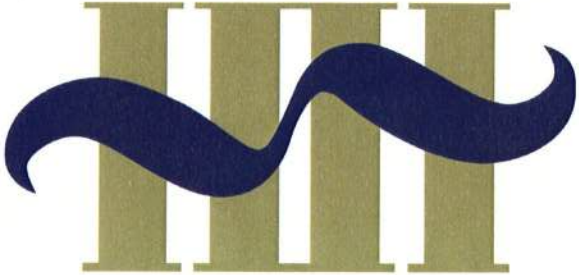


T O W N O F



HALTON HILLS



**2010 Financial Statements and
Financial Information Return**

**THE CORPORATION OF THE TOWN OF HALTON HILLS
2010 FINANCIAL STATEMENTS
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TOWN OF HALTON HILLS -TEN YEAR FINANCIAL REVIEW

Not subject to audit	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
1 POPULATION at the end of year (estimated)	59,900	58,700	57,700	56,700	55,000	53,900	52,700	51,300	49,400	49,000
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	224	219	222	222	213	202	197	189	185	178
4 NUMBER of households	20,292	20,216	20,161	19,872	19,247	18,525	17,699	17,263	16,973	16,514
5 TAX ARREARS	104	98	89	69	63	67	54	61	87	102
- per capita	7.3	6.7	6.3	5.0	4.7	5.4	4.3	5.1	7.3	9.0
- percentage of current levy	32,058	32,661	31,282	30,611	29,312	26,389	25,240	23,012	22,405	21,591
6 TRANSFERS TO THE REGION OR COUNTY	26,075	25,905	25,425	24,988	24,021	22,036	21,623	21,212	20,471	19,753
7 TRANSFERS TO THE SCHOOL BOARDS										
8 LONG TERM LIABILITIES										
General municipal activities	588	883	931	1,209	1,472	2,115	2,727	3,309	3,864	4,394
- per capita	10	15	16	21	27	39	52	65	78	90
Municipal enterprises										
9 CHARGES FOR LONG TERM LIABILITIES										
General municipal activities	378	520	344	344	761	766	769	773	774	469
- per capita	6	9	6	6	14	14	15	15	16	10
10 RESERVES, RESERVE FUNDS AND DEFERRED REVENUE	24,804	20,578	23,114	20,882	21,962	24,062	20,755	15,669	12,468	8,365

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



Graeme Goebelle, FCA (retired)

A. Brian MacAdam, CA, CFP
Melanie McCracken, CA

David Alexander, CA
Darren Turcotte, CA, CPA

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 consolidated financial statements of The Corporation of the Town of Halton Hills, which comprise of the consolidated statement of financial position as at December 31, 2010, and the consolidated 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 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.

Auditor's 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 the auditor's 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, the auditor considers 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 the Town of Halton Hills as at December 31, 2010, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

GMA LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountants

Halton Hills, Ontario
June 27, 2011

THE CORPORATION OF THE TOWN OF HALTON HILLS
 Consolidated Statement Of Financial Position
 December 31, 2010

	2010	2009
Financial assets		
Cash	\$ 1,808,072	\$ 2,071,603
Short-term investments (Note 2)	29,081,243	36,332,419
Taxes receivable (Note 3)	6,255,523	5,737,716
Accounts receivable	5,757,819	2,811,072
Long-term receivables (Note 4)	1,273,587	1,403,712
Investment - Halton Hills Community Energy Corp. (HHCEC) (Note 5)	38,347,638	38,400,430
Inventory for resale	22,000	26,347
	82,545,882	86,783,299
Financial liabilities		
Accounts payable and accrued liabilities (Note 7)	7,214,508	9,124,515
Other current liabilities	4,434,079	4,161,663
Deferred revenue (Note 8)	12,513,448	13,921,900
Employee benefits obligation (Note 9)	1,106,063	1,069,546
Long-term liabilities (Note 10)	4,965,831	6,311,517
	30,233,929	34,589,141
Net financial assets	52,311,953	52,194,158
Non-financial assets (Note 12)		
Tangible capital assets - net (Note 13)	267,655,527	260,122,153
Prepaid expenses and inventory	175,084	293,480
	267,830,611	260,415,633
Accumulated surplus (Note 14)	\$ 320,142,564	\$ 312,609,791

Contingencies (Note 15)
 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, 2010

	Budget Unaudited (Note 22)	2010	2009
Annual surplus	\$ 16,180,982	\$ 7,532,773	\$ 14,458,875
Acquisition of tangible capital assets	(18,024,373)	(21,496,540)	(31,097,605)
Amortization of tangible capital assets	-	12,998,491	12,697,381
Loss on disposal of tangible capital assets	-	834,868	1,142,597
Proceeds on sale of tangible capital assets	72,500	129,807	114,685
Change in prepaid expenses and supplies inventory	-	118,396	(155,431)
Change in net financial assets	(1,770,891)	117,795	(2,839,497)
Net financial assets, beginning of year	52,194,158	52,194,158	55,033,655
Net financial assets, end of year	\$ 50,423,267	\$ 52,311,953	\$ 52,194,158



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

Consolidated Statement of Operations

Year Ended December 31, 2010

	Budget Unaudited (Note 22)	2010	2009
Revenue			
Taxation	\$ 29,890,595	\$ 29,189,001	28,308,564
User fees and charges	7,796,300	7,824,001	7,786,550
Government transfers			
Federal (Note 17)	3,136,983	3,151,616	1,830,713
Provincial (Note 17)	3,574,689	3,683,028	2,015,334
Other municipalities	762,727	656,238	763,851
Investment income	935,492	1,384,908	1,796,276
Development charges	2,435,137	3,548,204	2,474,356
Donated tangible capital assets	0	3,472,167	13,695,051
Donations	320,005	335,512	223,406
Interest from HHCEC (Note 5)	1,008,900	1,008,873	1,008,873
Equity income from HHCEC (Note 5)	1,038,000	985,273	2,233,948
Other	2,000,267	2,206,055	1,020,281
	52,899,095	57,444,876	63,157,203
Expenses			
General government	6,296,998	6,460,168	6,262,508
Protection services	6,946,131	7,617,505	6,757,512
Transportation services	7,970,401	17,216,202	17,739,651
Environmental services	566,988	1,488,213	1,391,254
Health services	376,595	373,202	323,781
Social and family services	526,243	490,062	464,422
Recreation and cultural services	11,948,914	14,172,983	13,688,207
Planning and development	2,085,843	2,093,768	2,070,993
	36,718,113	49,912,103	48,698,328
Annual surplus	16,180,982	7,532,773	14,458,875
Accumulated surplus, beginning of year	312,609,791	312,609,791	298,150,916
Accumulated surplus, end of year (Note 14)	\$ 328,790,773	\$ 320,142,564	312,609,791



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, 2010

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	2010	2009
Operating Activities		
Annual surplus	\$ 7,532,773	\$ 14,458,875
Items not affecting cash:		
Loss on disposal of tangible capital assets	834,868	1,142,597
Amortization of tangible capital assets	12,998,491	12,697,381
Donated tangible capital assets	(3,472,167)	(13,695,051)
Change in post employee benefit liability	36,517	(89,090)
Equity income from HHCEC	(985,273)	(2,233,948)
Changes in non-cash working capital:		
Taxes receivable	(517,807)	(606,588)
Accounts receivable	(2,946,747)	243,422
Long-term receivables	130,125	(40,874)
Prepaid expenses and inventory	118,396	(155,431)
Accounts payable and accrued liabilities	(1,910,007)	2,031,242
Other current liabilities	272,416	451,049
Deferred revenue	(1,408,452)	1,768,375
Inventory for resale	4,347	(4,118)
Net change in cash and cash equivalents from operations	10,687,480	15,967,841
Capital Activities		
Acquisition of tangible capital assets	(18,024,373)	(17,402,554)
Proceeds on disposal of tangible capital assets	129,807	114,685
Net change in cash from capital activities	(17,894,566)	(17,287,869)
Investing Activities		
Redemption of investments	7,251,176	1,065,815
Dividends from HHCEC	1,038,065	1,558,128
Net change in cash from investing activities	8,289,241	2,623,943
Financing Activities		
Long-term debt issued	-	563,800
Long-term debt repaid	(1,345,686)	(1,551,507)
Net change in cash from financing activities	(1,345,686)	(987,707)
Net change in cash activities	(263,531)	316,208
Cash, beginning of year	2,071,603	1,755,395
Cash, end of year	\$ 1,808,072	\$ 2,071,603



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

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.

