636	26,819	804,458	-	-	-	(3,045)	-	834,860
<b>Total expenses</b>	<b>6,460,168</b>	<b>7,617,505</b>	<b>17,216,202</b>	<b>1,488,213</b>	<b>373,202</b>	<b>490,062</b>	<b>14,172,983</b>	<b>2,093,768</b>	<b>49,912,103</b>
<b>Net revenue (expenses)</b>	<b>\$ 2,777,634</b>	<b>\$ (1,107,165)</b>	<b>\$ 2,835,680</b>	<b>\$ (461,209)</b>	<b>\$ 134,545</b>	<b>\$ 30,737</b>	<b>\$ 3,683,410</b>	<b>\$ (360,860)</b>	<b>\$ 7,532,773</b>

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2011**

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## **19. Financial Instruments**

### Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Town is exposed to credit risk from taxpayers and customers. The Town minimizes its credit risk through the use of credit policies, liens on properties and monitoring and following up on overdue taxes and accounts receivable. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Town has a significant number of taxpayers and customers which minimizes concentration of credit risk.

### Fair Value

The Town's carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

### Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities. The Town is exposed to interest rate risk primarily through its floating interest rate bank indebtedness.

## **20. Trust Funds**

Trust funds administered by the Town amounting to \$ 4,104,653 (2010 - \$3,490,217) are not included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations.

## **21. Pension Agreements**

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, which as of December 31, 2011, was on behalf of 283 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions of employees with a normal retirement age of 65 were being made at a rate of 7.4% for earnings up to the yearly maximum pensionable earnings of \$48,300 and at a rate of 10.7% for earnings greater than the yearly maximum pensionable earnings. Contributions of employees with a normal retirement age of 60 (Fire Department) were being made at a rate of 8.9% for earnings up to the yearly maximum pensionable earnings of \$48,300 and at a rate of 14.1% for earnings greater than the yearly maximum pensionable earnings.

The amount contributed to OMERS for 2011 was \$1,466,787 (2010 - \$1,259,878) for current service and is included as an expense on the Consolidated Statement of Operations.

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Notes to Consolidated Financial Statements**  
Year Ended December 31, 2011

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**22. Budget Figures**

The budgeted figures presented for comparison purposes are unaudited. These figures are those approved by Town Council and have been reclassified to conform with these financial statements.

**23. Change in Accounting Estimate**

The Town's implementation of PS3150 required management to make estimates of historical costs, useful lives and residual values of tangible capital assets. In 2011, the estimated useful lives of several tangible capital assets were found to be overstated, based on their expected replacement over the next 5 years. As at December 31, 2011, the useful lives of these assets have been reduced accordingly, resulting in a loss of \$909,737.

**24. Comparative Figures**

Some of the comparative figures have been reclassified to conform to the current year's presentation, which has had no effect on annual surplus or cash position.



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Trust Funds of The Corporation of the Town of Halton Hills, which comprise of the statement of financial position as at December 31, 2011, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of The Corporation of the Town of Halton Hills as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Other Matters*

The financial statements of the Trust Funds of The Corporation of The Town of Halton Hills for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on June 27, 2011.

Chartered Accountants, Licensed Public Accountants

June 11, 2012  
 Hamilton, Canada

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

December 31, 2011 with comparative figures for 2010

	<b>2011</b>	<b>2010</b>
<b>Financial assets</b>		
Investments (Note 2)	\$ 4,104,653	\$ 3,490,217
<b>Net financial assets, accumulated surplus</b>	<b>\$ 4,104,653</b>	<b>\$ 3,490,217</b>

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Trust Funds**  
**Statement of Change in Net Financial Assets**  
Year Ended December 31, 2011 with comparative figures for 2010

	<b>2011</b>	<b>2010</b>
<b>Annual surplus</b>	<b>\$ 614,436 \$</b>	<b>193,172</b>
Change in net financial assets	<b>614,436</b>	193,172
Net financial assets - beginning of year	<b>3,490,217</b>	3,297,045
<b>Net financial assets, end of year</b>	<b>\$ 4,104,653 \$</b>	<b>3,490,217</b>

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



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

Year Ended December 31, 2011 with comparative figures for 2010

	2011	2010
<b>Revenue</b>		
Cemetery maintenance	\$ 76,727	\$ 54,179
Developer contributions	462,278	103,852
Interest	168,444	145,766
	<b>707,449</b>	<b>303,797</b>
<b>Expenses</b>		
Transfer to Town of Halton Hills	91,218	107,880
Georgetown Hospital Foundation	682	635
Limehouse Presbyterian Cemetery	937	815
Payment to registered candidate	176	1,295
	<b>93,013</b>	<b>110,625</b>
<b>Annual surplus</b>	<b>614,436</b>	<b>193,172</b>
Accumulated surplus, beginning of year	3,490,217	3,297,045
<b>Accumulated surplus, end of year</b>	<b>\$ 4,104,653</b>	<b>\$ 3,490,217</b>
<b>Analysis of year end position</b>		
Fairview Cemetery	\$ 407,813	\$ 376,201
Greenwood Cemetery	955,192	878,503
Hornby Presbyterian Cemetery	758	741
Limehouse Presbyterian Cemetery	24,179	23,234
Union Presbyterian Cemetery	3,426	3,075
Candidate Contributions	7	176
Georgetown Hospital Foundation	14,690	14,690
Transportation Maintenance	2,410,085	1,923,690
Gateway Feature	97,176	85,373
Private Traffic Signal Maintenance Fund	191,327	184,534
<b>Total trust funds</b>	<b>\$ 4,104,653</b>	<b>\$ 3,490,217</b>

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**

**Trust Funds**

**Statement of Cash Flows**

Year Ended December 31, 2011 with comparative figures for 2010

	2011	2010
<b>Operating activities</b>		
Annual surplus	\$ 614,436	\$ 193,172
Cash flow generated by operating activities	614,436	193,172
<b>Financing activities</b>		
Acquisition of investments	(614,436)	(193,172)
<b>Increase (decrease) in cash flow</b>	-	-
Cash, beginning of year	-	-
<b>Cash, end of year</b>	\$ -	\$ -

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Trust Funds**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**

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**1. Summary of Significant Accounting Policies**

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

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

i) Basis of Accounting

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

ii) Revenue Recognition

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

iii) Investments

Investments are carried at the lower of cost and market value.

**2. Investments**

The Town pools their investment money with Halton Region in an effort to obtain a better rate of return. The Town is able to withdraw from the fund as needed with no restrictions. The Town has \$4,104,653 invested in the fund as at December 31, 2011. The market value of the amount invested is \$4,534,881. During 2011, the invested funds earned a realized year-to-date rate of return, net of fees, of 6.03%.

**3. Terms of Trust**

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Trust Funds**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**

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**4. Comparative Figures**

Some of the comparative figures have been reclassified to conform to the current year's presentation, which has had no effect on annual surplus or cash position.



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Halton Hills Library Board, which comprise the statement of financial position as at December 31, 2011, the statements of operations, changes in net financial assets(debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Halton Hills Library Board as at December 31, 2011, and its results of operations, its changes in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Other Matters*

The financial statements of Halton Hills Library Board for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on June 8, 2011.

