

Supplementary Information



The Corporation of the Town of Milton



Basis of Budgeting

The Town of Milton prepares all financial information on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). This means that the effect of transactions and events are recognized in the period in which the transactions and events occur.

Fund Accounting

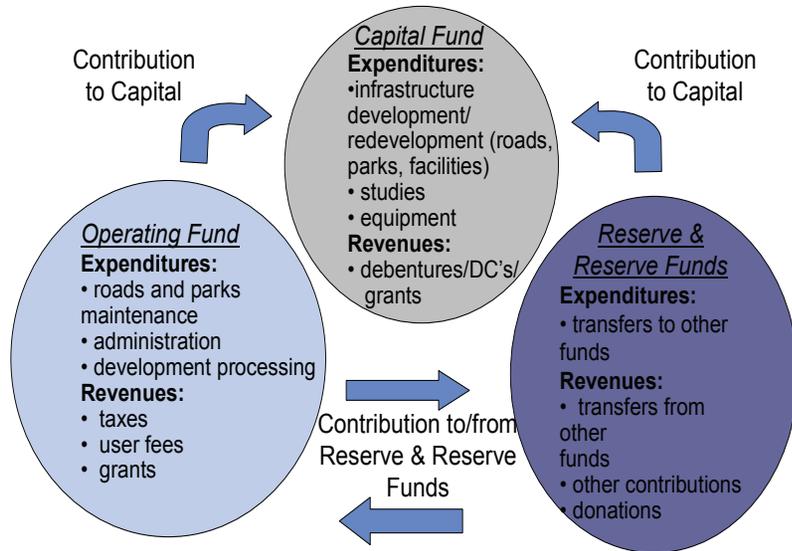
Financial information is prepared in accordance with a fund structure consisting of an Operating Fund, Capital Fund and Reserve Funds. A fund is defined as a segregation of assets and related liabilities that is administered as a separate accounting entity. Each fund has its own assets and debts and raises or is granted its own money for its own purposes and records its own expenditures. Separate fund accounting provides an increased measure of control over the assets of the fund by ensuring the assets are not inadvertently utilized by another fund.

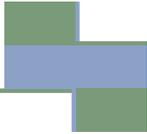
The **Operating Fund** is used to record all revenues and resources that are not otherwise accounted for in another fund. Unrestricted revenues, such as taxes, are recorded in the Operating Fund.

The **Capital Fund** is used to record all capital expenditures as well as the financing of these capital expenditures; including long-term borrowing, grant funding and taxation monies raised specifically for capital expenditures.

The **Reserve Funds** are established to record assets that have been segregated for a specific purpose.

As illustrated in the diagram, monies flow between funds through interfund transfers and are recorded as expenses or revenues in the affected funds.





Financial Policies

The following financial policies establish the framework for the overall fiscal planning and management of the Town of Milton. These financial policies are currently under review and updated policies will be presented to Council in 2011.

Policy #1: Balanced Budget

The Operating Budget will be balanced with revenues equaling expenditures for the budget period. Any shortfall in budgeted revenues versus budgeted expenditures for a budget period will be funded by tax levies equal to the shortfall, thereby resulting in a balanced budget.

Policy #2: Accounting Principles

The Town of Milton’s accounting principles are as follows:

- Every expenditure for goods and services shall be charged in the fiscal year in which the goods or services are actually received.
- Where general tax based funds have been appropriated but not spent prior to the end of the fiscal year and no legal obligation to expend said funds has been entered into prior to the end of the fiscal year, said funds shall be included in the Town’s general surplus and a surplus report shall be submitted to Council indicating the allocation of these funds.
- Where unanticipated revenues which are not dependent on expenditures to provide a service are realized, such revenues shall not be spent or committed without Council approval; at year-end such remaining revenues shall become part of the Town’s surplus or be used to reduce

the Town’s deficit.

- The Town shall continue to follow the accounting principles and guidelines identified by the Public Sector Accounting Board (PSAB).

Policy #3: Budget – Capital Preparation

A. Capital Expenditure:

A significant expenditure incurred for the improvement, acquisition or major rehabilitation of buildings, equipment, rolling stock and infrastructure, including studies undertaken related to such works. The expenditure will have benefits lasting beyond one year and have a minimum threshold of \$10,000.

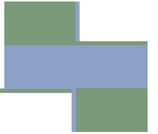
Note: A repair or maintenance expenditure designed to maintain an asset in its original state is not a capital expenditure, unless a major overhaul is required that will extend the useful life of the asset.

B. Capital Budget Preparation:

Each Director shall prepare and submit annually to the Director of Corporate Services/Treasurer’s office their Capital Budget Requests and subsequent nine year Capital Forecast Requests. Only the first five years of the forecast will need to have detailed descriptions. Each Capital Budget and Forecast submitted shall include:

- a. The project ID number (set by the Corporate Services Department);
- b. The year of initiation of the project;
- c. The flexibility in the timing of the project (i.e. if there is a reason that it must go forward in a certain year—due to development, safety, etc.);





- d. A project name;
- e. A brief description of the project and explanation of the need for the project;
- f. The department and service/program provided;
- g. A project priority ranking, following the ranking system in place (see number 3 to this policy);
- h. A detailed estimate of each project's costs net of G.S.T., including a breakdown of the total gross cost of the project by year (The source of the estimate should be identified);
- i. The financing of each project, including any known information regarding Grants/Subsidies, Direct Developer Contributions, External Contributions or Other. The Corporate Services Department will complete the balance of the financing; and
- j. An identification of operating impacts/expenditures that result from the capital project, including any additional transfers to reserves required due to an increased need for replacement of new equipment and/or new facility components that will be required in the future. At least one full year of operating costs/revenues will need to be indicated. If there are any savings due to upgrades that will result in operating savings in the subsequent years, this should be included as well.

