

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF OAKVILLE**

And Independent Auditor's Report thereon

Year ended December 31, 2022

THE CORPORATION OF THE TOWN OF OAKVILLE

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Year ended December 31, 2022

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Management’s Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of Oakville (the “Town”) are the responsibility of the Town’s management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management’s judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town’s management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Town Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Independent Auditor’s Report outlines their responsibilities, the scope of their examination and their opinion on the Town’s consolidated financial statements.



Nancy Sully
Commissioner, Corporate Services
and Treasurer



Jonathan van der Heiden
Deputy Treasurer and
Director of Finance

May 31, 2023



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Tel 905-523-8200
Fax 905-523-2222

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Corporation of the Town of Oakville (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2022,
- the consolidated statement of operations and accumulated surplus for the year ended,
- the consolidated statement of change in net financial assets for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- and notes, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Ontario
May 31, 2023

THE CORPORATION OF THE TOWN OF OAKVILLE

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021
(In thousands of dollars)

	2022	2021
Financial assets		
Cash	\$ 125,143	\$ 182,605
Accounts receivable (note 2):		
Taxes receivable	28,404	23,759
Other	44,272	35,521
Investments (note 3)	707,699	486,825
Investment in Municipal Development Corporation (note 4)	360	828
Investment in Oakville Enterprises Corporation (note 5)	282,334	248,846
	<u>1,188,212</u>	<u>978,384</u>
Liabilities		
Accounts payable and accrued liabilities	40,555	31,019
Other current liabilities	41,194	35,336
Deferred revenue - obligatory reserve funds (note 6)	316,004	270,411
Deferred revenue (note 7)	49,382	43,884
Long-term liabilities (note 8)	106,022	100,540
Contaminated sites (note 9)	185	196
Post-employment benefit liability (note 10(a))	33,508	33,035
WSIB liability (note 10(b))	5,685	4,728
	<u>592,535</u>	<u>519,149</u>
Net financial assets	595,677	459,235
Non-financial assets		
Tangible capital assets (note 11)	1,975,756	1,842,267
Prepaid expenses and inventory	6,094	4,632
	<u>1,981,850</u>	<u>1,846,899</u>
Contingent liabilities and guarantees (note 15)		
Accumulated surplus (note 12)	<u>\$ 2,577,527</u>	<u>\$ 2,306,134</u>

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

THE CORPORATION OF THE TOWN OF OAKVILLE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

(In thousands of dollars)

	Budget 2022	Actual 2022	Actual 2021
	(note 18)		
Revenue:			
Taxation revenue	\$ 229,419	\$ 233,285	\$ 223,212
User fees and charges (note 13)	61,724	58,913	46,051
Government transfers:			
Government of Canada (note 16)	6,571	4,360	1,166
Province of Ontario (note 16)	11,476	4,122	9,686
Canada Community-Building Fund (CCBF) and Ontario Gas Tax (note 16)	28,388	7,603	8,708
Other Municipalities	8,825	5,536	6,582
Investment income	11,876	13,421	7,649
Revaluation gain on Hydro Lease (note 5 (a))	–	806	128
Interest on promissory notes from Oakville Enterprises Corporation (note 5 (b))	4,622	4,622	4,622
Penalties and interest	3,300	4,150	4,019
Developer contributions and charges earned	114,994	189,470	48,161
Other	612	424	1,896
Gain on dilution of OEC shares (note 5)	–	17,415	–
Equity in loss of Municipal Development Corporation (note 4)	–	(519)	(119)
Equity in income of Oakville Enterprises Corporation (note 5)	6,100	21,962	13,946
Total revenue (note 17)	487,907	565,570	375,707
Expenses:			
General government	36,877	27,709	31,418
Protection services	51,917	55,686	54,235
Transportation services	63,219	93,489	89,828
Environmental services	1,684	8,813	10,851
Health services	3,865	4,035	4,068
Recreation and cultural services	68,064	80,323	70,098
Planning and development	20,109	24,122	22,481
Total expenses (note 17)	245,735	294,177	282,979
Annual surplus	242,172	271,393	92,728
Accumulated surplus, beginning of year	2,306,134	2,306,134	2,213,406
Accumulated surplus, end of year (note 12)	\$ 2,548,306	\$ 2,577,527	\$ 2,306,134