Chartered Accountants, Licensed Public Accountants

June 11, 2012  
 Hamilton, Canada

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Halton Hills Library Board**  
**Statement of Financial Position**  
December 31, 2011 with comparative figures for 2010

	2011	2010
<b>Financial assets</b>		
Due from the Town of Halton Hills	\$ 3,834,632	\$ 4,752,525
	<b>3,834,632</b>	<b>4,752,525</b>
<b>Liabilities</b>		
Deferred revenue	1,958,134	1,841,814
Long-term liabilities (Note 2)	2,132,829	-
	<b>4,090,963</b>	<b>1,841,814</b>
<b>Net financial (debt) assets</b>	<b>(256,331)</b>	<b>2,910,711</b>
<b>Non-financial assets</b>		
Tangible capital assets - net (Note 3)	8,689,260	5,452,154
<b>Accumulated surplus</b>	<b>\$ 8,432,929</b>	<b>\$ 8,362,865</b>

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Halton Hills Library Board**  
**Statement of Change in Net Financial (Debt) Assets**  
**Year Ended December 31, 2011 with comparative figures for 2010**

	<b>Budget</b>	<b>2011</b>	<b>2010</b>
<b>Annual surplus</b>	\$ 378,122 \$	<b>70,064 \$</b>	2,075,424
Acquisition of tangible capital assets	(3,744,931)	<b>(3,744,931)</b>	(3,531,424)
Amortization of tangible capital assets	-	<b>494,003</b>	258,496
Proceeds on disposal of tangible capital assets	-	<b>170</b>	-
Loss on disposal of tangible capital assets	-	<b>13,652</b>	-
Change in net financial assets	(3,366,809)	<b>(3,167,042)</b>	(1,197,504)
Net financial assets - beginning of year	2,910,711	<b>2,910,711</b>	4,108,215
<b>Net financial (debt) assets, end of year</b>	\$ (456,098) \$	<b>(256,331) \$</b>	2,910,711

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Halton Hills Library Board**  
**Statement of Operations**  
Year Ended December 31, 2011 with comparative figures for 2010

	<b>Budget (Note 7)</b>	<b>2011</b>	<b>2010</b>
<b>Revenue</b>			
Town of Halton Hills	\$ 2,553,722	<b>2,553,722</b>	2,389,354
Government of Canada grants (Note 6)	-	<b>351,566</b>	953,357
Province of Ontario grants (Note 6)	61,300	<b>324,936</b>	1,049,185
Development charges	58,500	<b>68,135</b>	134,976
Fines, rentals and other	62,100	<b>210,611</b>	92,469
Consulting fees	-	-	635
	<b>2,735,622</b>	<b>3,508,970</b>	<b>4,619,976</b>
<b>Expenses</b>			
Salaries, wages and benefits	2,066,600	<b>2,234,973</b>	1,987,350
Materials and supplies	15,600	<b>111,145</b>	16,971
Programming	6,200	<b>10,670</b>	8,175
Repairs and maintenance	5,900	<b>3,421</b>	4,610
Telephone	7,300	<b>6,417</b>	5,794
Advertising	5,600	<b>5,230</b>	3,155
Printing and photocopying	11,600	<b>11,682</b>	9,109
Audit	800	<b>3,867</b>	800
Utilities	8,600	<b>21,874</b>	8,156
Contracted services	70,600	<b>113,985</b>	52,078
Rent	114,300	<b>114,905</b>	111,520
Equipment costs	3,600	<b>6,547</b>	3,690
General	40,800	<b>300,187</b>	74,648
Amortization	-	<b>494,003</b>	258,496
	<b>2,357,500</b>	<b>3,438,906</b>	<b>2,544,552</b>
<b>Annual surplus</b>	<b>378,122</b>	<b>70,064</b>	<b>2,075,424</b>
<b>Accumulated surplus, beginning of year</b>	<b>8,362,865</b>	<b>8,362,865</b>	<b>6,287,441</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 8,740,987</b>	<b>\$ 8,432,929</b>	<b>\$ 8,362,865</b>

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



**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**HALTON HILLS LIBRARY BOARD**  
**Statement of Cash Flows**  
Year Ended December 31, 2011 with comparative figures for 2010

	2011	2010
<b>Operating activities</b>		
Annual surplus	\$ 70,064	\$ 2,075,424
Item not affecting cash:		
Amortization of tangible capital assets	494,003	258,496
Loss on disposal of tangible capital assets	13,652	-
Changes in non-cash working capital:		
Due from the Town of Halton Hills	917,893	1,175,920
Deferred revenue	116,320	21,584
<b>Net change in cash from operations</b>	<b>1,611,932</b>	<b>3,531,424</b>
<b>Capital Activities</b>		
Acquisition of tangible capital assets	(3,744,931)	(3,531,424)
Proceeds on disposal of tangible capital assets	170	-
<b>Net change in cash from capital activities</b>	<b>(3,744,761)</b>	<b>(3,531,424)</b>
<b>Financing Activities</b>		
Long-term debt issued	2,132,829	-
<b>Net change in cash from financing activities</b>	<b>2,132,829</b>	<b>-</b>
<b>Net change in cash</b>	<b>-</b>	<b>-</b>
Cash - beginning of year	-	-
<b>Cash - end of year</b>	<b>\$ -</b>	<b>\$ -</b>

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

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Halton Hills Library Board**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**

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**1. Summary of Significant Accounting Policies**

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

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

i) Basis of Accounting

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

ii) 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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

The Town's implementation of PS3150 has also required management to make estimates of historical costs, useful lives and residual values of tangible capital assets.

Actual results could differ from those estimates.

iii) Revenue Recognition

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

iv) 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.

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Halton Hills Library Board**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**

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**1. Summary of Significant Accounting Policies (Continued)**

(v) Tangible Capital Assets

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

<b>ASSET</b>	<b>USEFUL LIFE (YEARS)</b>
Land	Infinite
Buildings	10-50
Machinery and equipment	3-25

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

Assets under construction (work in progress) are not amortized until the asset is available for productive use.

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

(vi) Future changes in significant accounting policies

The following accounting standards have been issued by the Public Sector Accounting Board (PSAB) but are not yet effective. The Library is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3410, "Government Transfers", is effective for years beginning on or after April 1, 2012. This section sets out the recognition criteria and reporting requirements for Government transfers.

Section PS 3260, "Liability for Contaminated Sites", is effective for years on or after April 1, 2014. This section sets out the recognition criteria and reporting requirements for a liability associated with remediation of contaminated sites.

Section PS 3450, "Financial Instruments", is effective for years on or after April 1, 2015. This section sets out recognition criteria and reporting requirements for all types of financial instruments, including derivatives.

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Halton Hills Library Board**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**

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**2. Long-term Liabilities**

	<u>2011</u>	<u>2010</u>
(a) Total long-term liabilities incurred by the Library	\$ 2,132,829	\$ -

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

2012	\$ 114,980
2013	116,738
2014	118,860
2015	120,641
2016	122,434
2017-2031	<u>1,539,176</u>
	<b><u>\$ 2,132,829</u></b>

(c) The long-term liabilities in (a) issued in the name of the Town have been approved by Town by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) Interest expense on net long-term liabilities amounted to \$7,796 (2010 - \$Nil).

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Halton Hills Library Board**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**

**3. Tangible Capital Assets**

<b>Cost</b>	<b>Balance, beginning of year</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance, end of year</b>
Land	\$ 78,836	\$ -	\$ -	<b>78,836</b>
Buildings	1,219,850	4,113,187	(75,661)	<b>5,257,376</b>
Equipment	3,363,594	309,382	(367,495)	<b>3,305,481</b>
Work in progress	3,909,043	(677,638)	-	<b>3,231,405</b>
<b>Total Cost</b>	<b>\$ 8,571,323</b>	<b>\$ 3,744,931</b>	<b>\$ (443,156)</b>	<b>\$ 11,873,098</b>
<b>Accumulated Amortization</b>				
Buildings	736,262	237,200	(71,364)	<b>902,098</b>
Equipment	2,382,907	256,803	(357,970)	<b>2,281,740</b>
<b>Accumulated Amortization</b>	<b>\$ 3,119,169</b>	<b>\$ 494,003</b>	<b>\$ (429,334)</b>	<b>\$ 3,183,838</b>
<b>Net Book Value</b>				
Land	\$ 78,836	\$ -	\$ -	<b>78,836</b>
Buildings	483,588	3,875,987	(4,297)	<b>4,355,278</b>
Equipment	980,687	52,579	(9,525)	<b>1,023,741</b>
Work in progress	3,909,043	(677,638)	-	<b>3,231,405</b>
<b>Net Book Value - 2011</b>	<b>\$ 5,452,154</b>	<b>\$ 3,250,928</b>	<b>\$ (13,822)</b>	<b>\$ 8,689,260</b>
<b>Net Book Value - 2010</b>	<b>\$ 2,179,225</b>	<b>\$ 3,272,929</b>	<b>\$ -</b>	<b>\$ 5,452,154</b>

**4. Lease Commitments**

The Library leases premises and is committed to minimum annual lease payments in the amount of \$59,364 under terms of a lease agreement which expires in 2012.