C. Capital Budget Priority Ranking Process:

As part of capital budget preparation, a project should be given a ranking of 0-5 (five being the highest priority), the following is the range in which capital projects should rank:

Priority Ranking: 4-5

- Continuation of a phased project because of internal funding dependency or was functionally required
- Project tied to another jurisdiction and may:
 - 1—minimize disruption to the public
 - 2—be fiscally efficient, or
 - 3—be a health and safety issue
- Problem is identified as a serious threat to public health and safety
- If project not funded, would preclude growth
- Asset replacement – if asset in critical condition
- Repair/replace critical asset components

Priority Ranking: 2-3

- Project has significant program impact if not funded
- Project will reduce net current and future operating or maintenance costs – with a payback within three years
- Project tied to major funding from external sources
- Projects that are growth related
- Potential health/safety risk if project is not funded

Priority Ranking: 1

- Project will protect and maintain the Town's asset base
- Project will have general benefits to the community as a whole
- Recommended for postponement or elimination since the project raises some questions about benefit, need, proper timing or adequate funding



D. Capital Budget Process:

Capital Budget project requests will be reviewed and approved as follows:

- a. Identification of projects from Town Departments. Taking into account: all approved studies, plans, projects identified by staff and the public, projects to be shared with the Region, School Boards, and Other Municipalities or Ministries;
- b. Corporate Services Department will meet with each department individually to verify timing, costs, and identify external funding sources: grants and subsidies, fundraising, and donations;
- c. Corporate Services Department will review for internal funding sources: transfer from operating and reserves, development charges and other reserve funds, and debentures;
- d. Priority ranking by Senior Management Team;
- e. Presentation and recommendations to the Administration and Planning Committee;
- f. Council review and approval.

E. Capital Dollar Limitation:

The annual Capital Budget and Nine Year Forecast Document shall include:

- a. All capital projects or items costing in excess of \$10,000, regardless of the source of financing;
- b. Capital projects, costing less than \$10,000, if they are interrelated with another local municipality or regional project; or if capital financing other than tax levy is required;
- c. Similar maintenance items could be grouped together in a single project such as work identified in the facility

maintenance models, (i.e. three roof jobs in different locations, sidewalk repair/replacements, furniture requirements, etc.);

- d. All road construction projects regardless of dollar amount;
- e. Capital purchases less than \$10,000 in value shall be budgeted in the department's operating budget;
- f. Specifically identified capital programs, as approved by the Director of Corporate Services/Treasurer, may be budgeted as an annual allocation in the forecast with individual project locations being determined in the current year's budget approval (i.e. asphalt overlay, sidewalks, etc.).

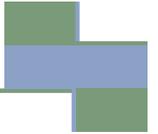
F. Spending Before Budgets are Established:

No new capital projects will be initiated before the capital budgets are established without the prior approval of the Executive Services Department or Council.

G. Emergency Spending:

Where authority has not been given in the Capital Budget for a particular project, no department shall commence the project unless:

- a. Approval was granted by Council through a report outside the budget process prepared by the Director of the Department requiring the expenditure and the Director of Corporate Services;
- b. An emergency occurs requiring capital repairs and the Executive Services Department approved such emergency repairs. Where such authorization is given a subsequent report detailing the emergency and the financing of such shall be prepared for Council's information by the Director of Corporate Services.



H. Capital Budget Reporting:

- a. That a monthly financial detail of the capital budget (projects program for what is proceeding) be provided to Council beginning the month following budget approvals.
- b. That detailed current monthly financial statements for the Capital Budget be provided to all Town Departments, no later than the 10th working day of the following month, beginning the month following budget approvals. That the Corporate Services Department review financial statements quarterly with all Departments and provide assistance in analysis of accounts and preparing forecast changes to the budget as required.
- c. That a quarterly reporting/forecasting system be established for all accounts in the capital budget; and that Departments report all account variances in the excess of 5% or \$5,000 (whichever is less) to the Director of Corporate Services; and that variance reporting be forwarded to Council for March, June, September, and December each year.

I. Authority for Budget Changes:

Where authority has been given in the Capital Budget for a particular project, and an increase to the approved amount is needed:

- a. The Director of Corporate Services/Treasurer may approve, including the source of financing:
 - An amount equal to 5% for projects budgeted under \$50,000; or
 - The lesser of 10% or \$50,000 for projects budgeted \$50,000 and over.
- b. Council may approve, including the source of financing:
 - Overexpenditures in excess of \$50,000 of budget.

A summary of budget changes to the approved amount, in accordance with (a), and (b) above, will be provided to the Administration and Planning Committee of Council with the variance report.