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

THE CORPORATION OF THE TOWN OF OAKVILLE

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021
(In thousands of dollars)

	Budget 2022	Actual 2022	Actual 2021
	(note 18)		
Annual surplus	\$ 242,172	\$ 271,393	\$ 92,728
Acquisition of tangible capital assets	–	(188,737)	(66,433)
Amortization of tangible capital assets	–	46,633	47,769
Gain on disposal of assets	–	(19,714)	(11,871)
Proceeds of disposition on tangible capital assets	–	28,329	17,973
	242,172	137,904	80,166
Acquisition of prepaid expenses and inventory	–	(6,094)	(4,632)
Use of prepaid expenses and consumption of inventory	–	4,632	4,306
	–	(1,462)	(326)
Change in net financial assets	242,172	136,442	79,840
Net financial assets, beginning of year	459,235	459,235	379,395
Net financial assets, end of year	\$ 701,407	\$ 595,677	\$ 459,235

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

THE CORPORATION OF THE TOWN OF OAKVILLE

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

(In thousands of dollars)

	2022	2021
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 271,393	\$ 92,728
Items not involving cash:		
Amortization of tangible capital assets	46,633	47,769
Gain on disposal of assets	(19,714)	(11,871)
Gain on dilution of OEC shares	(17,415)	–
Developer contributions of tangible capital assets	(137,240)	(32,814)
Change in contaminated sites liability	(11)	(151)
Change in post–employment benefit liability	473	398
Change in WSIB liability	957	466
Equity in loss of Municipal Development Corporation	519	119
Equity in income of Oakville Enterprises Corporation	(21,962)	(13,946)
Gain on revaluation of Oakville Enterprises Corporation direct financing lease	(806)	(128)
Change in non–cash assets and liabilities:		
Taxes receivable	(4,645)	9,703
Other accounts receivable	(8,751)	8,848
Accounts payable and accrued liabilities	9,536	(4,029)
Other current liabilities	5,858	4,657
Deferred revenue – obligatory reserve funds	45,593	96,923
Deferred revenue	5,498	4,385
Prepaid expenses and inventory	(1,462)	(326)
Net change in cash from operating activities	174,454	202,731
Capital Activities:		
Cash used to acquire tangible capital assets	(51,497)	(33,619)
Proceeds of disposition on tangible capital assets	28,329	17,973
Net change in cash used in capital activities	(23,168)	(15,646)
Investing Activities:		
Net change in investments	(220,874)	(59,473)
Increase in shareholder loan to Municipal Development Corporation	(51)	(1,200)
Repayment of direct financing lease receivable from Oakville Enterprises Corporation	595	538
Dividend from Oakville Enterprises Corporation	6,100	6,100
Net change in cash used in investing activities	(214,230)	(54,035)
Financing Activities:		
Debt issued	10,000	1,100
Debt principal repayment	(4,518)	(8,342)
Net change in cash from (used in) financing activities	5,482	(7,242)
Net change in cash	(57,462)	125,808
Cash, beginning of year	182,605	56,797
Cash, end of year	\$ 125,143	\$ 182,605

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

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

The Corporation of the Town of Oakville (the “Town”) is a municipality that provides municipal services such as fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the Town are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town except for the Town’s government business enterprises (Oakville Municipal Development Corporation and Oakville Enterprises Corporation).