**THE CORPORATION OF THE TOWN OF HALTON HILLS**  
**Halton Hills Library Board**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**

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**5. Government Transfers**

The Library recognizes the transfer of government funding as revenue or expense in the period that the events giving rise to the transfer occurred. The government transfers reported in the Consolidated Statement of Operations are:

Federal	2011	2010
Infrastructure Stimulus Fund	\$ 341,411	\$ 943,589
Other grants	10,155	9,768
	<u>\$ 351,566</u>	<u>\$ 953,357</u>
Provincial		
Infrastructure Stimulus Fund	\$ 179,128	\$ 900,872
Ministry of Culture - Knowledge Ontario	77,758	79,263
Per Capita	61,333	61,333
Other grants	6,717	7,717
	<u>\$ 324,936</u>	<u>\$ 1,049,185</u>

**6. Budget**

The budgeted figures presented for comparison purposes are unaudited. These figures are those approved by the Board of Directors and have been reclassified to conform with these financial statements.

**7. Comparative Figures**

Some of the comparative figures have been reclassified to conform to the current year's presentation, which has had no effect on annual surplus or cash position.



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## INDEPENDENT AUDITORS' REPORT

To the Members of Acton Business Improvement Area

We have audited the accompanying financial statements of Acton Business Improvement Area which comprise the statement of financial position as at December 31, 2011 and the statements of operations, changes in net financial assets and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Acton Business Improvement Area as at December 31, 2011 and its results of operations and its changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "KPMG LLP". The letters are slanted and connected, with a long horizontal stroke underneath the entire signature.

Chartered Accountants, Licensed Public Accountants

March 26, 2012

Hamilton, Canada



# ACTON BUSINESS IMPROVEMENT AREA

## Statement of Financial Position

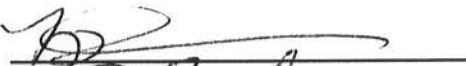
December 31, 2011, with comparative figures for 2010

	2011	2010
<b>Financial Assets</b>		
Cash	\$ 9,812	\$ 5,292
Accounts receivable	4,357	9,224
	<u>14,169</u>	<u>14,516</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	\$ 6,401	\$ 934
Due to Town of Halton Hills	5,196	4,500
	<u>11,597</u>	<u>5,434</u>
<b>Net financial assets</b>	<u>2,572</u>	<u>9,082</u>
<b>Non-financial assets</b>		
Tangible Capital assets (note 2)	61,038	57,525
Accumulated surplus	\$ 63,610	\$ 66,607

Lease commitments (note 3)

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

On behalf of the Board:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

# ACTON BUSINESS IMPROVEMENT AREA

## Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	Budget (note 6)	2011	2010
<b>Revenue:</b>			
Town of Halton Hills	\$ 76,400	\$ 76,849	\$ 74,603
Facade improvement grant	-	5,000	5,000
Summer student grant	-	4,920	4,920
Sponsorship program	-	1,750	1,485
Donation	-	5,583	5,600
Other revenue	-	1,609	1,899
Leathertown festival	-	13,335	14,071
Farmer's Market	-	7,174	12,924
	76,400	116,220	120,502
<b>Expenses:</b>			
Salaries and wages	44,300	45,206	44,494
Repairs & Maintenance	10,774	16,612	17,273
Facade Improvement Program			
Expenses	5,000	10,000	8,466
Advertising and promotion	5,900	20,730	19,490
Rent	11,875	6,300	5,950
Event entertainment	-	6,954	8,908
General expenses	-	6,041	8,982
Miscellaneous	-	2,163	2,011
Professional fees	-	2,000	3,500
Amortization	-	961	700
Event equipment rental	-	2,250	2,736
	77,849	119,217	122,510
Annual deficit	(1,449)	(2,997)	(2,008)
Accumulated surplus, beginning of year	66,607	66,607	68,615
Accumulated surplus, end of year	65,158	\$ 63,610	\$ 66,607

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

## ACTON BUSINESS IMPROVEMENT AREA

### Statement of Changes in Net Financial Assets

Year ended December 31, 2011, with comparative figures for 2010

	Budget (note 6)	2011	2010
Annual deficit	\$ (1,449)	\$ (2,997)	\$ (2,008)
Acquisition of tangible capital assets	-	(4,474)	-
Amortization of tangible capital assets	-	961	700
Change in net financial assets	(1,449)	(6,510)	(1,308)
Net financial assets, beginning of year	9,082	9,082	10,390
Net financial assets, end of year	\$ 7,633	\$ 2,572	\$ 9,082

# ACTON BUSINESS IMPROVEMENT AREA

## Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating Activities		
Annual surplus (deficit)	\$ (2,997)	\$ (2,008)
Item not involving cash:		
Amortization of capital assets	961	700
	(2,036)	(1,308)
Change in non-cash operating working capital:		
Accounts receivable	4,867	(2,245)
Accounts payable and accrued liabilities	5,467	(131)
Due to Town of Halton Hills	696	4,500
	8,994	816
Investments:		
Addition to capital assets	(4,474)	-
Net change in cash	4,520	816
Cash, beginning of year	5,292	4,476
Cash, end of year	\$ 9,812	\$ 5,292

# ACTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2011

---

## 1. Significant accounting policies:

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

### (a) Basis of accounting:

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

### (b) Use of estimates:

The preparation of financial statements 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those of estimates.

### (c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments, with a term to maturity of 90 days or less at acquisition. Investing and financing activities that do not require the use of cash or cash equivalents are excluded from the statement of cash flows and disclosed separately.

### (d) Revenue recognition:

Revenue received from the Town of Halton Hills is recorded as received on a quarterly basis and other revenues received throughout the year are recognized on an accrual basis when collectibility is assured.

Revenues from fundraising and donations are recognized as received.

### (e) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

# ACTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 1. Significant accounting policies (continued):

Asset	Useful life - years
Land	
Street signs	15
Trash receptacles	10

Actual prorated amortization is charged in the year of acquisition and in the year of disposal.

## 2. Tangible capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Land - capital asset	\$ 51,470	\$ -	\$ 51,470	\$ 51,470
Street signs	4,761	1,508	3,253	3,570
Trash receptacles	8,296	1,981	6,315	2,485
	\$ 64,527	\$ 3,489	\$ 61,038	\$ 57,525

## 3. Lease commitments:

The Business Improvement Area has a long term lease with respect to its premises which expires in July, 2012 and includes utilities. Minimum lease payments related to 2012 are approximately \$3,150.

## 4. Financial instruments:

### (a) Fair value of financial assets and financial liabilities

#### Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization does not have significant credit risk from its members. The organization has a significant number of members which minimizes its credit risk.

# ACTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2011

---

## 4. Financial instruments (continued):

### Fair value

The organization's carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

### Investment Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the organization and the associated operating environment. Investments are primarily exposed to interest rate risk. The organization has formal policies and procedures regarding liquidity and investment maturity dates.

### Interest rate

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the organization. This risk is managed by staggering the terms of the securities held.

## 5. Capital disclosures:

The organization defines capital as its net financial assets. The organization's overall objective with its capital is to fund assets needed for ongoing operations and future projects. The organization is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended December 31, 2010.

## 6. Budget:

The budgeted figures presented for comparison purposes are unaudited. These figures are those approved by the Board of Directors and have been reclassified to conform with these financial statements.