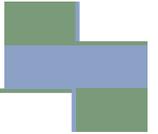
J. Project Completion:

No later than 60 days after the completion date of the project, the Director is to advise the Director of Corporate Services/Treasurer that the project is complete.

K. Capital Planning and Funding:

That the principles of a Capital Planning and Funding policy be set out as follows:

- a. The cost of providing capital facilities required by new growth shall be borne by the new development through the imposition of development charges and use of capital provision funds. This avoids undue financial impact on existing taxpayers. Tax funds will provide the statutory funding required under the development charges legislation and other projects that are ineligible for development charges and/or capital provision;
- b. Non-growth related capital projects and works will be financed on a pay-as-you-go basis involving direct use of capital from current, reserves and reserve funds (but not development charge reserve fund or capital provision reserve) thereby ensuring that the future will not be constrained by debt. Asset replacement must be well planned on the basis of the asset's estimated useful life;
- c. Capital Budget decisions made today must be affordable today and tomorrow, therefore it is of the utmost importance to show operating budget replacement impacts on new



infrastructure;

- d. Capital and Operating Budgets are interdependent. Capital decisions will invariably have tax rate implications on the following budget year(s);
- e. No Capital job should proceed until external sources of financing are in place (i.e. donations, fundraising, etc.).

L. Capital Financing and Debt Management:

- a. Milton shall attempt to maximize use of all available external financing sources each year, including but not limited to: grants, subsidies, fundraising, and donations.
- b. That the annual debt payments from the operating budget be limited to 15% of the Town's own source revenue and that the debt limit as calculated by the regulations could be as high as 20% where at least 25% of the debt repayments can be made from other sources of revenue such as user fees, future development charges or future capital provision payments.
- c. The Town shall continue a policy of pay-as-you-go financing on capital projects to the extent practicable. The annual debt charges of the Town shall not exceed OMB guidelines.
- d. Slot revenues are to be used to reduce the reliance on debt in accordance with the annual review of the policy on allocation of slot revenue.

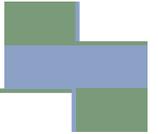
M. Capital Equipment Replacement:

That the principles of a Capital Equipment Replacement policy be set out as follows:

- a. An amount be included in the applicable annual operating budgets, to be set aside for the replacement of vehicles and equipment based on the estimated life cycles and

estimated replacement costs as approved by Council;

- b. That annual transfers to the Equipment Replacement Reserve be reviewed and updated to ensure that there are enough funds in this reserve to not only replace the existing equipment, but the replacement of new growth-related and service enhancement equipment;
- c. That the initial acquisition of new growth-related equipment be funded from development charges where applicable;
- d. That service enhancement and non-development charge funded new equipment will be funded from other capital sources and prioritized as part of the capital budget process;
- e. That the equipment recovery rates be reviewed and updated regularly to ensure the rates are at current market value. Since the equipment is used for projects that have recoveries from third parties, rates should reflect the current costs of operating and maintaining our fleet, maintaining the rates at a market level makes the Town's equipment more self-funding;
- f. That each Town Department budget separately for the contribution to the Equipment Reserve for the replacement of their own vehicles and equipment;
- g. That two-year budgets be passed with regard to equipment replacement;
- h. Development charge revenues not be used for the replacement of vehicles and equipment;
- i. The minimum value of a replacement vehicle or piece of equipment be set at \$5,000 to be eligible as a capital project;
- j. An expenditure on asset repair or maintenance is not a capital expenditure unless: a major overhaul is required that will extend the useful life of the asset (such as the refurbishment of a fire truck), and the repair meets the minimum value requirement in (i) above; and



- k. That future vehicle and equipment replacement expenditures be part of the annual capital budget with financing from the appropriate vehicle and equipment replacement reserve fund.

N. Capital Administration Surcharge:

- a. Each capital project included in the current year budget and nine year forecast will be charged the approved surcharge of the total budgeted cost of the project.
- b. There will be a recovery in the operating budget under general government equal to the total amount of the surcharge. This recovery will offset administrative costs for administering the capital project.

O. Project Management Surcharge:

- a. Certain capital projects will include an appropriate amount for wages where a significant amount of staff time will be spent on the project management duties related to the project.
- b. Wages will be budgeted at a rate equal to the midpoint of the staff persons salary band in the most current pay grid.
- c. Staff working on capital projects will record the time they spend working on each capital project on a standard time sheet.
- d. Staff wages will be paid from their departmental operating budget with an offsetting recovery from the capital budget.

P. Internal Development Fees:

- a. A town owned capital project shall be charged the appropriate development fees that would be levied against all other development applications.

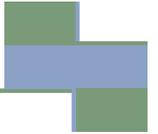
- b. Prior to inclusion in the capital budget, the project manager will obtain the costs of the application fees that relate to the project from the internal departments.
- c. Upon completion of the work by the internal department, the total costs shall be charged to the capital project and the revenue realized in the department budget.
- d. The fees charged to the capital project shall be in accordance with the most recent Milton Council approved fee schedule.