These entities and organizations include:

The Oakville Public Library Board
Downtown Oakville Business Improvement Area
Bronte Business Improvement Area
Kerr Village Business Improvement Area

Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

(ii) Oakville Municipal Development Corporation

The Town’s investment in Oakville Municipal Development Corporation (“MDC”) is accounted for on a modified equity basis, consistent with Canadian public sector accounting standards as recommended by PSAB for government business enterprises. Under the modified equity basis, MDC’s accounting policies 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 MDC in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from MDC will be reflected as reductions in the investment asset account.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(iii) Investment in Oakville Enterprises Corporation

The Town's investment in Oakville Enterprises Corporation ("OEC") is accounted for on a modified equity basis, consistent with Canadian public sector accounting standards as recommended by PSAB for government business enterprises. Under the modified equity basis, OEC accounting policies 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 OEC in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from OEC will be reflected as reductions in the investment asset account.

(iv) Accounting for Region and School Board transactions

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

(v) Trust funds

Trust funds and their related operations administered by the Town are not included in these consolidated financial statements.

(b) Basis of accounting:

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

(c) Government transfers:

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except when, and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(d) Deferred revenue – obligatory reserve funds:

Deferred revenue – obligatory reserve funds represents development charge contributions, payments in lieu of parkland and gas tax, levied or received under the authority of federal and provincial legislation and Town by-laws. These amounts have been collected but the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

1. Significant accounting policies (continued):

(e) Deferred revenue:

Deferred revenue represents licenses, permits, grants and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(f) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to deferred revenue and forms part of the deferred revenue balance.

(g) Taxation revenue:

Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized, and the taxable event has occurred.

(h) User fees:

User fees are recognized as revenue when the service is performed.

(i) Investments:

Investments consist of bonds and debentures and are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(j) Net investment in direct financing leases receivable:

Investment income related to the Town's net investment in direct financing leases is recognized in a manner that produces a constant rate of return on investment. The investment in the leases is composed of net minimum remaining lease payments net of unearned investment income.

(k) Post-employment benefits:

(i) The Town provides certain employee benefits which will require funding in future periods. These benefits include long-term disability benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and extended health and dental benefits for early retirees.

The costs of long-term disability, benefits under the Workplace Safety and Insurance Board Act and extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, earned days accumulated for certain employees payable at retirement, health care cost trends, long term inflation rates and discount rates.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

1. Significant accounting policies (continued):

(k) Post-employment benefits (continued):

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as service payments and health and dental benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

(ii) The costs of multi-employer defined benefit pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period. OMERS has been accounted for as a defined contribution plan since it is a multi-employer plan.

(l) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

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

Asset	Useful Life – Years
Land improvements	3 – 100
Buildings	10 – 75
Equipment	3 – 19
Vehicles	3 – 18
Roads Network	10 – 100
Environmental Network	10 – 100
Communications and Technology Services	3 – 8

Annual amortization is charged in the year of acquisition and in the year of disposal. Work-in-progress assets are not amortized until the asset is available for productive use.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

1. Significant accounting policies (continued):

(l) Non-Financial assets (continued):

(ii) Contributions of tangible capital assets:

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

(iii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iv) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recognized as assets in these consolidated financial statements.

(v) Interest capitalization:

The Town does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(vi) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vii) Inventories of supplies:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(m) Sinking funds:

Sinking funds and their related operations are administered by Halton Region and, as such, are not included in these consolidated financial statements.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

1. Significant accounting policies (continued):

(n) Contaminated sites:

Contamination is a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is estimated based upon information that is available when the financial statements are prepared. It is based upon the costs directly attributable to the remediation activities required using a present value measurement technique. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- (i) an environmental standard exists
- (ii) contamination exceeds the environmental standard
- (iii) the Town is directly responsible or accepts responsibility
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

(o) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and the contaminated sites liability and in performing actuarial valuations of post-employment benefits liability and WSIB liability.

In addition, the Town's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

2. Accounts receivable:

Taxes receivable are reported net of a valuation allowance of \$1,500 (2021 - \$2,815). There is also a valuation allowance for general accounts receivable of \$142 (2021 - \$141).