## 7. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.



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## INDEPENDENT AUDITORS' REPORT

To the Members of Georgetown Central Business Improvement Area

We have audited the accompanying financial statements of Georgetown Central Business Improvement Area, which comprise the statement of financial position as at December 31, 2011 and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Georgetown Business Improvement Area as at December 31, 2011 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Other Matters*

The financial statements of Georgetown Central Business Improvement Area for the year ended December 31, 2010, were audited by another auditor who expressed a qualified audit opinion on those statements on February 28, 2011. The opinion was modified as a result of the impracticability of auditing donations of goods and services.

A handwritten signature in black ink that reads "KPMG LLP". The letters are in a cursive, slightly slanted font. A horizontal line is drawn underneath the signature, starting from the left and extending to the right, ending with a small arrowhead pointing to the right.

Chartered Accountants, Licensed Public Accountants

April 17, 2012

Hamilton, Canada

# GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

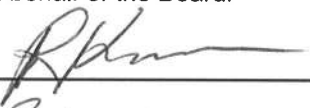
## Statement of Financial Position


December 31, 2011, with comparative information for 2010

	2011	2010
<b>Financial assets</b>		
Cash	\$ 20,188	\$ 45,617
Accounts receivable	15,545	3,536
GST receivable	7,009	6,247
	<u>42,742</u>	<u>55,400</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	18,275	11,768
Deferred revenue	33,257	15,172
	<u>51,532</u>	<u>26,940</u>
Net financial assets (debt)	(8,790)	28,460
<b>Non-financial assets</b>		
Capital assets (note 2)	67,754	31,655
Prepaid expenses and deposits	335	182
	<u>68,089</u>	<u>31,837</u>
Accumulated surplus	\$ 59,299	\$ 60,297

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

On behalf of the Board:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

# GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

## Statement of Operations

Year ended December 31, 2011, with comparative information for 2010

	Budget	2011	2010
<b>Revenue:</b>			
Town of Halton Hills	\$ 163,450	\$ 164,200	\$ 141,254
Facade improvement project	5,000	5,000	5,300
Donations	4,200	-	3,700
International flavours	8,000	6,920	4,335
Miscellaneous	-	4,962	5,132
Festival income	3,000	19,493	3,431
Sponsorship program	6,000	5,075	6,973
Student grants	1,000	1,385	1,385
RED Grant	-	20,936	35,886
Farmer's Market	21,500	22,947	21,664
	212,150	250,918	229,060
<b>Expenses:</b>			
Salaries and wages	77,850	90,768	70,322
Repairs and maintenance	47,700	34,976	36,975
Rent	11,000	9,819	9,129
Professional fees	5,000	3,057	4,615
Insurance	1,750	2,208	1,750
Advertising and promotion	62,000	87,406	69,073
Facade Improvement expenses	10,000	10,706	5,250
Amortization of tangible capital assets	-	1,554	1,515
Memberships	2,000	1,690	1,616
Office and general	7,250	9,732	11,616
	224,550	251,916	211,861
Annual surplus (deficit)	(12,400)	(998)	17,199
Accumulated surplus, beginning of year	60,297	60,297	43,098
Accumulated surplus, end of year	\$ 47,897	\$ 59,299	\$ 60,297

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

## GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

### Statement of Changes in Net Financial Assets (Debt)

Year ended December 31, 2011, with comparative information for 2010

	2011	2010
Annual surplus (deficit)	\$ (998)	\$ 17,199
Acquisition of tangible capital assets	(37,653)	(24,760)
Amortization of tangible capital assets	1,554	1,515
Change in prepaid expense	(153)	193
Decrease in net financial assets (debt)	(37,250)	(5,853)
Net financial assets - beginning of year	28,460	34,313
Net financial assets (debt), end of year	\$ (8,790)	\$ 28,460

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

# GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

## Statement of Cash Flows

Year ended December 31, 2011, with comparative information for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ (998)	\$ 17,199
Item not involving cash:		
Amortization of capital assets	1,554	1,515
Change in non-cash operating working capital:		
Accounts receivable	(12,009)	(1,496)
GST receivable	(762)	(4,112)
Prepaid expenses and deposits	(153)	193
Accounts payable and accrued liabilities	6,507	(639)
Due to town of Halton Hills	-	(5,132)
Deferred revenue	18,085	10,742
Net change in cash from operating activities	12,224	18,270
Capital Activities:		
Cash used to acquire tangible capital assets	(37,653)	(24,760)
Net change in cash	(25,429)	(6,490)
Cash, beginning of year	45,617	52,107
Cash, end of year	\$ 20,188	\$ 45,617

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

# GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2011

---

## 1. Significant accounting policies:

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

### (a) Basis of accounting:

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

### (b) Measurement uncertainty:

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

### (c) Revenue recognition:

Government transfers such as the revenue received from the Town of Halton Hills are recognized when the transfer is reasonably estimated, is authorized and any eligibility criteria are met. Other revenues received throughout the year are recognized when earned and when collectibility is reasonably assured.

### (d) Deferred revenue:

Deferred revenue represents revenue which has been collected but for which the related services have yet to be performed or eligible expenses incurred. Deferred revenue is recognized as revenue in the fiscal period when the eligible expenses are incurred or the related service has been performed.

# GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 1. Significant accounting policies (continued):

### (e) Capital assets:

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

Asset	Basis	Rate
Kiosk	Straight-line	10 years
Trash receptacles	Straight-line	10 years
Computer equipment	Declining balance	20%
Signage	Straight-line	15 years

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

## 2. Capital assets:

	2011		2010	
	Cost	Accumulated amortization	Net book value	Net book value
Kiosk	\$ 5,935	\$ 1,088	\$ 4,847	\$ 5,440
Trash receptacles	7,224	1,746	5,478	6,200
Computer equipment	1,512	560	952	1,189
Signage	56,477	-	56,477	18,826
	\$ 71,148	\$ 3,394	\$ 67,754	\$ 31,655

Installation of signage is in progress and as a result amortization has not commenced.

# GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2011

---

**3. Budget:**

The budget figures presented for comparison purposes are unaudited. These figures are those approved by the Board of Directors and have been reclassified to conform with the presentation in these financial statements.

**4. Comparative figures:**

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.





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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholder of Halton Hills Community Energy Corporation

We have audited the accompanying consolidated financial statements of Halton Hills Community Energy Corporation ("the Entity"), which comprise the consolidated balance sheet as at December 31, 2011, the consolidated statements of operations and retained earnings and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Halton Hills Community Energy Corporation as at December 31, 2011, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

April 27, 2012  
Hamilton, Canada

# HALTON HILLS COMMUNITY ENERGY CORPORATION

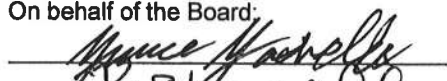

## Consolidated Balance Sheet

December 31, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,262,330	\$ 2,586,953
Accounts receivable (note 3)	5,788,932	5,549,173
Unbilled revenue	6,585,900	5,727,873
PILS receivable	185,966	98,872
Inventory (note 4)	818,493	508,836
Current portion of note receivable (note 6)	23,998	23,625
Prepaid expenses and deposits	340,806	324,463
	<u>15,006,425</u>	<u>14,819,795</u>
Regulatory assets (note 5)	6,729,050	7,011,985
Deferred charges	256,465	279,566
Note receivable (note 6)	447,525	471,523
Capital assets (note 7)	31,667,726	31,572,873
Assets held for sale (note 20)	824,078	-
Future income taxes	417,627	512,714
	<u>\$ 55,348,896</u>	<u>\$ 54,668,456</u>
<b>Liabilities and Shareholder's Equity</b>		
<b>Current liabilities:</b>		
Bank loan (note 15 (a))	\$ 2,985,000	\$ 2,050,000
Smart Meter bank loan (note 15 (d))	230,204	3,500,000
Accounts payable and accrued liabilities	9,085,450	9,490,271
Deferred revenue	27,296	63,559
Current portion of consumer deposits	230,000	230,000
	<u>12,557,950</u>	<u>15,333,830</u>
Smart Meter bank loan (note 15 (d))	3,694,148	-
Note payable (note 8)	16,141,970	16,141,970
Consumer deposits	307,065	484,105
Employee future benefits (note 9)	513,681	502,883
Shareholder's equity:		
Capital stock (note 10)	16,161,663	16,161,663
Retained earnings	5,972,419	6,044,005
	<u>22,134,082</u>	<u>22,205,668</u>
Commitments (note 14)		
	<u>\$ 55,348,896</u>	<u>\$ 54,668,456</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Director  
 Director