(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. The cost of investments approximates their fair 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:

ASSETS	USEFUL LIFE (YEARS)
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.

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

(v) Taxation and related revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) based upon Current Value Assessment (CVA). Tax rates are established annually by Town Council, incorporating amounts to be raised for local services and the requisition made by the Region of Halton in respect of regional services. The Town is required to collect education taxes on behalf of the Province of Ontario. 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.

(x) 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.

(xi) 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.

(xii) 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.

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 \$29,081,243 invested in the fund as at December 31, 2010. The market value of the investment is \$30,684,992. During 2010, the invested funds earned a realized year-to-date rate of return, net of fees, of 5.38%. Due to the nature of the investments and the uncertainty of market performance, the Town is unable to determine with any degree of certainty the rate of return it will earn on the investments held as at December 31, 2010.

3. Taxes Receivable

Included in taxes receivable of \$6,255,523 (2009 - \$5,737,716) as reported on the consolidated statement of financial position as at December 31, 2010, are taxes owing from 2 (2009 - 7) properties in the amount of \$107,155 (2009 - \$208,304), which have been placed under tax registration under the authority of the Municipal Tax Sales Act of 1990. It is the policy of council to take all authorized measures to control the escalation of defaulted tax payments.

4. Long-term Receivables

Included in long-term receivables is a loan to Acton Agricultural Society in the amount of \$1,185,827 (2009 - \$1,303,685). The loan is repayable in blended semi-annual payments of \$83,493, bears interest annually at the 10 year bond rate (for 2010 it is 3.85%) and matures November 2020.

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.

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:

	<u>2010</u>	<u>2009</u>
Financial Position:		
Assets		
Current	\$ 14,819,795	\$ 12,453,678
Capital	31,572,873	30,712,293
Other	8,275,788	6,965,039
Total assets	\$ 54,668,456	\$ 50,131,010
Liabilities		
Current	\$ 15,333,830	\$ 10,724,015
Promissory note payable to Town of Halton Hills	16,141,970	16,141,970
Other	986,988	1,006,565
Total liabilities	32,462,788	27,872,550
Equity		
Share capital	16,161,663	16,161,663
Retained earnings	6,044,005	6,096,797
Total equity	22,205,668	22,258,460
Total liabilities and equity	\$ 54,668,456	\$ 50,131,010
Financial Activities:		
Revenue	\$ 52,891,790	\$ 47,300,718
Expenses	51,906,517	45,266,803
Change in policy recognizing future taxes	-	200,033
Net earnings	985,273	2,233,948
Retained earnings, beginning of year	6,096,797	5,420,977
Dividends on common shares	(1,038,065)	(1,558,128)
Retained earnings, end of year	\$ 6,044,005	\$ 6,096,797
Town of Halton Hills' investment in HHCEC represented by:		
Promissory note receivable (a)	\$ 16,141,970	\$ 16,141,970
Investment in shares of HHCEC	16,161,663	16,161,663
HHCEC retained earnings	6,044,005	6,096,797
Total investment in HHCEC	\$ 38,347,638	\$ 38,400,430

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 2009 to 2010, 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 (2009 - \$1,008,873).

6. Bank Indebtedness

Operating lines of credit, available to the Town from a financial institution, amount to \$3,000,000. Interest on the lines of credit are at prime minus .75%. At year-end these operating lines of credit 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:

	<u>2010</u>	<u>2009</u>
Trade accounts payable	\$ 5,260,808	\$ 4,759,596
Payables to other governments	1,834,104	4,230,818
Accrued liabilities	119,596	134,101
	<u>\$ 7,214,508</u>	<u>\$ 9,124,515</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:

	<u>2010</u>	<u>2009</u>
Development charges	\$ 7,337,743	\$ 9,359,392
Capital committed	21,506	20,613
Parkland	1,414,463	1,312,853
Building Code Act, 1992	271,681	399,274
Gas tax – Federal	1,302,742	773,244
Total deferred revenue - obligatory	<u>10,348,135</u>	<u>11,865,376</u>
Other	2,165,313	2,056,524
	<u>\$ 12,513,448</u>	<u>\$ 13,921,900</u>

9. Employee Benefits Obligation

Summary of employee benefits obligation is provided below:

Future payments required for:	2010	2009
Liability for WSIB (a)	\$ 372,818	\$ 359,776
Vacation pay liability (b)	112,798	103,537
Retirement benefits (c)	620,447	606,233
Total	\$ 1,106,063	\$ 1,069,546

(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 March 14, 2011, estimated the liability at \$372,818 (2009 - \$359,776) as at December 31, 2010. A reserve in the amount of \$449,890 (2009 - \$425,890) 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 are earned in that twelve month period. This earned vacation may be taken anytime during the following twelve months.

(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 March 14, 2011, management has estimated a liability of \$620,447 (2009 - \$606,233) 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, 2010	\$ 606,233	\$ 359,776
Service cost/amortization of loss	40,485	69,320
Interest cost	43,194	14,707
Benefit payments	(69,465)	(70,985)
Accrued benefit obligation at December 31, 2010	\$ 620,447	\$ 372,818

10. Long-term Liabilities

	<u>2010</u>	<u>2009</u>
(a) Total long-term liabilities incurred by the Town, including those incurred on behalf of other municipalities and government business enterprises, at the end of the year.	\$ 4,965,831	\$ 6,311,517
(b) Of the long-term liabilities reported in (a) of this note, \$3,392,592 in principal payments are payable from 2011 to 2015, \$1,331,840 from 2016 to 2020, and \$241,399 from 2021 to 2029. These amounts are to be paid from general municipal revenue and deferred revenue.		
(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 \$257,333 (2009 - \$324,984).		

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>2010</u>	<u>2009</u>
Principal	\$ 1,345,686	\$ 1,551,507
Interest	257,333	324,984
	<u>\$ 1,603,019</u>	<u>\$ 1,876,491</u>

The charges for long-term liabilities assumed by government business enterprises are not reflected in these statements.

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.

13. Tangible Capital Assets

Cost	Balance, beginning of year	Additions	Disposals	Balance, end of year
General				
Land	\$ 17,416,257	\$ 236,312	\$ -	\$ 17,652,569
Land improvements	28,255,152	2,186,438	(256)	30,441,334
Buildings	31,455,249	10,480,964	(153,966)	41,782,247
Equipment	14,795,394	1,332,823	(401,766)	15,726,451
Vehicles	3,737,488	530,290	(432,845)	3,834,933
Leasehold improvements	224,034	24,264	-	248,298
Work in progress	10,511,265	(3,905,850)	-	6,605,415
Infrastructure				
Land	3,506,727	73,223	-	3,579,950
Land improvements	1,572,638	-	-	1,572,638
Buildings	1,330,627	-	-	1,330,627
Linear assets	297,978,179	6,900,465	(2,326,894)	302,551,750
Equipment	5,769,014	436,083	(128,245)	6,078,852
Vehicles	6,768,378	481,341	(399,979)	6,849,740
Work in progress	12,446,411	2,718,187	-	15,164,598
Total Cost	\$ 435,766,813	\$ 21,496,540	\$ (3,843,951)	\$ 453,419,402
Accumulated Amortization				
General				
Land improvements	\$ 8,476,748	\$ 967,281	\$ (256)	\$ 9,443,773
Buildings	15,790,465	1,180,191	(153,966)	16,816,690
Equipment	10,787,180	895,977	(374,040)	11,309,117
Vehicles	1,742,038	216,443	(349,556)	1,608,925
Leasehold improvements	51,417	30,595	-	82,012
Infrastructure				
Land improvements	1,204,062	35,357	-	1,239,419
Buildings	688,794	23,822	-	712,616
Linear assets	130,615,270	8,781,234	(1,488,680)	137,907,824
Equipment	3,181,474	324,146	(128,245)	3,377,375
Vehicles	3,107,212	543,445	(384,533)	3,266,124
Work in progress	-	-	-	-
Accumulated Amortization	\$ 175,644,660	\$ 12,998,491	\$ (2,879,276)	\$ 185,763,875
Net Book Value				
General				
Land	\$ 17,416,257	\$ 236,312	\$ -	\$ 17,652,569
Land improvements	19,778,404	1,219,157	-	20,997,561
Buildings	15,664,784	9,300,773	-	24,965,557
Equipment	4,008,214	436,846	(27,726)	4,417,334
Vehicles	1,995,450	313,847	(83,289)	2,226,008
Leasehold improvements	172,617	(6,331)	-	166,286
Work in progress	10,511,265	(3,905,850)	-	6,605,415
Infrastructure				
Land	3,506,727	73,223	-	3,579,950
Land improvements	368,576	(35,357)	-	333,219
Buildings	641,833	(23,822)	-	618,011
Linear assets	167,362,909	(1,880,769)	(838,214)	164,643,926
Equipment	2,587,540	113,937	-	2,701,477
Vehicles	3,661,166	(62,104)	(15,446)	3,583,616
Work in progress	12,446,411	2,718,187	-	15,164,598
Net Book Value - 2010	\$ 260,122,153	\$ 8,498,049	\$ (964,675)	\$ 267,655,527
Net Book Value - 2009	\$ 242,979,212	\$ 18,400,222	\$ (1,257,281)	\$ 260,122,153

13. Tangible Capital Assets (Continued)

(b) Contributed tangible capital assets

The Town records all linear 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 linear assets received during the year was \$3,472,167 (2009 - \$13,695,051).