Policy #4: Budget – Operating Preparation

A. Operating Budget Process:

All operating budget estimates will be reviewed and approved as follows:

- a. Guidelines are set by Council based on staff recommendations;
- b. The Corporate Services Department shall prepare detailed instructions to be followed in the preparation of all operating estimates;
- c. Departments prepare budget estimates to identify base program requirements at existing service levels;
- d. Identifying new programs and/or service level changes;
- e. Estimating the number of new full-time equivalents;
- f. Revenues/Expenditures are to be calculated based on known commodity trends, approved studies/reports including user fee reports/by-laws, human resources reports, etc;
- g. Identify goals and objectives for the upcoming year;
- h. Corporate Services staff meet with each Department;
- i. Priority ranking session for suggested new programs/ service enhancements and/or program cuts;



- j. Budget presented to Administration and Planning Committee;
- k. Administration and Planning Committee make recommendations on final budget to Council;
- l. Council approval; and
- m. Tax rates are set.

B. Spending Before Budgets are Established:

- a. Departments are authorized to expend funds at the previous year's service levels, unless specifically directed otherwise by the Executive Services Department or Council until the current year's operating budget has been approved.
- b. No new programs are to be initiated before the operating budget is established without the prior approval of the Executive Services Department or Council.

C. Emergency Spending:

Where authority has not been given in the Operating Budget for a particular expenditure or line item, no department shall expend funds unless:

- a. Approval was granted by Council through a report outside the budget process prepared by the Director of Corporate Services;
- b. If an emergency occurs requiring an expenditure and the Director of Corporate Services approved such an emergency expenditure. Where such authorization is given a subsequent report detailing the emergency expenditure and the financing of such will be prepared by the Director of Corporate Services and the Director of the Department requiring the expenditure for Council's information.

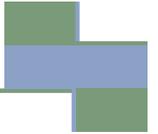
D. Operating Budget Reporting:

- a. That a monthly financial statement summary of the operating budget be provided to Council beginning the month following budget approvals.
- b. That detailed current monthly financial statements for the operating budget be provided to all Town Departments, no later than the 10th working day of the following month, beginning the month following budget approvals.
- c. That the Corporate Services Department review financial statements quarterly with all Departments and provide assistance in analysis of accounts and preparing forecast changes to the budget as required.
- d. That a quarterly variance review system be established for all accounts in the operating budget; and that Departments report all account variances in excess of \$1,000 to the Director of Corporate Services; and that reporting be provided to Council quarterly and form part of the financial statement reporting process including forecast budget.

E. Authority for Budget Changes:

Where authority has been given in the Operating Budget, an increase to the approved amount may be authorized, as follows:

- a. That the Director of Corporate Services/Treasurer may approve, including the source of financing:
 - Up to \$1,000 for line items budgeted under 10,000;
 - Up to \$1,500 for line items budgeted \$10,000 to \$20,000;
 - Up to \$2,000 for line items budgeted \$20,000 to \$30,000; or
 - Greater of 5% or \$2,500 for line items budgeted \$30,000 and over.



- b. A summary of budget changes to the approved amount, in accordance with (a) above, will be provided to the Administration and Planning Committee of Council on a quarterly basis with the variance reporting.

F. User Fees:

The Town of Milton is very proactive in establishing user fees to recover costs and reduce reliance on the tax levy to fund the operating budget. Full cost recovery (as determined by the user fee models) is the ultimate target for all non-recreation fees. A comprehensive review of user fees is conducted every three years including consultation with staff and user groups to set the fees. An annual update is conducted to ensure that fees are increasing at the appropriate rate of inflation.

G. Cash Management and Investments:

This policy provides an effective framework for optimal utilization of the Town of Milton's cash resources while ensuring the Town remains within the statutory limitations. The framework fulfills the basic need to protect and preserve capital assets while maintaining solvency and liquidity to meet on-going financial requirements.

H. Surplus Carry Forward:

In years when a surplus situation exists, the surplus carry-forward of said year shall be limited to \$300,000 and any excess surplus shall be applied to financing reserves, reserve funds and/or capital projects.

I. Debt Capacity:

Debenture financing is applied within the Ontario Municipal Board's (OMB) debt capacity guideline of 25% of own source revenues. It is further applied within the more conservative Council approved policy of 15% of the Town's own source revenues and that the debt limit as calculated by the regulations could be as high as 20% where at least 25% of the debt repayments can be made from other sources of revenue such as user fees, future development charges or future capital provision payments.



Creation of Reserves/Reserve Funds

All proposals to establish or create a new reserve or reserve fund in any year, whether for capital or operating purposes, shall be contained in the budget estimates where identifiable and shall be approved by Council resolution.

Reserve/Reserve Fund Movements

All contributions to or withdrawals from reserves and reserve funds shall be clearly identified and segregated on the Town's accounting system.

Reserve/Reserve Fund Controls

All reports containing proposals to finance capital or operating expenditures from reserve or reserve funds must be signed by the Director of Corporate Services/Treasurer before a report is submitted to Council for approval.

Capital Projects Financed From Reserves/Reserve Funds

Any projects scheduled in the budget and for which offsetting revenue are shown coming from reserves/reserve funds, should only proceed if the funding is available from the appropriate reserve/reserve funds.

Reserve/Reserve Fund Borrowing

- Only the Development Charge Reserve Funds will be allowed to enter into a negative position at any point in time;

- Where the activities supported by a specific reserve fund require temporary funding from another reserve fund, the Director of Corporate Services/Treasurer shall prepare a promissory note setting out the terms and conditions of the loan transaction.