# HALTON HILLS COMMUNITY ENERGY CORPORATION

## Consolidated Statement of Operations and Retained Earnings

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
<b>Revenue:</b>		
Service revenue	\$ 55,911,619	\$ 51,216,389
Other income	905,480	954,776
	<u>56,817,099</u>	<u>52,171,165</u>
<b>Expenditure:</b>		
Power costs	45,727,509	41,442,197
Salaries and benefits	5,063,376	4,250,858
Material costs	1,402,110	1,937,708
Contract services	2,119,254	1,999,697
Property costs	512,764	606,630
Other costs (note 13)	1,190,333	1,339,943
Communication costs	334,576	308,969
Allocated to capital	(4,381,439)	(4,339,297)
	<u>51,968,483</u>	<u>47,546,705</u>
Earnings before the undernoted	4,848,616	4,624,460
<b>Other expenses:</b>		
Amortization	(2,231,303)	(2,432,303)
Interest expense	(1,252,492)	(1,008,279)
	<u>(3,483,795)</u>	<u>(3,440,582)</u>
Earnings before income taxes	1,364,821	1,183,878
<b>Income taxes:</b>		
Current	529,329	532,787
Future	(50,933)	4,485
	<u>478,396</u>	<u>537,272</u>
Net earnings from continuing operations	886,425	646,606
Net earnings from discontinued operations (note 20)	94,966	338,667
Net earnings for the year	981,391	985,273
Retained earnings, beginning of year	6,044,005	6,096,797
Dividends on common shares	(1,052,977)	(1,038,065)
Retained earnings, end of year	<u>\$ 5,972,419</u>	<u>\$ 6,044,005</u>

See accompanying notes to consolidated financial statements.

# HALTON HILLS COMMUNITY ENERGY CORPORATION

## Consolidated Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Net earnings from continuing operations	\$ 886,425	\$ 646,606
Items not involving cash:		
Amortization	2,231,303	2,432,303
(Gain) loss on disposal of capital assets	(24,477)	8
Future income taxes	(50,933)	4,485
Increase in employee future benefits	10,798	6,607
Changes in non-cash operating working capital (note 11)	(1,971,122)	69,919
Change in regulatory assets	503,449	(1,324,080)
Net cash from operating activities of continuing operations	1,585,443	1,835,848
Net cash from operating activities of discontinued operations	474,456	545,561
	2,059,899	2,381,409
Financing:		
Bank loan	935,000	2,050,000
Advancement of Smart Meter bank loan, net	424,352	2,000,000
(Decrease) increase in consumer deposits	(177,040)	(26,184)
Dividends on common shares	(1,052,977)	(1,038,065)
Capital contributions	472,705	446,868
Net cash from financing activities of continuing operations	602,040	3,432,619
Net cash from financing activities of discontinued operations	-	-
	602,040	3,432,619
Investments:		
Business acquisition	-	(350,000)
Purchase of capital assets	(4,227,765)	(3,972,176)
Proceeds on disposal of capital assets	24,477	-
Note receivable	23,625	23,259
Deferred charges	23,101	(6,502)
Net cash from investing activities of continuing operations	(4,156,562)	(4,305,419)
Net cash from investing activities of discontinued operations	170,000	-
	(3,986,562)	(4,305,419)
(Decrease) increase in cash and cash equivalents	(1,324,623)	1,508,609
Cash and cash equivalents, beginning of year	2,586,953	1,078,344
Cash and cash equivalents, end of year	\$ 1,262,330	\$ 2,586,953
Supplemental cash flow information:		
Payments for interest	\$ 1,128,773	\$ 1,018,536
Net payments for income taxes	695,700	606,741
Increase in regulatory assets for stranded meters transferred from capital assets	-	367,246
Increase (decrease) in regulatory assets related to the decrease in future assets	220,514	(84,602)

See accompanying notes to consolidated financial statements.

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2011

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Halton Hills Community Energy Corporation (the "Company"), is a wholly-owned corporation of The Town of Halton Hills. The Company is the parent of Halton Hills Hydro Inc., SouthWestern Energy Inc., Harvester Energy Canada Inc., and 1820259 Ontario Inc. (o/a Hummingbird Wireless).

The principal regulated activity of the Company is to provide electric power distribution throughout the municipality of Halton Hills.

## 1. Regulation:

### *Regulator:*

The Ontario Energy Board (OEB) has regulatory oversight of the electricity industry in the Province of Ontario. The Ontario Energy Board Act, 1998, the Electricity Act, 1998, the Electricity Restructuring Act, 2004 and a number of other provincial statutes set out the OEB's mandate and authority. The OEB prescribes and enforces license requirements and conditions towards the following objectives as set out in the Electricity Restructuring Act, 2004:

- To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service; and
- To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

The OEB's authority and responsibilities include the ability to approve and set rates for the transmission and distribution of electricity, to provide rate protection for various electricity consumers, and to ensure electricity distribution companies fulfill their customer service obligations.

### *Rate approval process:*

In 2006, the OEB developed a three-year staggered plan to set electricity distribution rates using two methodologies. In year one under the plan, utilities would have their rates set by way of a cost of service review, where the utility applies for rates based on the costs incurred to deliver electricity. In the other two years, utilities would have their rates set by way of Incentive Regulation Mechanism (IRM). These reviews provide a standard rate adjustment that accounts for inflation and productivity improvements. Incentive regulation is intended to provide distributors with the opportunity to increase returns to shareholders through the

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 1. Regulation (continued):

implementation of efficiency initiatives. These efficiencies are also intended to benefit ratepayers by reducing costs.

### *Type of regulation:*

The 3<sup>rd</sup> Generation IRM Rate application for 2011 rates was filed with the OEB on October 1, 2010. The OEB decision in regards to 2011 rates was received on March 17, 2011 with rate adjustments in effect for May 1, 2011.

The OEB has retained a price cap form of adjustment mechanism for the IRM. The price cap adjustment will be applied to distribution rates, across all customer classes and to both the monthly service charge and volumetric rate, including taxes. The adjustment is net of the Smart Meter funding, the deferral account rate rider and specific service charges. The OEB will use the Canada Gross Domestic Product Implicit Price Index for final domestic demand as the price cap escalator. For 2011, the price cap is set at 1.30%. Offsetting the price cap, is a productivity differential and a stretch factor. The OEB has determined that electricity distributors will be subject to a 0.72% productivity differential for the duration of the 3<sup>rd</sup> Generation IRM. The stretch factor for the Company has been set at 0.40%.

The Corporation will file a cost of service EDR application in August 2011 for rates effective May 1, 2012. This application has not yet been approved.

### *Smart Meter initiatives:*

The installation of Smart Meters for the Company began in April 2009 and was completed during 2010 as required by the Energy Conservation Responsibility Act, 2006. These meters will have the capacity to measure and report usage over certain periods, be read remotely and provide customers with access to information about their consumption.

Included in distribution rates effective May 1, 2011 is a charge for Smart Meters of \$1.50 (2009 - \$1.00) per metered customer per month. This initiative is on a cost recovery basis and rates are set accordingly.

### *Green Energy and Green Economy Act:*

The *Green Energy and Green Economy Act* provides LDCs with the freedom to own and operate a portfolio of renewable power generation and will permit them to provide district heating services in their communities through co-generation. LDCs will also bear added responsibilities to assist and enable consumers to reduce their peak demand and conserve energy in an effort to meet provincial conservation targets. LDCs will also gain new responsibilities in transforming their local distribution networks into smart grids harnessing advanced technologies to facilitate the connection of small-scale generators and the two-way flow of information.