(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

14. Accumulated Surplus at the end of the year

	<u>2010</u>	<u>2009</u>
General surplus / deficit		
- for general reduction of town taxation		
- town	\$ 121,100	\$ 171,100
- library	19,100	12,017
- for special charges reduction of taxation of other boards	(7,449)	1,443
- other	5,193,378	12,221,304
	<u>5,326,129</u>	<u>12,405,864</u>
Equity in tangible capital assets		
- Net tangible capital assets	245,885,514	237,164,477
- Construction in progress	21,770,013	22,957,676
- Debt issued	(4,888,798)	(6,311,517)
	<u>262,766,729</u>	<u>253,810,636</u>
Equity in HHCEC	38,347,638	38,400,430
Unfunded employee benefits	(791,655)	(764,399)
Business Improvement Area	37,724	45,078
Reserves set aside for specific purposes by Council		
- for insurance	272,972	283,191
- for workers' compensation	449,890	425,890
- for election	-	88,800
- for tax rate stabilization	654,039	794,579
- for capital purposes	12,448,410	6,538,318
Total reserves	<u>13,825,311</u>	<u>8,130,778</u>
Reserve funds set aside for specific purposes by Council		
- for John Elliott Award	10,188	10,152
- for capital purposes	620,500	571,252
Total reserve funds	<u>630,688</u>	<u>581,404</u>
	<u>\$ 320,142,564</u>	<u>\$ 312,609,791</u>

15. Contingent Liabilities

- (a) Pursuant to its order dated July 22, 2010 (the "Order"), the Ontario Superior Court of Justice approved the settlement of a class action lawsuit, which was served on the former Toronto Hydro-Electric Commission, continuing as Toronto Hydro Corporation, on November 18, 1998. The original class action was for the amount of \$500,000 and was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities ("MEU") in Ontario, of which the HHCEC is a successor MEU, which have charged Late Payment charges on overdue utility bills at any time after April 1, 1981.

The order formalized a settlement pursuant to which the defendant MEUs will pay the amount of \$17,000,000 plus costs and taxes in settlement of all claims. The amount allocated for payment by each MEU is its proportionate share of the settlement amount based on its percentage of distribution service revenue over the period for which it has exposure for repayment of late payment penalties exceeding the interest rate limit in the Criminal Code. HHCEC's share of the settlement amount is \$62,939, payable on June 30, 2011. HHCEC has accrued this amount in 2009.

Under the settlement, all MEUs involved in the settlement, including HHCEC, have the option to request an order from OEB allowing for the future recovery from customers of all costs related to the settlement.

On March 4, 2011, HHCEC decided not to seek recovery of costs related to this settlement.

- (b) From time to time, the Town may be involved in other 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.
- (c) 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:

2011	\$	208,995
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:

Federal		
Federal Gas Tax	\$	1,233,781
Infrastructure Stimulus Fund		943,589
Community Adjustment Fund		579,808
Building Canada Fund		239,384
Recreational Infrastructure Fund		128,260
Other grants		26,794
		<u>\$ 3,151,616</u>
Provincial		
Community Adjustment Fund	\$	988,290
Infrastructure Stimulus Fund		900,872
Investing in Ontario Act		649,277
Recreational Infrastructure Fund		299,242
Building Canada Fund		239,384
Other grants		605,963
		<u>\$ 3,683,028</u>

18. Segmented Information

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

General government – Mayor and Council, Office of the CAO, 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.

18. Segmented Information (Continued)

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.

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 2010 and 2009.

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning & Development	Total 2010
Revenue:									
Taxation for municipal purposes	\$ 3,777,958	\$ 4,454,778	\$ 10,068,174	\$ 870,319	\$ 218,252	\$ 286,592	\$ 8,288,475	\$ 1,224,452	\$ 29,189,001
User fees and charges	\$ 578,904	\$ 1,371,497	\$ 364,802	\$ 83,480	\$ 289,495	\$ 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	\$ -	\$ -	\$ 142,965	\$ 1,558,246	\$ 61,298	\$ 3,683,028
Other municipalities	\$ -	\$ 197,707	\$ 433,873	\$ 24,658	\$ -	\$ -	\$ -	\$ -	\$ 656,238
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
Total revenue	9,237,802	6,510,340	20,051,882	1,027,004	507,747	520,799	17,856,393	1,732,908	57,444,876
Expenses:									
Salaries, wages & employee benefits	4,051,681	5,696,311	4,429,461	160,913	201,012	256,137	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	1,456,468	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	36,078,714
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)	-	834,868
Total expenses	6,460,168	7,617,505	17,216,202	1,488,213	373,202	490,062	14,172,983	2,093,768	49,912,103
Net revenue (expenses)	\$ 2,777,634	\$ (1,107,165)	\$ 2,835,680	\$ (461,209)	\$ 134,545	\$ 30,737	\$ 3,683,410	\$ (360,860)	\$ 7,532,773

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning & Development	Total 2009
Revenue:									
Taxation for municipal purposes	\$3,640,425	\$3,928,173	\$ 10,312,141	\$ 808,742	\$188,215	\$ 269,971	\$ 7,957,018	\$ 1,203,878	\$ 28,308,564
User fees and charges	602,637	1,492,957	344,262	24,832	242,364	92,965	4,634,955	351,578	7,786,560
Government of Canada grants	-	-	1,531,256	77,950	-	-	215,807	5,700	1,830,713
Province of Ontario grants	101,417	21,575	671,959	-	-	110,310	907,125	2,948	2,015,334
Other municipalities	-	173,778	531,965	31,823	-	-	23,285	3,000	763,851
Investment income	1,796,276	-	-	-	-	-	-	-	1,796,276
Development charges	54,000	244,246	831,498	54,473	-	-	1,290,139	-	2,474,355
Donations	9,209	-	13,695,851	-	-	-	213,397	-	13,918,457
Other	3,976,832	-	145,752	-	-	-	140,519	-	4,263,103
Total revenue	10,180,796	5,860,729	28,264,684	997,820	430,579	473,246	15,382,245	1,567,104	63,157,203
Expenses:									
Salaries, wages & employee benefits	3,820,526	5,550,011	4,370,529	170,527	195,338	203,799	7,716,717	1,387,503	23,414,950
Interest on long-term debt	-	167,898	50,977	-	-	-	106,109	-	324,984
Purchased goods	1,299,678	377,849	1,933,821	156,878	108,105	55,432	2,225,800	247,964	6,405,527
Purchased services	778,777	325,180	1,251,944	42,486	1,143	58,567	1,473,305	359,927	4,291,329
Financial expenses	17,591	1,083	9,247	-	318	137,685	86,285	906	253,115
Transfers to others	50,364	-	-	-	12,500	-	31,914	73,667	168,445
	5,966,936	6,422,021	7,616,518	369,891	317,104	455,483	11,640,130	2,069,967	34,858,350
Amortization	295,572	332,478	8,998,526	1,013,718	6,377	8,939	2,040,745	1,026	12,697,381
Loss on disposal	-	3,013	1,124,607	7,645	-	-	7,332	-	1,142,597
Total expenses	6,262,508	6,757,512	17,739,651	1,391,254	323,781	464,422	13,688,207	2,070,993	48,698,328
Net revenue (expenses)	\$ 3,918,288	\$ (896,783)	\$ 10,525,033	\$ (393,434)	\$ 106,798	\$ 8,824	\$ 1,694,038	\$ (503,889)	\$ 14,458,875



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 \$3,490,217 (2009 - \$3,297,045) 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, 2010, was on behalf of 274 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.