Investments

The Director of Corporate Services/Treasurer shall prudently invest reserve funds and any related net investment income earned shall be credited to reserve funds accordingly.

Reporting

The Director of Corporate Services/Treasurer shall prepare and present a report to Council semi-annually setting out a Statement of Continuity:

1. Showing the balance standing to the credit of every reserve and reserve fund as at the previous December 31st, and;
 2. Showing all contributions and withdrawals made against every reserve and reserve fund to the date of the statement.
- A forecast of reserve and reserve fund balances is to be prepared and submitted annually with the capital budget and will be included in the Final Operating and Capital Budget Document.
 - Inventory of Reserve and Reserve Funds is maintained by the Department of Corporate Services.

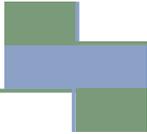
The reserve and reserve funds on the following pages were all approved through By-Law 142-2006.



SUPPLEMENTARY INFORMATION - RESERVE AND RESERVE FUND DEFINITION



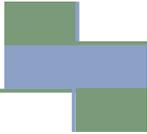
Reserve Description	Purpose of Fund	Funding Sources	Appropriation of Funds
Capital Provision	In order to mitigate the impact of growth on tax rates and on the Town's debt capacity limits, Developers have agreed to provide a capital provision fee over and above the Development Charges payable on residential development. This reserve is used to fund non-Development Charge recoverable costs on growth-related capital projects.	<ul style="list-style-type: none"> • Developer contributions, to be collected at time of building permit issuance, for residential units as set out in the Bristol and Sherwood Financial Agreements, and as negotiated with future phases of development. 	<ul style="list-style-type: none"> • Provision of capital facilities and infrastructure as negotiated and identified in fiscal impact assessments.
Reserve for Capital Works	This reserve is used to fund emergency capital requirements outside the annual budget process and over expenditures in capital projects. This reserve will also provide financing to capital projects where tenders exceed approved budgets.	<ul style="list-style-type: none"> • Contribution from the operating fund. • Excess financing from completed capital projects. • Operating fund surplus. 	<ul style="list-style-type: none"> • Contribution to the capital fund.
Transit & Transportation Reserve	To finance operating and capital expenditures related to transit and transportation.	<ul style="list-style-type: none"> • Contribution from the operating fund. 	<ul style="list-style-type: none"> • Contribution to the capital fund to finance jobs related to transit and transportation. • Contribution to the operating fund.



Reserve Description	Purpose of Fund	Funding Sources	Appropriation of Funds
Reserve for Computer Requirements	To fund the replacement of computer hardware on an ongoing basis, whether through lease or acquisition; to fund software acquisitions and associated training costs.	<ul style="list-style-type: none"> • Contribution from the operating fund. • Operating fund surplus. • Proceeds from sale of used equipment. 	<ul style="list-style-type: none"> • Contribution to the capital fund.
Equipment Replacement Reserve	To provide for the replacement of Town owned rolling stock and equipment, including operations vehicles, fire trucks and transit buses at the end of their useful life.	<ul style="list-style-type: none"> • Contribution from the operating fund. • Proceeds from sale or disposal of used equipment. 	<ul style="list-style-type: none"> • To fund the replacement of vehicles and equipment for operations, fire and transit.
Reserve for Working Funds	To provide working funds to offset outstanding taxes and other receivables and to provide financial flexibility in meeting cash-flow requirements.	<ul style="list-style-type: none"> • Contribution from the operating fund. • Contribution from operating fund surplus. 	<ul style="list-style-type: none"> • Contribution to the operating fund.
Reserve for Aggregate Permit Fees	To assist in financing rural roads reconstruction as a result of truck traffic traveling to and from local quarries to extract aggregate.	<ul style="list-style-type: none"> • \$0.06 cents per tonne fee collected from the Ministry of Natural Resources for all aggregate extracted in Milton. 	<ul style="list-style-type: none"> • Contribution to roads reconstruction capital budget.



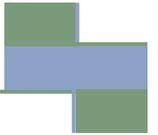
SUPPLEMENTARY INFORMATION - RESERVE AND RESERVE FUND DEFINITION



Reserve Description	Purpose of Fund	Funding Sources	Appropriation of Funds
Reserve for DBIA Surplus	To finance improvements in the Downtown Business Improvement Area.	<ul style="list-style-type: none"> Surplus funds generated by the DBIA. 	<ul style="list-style-type: none"> Subject to approval of DBIA Board of Directors.
Seniors' Reserve	To segregate excess fundraising by the Seniors Centre for use in funding activities at the Seniors/ Centre through the operating fund.	<ul style="list-style-type: none"> Surplus fundraising revenue generated by the Seniors Centre. 	<ul style="list-style-type: none"> To be used as a contribution to the operating fund to fund Seniors' special events.
Training Reserve	To provide funding for employee development and continuing education.	<ul style="list-style-type: none"> Contribution from the operating fund. Savings in annual training budget. 	<ul style="list-style-type: none"> Contribution to the operating fund.
Growth Related Resources	To mitigate the impact of growth on operating budgets. May include stabilizing building permit fee revenue, providing funding for additional staff required as a result of growth pressures.	<ul style="list-style-type: none"> Operating budget surpluses generated through development-related activity 	<ul style="list-style-type: none"> To fund growth-related resource requirements, including additional staff and related equipment.