3. Investments:

Investments reported on the consolidated statement of financial position have market values of \$679,543 (2021 - \$499,289).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

4. Investment in Oakville Municipal Development Corporation:

Oakville Municipal Development Corporation (“MDC”) is owned and controlled by the Town and, as a government business enterprise, is accounted for on the modified equity basis in these consolidated financial statements. MDC serves to develop properties within the boundaries of the Town.

The following tables provide condensed supplementary consolidated financial information for MDC for the year ended December 31:

Financial Position:

	2022	2021
Assets:		
Current	\$ 421	\$ 887
Total assets	\$ 421	\$ 887
Liabilities:		
Current	\$ 61	\$ 59
Shareholder loan	1,951	1,900
Total liabilities	2,012	1,959
Equity:		
Deficit	(1,591)	(1,072)
Total liabilities and equity	\$ 421	\$ 887

Operations:

	2022	2021
Revenue	\$ –	\$ 391
Expenses	(519)	(510)
Net loss	\$ (519)	(119)

Town of Oakville investment represented by:

Shareholder loan	\$ 1,951	\$ 1,900
Accumulated net income, net of dividends received	(1,591)	(1,072)
Total investments in MDC	\$ 360	\$ 828

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

4. Investment in Oakville Municipal Development Corporation (continued):

The Town has provided a shareholder loan to MDC. This shareholder loan bears interest at 1.8%, calculated monthly, has no fixed terms of repayment and is due upon demand.

(a) Related party transaction and balances:

The following summarizes the Town's related party transactions and balances with MDC for the years ended December 31:

	2022	2021
Balances:		
Amounts due from MDC		
Accounts receivable	\$ 41	\$ –
Amounts due to MDC		
Accounts payable	–	442

These balances are non-interest bearing and carry no fixed terms of repayment.

5. Investment in Oakville Enterprises Corporation:

Oakville Enterprises Corporation and its wholly owned subsidiaries (collectively the "Corporation") is 90% (2021 - 100%) owned and controlled by the Town and, as a government business enterprise, is accounted for on the modified equity basis in these consolidated financial statements.

On August 2, 2023, the Corporation issued 222 Class B common shares to a third party, diluting the Town's interest to 90% from 100%. As part of the terms of the Unanimous Shareholders Agreement, the 222 Class B common shares include a right to put the shares back to the Corporation in exchange for fair market value no earlier than August 2, 2027. This right does not expire until such time that the subscriber of the 222 Class B common shares has either increased their investment in the Corporation beyond 10% or upon delivering three put notices.

The proceeds from the issuance of the shares were \$47.5 million and the dilution of the Town's interest by 10% has resulted in a gain on dilution of \$17.42 million. After the date of the transaction, the Town will continue to recognize and share in the results of the Corporation at its new ownership percentage of 90%.

The Corporation serves as the electrical distribution utility for Oakville's residents and businesses. Other activities of the Corporation, and its subsidiaries, are to provide energy services, energy efficient home comfort equipment and services, billing services, street lighting maintenance services, retro-fit multi-residential buildings to individually metered units and utility related construction and power generation.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

5. Investment in Oakville Enterprises Corporation (continued):

The following tables provide condensed supplementary consolidated financial information for OEC and its subsidiaries for the year ended December 31:

Financial Position:

	2022	2021
Assets:		
Current	\$ 231,255	\$ 168,048
Capital	514,043	501,572
Regulatory balances	20,446	11,567
Total assets and regulatory balances	\$ 765,744	\$ 681,187
Liabilities:		
Current	\$ 153,976	\$ 126,109
Capital lease obligations	25,572	26,877
Promissory notes payable to Town of Oakville	77,029	77,029
Long-term debt	150,928	167,567
Other	127,152	117,165
Regulatory balances	11,824	11,853
Class B common shares	47,500	–
Total liabilities and regulatory balances	\$ 593,981	526,600
Equity:		
Share capital	\$ 63,024	\$ 63,024
Retained earnings	102,969	93,263
Accumulated other comprehensive income (loss)	5,770	(1,700)
Total equity	171,763	154,587
Total liabilities, regulatory balances and equity	\$ 765,744	\$ 681,187