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 1. Regulation (continued):

### *New LDC License Requirements - Conservation and Demand Management Targets*

On November 12, 2010, the OEB amended LDC licenses to include requirements for achieving certain CDM targets over a four year period commencing January 1, 2011. The Corporation's CDM targets include a demand reduction target of 6.15MW and a consumption reduction target of 22.48GWh. LDCs must also comply with a new CDM Code of the OEB, which provides LDC requirements for the development and delivery of CDM Strategy to the OEB for the achievement of LDC-specific CDM targets, annual accounting and reporting to the OEB, and eligibility criteria for performance incentive payments. The Corporation has filed its CDM Strategy with the OEB.

### *Regulatory Accounting*

In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from Canadian generally accepted accounting principles for enterprises operating in a non-rate regulated environment. The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Corporation's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. The Corporation's regulatory liabilities represent costs with respect to non-distribution market related charges and variances in recoveries that are expected to be settled in future periods.

The OEB decision and order EB-2009-0227 dated April 1, 2010 provided for the disposition of \$1,528,642 of the Corporation's Group 1 Deferral and Variance accounts, as of December 31, 2008, over a 24 month period ending April 30, 2012.



# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 2. Significant accounting policies:

### (a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Halton Hills Hydro Inc., SouthWestern Energy Inc., Harvester Energy Canada Inc. and 1820259 Ontario Inc., (o/a Hummingbird Wireless). All intercompany balances and transactions have been eliminated.

### (b) Basis of accounting:

The financial statements are prepared in accordance with Canadian GAAP and reflect the following significant accounting policies as set forth in the Accounting Procedures Handbook issued by the Ontario Energy Board (OEB) under the authority of the Ontario Energy Board Act, 1998.

The following accounting policies under the regulated environment differ from Canadian GAAP for companies operating in an unregulated environment:

#### (i) *Contribution in aid of construction:*

Contributions in aid of construction consist of third party contributions toward the cost of constructing Company assets. Amortization of contributed capital is on a straight-line basis over 25 years. Capital contributions for the year of \$472,705 (2010 - \$446,868) have been charged as an offset to capital assets.

#### (ii) *Regulatory assets:*

Regulatory assets represent future revenues associated with costs incurred in the current or prior periods, which are expected to be recovered from customers in future periods through the rate setting process.

Regulatory assets result from the provincially approved rate set by the OEB and represent differences between costs incurred and those collected through rates. Regulatory assets on the balance sheet at year end relate primarily to retail settlement variance accounts. Regulatory assets will be recognized for rate-setting and financial statement purposes only to the extent allowed by the regulator.

The regulatory assets are recovered through incremental amounts charged to consumers as approved by the OEB and included in service revenue. The related reduction for the recovery of the regulatory assets is disclosed in note 5.

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 2. Significant accounting policies (continued):

### (b) Basis of accounting (continued):

#### (ii) Regulatory assets (continued):

The Ontario Energy Board Amendments Act (Electricity Pricing), 2003, in conjunction with Bill 4, allows for recovery of regulatory assets.

#### (iii) *Payments-in-lieu of income taxes:*

Under the Electricity Act, 1998, the Company is required to make payments-in-lieu of corporate income taxes (PILs) to the Ontario Electricity Financial Corporation (OEFEC). These payments are recorded in accordance with the rules for computing income taxes, taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) and modified by the Electricity Act, 1998, and related regulations.

The Company provides for PILs using the asset and liability method. Under this method, future tax assets and liabilities are recognized, to the extent such are determined likely to be realized, for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

As required by CICA Handbook Section 3465, a regulatory liability is recorded for those future tax assets which are expected to be repaid from customers through future rates.

### (c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, balances with banks, and investments in money market instruments, with maturities of 90 days or less at acquisition. Investing and financing activities that do not require the use of cash or cash equivalents are excluded from the Statement of Cash Flows and disclosed separately.

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 2. Significant accounting policies (continued):

### (d) Inventory:

Inventory is stated at the lower of cost or net realizable value. Inventory cost includes all costs of purchase, conversion and other costs incurred in bringing the inventory to its present location and condition. When circumstances which previously caused inventory to be written down below cost are no longer in existence, the amount of the write-down shall be reversed.

### (e) Capital assets:

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the useful service life as follows:

Asset	Rate
Distribution systems	25 years
Plant	25 - 60 years
Fleet	10 - 15 years
Other equipment	5 - 8 years
Computer equipment and software	1 - 5 years
General office	10 years
Water heaters	10 years
Wireless system	5 - 10 years
Leaseholds	Term of lease
Contributed capital	25 years

Construction in progress assets are not amortized until the project is complete and in service.

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 2. Significant accounting policies (continued):

### (f) Goodwill and intangibles:

In January 2009, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, and amended Handbook Section 1000, Financial Statement Concepts, and Accounting Guideline 11 Enterprises in the Development Stage and withdrew Handbook Section 3450, Research and Development Costs. These changes are effective for fiscal years beginning on or after October 1, 2009.

The amendment to this standard states that in determining whether an asset that incorporates both intangible and tangible elements, the Company must assess which element is more significant. Computer software that is not an integral part of the related hardware is treated as an intangible asset.

### (g) Employee future benefits:

The Company provides its current and retired employees with life insurance and medical benefits beyond those provided by government-sponsored plans. The cost of these benefits is expensed as earned through employment service. Any actuarial gains or losses in excess of the net accumulated gains (losses) of the accrued benefit obligation is amortized over the expected average remaining service lifetime of the active members of the group. The expected average remaining service life of the current active group is 12 years.

### (h) Revenue recognition:

Service revenue is recorded on the basis of regular meter readings and estimated power usage since the last meter reading date to the year end. The related cost of power is recorded on the basis of power used.

Other revenues, which include pole attachment rentals, customer requested services and miscellaneous revenues, are recognized as the service activity is performed.

### (i) Use of estimates:

The preparation of financial statements in conformity with Canadian GAAP 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 date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant estimates include unbilled revenue, useful service life of capital assets and employee future benefits. Actual results could differ from those estimates.

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 2. Significant accounting policies (continued):

### (j) Financial instruments:

#### *Financial assets and liabilities:*

The financial instrument accounting standards require that all financial instruments are classified into one of the following categories: held-for-trading, available-for-sale, held-to-maturity, other liabilities or loans and receivables. All financial instruments are carried on the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other liabilities, which are measured at amortized cost.

The Company has classified its financial instruments as follows:

Cash and cash equivalents	Held-for-trading
Accounts receivable and unbilled revenue	Loans and receivables
Smart Meter bank loan	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Consumer deposits	Other liabilities
Note payable	Other liabilities

Held-for-trading financial instruments are measured at fair value, with all gains and losses and transaction costs included in net earnings. Loans and receivables and other liabilities are measured at amortized cost using the effective interest rate method.

#### *Derivatives and hedge accounting:*

The Company does not have derivatives and does not engage in derivative trading or speculative activities. Hedge accounting has not been used in the presentation of these financial statements.

## 3. Accounts receivable:

	2011	2010
Service revenue	\$ 4,350,706	\$ 3,716,765
Miscellaneous	1,468,498	1,686,240
Town of Halton Hills	232,616	355,484
	<u>6,051,820</u>	<u>5,758,489</u>
Less allowance for doubtful accounts	(262,888)	(209,316)
	<u>\$ 5,788,932</u>	<u>\$ 5,549,173</u>

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

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 4. Inventory:

The Company has included certain major standby equipment as in-service fixed assets and amortizes these assets over their useful lives. The Company has reclassified \$627,794 (2010 - \$627,913) in asset components and equipment previously classified as materials and supplies inventory.

The amount of inventory consumed by the Company and recognized as an expense during 2011 was \$174,794 (2010 - \$56,928).