SUPPLEMENTARY INFORMATION - RESERVE AND RESERVE FUND DEFINITION



Reserve Description	Purpose of Fund	Funding Sources	Appropriation of Funds
Reserve for Municipal Buildings Replacement	To finance the replacement or major rehabilitation of municipal buildings.	<ul style="list-style-type: none"> • Contribution from the operating fund. 	<ul style="list-style-type: none"> • Contribution to capital fund to finance repairs, maintenance and replacement of municipally owned buildings.
Provincial Gas Tax	This reserve fund is used to track funding received from the Ministry of Transportation and the expenditure of these funds as per the guidelines of the Dedicated Gas Tax Funds for Public Transportation Program.	<ul style="list-style-type: none"> • Contributions from the Ministry of Transportation. • Interest earned on monthly balances. 	<ul style="list-style-type: none"> • Incremental operating or capital expenditures that promote increased ridership. • Increased capital expenditures that provide improvements to transit security and passenger safety.
Perpetual Maintenance	To ensure a reasonable amount of funds are available for the long term care of infrastructure built by developers that will need to be maintained by the Town in future years.	<ul style="list-style-type: none"> • Contributions from developers. • Interest earned on monthly balances. 	<ul style="list-style-type: none"> • Contribution to operating and/or capital fund to fund the maintenance and repairs of infrastructure built by developers.



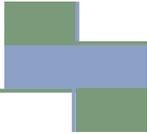
SUPPLEMENTARY INFORMATION - RESERVE AND RESERVE FUND DEFINITION



Reserve Description	Purpose of Fund	Funding Sources	Appropriation of Funds
Cash-in-lieu of Parkland	<p>In accordance with the Planning Act R.S.O. 1990 sec. 42. (6), municipalities may adopt a by-law requiring a percentage of land being developed or redeveloped to be conveyed to the municipality for park or other public recreational purposes. Where parkland cannot appropriately be provided, the municipality may require a payment of the value of land otherwise to be conveyed.</p> <p>The funding collected in this reserve fund will be used to fund the acquisition of land for parks or any other public recreational purpose and the development or redevelopment of land, parks and recreational facilities.</p>	<ul style="list-style-type: none"> • Contributions received in lieu of land being conveyed to the Town for parkland requirements as per the Planning Act. • Interest earned on monthly balances. 	<ul style="list-style-type: none"> • Contribution to capital fund to fund the purchase and development of parkland.
Building Rate Stabilization	<p>To ensure that the Building Department operates as a self-sustaining operation, as per Bill 124, this reserve will be used to mitigate fluctuations in building permit fees by managing the risk associated with an economic downturn and managing the financial implications resulting from additional compliance costs.</p>	<ul style="list-style-type: none"> • Surplus earned on building permit revenues. • Interest earned on monthly balances. 	<ul style="list-style-type: none"> • Contribution to the operating fund



SUPPLEMENTARY INFORMATION - RESERVE AND RESERVE FUND DEFINITION



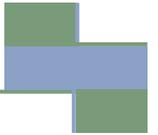
Reserve Description	Purpose of Fund	Funding Sources	Appropriation of Funds
Property Transactions	To provide financing for property acquisition to meet town needs (i.e. rights of way, road allowances, etc.).	<ul style="list-style-type: none"> • Proceeds from sale of Town owned property. • Contribution from the operating fund. • Revenue earned from leases and agreements. • Interest earned on monthly balances. 	<ul style="list-style-type: none"> • Contribution to the capital fund to finance land acquisition as required.
Cash-in-lieu of Parking	<p>In accordance with the Planning Act R.S.O. 1990 sec. 40. (2), municipalities may enter into an agreement with a property owner to exempt the owner from providing and maintaining parking facilities on their land as required under a municipal by-law and to provide funding to the municipality as consideration for granting the exemption.</p> <p>The funding collected in this reserve fund will be used to finance parking lot construction in areas which do not meet the minimum zoning requirements and land acquisition.</p>	<ul style="list-style-type: none"> • Contributions received from developers in lieu of providing and maintaining parking facilities on properties being developed. • Interest earned on monthly balances. 	<ul style="list-style-type: none"> • Contribution to the capital fund to fund the construction of parking lots and acquisition of land.



Reserve Description	Purpose of Fund	Funding Sources	Appropriation of Funds
Storm Water Management	To provide for the rehabilitation of storm water management ponds.	<ul style="list-style-type: none"> In-fill developers contribute to this reserve to compensate for their use of existing storm water ponds. 	<ul style="list-style-type: none"> Contribution to the capital fund.
Sports field Development Fund	To provide funding for capital projects related to the development or redevelopment of sports fields.	<ul style="list-style-type: none"> User Fees contribution to sports field replacement. Interest earned on monthly balances. 	<ul style="list-style-type: none"> To finance capital works related to Sports fields
MetroLinx BikeLinx program	To provide funding for the purchase and installation of secure and safe bicycle parking. The parking is intended to be placed at important locations such as major municipal and inter-regional transit facilities, and/or mobility hubs.	<ul style="list-style-type: none"> A one time contribution from Metrolinx BikeLinx Program, through the Region of Halton. Interest earned on monthly balances. 	<ul style="list-style-type: none"> To finance capital works related to the installation of secure and safe bicycle parking.
Federal Gas Tax	This reserve fund is used to track receipts and disbursements of funds in accordance with the terms of the Municipal Funding Agreement for the transfer of Federal Gas Tax revenues under the New Deal for Cities and Communities.	<ul style="list-style-type: none"> Contributions from the Association of Municipalities for Ontario for the Federal Government as per the New Deal for Cities and Communities agreement. 	<ul style="list-style-type: none"> New incremental capital spending on municipal infrastructure including transit, local roads, bridges and active transportation that enhance sustainability outcomes.