The amount contributed to OMERS for 2010 was \$1,259,878 (2009 - \$1,169,790) for current service and is included as an expense on the Consolidated Statement of Operations.

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. Subsequent Event

On May 24, 2011, Town Council approved a grant of \$2,682,000 to the Georgetown Hospital Expansion and Renovation Project. To finance that grant, Council is requesting that the Region of Halton, on behalf of the Town, issue a ten year debenture for \$2,682,000. Repayment of the principal and interest, is to be secured by a dedicated property tax rate increase of 1.1%. The grant is to be disbursed to the hospital when the Town receives notification that the expansion and renovation project has been formally approved by the Ministry of Health, the tender for the project has been awarded and the hospital indicates its need for the actual funds.

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.



Graeme Goebelle, FCA (retired)

A. Brian MacAdam, CA, CFP
Melanie McCracken, CA

David Alexander, CA
Darren Turcotte, CA, CPA

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, 2010, 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, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Halton Hills, Ontario
June 27, 2011

GMA LLP
CHARTERED ACCOUNTANTS
Licensed Public Accountants

Trust Funds

Statement of Financial Position

December 31, 2010

	2010	2009
Financial assets		
Investments (Note 2)	\$ 3,490,217	\$ 3,297,045
Net financial assets	\$ 3,490,217	\$ 3,297,045



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

Trust Funds

Statement of Change in Net Financial Assets

Year Ended December 31, 2010

	2010	2009
Annual surplus	\$ 193,172	\$ 141,777
Change in net financial assets	193,172	141,777
Net financial assets - beginning of year	3,297,045	3,155,268
Net financial assets, end of year	\$ 3,490,217	\$ 3,297,045



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

Trust Funds

Statement of Operations

Year Ended December 31, 2010

	2010	2009
Revenue		
Capital	\$ 158,031	\$ 59,590
Interest	145,766	134,537
	303,797	194,127
Expenses		
Transfer to Town of Halton Hills	107,880	50,996
Georgetown Hospital Foundation	635	624
Limehouse Presbyterian Cemetery	815	730
Payment to registered candidate	1,295	-
	110,625	52,350
Annual surplus	193,172	141,777
Accumulated surplus, beginning of year	3,297,045	3,155,268
Accumulated surplus, end of year	\$ 3,490,217	\$ 3,297,045
Analysis of year end position		
Fairview Cemetery	\$ 376,201	\$ 354,303
Greenwood Cemetery	878,503	819,638
Hornby Presbyterian Cemetery	741	726
Limehouse Presbyterian Cemetery	23,234	21,280
Union Presbyterian Cemetery	3,075	2,948
Candidate Contributions	176	1,446
Georgetown Hospital Foundation	14,690	14,690
Transportation Maintenance	1,923,690	1,825,819
Gateway Feature	85,373	78,120
Private Traffic Signal Maintenance Fund	184,534	178,075
Total trust funds	\$ 3,490,217	\$ 3,297,045



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

Trust Funds

Statement of Cash Flows

Year Ended December 31, 2010

	2010	2009
Operating activities		
Annual surplus	\$ 193,172	\$ 141,777
Cash flow generated by operating activities	193,172	141,777
Financing activities		
Acquisition of investments	(193,172)	(141,777)
Increase (decrease) in cash flow	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -



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

Trust Funds

Notes to Financial Statements

Year Ended December 31, 2010

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 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 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) 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. Actual results could differ from those estimates.

iii) Cash Flow Statement

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 Cash Flow Statement and disclosed separately.

iv) Revenue Recognition

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

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 \$3,490,217 invested in the fund as at December 31, 2010. The market value of the amount invested is \$3,682,693. During 2010, the invested funds earned a realized year-to-date rate of return, net of fees, of 4.17%. Due to the nature of the investments and the uncertainty of market performance, the Town is unable to determine with any degree of certainty the rate of return it will earn on the investments held as at December 31, 2010.

3. Terms of Trust

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



4. Financial Instruments

Credit risk

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

Fair value

The Town's carrying value of investments approximates its fair value due to the immediate or short term maturity of this instrument.

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 of the statement of financial position as at December 31, 2010, 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 Halton Hills Library Board as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Halton Hills, Ontario
June 8, 2011

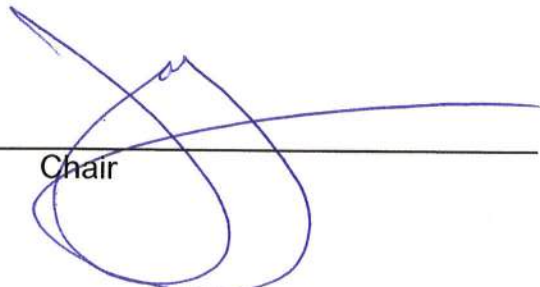
GMA LLP
CHARTERED ACCOUNTANTS
Licensed Public Accountants

THE CORPORATION OF THE TOWN OF HALTON HILLS
 Halton Hills Library Board
 Statement of Financial Position
 December 31, 2010


	2010	2009
Financial assets		
Due from the Town of Halton Hills	\$ 4,752,525	\$ 5,928,445
	4,752,525	5,928,445
Financial liabilities		
Deferred revenue	1,841,814	1,820,230
	1,841,814	1,820,230
Net financial assets	2,910,711	4,108,215
Non-financial assets		
Tangible capital assets (Note 2)	5,452,154	2,179,226
Accumulated surplus	\$ 8,362,865	\$ 6,287,441

Commitments (Note 4)

Approved on behalf of the Board:



 Chair



 Vice-Chair



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

Halton Hills Library Board

Statement of Change in Net Financial Assets

Year Ended December 31, 2010

	Budget Unaudited (Note 6)	2010	2009
Annual surplus	\$ 2,300,339 \$	2,075,424 \$	4,593,497
Acquisition of tangible capital assets	(3,531,424)	(3,531,424)	(822,007)
Amortization of tangible capital assets	-	258,496	239,068
Change in net financial assets	(1,231,085)	(1,197,504)	4,010,558
Net financial assets - beginning of year	4,108,215	4,108,215	97,657
Net financial assets, end of year	\$ 2,877,130 \$	2,910,711 \$	4,108,215

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



Halton Hills Library Board

Statement of Operations

Year Ended December 31, 2010

	Budget Unaudited (Note 6)	2010	2009
Revenue			
Town of Halton Hills	\$ 2,389,354	\$ 2,389,354	6,334,961
Government transfer			
Federal (Note 5)	943,589	953,357	43,949
Provincial (Note 5)	962,173	1,049,185	222,042
Other municipalities	19,700	-	23,285
Development charges	134,976	134,976	366,149
Fines, rentals and other	79,477	92,469	73,958
Consulting fees	-	635	11,004
	4,529,269	4,619,976	7,075,348
Expenses			
Salaries, wages and benefits	1,939,493	1,987,350	1,955,806
Materials and supplies	15,400	16,971	28,018
Programming	6,100	8,175	7,402
Repairs and maintenance	11,200	4,610	17,674
Telephone	7,200	5,794	6,244
Advertising	3,500	3,155	3,707
Printing and photocopying	7,400	9,109	8,089
Audit	800	800	650
Utilities	8,200	8,156	7,344
Contracted services	51,300	52,078	56,214
Rent	110,900	111,520	116,300
Equipment costs	3,600	3,690	3,968
General	63,837	74,648	31,367
Amortization	-	258,496	239,068
	2,228,930	2,544,552	2,481,851
Annual surplus	2,300,339	2,075,424	4,593,497
Accumulated surplus, beginning of year	6,287,441	6,287,441	1,693,944
Accumulated surplus, end of year	\$ 8,587,780	\$ 8,362,865	6,287,441

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, 2010

	2010	2009
Operating activities		
Annual surplus	\$ 2,075,424	\$ 4,593,497
Item not affecting cash:		
Amortization of tangible capital assets	258,496	239,068
Changes in non-cash working capital:		
Due from the Town of Halton Hills	1,175,920	(3,856,047)
Deferred revenue	21,584	(154,511)
Net change in cash and cash equivalents from operations	3,531,424	822,007
Capital Activities		
Acquisition of tangible capital assets	(3,531,424)	(822,007)
Net change in cash from capital activities	(3,531,424)	(822,007)
Net change in cash	-	-
Cash - beginning of year	-	-
Cash - end of year	\$ -	\$ -

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



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 "Town") 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. Significant estimates include assumptions used in estimating provisions for accrued liabilities.