## 5. Regulatory assets:

Regulatory assets are as follows:

	2011	2010
Retail settlement variance	\$ 1,692,835	\$ 1,439,820
Low voltage	(649,980)	(614,786)
Other	(528,588)	35,769
Smart Meters	5,075,850	4,955,371
Regulatory asset recovery account, net of receipts	664,348	1,340,761
IFRS	587,565	188,544
Customer liability of future taxes	(112,980)	(333,494)
	<b>\$ 6,729,050</b>	<b>\$ 7,011,985</b>

Management expects that regulatory assets attained during 2005 through 2011, other than those approved through the 2009 rate setting process, will be recovered through future rate increases. If in a future decision, the regulator determines that the existing regulatory treatment is no longer applicable, the regulatory assets would be charged to operations.

In the absence of rate regulation, Canadian GAAP would require that the actual purchased power costs (including any variances arising from electricity commodity, retail transmission and wholesale market costs) be recognized as an expense when incurred.

In the absence of rate regulation, service revenue for the year would have been higher by \$413,957 (2010 - \$633,265) and capital assets would be higher by \$4,600,847 (2010 - \$2,041,947).

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 6. Note receivable:

	2011	2010
The Town of Halton Hills, unsecured, bears interest at 1.568%, with quarterly interest and principal repayments, up to January 1, 2029:		
Current	\$ 23,998	23,625
Long-term	447,525	471,523
	<b>\$ 471,523</b>	<b>\$ 495,148</b>

## 7. Capital assets:

	2011		2010	
	Cost	Accumulated Amortization	Net book value	Net book value
Distribution system	\$ 38,680,032	\$ 13,693,070	\$ 24,986,962	\$ 23,007,636
Plant	11,710,378	3,675,295	8,035,083	7,093,776
Fleet	2,532,912	1,495,907	1,037,005	1,017,959
Other equipment	2,775,891	1,465,810	1,310,081	1,206,538
Computer equipment and software	2,458,654	2,263,506	195,148	111,886
General office	416,338	276,941	139,397	104,494
Water heaters	-	-	-	865,468
Wireless system	-	-	-	418,319
Leaseholds	17,513	17,513	-	16,054
Contributed capital	(6,385,598)	(1,268,002)	(5,117,596)	(4,890,861)
Construction in progress	1,081,646	-	1,081,646	2,621,604
<b>Balance, end of year</b>	<b>\$ 53,287,766</b>	<b>21,620,040</b>	<b>31,667,726</b>	<b>\$ 31,572,873</b>

During the year, the Company recorded capital asset additions of \$4,227,765 (2010 - \$3,972,176).

## 8. Note payable:

The note payable is due to The Town of Halton Hills, bears interest at a prescribed rate set annually by the Town and is due December 31, 2015. For 2011, the prescribed rate of interest is 6.25%.

The Company incurred interest expense in respect of the promissory note payable of \$1,008,873 (2010 - \$1,008,873).

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 9. Employee future benefits:

The Company pays certain medical and life insurance benefits on behalf of its retired employees. The Company recognizes these post-retirement costs in the period in which employees' services are rendered. The accrued benefit liability and expenses for the year ended December 31, 2011 was based on results and assumptions determined by actuarial valuation as at December 31, 2011.

Information regarding the defined benefit plan of the Company is as follows:

	2011	2010
Accrued benefit obligation beginning of year	\$ 409,720	\$ 389,506
Expense for the year	14,244	13,501
Interest for the year	22,966	21,752
Benefits paid	(12,805)	(15,039)
Actuarial loss	185,507	-
Accrued benefit obligation end of year	619,632	409,720
Unamortized actuarial (loss) gain	(105,951)	93,163
Liability end of year	513,681	\$ 502,883

Amortization of the actuarial gain (loss) was \$14,337 (2010 – \$15,657).

The main actuarial assumptions utilized for the valuation are as follows:

**General Inflation** – future general inflation levels, as measured by the changes in the Consumer Price Index (CPI), were assumed at 2.0% in 2011 and thereafter.

**Discount (Interest) Rate** – the obligation as at December 31, 2011 of the present value of future liabilities and the expense for the year then ended were determined using a discount rate of 4.5% (2010 – 5.5%). This rate reflects the assumed mid term yield on high quality bonds.

**Salary levels** – future general salary and wage levels were assumed to increase at the CPI rate adjusted for merit and promotion gains of 2.55% per annum for the first five years and 3.00% per annum thereafter.



# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 9. Employee future benefits (continued):

**Medical costs** – medical costs were assumed to increase at the CPI rate plus 8% in 2011. Thereafter, medical costs are assumed to decline by 0.37% per annum.

**Dental costs** – dental costs were assumed to increase at the CPI rate plus 5.0%.

## 10. Capital stock:

	2011	2010
Authorized:		
Unlimited number of preference shares		
Unlimited number of common shares		
Issued and fully paid:		
1,152 common shares	\$ 16,161,663	\$ 16,161,663
	<b>\$ 16,161,663</b>	<b>\$ 16,161,663</b>

## 11. Changes in non-cash working capital:

The net change in non-cash working capital consists of the following:

	2011	2010
Accounts receivable	\$ (239,759)	\$ (308,596)
Unbilled revenue	(858,027)	(594,364)
Inventory	(328,815)	55,848
PILs receivable	(87,094)	74,448
Prepaid expenses and deposits	(16,343)	(84,478)
Accounts payable and accrued liabilities	(404,821)	501,130
Deferred revenue	(36,263)	58,685
Decrease in regulatory liabilities for stranded meters transferred from fixed assets	-	367,246
	<b>\$ (1,971,122)</b>	<b>\$ 69,919</b>

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 12. Related parties transactions:

The following summarizes the Company's related party transactions, recorded at the exchange amount, and balances with the Town of Halton Hills for the years ended December 31:

	2011	2010
<b>Transactions</b>		
<b>Revenue</b>		
Street light maintenance & other	\$ 424,518	\$ 146,481
Electrical billings	1,671,328	1,055,092
<b>Expenses</b>		
Property taxes	87,753	85,300
Dividends paid	1,052,977	1,038,065
<b>Balances</b>		
<b>Amounts due to:</b>		
Long-term debt	16,141,970	16,141,970
<b>Amounts due from:</b>		
Accounts receivable	232,616	355,484

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 13. Other costs:

On November 28, 2008 the OEB commenced a combined proceeding on its own motion to determine the final account balances with respect to Deferred PILs for the period October 1, 2001 to April 30, 2006 for certain electricity distributors. The OEB subsequently determined the Halton Hills Hydro Inc., one of three electricity distributors, should provide their specific evidence on the disposition of the PILs balance and a series of procedural steps extended over many months.

A proposed settlement was filed with the OEB on September 30, 2010. In its Decision and Procedural Order No.9 dated December 23, 2010, the OEB accepted the Settlement Agreement.

On June 24, 2011, the OEB directed the Halton Hills Hydro Inc. to submit the final balance in the PILs account as at April 30, 2006, reflecting the OEB's findings and the approved Settlement Agreement dated September 30, 2010.

As a result of the proceeding and the filing of the 2012 Cost of Service Application, the Halton Hills Hydro Inc. has recorded a 'one-time' PILs adjustment in the amount of \$504,845. This PILs adjustment is reflected in other costs.

## 14. Commitments:

SouthWestern Energy Inc. has an available fixed rate term loan from a financial institution in the amount of \$1,000,000. In the event this term loan is utilized, security shall be provided in the form of a first charge over all of the SouthWestern Energy Inc.'s assets and undertakings, assignment of fire insurance, and guarantees of advances from Halton Hills Hydro Inc. in the amount of \$1,050,000. At year-end this term loan was not utilized.

## 15. Credit facilities:

### a) Credit limit

Halton Hills Hydro Inc. has available an operating credit facility from a financial institution in the amount of \$5,500,000 (2010 - \$5,500,000). Credit is available to Halton Hills Hydro Inc. in the form of prime based loans, bankers' acceptances, letters of credit or stand-by letters of guarantee. Interest on prime based loans is at prime less 0.55%. At year end, only the letter of credit described in b) below is outstanding. Security in the form of a first charge over Halton Hills Hydro Inc.'s assets and undertakings and an assignment of liability, fire insurance has been provided.