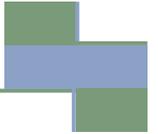
SUPPLEMENTARY INFORMATION - RESERVE AND RESERVE FUND DEFINITION



Reserve Description	Purpose of Fund	Funding Sources	Appropriation of Funds
Mayor's Legacy Fund	To be used for the development of trails within the Milton Heights area.	<ul style="list-style-type: none"> Funds received from 25th Anniversary Mayor's Legacy Fund. Interest earned on monthly balances. 	<ul style="list-style-type: none"> Contribution to the capital fund.
Milton District High School Reunion Scholarship Fund	To finance an annual scholarship of \$100 to a graduating student of Milton District High School who has successfully completed courses in the business area.	<ul style="list-style-type: none"> Original funding resulted from surplus related to a school reunion. Operating scholarships funded from interest earnings. 	<ul style="list-style-type: none"> To finance an annual scholarship.
WSIB Settlement re: Patterson	Receipt of insurance proceeds regarding settlement of ongoing WSIB claim.	<ul style="list-style-type: none"> Interest earned on monthly balances. 	<ul style="list-style-type: none"> Monthly pension payment to former employee
A&E Fund Raising /Donations	Proceeds received from fund raising and donations.	<ul style="list-style-type: none"> Contributions received through naming opportunities, theatre seat and piano key sales, as well as other general donations. 	<ul style="list-style-type: none"> Contribution to the operating fund



Reserve Description	Purpose of Fund	Funding Sources	Appropriation of Funds
Ontario Lottery Corporation Proceeds	Proceeds received quarterly from the Ontario Lottery and Gaming Corporation for hosting the Slots at Mohawk Racetrack are invested into the community through contributions to the capital fund, contributions to community organizations and increased Policing services.	<ul style="list-style-type: none"> • Contributions from the Ontario Lottery and Gaming Corporation for proceeds from Slots at Mohawk Racetrack. • Interest earned on monthly balances. 	<ul style="list-style-type: none"> • Contribution to the capital fund. • Contribution to Region of Halton for increased Policing service. • Contribution to community organizations.
Development Charges	As per the Development Charges Act, 1997, c.27, s. 2(1), Municipalities may pass a by-law that allows a development charge against lands that are being developed that will result in increased capital costs due to increased needs for services provided by the municipality. Services include Roads, Fire, Library, Transit, Administration, Parks, Recreation, Transportation and Storm Water Management.	<ul style="list-style-type: none"> • Contributions received from developers as per the Development Charges by-law. • Interest earned on monthly balances. 	<ul style="list-style-type: none"> • Growth-related capital projects as funded by the development charges by-law and identified in the Development Charges Background Study.



Accumulated Surplus/Deficit: The combined amount of net financial resources and non-financial assets, including tangible capital assets; also expressed as the difference between assets and liabilities.

Actual: Actual (as opposed to budgeted) revenues and expenditures.

Annualization: Amounts from items that were either in the previous years budget for only part of the year and need to be in the current budget for a full year or were one-time items in the previous year that need to be removed in the current year.

Assessment: An estimate of property value as determined by the Municipal Property Assessment Corporation (MPAC) used as a basis for levying property taxes for municipal, regional and educational purposes.

Approved Budget: The final budget passed by Council.

Assessment Review Board (ARB): An independent, adjudicative tribunal whose main function is to hear complaints from people who believe that properties are incorrectly assessed or classified.

Base Budget: The financial resources that are required to maintain service levels at the level provided in the previous year's Approved Budget.

Budget: A plan of financial operation containing an estimate of proposed expenditures for a given period (usually a fiscal year) and the proposed means of financing them.

Capital: The word "capital" has a specific meaning in the municipal context: it is used to describe the transactions of the capital fund, including both long-term expenditures and long-term financing.

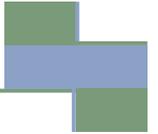
Capital Budget: The budget that provides for the funding of the Town's expenditures on capital assets.

Capital Expenditure: Monies spent for replacement, renovation or maintenance of assets, the benefits of which could spread over several years.

Capital Projects: Projects whose value is more than \$10,000 with benefits of expenditure lasting several years.

Capital Provision: A per unit amount (which is in addition to the development charges payable pursuant to By-law 046-2004, the Overcontribution Amount and the Deficit Per Unit amount) for all unit types (except special care/special need dwelling units as defined in By-law 046-2004, in respect of which the Capital Provision shall not apply) to be paid by each of the Landowners for the provision of those Municipal Capital Facilities which are not recoverable from development charges and which are set out in the Financial Plan.