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) Cash Flow Statement

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 Cash Flow Statement and disclosed separately.

iv) Revenue Recognition

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

v) Government Transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing that the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

(vi) 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 Statement of Operations and are calculated and charged monthly against the appropriate asset class. The asset categories and useful lives are as follows:

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

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.

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

(vii) 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.

2. Tangible Capital Assets

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	\$ 78,836	\$ -	\$ 78,836	\$ 78,836
Buildings	1,219,850	736,262	483,588	499,134
Machinery and equipment	3,363,594	2,382,907	980,687	920,387
Work in progress	3,909,043	-	3,909,043	680,869
	\$ 8,571,323	\$ 3,119,169	\$ 5,452,154	\$ 2,179,226

3. Financial Instruments

Credit risk

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

Fair value

The Town's carrying value of accounts receivable approximates its fair value due to the immediate or short term maturity of this instrument.

4. Lease Commitments

The Library leases premises and is committed to minimum annual lease payments under terms of a lease agreement which expires in 2012 as follows:

2011	\$	59,364
2012		59,364

5. 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:

Federal		
Infrastructure Stimulus Fund	\$	943,589
Other grants		9,768
	\$	<u>953,357</u>
Provincial		
Infrastructure Stimulus Fund	\$	900,872
Ministry of Culture - Knowledge Ontario		79,263
Per Capita		61,333
Other grants		7,717
	\$	<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.



Graeme Goebelle, FCA (retired)

A. Brian MacAdam, CA, CFP
Melanie McCracken, CA

David Alexander, CA
Darren Turcotte, CA, CPA

INDEPENDENT AUDITOR'S 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, 2010, 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 generally accepted accounting principles, 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.

Basis for Qualified Opinion

Due to the nature of transactions inherent in organizations of this type, it is impractical through auditing procedures to determine that accounting records include all donations of goods and services, receipts and disbursements. Accordingly, our verification of these transactions was limited to ensuring that the financial statements reflect the amounts recorded in the accounting records for the Acton Business Improvement Area and we are not able to determine whether adjustments might be necessary.

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Independent Auditor's Report to the Members of Acton Business Improvement Area *(continued)*

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halton Hills, Ontario
March 8, 2011

GMA LLP
CHARTERED ACCOUNTANTS
Licensed Public Accountants

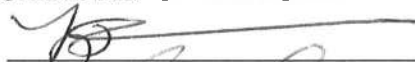
Statement of Financial Position

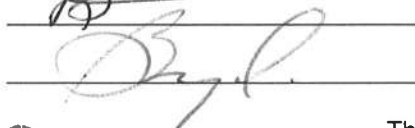
December 31, 2010

	2010	2009
FINANCIAL ASSETS		
Cash	\$ 5,292	\$ 4,476
Accounts receivable	9,224	6,979
	14,516	11,455
LIABILITIES		
Accounts payable and accrued liabilities	934	1,065
Due to Town of Halton Hills	4,500	-
	5,434	1,065
NET FINANCIAL ASSETS	9,082	10,390
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	57,525	58,225
	\$ 66,607	\$ 68,615

LEASE COMMITMENTS (Note 3)

ON BEHALF OF THE BOARD

 Director

 Director



The accompanying notes are an integral part of these financial statements

ACTON BUSINESS IMPROVEMENT AREA
Statement of Change in Net Financial Assets
Year Ended December 31, 2010

	Budget (Note 5)	2010	2009 <i>(As restated)</i>
ANNUAL SURPLUS (DEFICIT)	\$ -	\$ (2,008)	\$ 296
Amortization of tangible capital assets	-	700	700
Increase in net financial assets	-	(1,308)	996
Net financial assets - beginning of year	10,390	10,390	9,394
NET FINANCIAL ASSETS - END OF YEAR	\$ 10,390	\$ 9,082	\$ 10,390



The accompanying notes are an integral part of these financial statements

Statement of Operations

Year Ended December 31, 2010

	Budget (Note 6)	2010	2009
REVENUE			
Town of Halton Hills	\$ 76,400	\$ 74,603	\$ 74,000
Facade improvement grant	-	5,000	5,000
Summer student grant	-	4,920	4,560
Sponsorship program	-	3,585	3,825
Donation	-	3,500	3,500
Other revenue	-	1,899	2,439
	76,400	93,507	93,324
EXPENSES			
Salaries and wages	43,200	44,494	43,095
Repairs and maintenance	9,250	17,273	12,042
Facade improvement program	5,000	8,466	10,224
Advertising and promotion	6,600	10,034	9,988
Rent	12,350	5,950	5,675
General expenses	-	3,605	4,239
Miscellaneous	-	1,946	3,775
Professional fees	-	3,500	3,500
Banners	-	-	120
Amortization	-	700	700
	76,400	95,968	93,358
ANNUAL DEFICIT	-	(2,461)	(34)
OTHER INCOME			
Schedule of Leathertown Festival Operations (Schedule 1)	-	(1,196)	330
Schedule of Farmer's Market Operations (Schedule 2)	-	1,649	-
	-	453	330
ANNUAL SURPLUS (DEFICIT)	-	(2,008)	296
ACCUMULATED SURPLUS, BEGINNING OF YEAR	68,319	68,615	68,319
ACCUMULATED SURPLUS, END OF YEAR	\$ 68,319	\$ 66,607	\$ 68,615

Statement of Cash Flows

Year Ended December 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (2,008)	\$ 296
Item not affecting cash:		
Amortization of capital assets	700	700
	(1,308)	996
Changes in non-cash working capital:		
Accounts receivable	(2,245)	(4,944)
Accounts payable and accrued liabilities	(131)	934
Due to Town of Halton Hills	4,500	-
	2,124	(4,010)
INCREASE (DECREASE) IN CASH FLOW	816	(3,014)
Cash - beginning of year	4,476	7,490
CASH - END OF YEAR	\$ 5,292	\$ 4,476

ACTON BUSINESS IMPROVEMENT AREA
Schedule of Leathertown Festival Operations
Year Ended December 31, 2010

(Schedule 1)

	Budget (Note 6)	2010	2009
REVENUE			
Festival revenue	\$ -	\$ 5,645	\$ 9,047
Sponsorship program	-	8,425	8,440
Other revenue	-	1	92
	-	14,071	17,579
EXPENSES			
Entertainment	-	7,249	6,155
Advertising and promotion	-	4,472	5,085
Equipment rentals	-	2,736	3,965
Refunds	-	65	1,875
Donation	-	-	100
General expenses	-	745	69
	-	15,267	17,249
ANNUAL SURPLUS (DEFICIT)	\$ -	\$ (1,196)	\$ 330



The accompanying notes are an integral part of these financial statements

ACTON BUSINESS IMPROVEMENT AREA**Schedule of Farmer's Market Operations****(Schedule 2)****Year Ended December 31, 2010**

	2010	2009
REVENUE		
Farmer's Market	\$ 7,224	\$ -
Grant	5,700	-
	12,924	-
EXPENSES		
Advertising and promotion	4,985	-
General expense	4,632	-
Entertainment	1,659	-
	11,276	-
ANNUAL SURPLUS	\$ 1,648	\$ -



The accompanying notes are an integral
part of these financial statements

Notes to Financial Statements

Year Ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policy

The financial statements of the Acton Business Improvement Area are the representation of the Board's management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become 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.

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. 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.

Cash Flow Statement

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 Cash Flow Statement and disclosed separately.

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 is recognized as received.

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 useful life of the asset. All asset categories are amortized. Amortization costs will be recorded in the statement of operations. Amortization will be calculated and charged monthly against the appropriate asset class. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Land		non-depreciable
Street signs	15 years	straight-line method
Trash receptacles	10 years	straight-line method

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

Notes to Financial Statements

Year Ended December 31, 2010

2. CAPITAL ASSETS

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	\$ 51,470	\$ -	\$ 51,470	\$ 51,470
Street signs	4,761	1,190	3,571	3,887
Trash receptacles	3,823	1,338	2,485	2,867
	\$ 60,054	\$ 2,528	\$ 57,526	\$ 58,224

3. LEASE COMMITMENTS

The organization has a long term lease with respect to its premises. The lease expires July 2012 and includes utilities. Future minimum lease payments as at December 31, 2010, are as follows:

2011	\$ 6,300
2012	3,150
	\$ 9,450

4. FINANCIAL INSTRUMENTS

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.