SouthWestern Energy Inc. has an available operating line of credit from a financial institution in the amount of \$50,000. Interest on the line of credit is at prime. At year-end this operating line was \$25,000 or 50% utilized by SouthWestern Energy Inc.

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 15. Credit facilities (continued):

### a) Credit limit (continued)

SouthWestern Energy Inc. also has an available fixed rate term loan from a financial institution in the amount of \$1,000,000. Interest on the term loan is at prime plus 0.75% and is repayable in monthly instalments. In the event this term loan is utilized, security shall be provided in the form of a first charge over all of the SouthWestern Energy Inc.'s assets and undertakings, assignment of fire insurance, and guarantees of advances from the Company in the amount of \$1,050,000. At year-end this term loan was not utilized by SouthWestern Energy Inc.

The Company has available a revolving demand credit facility from a financial institution in the amount of \$4,000,000 by way of prime based loans. Interest on prime based loans is at prime. As at December 31, 2011 the company has drawn \$2,960,000 payable on demand.

### b) Security on electricity purchases

In order for Halton Hills Hydro Inc. to obtain the electricity it requires to distribute to its customers, Halton Hills Hydro Inc. is required to provide security to the Independent Electricity System Operator based on its estimated usage. The security obtained was a letter of credit issued in the amount of \$1,754,315 (2010 - \$1,754,315) from a financial institution.

### c) Covenants

The above credit facilities relating to Halton Hills Hydro require an interest coverage ratio of not less than 1.2 to 1.0, and a total interest bearing debt to capitalization ratio not greater than 0.60 to 1.0. As at December 31, 2011, Halton Hills Hydro Inc. is in compliance with these covenants.

### d) Term Loan – Smart Meters

In 2010, the Halton Hills Hydro Inc. had an available interim demand loan facility up to \$4,000,000 by way of Bankers Acceptance to facilitate the implementation of Smart Meters. The Halton Hills Hydro Inc. drew \$3,500,000 at the end of 2010. In August 2011 the loan was paid in full and replaced by a Fixed Term Loan of \$4,000,000 due August 30, 2026. The loan has an interest rate of 2.13%, with a rate term renewable annually. Interest of \$28,278 was paid and expensed during the year. The loan is payable in the amount of \$25,981 monthly principal and interest.

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 15. Credit facilities (continued):

Principal payments on the loan are as follows:

	2011
2012	\$ 230,204
2013	235,387
2014	240,450
2015	245,622
2016 - 2026	2,972,689
	3,924,352
Less: current portion	(230,204)
Long-term portion of loan	\$ 3,694,148

## 16. Pension agreement:

The Company and its employees contribute to the Ontario Municipal Employee's Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. As the Company is only liable for the contributions, defined contribution plan accounting is used by the Company. The Company's contribution for employees' current service for the year ended December 31, 2011 was \$312,096 (2010 - \$231,450).

## 17. Financial instruments:

The carrying value of the cash and cash equivalents, accounts receivable and unbilled revenue, bank loan, Smart Meter bank loan, accounts payable and accrued liabilities, consumer deposits, and note payable all approximate fair value because of the short maturity of these instruments.

The Company's activities provide for a variety of financial risks. Exposure to credit risk, market risk and liquidity risk occur in the normal course of the Company's operations as follows:

### *Credit risk*

Financial assets carry credit risk, in that a counter-party will fail to discharge an obligation, resulting in a financial loss. Financial assets, such as accounts receivable, expose the Company to credit risk. The Company earns its revenue from a broad base of customers located in the municipality of Halton Hills. No single customer accounts for revenue in excess of 2% of the respective reported balances.

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 17. Financial instruments: (continued)

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts. The amount of the related impairment loss is recognized in the statement of operations. Subsequent recoveries of accounts receivable previously provisioned are credited to the statement of operations. The balance of the allowance for doubtful accounts is disclosed in note 3. No single customer accounts for more than 3% of accounts receivable at year end.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2011, approximately \$244,654 is considered 90 days past due. The Company has approximately 21,000 customers, the majority of which are residential. Credit risk is managed through collection of security deposits from customers in accordance with direction provided by the OEB. As at December 31, 2011, the Company holds security deposits in the amount of \$537,065 (2010 - \$714,105).

Deposits from electricity distribution customers are applied against any unpaid portion of individual customer accounts. Consumer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution service. Consumer deposits are also refundable to residential electricity distribution customers demonstrating an acceptable level of credit risks, as determined by the Company. Interest expense of \$3,220 (2010 - \$2,436) was incurred on consumer deposits.

### *Market risks*

Market risks primarily refer to the risk of loss that may result from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long term Government of Canada bond yields at the time of filing. This rate of return is approved by the OEB as part of the approval of distribution rates. The Company is also exposed to fluctuations in interest rates relating to the Smart Meter bank loan. An increase or decrease of 1% on the loan would result in interest expense being higher or lower by \$37,000.

### *Liquidity risk*

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing demands. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing any interest expense. The Company has access to lines of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due. The majority of accounts payable, as reported on the balance sheet, are due within 60 days.

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 18. General liability insurance:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the electrical utilities in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members on a pro-rata basis based on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2011, no assessments have been made.

## 19. Capital disclosures:

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

The Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2011, shareholder's equity amounts to \$22,134,082 (2010 - \$22,205,668) and long-term debt amounts to \$19,836,118 (2010 - \$16,141,970).

## 20. Discontinued operations:

On September 30, 2011 the Hummingbird Wireless sold all rights, title, benefits and interest of the business assets and subscriber accounts associated with the fixed wireless Internet access services business carried on under the name "Hummingbird Wireless." Terms of the purchase and sale agreement with Xplornet Communications Inc. include purchase price of \$170,000, subject to an adjustment to the purchase price set forth by Xplornet, the number of subscribers that remain in good standing as of the close of business on the date that is 95 days after September 30, 2011. The loss on sale of these assets were \$217,514. No purchase adjustment has resulted.

On January 31, 2012, the Southwestern Energy Inc. sold the water heaters assets consisting of 2,571 water heater tanks, for gross proceeds of \$2,056,800. As at December 31, 2011, the carrying value of the assets held for sale amounts to \$824,078.

The wireless assets business, as well as, the water heater business, along with the comparative results of 2010, have been reported as discontinued operations in the financial statements. Total revenue, earnings before income taxes and income taxes (recovery) from discontinued operations was \$689,602, \$68,966, \$(26,000), respectively (2010 - \$720,625, \$424,913, \$86,246, respectively).

# HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## **21. Emerging accounting issue:**

International Financial Reporting Standards ["IFRS"]

The Canadian Accounting Standards Board ("AcSB") has adopted a strategic plan that will have Canadian GAAP converge with IFRS, effective January 1, 2011 which will require entities to restate, for comparative purposes, their interim and annual financial statements and their opening financial position.

In October 2010, the AcSB approved the incorporation of a one year deferral of adoption of Part 1 of the Canadian Institute of Chartered Accountants ("CICA") Handbook for qualifying entities with activities subject to rate regulation. Part 1 of the CICA Handbook specifies that first-time adoption is mandatory for interim and annual financial statements relating to annual periods beginning on or after January 1, 2012.

The amendment also requires entities that do not prepare its interim and annual financial statements in accordance with Part 1 of the Handbook during the annual period beginning on or after January 1, 2011 to disclose that fact.

In March 2012, the AcSB extended the deferral of adoption of Part 1 of the CICA Handbook for qualifying entities with activities subject to rate regulation for an additional year. Management is now assessing whether the extended deferral option will be taken.

## **22. Subsequent event:**

On January 1, 2012 1820259 Ontario Inc. (o/a Hummingbird Wireless) amalgamated with SouthWestern Energy Inc.

## **23. Comparative figures:**

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.