Capital Surcharge: Each capital project included in the current year budget and nine year forecast will be charged a surcharge of 1.75% of the total budgeted cost of the project. There will be a recovery in the operating budget under general government equal to the total amount of the surcharge to offset administrative costs for administering the capital project.



COMRIF: Canada-Ontario Municipal Rural Infrastructure Fund. A partnership between the Government of Canada, the Government of Ontario, the Association of Municipalities of Ontario and Ontario municipalities working together to improve and renew public infrastructure across the province.

Contractual Change: Costs to maintain existing service levels and quantities; include items such as inflationary adjustments, contractual obligations, legislative requirements, user fee increases, etc. Contractual changes are typically non discretionary.

DBIA: Downtown Business Improvements Association

Debentures: A form of unsecured debt financing utilized by the municipality.

Debt Servicing: The repayment of interest and principle to external creditors.

Deficit: Excess expenditures over revenues.

Development Charge: Provides for the recovery of growth related capital expenditures from new development. The current Development Charges By-law provides for the growth-related capital cost recovery for nine service components – roads, fire protection, library, transit, administration, parks, recreation, other transportation and an area-specific charge for stormwater management monitoring.

Expenditure: The disbursement of appropriated funds to purchase goods and/or services.

Forecast: The projection of revenues and expenditures for future years.

Full Time Equivalents (FTE): A measure of authorized positions, indicating the percentage of time a position or group of positions is funded.

Fund Accounting: Self balancing set of accounts that shows how money is spent rather than how much profit was earned. Primarily used in nonprofit organizations and in the public sector.

Future Infrastructure Implementation Team (FIIT): The Facilities Infrastructure Implementation Team was established specifically to manage the capital projects related to facility development, particularly delivering projects that have received funding under the Federal/Provincial funding programs.

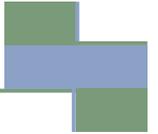
Gross Expenditures: Total expenditures of the Town prior to the netting of any external revenues and/or recoveries.

Gross Value: The value before any deductions (i.e. debts, charitable contributions, etc.).

Growth/Volume Change: Growth/Volume Changes are characterized as operating impacts that result from changes in the quantity of services used or provided service.

HST: Harmonized Sales Tax levied by the Federal Government at a combined rate of 13% of the value of applicable goods and services.

HVAC: Heating, ventilation and air-conditioning system.



ICI: Industrial/Commercial/Institutional

Inflation: A rise in the price levels caused by general economic activity and growth.

Infrastructure: The system of public works in the Town, consisting of immovable physical assets, that delivers an essential public service.

LEED: Leadership in Energy and Environmental Design

Levy (Tax): The amount of property tax, in dollars, which is paid by the Town's taxpayers.

Municipal Price Index: The Municipal Price Index is a rate of inflation constructed by the Town of Milton to ensure that the value of goods and services in the annual budget are adjusted appropriately to reflect the business and services that are provided. This approach mitigates restrictions from using only one index, such as Consumer Price Index (CPI).

Net Expenditure: Expenditures of the Town after any external revenues and/or recoveries.

OMB Ontario Municipal Board: A provincial judicial board that provides a forum to appeal planning decisions made by the Town.

Operating Budget: The budget that provides various departments with funding for their annual recurring operating costs. Compared to the capital budget, items funded in the operating budget do not give rise to assets that are expected to provide benefits over several years.

Operating Expenditure: The amount paid for asset maintenance or the cost of doing business.

Public Sector Accounting Board (PSAB): A division of the Canadian Institute of Chartered Accountants, the Public Sector Accounting Board serves the public interest by setting standards and providing guidance for financial and other performance information reported by the public sector.

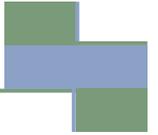
Reserve: An allocation of accumulated net revenue that is established by Council for a particular purpose. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of the reserve fund. Interest earned on the invested earnings is reported as operating fund earnings and not accumulated in the reserve.

Reserve Fund: An allocation of accumulated net revenue, similar to a reserve. It differs from a reserve in that reserve fund assets are segregated and restricted to meet a specific purpose.

Revenue: Income received by the Town for the fiscal year. Includes items such as tax revenues, user fees and transfers from reserves.

Service Level Change: Service Level Changes are the operating impacts resulting from the introduction of a service that is new to the Town, or where a capital project requires an expanded or incremental use of a service or asset.

Slot Revenue: Revenue received from the Ontario Lottery and Gaming Corporation.



Supplementary Taxes: Property taxes collected on new assessment not previously identified by Municipal Property Assessment Corporation (MPAC).

Sustainable Halton: Sustainable Halton is Halton Region's Growth Management and Land Use Response to the Provinces Places to Grow Plan, the Provincial Policy Statements and the Greenbelt Plan.

Surplus: Excess revenues over expenditures.

Strategic Plan: A document outlining long-term goals, critical issues and action plans which will increase the organizations effectiveness in attaining its mission, priorities, goals and objectives.

Transfer from Reserves: Transfers from the Town reserves and reserve funds to cover the cost of current operating expenses.

User Fees & Services Charges: Fees paid by individuals or organizations to the Town for the use of Town facilities or for provision of municipal services.