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 the 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.

Notes to Financial Statements**Year Ended December 31, 2010**

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, 2009.

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.



Graeme Goebelle, FCA (retired)

A. Brian MacAdam, CA, CFP
Melanie McCracken, CA

David Alexander, CA
Darren Turcotte, CA, CPA

INDEPENDENT AUDITOR'S 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, 2010, 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 generally accepted accounting principles, 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.

Basis for Qualified Opinion

Due to the nature of transactions inherent in organizations of this type, it is impractical through auditing procedures to determine that accounting records include all donations of goods and services, receipts and disbursements. Accordingly, our verification of these transactions was limited to ensuring that the financial statements reflect the amounts recorded in the accounting records for the Georgetown Central Business Improvement Area and we are not able to determine whether adjustments might be necessary.

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Independent Auditor's Report to the Members of Georgetown Central Business Improvement Area
(continued)

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halton Hills, Ontario
February 28, 2011

GMA LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountant

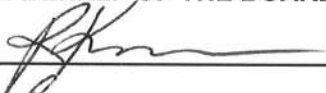

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2010

	2010	2009
FINANCIAL ASSETS		
Cash	\$ 45,617	\$ 52,107
Accounts receivable	3,536	2,040
GST receivable	6,247	2,135
	55,400	56,282
LIABILITIES		
Accounts payable and accrued liabilities	11,768	12,407
Deferred revenue (Note 1)	15,172	4,430
Due to Town of Halton Hills	-	5,132
	26,940	21,969
NET FINANCIAL ASSETS	28,460	34,313
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	31,655	8,410
Prepaid expenses	182	375
	31,837	8,785
	\$ 60,297	\$ 43,098

ON BEHALF OF THE BOARD

 _____ Director
 _____ Director



The accompanying notes are an integral part of these financial statements

Statement of Change in Net Financial Assets

Year Ended December 31, 2010

	Budget (Note 6)	2010	2009
ANNUAL SURPLUS	\$ 17,200	\$ 17,199	\$ 20,557
Acquisition of tangible capital assets	(7,000)	(24,760)	(8,736)
Amortization of tangible capital assets	-	1,515	326
Reduction of prepaid expense	-	193	(350)
Increase (decrease) in net financial assets	10,200	(5,853)	11,797
Net financial assets - beginning of year	22,516	34,313	22,516
NET FINANCIAL ASSETS - END OF YEAR	\$ 32,716	\$ 28,460	\$ 34,313



The accompanying notes are an integral part of these financial statements

Statement of Operations

Year Ended December 31, 2010

	Budget (Note 6)	2010	2009
REVENUE			
Town of Halton Hills	\$ 153,000	\$ 141,254	\$ 123,825
Facade improvement project	5,000	5,300	5,997
Donations	3,500	3,700	5,209
International flavours	4,500	4,335	4,600
Miscellaneous	750	5,132	3,420
Festival income	3,000	3,431	2,875
Sponsorship program	8,000	6,973	1,805
Student grant	1,000	1,385	1,140
	178,750	171,510	148,871
EXPENSES			
Salaries and wages	55,600	57,290	55,670
Repairs and maintenance	37,900	36,975	30,448
Advertising and promotion	32,000	31,311	21,040
Rent	9,600	9,129	9,000
Office	6,650	7,457	7,954
Facade improvement project	10,000	5,250	654
Professional fees	5,000	4,615	4,395
Memberships	2,000	1,616	1,936
Insurance	1,000	1,000	1,000
Amortization	-	1,020	326
	159,750	155,663	132,423
ANNUAL SURPLUS	19,000	15,847	16,448
SCHEDULE OF FARMER'S MARKET OPERATIONS (<i>Schedule 1</i>)	-	1,352	4,109
SCHEDULE OF RURAL ECONOMIC DEVELOPMENT PROGRAM OPERATIONS (<i>Schedule 2</i>)	-	-	-
ANNUAL SURPLUS	19,000	17,199	20,557
ACCUMULATED SURPLUS, BEGINNING OF YEAR	35,680	43,098	22,541
ACCUMULATED SURPLUS, END OF YEAR	\$ 54,680	\$ 60,297	\$ 43,098



The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

Year Ended December 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Annual surplus	\$ 17,199	\$ 20,557
Item not affecting cash:		
Amortization of capital assets	1,512	326
	18,711	20,883
Changes in non-cash working capital:		
Accounts receivable	(1,496)	(1,540)
GST receivable	(4,112)	(990)
Accounts payable and accrued liabilities	(636)	8,738
Due to Town of Halton Hills	(5,132)	750
Deferred revenue	10,742	4,430
Prepaid expenses	193	(350)
	(441)	11,038
Cash flow from operating activities	18,270	31,921
CAPITAL TRANSACTIONS		
Purchase of capital assets	(24,760)	(8,736)
INCREASE (DECREASE) IN CASH FLOW	(6,490)	23,185
Cash - beginning of year	52,107	28,922
CASH - END OF YEAR	\$ 45,617	\$ 52,107

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA**Schedule of Farmer's Market Operations****(Schedule 1)**

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Year Ended December 31, 2010

	2010	2009
REVENUE	\$ 21,664	\$ 15,756
EXPENSES		
Wages	12,222	7,602
Miscellaneous	3,609	500
Advertising	2,921	2,613
Casual labour	810	432
Licensing and insurance	750	500
	20,312	11,647
ANNUAL SURPLUS	\$ 1,352	\$ 4,109



The accompanying notes are an integral
part of these financial statements

GEORGETOWN CENTRAL BUSINESS IMPROVEMENT AREA
Schedule of Rural Economic Development Program Operations

(Schedule 2)

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Year Ended December 31, 2010

	2010	2009
REVENUE		
Grant	\$ 25,013	\$ 2,948
Pledged support	10,873	14,500
	35,886	17,448
EXPENSES		
Marketing	24,884	5,860
Banners	5,320	-
Advertising and promotion	4,637	8,640
Office supplies	-	388
Professional fees	-	2,381
Miscellaneous	550	-
Meetings	-	102
Room rentals	-	77
Amortization - Kiosk	495	-
	35,886	17,448
ANNUAL SURPLUS (DEFICIENCY)	\$ -	\$ -



The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

Year Ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policy

The financial statements of the Georgetown Central Business Improvement Area are the representation of the Board's management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become 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.

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. 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.

Cash Flow Statement

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 Cash Flow Statement and disclosed separately.

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.

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. For capital assets, the revenue will be brought into revenue over the useful life of the asset in conjunction with the amortization for that capital asset.

(continues)

Notes to Financial Statements

Year Ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 useful life of the asset. All asset categories are amortized. Amortization costs will be recorded in the statement of operations. Amortization will be calculated and charged monthly against the appropriate asset class. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Kiosk	10 years	straight-line method
Trash receptacles	10 years	straight-line method
Computer equipment	20%	declining balance method
Signage	15 years	straight-line method

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

2. CAPITAL ASSETS

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Kiosk	\$ 5,935	\$ 495	\$ 5,440	\$ -
Trash receptacles	7,224	1,023	6,201	6,923
Computer equipment	1,512	323	1,189	1,487
Signage	18,826	-	18,826	-
	\$ 33,497	\$ 1,841	\$ 31,656	\$ 8,410

The signage instalation was not complete at December 31, 2010 and therefore no amortization has been recorded on this asset in the accounts..

Notes to Financial Statements

Year Ended December 31, 2010

3. FINANCIAL INSTRUMENTS

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.

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 the 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.

4. 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, 2009.

5. RELATED PARTY TRANSACTIONS

The following is a summary of the organization's related party transactions:

	2010	2009
Member of the Board of Directors Professional fees	\$ -	\$ 2,381
Member of the Board of Directors Office expense	\$ -	\$ 1,736
Purchase of capital asset	-	1,512

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Notes to Financial Statements

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

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 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, 2010, 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, 2010, 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

Chartered Accountants, Licensed Public Accountants

May 2, 2011
Hamilton, Canada

HALTON HILLS COMMUNITY ENERGY CORPORATION

Consolidated Balance Sheet

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,586,953	\$ 1,078,344
Accounts receivable (note 3)	5,549,173	5,240,577
Unbilled revenue	5,727,873	5,133,509
PILS receivable	98,872	173,320
Inventory (note 4)	508,836	564,684
Current portion of note receivable (note 6)	23,625	23,259
Prepaid expenses and deposits	324,463	239,985
	<u>14,819,795</u>	<u>12,453,678</u>
Regulatory assets (note 5)	7,011,985	5,603,303
Deferred charges	57,753	51,251
Note receivable (note 6)	471,523	495,148
Capital assets (note 7)	31,572,873	30,712,293
Future income taxes	512,714	593,524
Other long-term assets	221,813	221,813
	<u>\$ 54,668,456</u>	<u>\$ 50,131,010</u>
Liabilities and Shareholder's Equity		
Current liabilities:		
Bank loan	\$ 2,050,000	\$ -
Smart Meter bank loan (note 16 (d))	3,500,000	1,500,000
Accounts payable and accrued liabilities	9,490,271	8,989,141
Deferred revenue	63,559	4,874
Current portion of consumer deposits	230,000	230,000
Note payable (note 9)	-	16,141,970
	<u>15,333,830</u>	<u>26,865,985</u>
Note payable (note 9)	16,141,970	-
Consumer deposits	484,105	510,289
Employee future benefits (note 10)	502,883	496,276
Shareholder's equity:		
Capital stock (note 11)	16,161,663	16,161,663
Retained earnings	6,044,005	6,096,797
	<u>22,205,668</u>	<u>22,258,460</u>
Legal proceedings (note 12)		
Commitments (note 15)		
	<u>\$ 54,668,456</u>	<u>\$ 50,131,010</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, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Service revenue	\$ 51,733,557	\$ 46,343,841
Other income	1,158,233	956,877
	<u>52,891,790</u>	<u>47,300,718</u>
Expenditure:		
Power costs	41,442,197	36,100,747
Salaries and benefits	4,250,858	4,128,584
Material costs	1,952,296	2,117,362
Contract services	2,864,980	2,359,068
Property costs	606,630	531,141
Other costs	763,786	606,910
Communication costs	323,323	272,295
Capital taxes	43,191	55,300
Allocated to capital	(4,629,604)	(4,785,692)
	<u>47,617,657</u>	<u>41,385,715</u>
Earnings before the undernoted	5,274,133	5,915,003
Other expenses:		
Amortization	(2,647,474)	(2,448,235)
Interest expense	(1,017,868)	(1,028,487)
	<u>(3,665,342)</u>	<u>(3,476,722)</u>
Earnings before income taxes	1,608,791	2,438,281
Income taxes:		
Current	627,310	1,127,302
Future	(3,792)	(2,495)
	<u>623,518</u>	<u>1,124,807</u>
Net earnings from continuing operations	985,273	1,313,474
Net earnings from discontinued operations (note 21)	-	720,441
Net earnings	985,273	2,033,915
Retained earnings, beginning of year as previously reported	6,096,797	5,621,010
Dividends on common shares	(1,038,065)	(1,558,128)
Retained earnings, end of year	<u>\$ 6,044,005</u>	<u>\$ 6,096,797</u>

See accompanying notes to consolidated financial statements.

HALTON HILLS COMMUNITY ENERGY CORPORATION

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Consolidated Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Net earnings	\$ 985,273	\$ 2,033,915
Items not involving cash:		
Amortization	2,647,474	2,448,234
Net gain on sale of subsidiary	-	(735,531)
Loss (gain) on disposal of capital assets	8	34,904
Future income taxes	(3,792)	(135,095)
Increase in employee future benefits	6,607	(750)
Changes in non-cash operating working capital (note 13)	69,919	(478,859)
Change in regulatory assets	(1,324,080)	(4,068,476)
Net cash from operating activities of continuing operations	2,381,409	(901,658)
Net cash from operating activities of discontinued operations	-	(133,850)
	2,381,409	(1,035,508)
Financing:		
Bank loan	2,050,000	-
Advancement of Smart Meter bank loan	2,000,000	1,500,000
Increase (decrease) in consumer deposits	(26,184)	69
Dividends on common shares	(1,038,065)	(1,558,128)
Capital contributions	446,868	799,341
Net cash from financing activities of continuing operations	3,432,619	741,282
Net cash from financing activities of discontinued operations	-	(440,000)
	3,432,619	301,282
Investments:		
Business acquisition (note 8)	(350,000)	-
Purchase of capital assets	(3,972,176)	(4,160,118)
Proceeds on sale of subsidiary	-	4,590,000
Note receivable	23,259	(518,407)
Deferred charges	(6,502)	(25,134)
Net cash from investing activities of continuing operations	(4,305,419)	(113,659)
Net cash from investing activities of discontinued operations	-	(194,926)
	(4,305,419)	(308,585)
Increase (decrease) in cash and cash equivalents	1,508,609	(1,042,811)
Cash and cash equivalents, beginning of year	1,078,344	2,121,155
Cash and cash equivalents, end of year	\$ 2,586,953	\$ 1,078,344
Supplemental cash flow information:		
Payments for interest	\$ 1,018,536	\$ 1,097,202
Net payments for income taxes	606,741	615,815
Increase in regulatory assets for stranded meters transferred from capital assets	367,246	743,000
Increase (decrease) in regulatory assets related to the decrease in future assets	(84,602)	122,792

See accompanying notes to consolidated financial statements.

HALTON HILLS COMMUNITY ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2010

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. The principal non-regulated activities of the Company are to provide hot water tank and sentinel light rentals, water meter reading and billing services for residents in the municipality of Halton Hills, as well as energy related services.

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 CORPORATION⁷⁰

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

1. Regulation (continued):

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

Type of regulation:

The 3rd 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 3rd 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.

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^{7.1}

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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 over a 24 month period ending April 30, 2012.

HALTON HILLS COMMUNITY ENERGY CORPORATION⁷²

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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 \$446,868 (2009 - \$799,341) 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.

Year ended December 31, 2010

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 (OEFC). 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 CORPORATION⁷⁴

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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.

Year ended December 31, 2010

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. There was no impact on the Company's assets or results from operations as a result of this change in accounting policy.

(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) Asset retirement obligations:

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development or normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings.

Year ended December 31, 2010

2. Significant accounting policies (continued):

(i) 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.

(j) 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.

(k) 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.

HALTON HILLS COMMUNITY ENERGY CORPORATION⁷⁷

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

2. Significant accounting policies (continued):

(k) Financial instruments (continued):

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:

	2010	2009
Service revenue	\$ 3,716,765	\$ 4,025,849
Miscellaneous	1,686,240	1,139,703
Town of Halton Hills	355,484	247,495
	5,758,489	5,413,047
Less allowance for doubtful accounts	(209,316)	(172,470)
	\$ 5,549,173	\$ 5,240,577

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

4. Inventory:

The Company has included certain major standby equipment as in-service fixed assets and depreciates these assets over their useful lives. The Company has reclassified \$627,913 (2009 - \$752,788) 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 2010 was \$32,245 (2009 - \$23,060).

HALTON HILLS COMMUNITY ENERGY CORPORATION⁷⁸

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

5. Regulatory assets:

Regulatory assets are as follows:

	2010	2009
Retail settlement variance	\$ 1,620,364	\$ 3,024,016
Low voltage	(614,786)	(121,370)
Other	35,769	(13,874)
Smart Meters	4,955,371	2,631,166
Regulatory asset recovery account, net of receipts	1,340,761	493,461
IFRS	8,000	8,000
Customer liability of future taxes	(333,494)	(418,096)
	<u>\$ 7,011,985</u>	<u>\$ 5,603,303</u>

Management expects that regulatory assets attained during 2005 through 2010, 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, power costs for the year would have been higher (lower) by (\$633,265) (2009 - \$1,939,903) and capital assets would be higher by \$2,041,947 (2009 - \$2,127,108).

6. Note receivable:

	2010	2009
The Town of Halton Hills, unsecured, bears interest at 1.568%, with quarterly interest and principal repayments, up to January 1, 2029:		
Current	\$ 23,625	23,259
Long-term	471,523	495,148
	<u>\$ 495,148</u>	<u>\$ 518,407</u>

HALTON HILLS COMMUNITY ENERGY CORPORATION⁷⁹

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

7. Capital assets:

			2010	2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Distribution system	\$35,061,997	\$ 12,054,361	\$23,007,636	\$ 23,264,848
Plant	10,398,019	3,304,243	7,093,776	7,445,439
Fleet	2,338,027	1,320,068	1,017,959	849,081
Other equipment	2,531,489	1,324,951	1,206,538	1,314,181
Computer equipment and software	2,239,222	2,127,336	111,886	181,232
General office	383,641	279,147	104,494	97,033
Water heaters	2,299,535	1,434,067	865,468	838,688
Wireless system	446,468	28,149	418,319	-
Leasholds	17,513	1,459	16,054	-
Contributed capital	(5,912,893)	(1,022,032)	(4,890,861)	(4,610,477)
Construction in progress	2,621,604	-	2,621,604	1,332,268
	\$52,424,622	\$ 20,851,749	\$31,572,873	\$ 30,712,293

During the year, the Company recorded capital asset additions of \$3,972,176 (2009 - \$2,182,617), of which \$Nil (2009 - \$303,986) were recorded in accounts payable and accrued liabilities at year-end.

8. Acquisition:

On April 19, 2010, the Company acquired assets from Atria for cash consideration of \$350,000. The following amounts were allocated to identifiable net assets acquired based upon their respective fair values as at (same date).

	Fair Market Value
Towers	\$ 252,948
Wireless Equipment	97,052
Acquired Assets	\$ 350,000

HALTON HILLS COMMUNITY ENERGY CORPORATION⁸⁰

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

9. 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, 2012. For 2009 to 2010, the prescribed rate of interest is 6.25%.

The Company incurred interest expense in respect of the promissory note payable of \$1,008,873 (2009 - \$1,008,873).

10. 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, 2010 was based on results and assumptions determined by actuarial valuation as at January 1, 2009.

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

	2010	2009
Accrued benefit obligation beginning of year	\$ 389,506	\$ 459,795
Expense for the year	13,501	11,036
Interest for the year	21,752	21,015
Benefits paid	(15,039)	(15,556)
Actuarial gain	-	(86,784)
Accrued Benefit obligation end of year	409,720	389,506
Unamortized actuarial gain	93,163	106,770
Liability end of year	<u>\$ 502,883</u>	<u>\$ 496,276</u>

Total benefit cost recorded in 2010 was \$15,899 (2009 - \$14,806).

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 2010 and thereafter.

Discount (Interest) Rate – the obligation as at December 31, 2010 of the present value of future liabilities and the expense for the year then ended were determined using a discount rate of 6.25%. 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 CORPORATION⁸¹

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

10. Employee future benefits (continued):

Medical costs – medical costs were assumed to increase at the CPI rate plus 9% in 2010. Thereafter, medical costs are assumed to decline by 0.7% per annum.

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

11. Capital stock:

	2010	2009
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
	\$ 16,161,663	\$ 16,161,663

12. Legal proceedings:

Class Action

Pursuant to its order dated July 22, 2010 (the "Order"), the Ontario Superior Court of Justice approved the settlement of a class action lawsuit, which was served on the former Toronto Hydro-Electric Commission, continuing as Toronto Hydro Corporation, on November 18, 1998. The original class action was for the amount of \$500,000 and was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities ("MEU") in Ontario, of which the Corporation is a successor MEU, which have charged Late Payment charges on overdue utility bills at any time after April 1, 1981.

The order formalized a settlement pursuant to which the defendant MEUs will pay the amount of \$17,000,000 plus costs and taxes in settlement of all claims. The amount allocated for payment by each MEU is its proportionate share of the settlement amount based on its percentage of distribution service revenue over the period for which it has exposure for repayment of late payment penalties exceeding the interest rate limit in the Criminal Code. The Corporation's share of the settlement amount is \$62,939, payable on June 30, 2011. The Company has accrued this amount in 2009.

Under the settlement, all the MEUs involved in the settlement, including the Corporation, have the option to request an order from the OEB allowing for the future recovery from customers of all costs related to the settlement.

On March 4, 2011 the Company decided not to seek recovery of costs related to this settlement.

HALTON HILLS COMMUNITY ENERGY CORPORATION⁸²

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

13. Changes in non-cash working capital:

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

	2010	2009
Accounts receivable	\$ (308,596)	\$ (1,650,751)
Unbilled revenue	(594,364)	845,289
Inventory	55,848	(92,696)
PILs receivable	74,448	15,176
Prepaid expenses and deposits	(84,478)	(104,541)
Accounts payable and accrued liabilities	501,130	(234,260)
Deferred revenue	58,685	(76)
Decrease in regulatory liabilities for stranded meters transferred from fixed assets	367,246	743,000
	\$ 69,919	\$ (478,859)

14. 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:

	2010	2009
Transactions		
Revenue		
Pole relocation	\$ 146,481	\$ 141,475
Expenses		
Courier services	\$ 2,500	\$ -
Property taxes	85,300	83,945
Dividends paid	1,038,065	1,558,128
Balances		
Amounts due to:		
Long-term debt	16,141,970	16,141,970
Amounts due from:		
Accounts receivable	\$ 355,484	\$ 247,495

Year ended December 31, 2010

15. 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

16. 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 (2009 - \$3,500,000). 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 fully utilized by the SouthWestern Energy Inc.

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 Halton Hills Hydro Inc. in the amount of \$1,050,000. At year-end this term loan was not utilized by the Company.

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, 2010 the company has drawn \$2,000,000 payable on demand.

b) Security on electricity purchases

As of May 2002, 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 (2009 - \$1,560,509) from a financial institution.

Year ended December 31, 2010

16. Credit facilities (continued):

b) Security on electricity purchases

Hummingbird Wireless has available a revolving demand credit facility from a financial institution in the amount of \$500,000. Credit is available to the Company in the form of prime based loans, letters of credit or stand-by letters of guarantee. Interest on prime based loans is at prime. At year end, only the letter of credit in the amount of \$397,000 was obtained to fund working capital. Security in the form of a first charge over the Hummingbird Wireless' assets and undertakings and an assignment of liability, fire insurance has been provided.

c) Covenants

The above credit facilities 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. As at December 31, 2010, Halton Hills Hydro Inc. is in compliance with these covenants.

d) Credit facility – Smart Meters

Halton Hills Hydro Inc. has available an interim demand loan facility up to \$4,000,000 by way of Bankers Acceptance to facilitate the implementation of Smart Meters. As at December 31, 2010 Halton Hills Hydro Inc. has drawn \$3,500,000 by way of bankers acceptance at an interest rate of 1.25% payable on March 31, 2011.

17. 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, 2010 was \$231,450 (2009 - \$220,083).

18. 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.

Year ended December 31, 2010

18. Financial instruments (continued):

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.

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, 2010, approximately \$132,583 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, 2010, the Company holds security deposits in the amount of \$714,105 (2009 - \$740,289).

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 \$2,436 (2009 - \$4,335) 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 \$35,000.

Year ended December 31, 2010

18. Financial instruments (continued):

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 a 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.

19. 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, 2010, no assessments have been made.

20. 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, 2010, shareholder's equity amounts to \$22,205,668 (2009 - \$22,258,460) and long-term debt amounts to \$16,141,970 (2009 - \$16,141,970).

HALTON HILLS COMMUNITY ENERGY CORPORATION⁸⁷

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

21. Discontinued operations:

On June 1, 2009, pursuant to a Share Purchase Agreement between the Corporation and a third party buyer, the Corporation sold all of its shares in Halton Hills Fibre Optics Inc, for cash.

The results of operations of Halton Hills Fibre Optics Inc. have been reported as discontinued operations in the financial statements. Total revenue, income before tax, and income tax expense from discontinued operations was \$610,541, \$133,208 and \$148,298 respectively.

The consideration received on the sale of shares of Halton Hills Fibre Optics Inc. consisted of cash proceeds of \$4,590,000 resulting in a gain of disposition of \$735,531, net of taxes of \$4,520. Assets and liabilities of Halton Hills Fibre Optics Inc. were as follows:

Current assets	\$ 456,390
Capital assets	3,588,430
Current liabilities	(3,347,504)

22. 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 IFRS 1 into 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.

The Corporation has decided to implement IFRS commencing on January 1, 2012.

On July 28, 2009, the OEB issued its Report of the Board – Transition to IFRS, which contains recommendations on how regulatory reporting requirements should change in response to IFRS. The OEB has now initiated a second phase in its transition project, which involves amending certain regulatory instruments. The Corporation continues to evaluate the potential impacts of the recommendations contained in the Report of the Board on both the activities of Corporation and its IFRS transition plan.

HALTON HILLS COMMUNITY ENERGY CORPORATION⁸⁸

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

23. Comparative figures:

Certain 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.