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

5. Investment in Oakville Enterprises Corporation (continued):

The following tables provide condensed supplementary consolidated financial information for OEC and its subsidiaries for the year ended December 31:

Operations:

	2022	2021
Revenue	\$ 598,130	\$ 453,738
Expenses (including income tax provision)	(590,486)	(443,827)
Net movement in regulatory balances (net of tax)	8,908	2,633
Net income and net movement in regulatory balances	16,552	12,544
Other comprehensive gain	7,470	1,402
Total comprehensive income	24,022	13,946
Dividend paid to Town of Oakville	(6,100)	(6,100)
Share issuance costs	(746)	–
Change in equity	\$ 17,176	\$ 7,846

Town of Oakville change in investment in Oakville Enterprises Corporation represented by:

	2022	2021
Change in equity reported by Oakville Enterprises Corporation	\$ 17,176	\$ 7,846
Non-controlling interest's share of total comprehensive income	(1,314)	–
Gain on dilution of shares	17,415	–
Direct financing lease receivable repayment	(595)	(538)
Revaluation of direct financing lease	806	128
Change in investment in Oakville Enterprises Corporation	\$ 33,488	\$ 7,436

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

5. Investment in Oakville Enterprises Corporation (continued):

Town of Oakville investment represented by:

	2022	2021
Direct financing leases receivable - note 5 (a)	\$ 17,441	\$ 17,230
Promissory notes receivable - note 5 (b)	77,029	77,029
Investment in shares of OEC	63,024	63,024
Accumulated net income, net of dividends received	124,840	91,563
Total investment in Oakville Enterprises Corporation	\$ 282,334	\$ 248,846

(a) Net investment in direct financing receivable:

The Town has provided direct financing leases to OEC for the municipal property known as 861 Redwood Square. The lease expires in December of 2039.

Minimum payments under these lease agreements are as follows:

2023	\$ 1,647
2024	1,580
2025	1,580
2026	1,580
2027	1,580
Thereafter	18,963
	26,930
Less amount representing interest, imputed at 5.54%	(9,489)
	\$ 17,441

(b) Promissory notes:

The Corporation issued promissory notes to the Town, effective February 1, 2020, with principal repayment due on February 1, 2030. The Town has the option on one year's prior written notice to the Corporation to revise the maturity date and any of the terms of the promissory notes. At December 31, 2022, the interest rate in effect on the promissory notes was 6% (2021 - 6%). Interest revenue earned from these notes totaled \$4,622 (2021 - \$4,622).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

5. Investment in Oakville Enterprises Corporation (continued):

(c) Related party transaction and balances:

The following summarizes the Town's related party transactions and balances with OEC for the years ended December 31:

	2022	2021
Transactions:		
Revenue:		
Interest on promissory notes	\$ 4,622	\$ 4,622
Interest on direct financing leases	985	971
Garage services	400	370
Property taxes	560	516
Tree trimming services	539	500
Other	22	10
Expenses:		
Energy purchases (at commercial rates)	7,403	7,406
Construction/locating	1,875	2,081
Streetlight conversion and maintenance	114	173
Rent	149	147
Balances:		
Amounts due from OEC:		
Promissory note receivable	77,029	77,029
Direct financing leases receivables	17,441	17,230
Interest on promissory note	4,622	4,622
Accounts receivable	341	595
Amounts due to OEC:		
Accounts payable and accrued liabilities	1,837	1,287
Capital lease	1,240	1,324

(d) Contingencies and guarantees of Oakville Enterprises Corporation:

Short term credit facilities disclosed in their financial statements

The Corporation has an uncommitted line of credit facility available for \$100,000. As at December 31, 2022, \$66,651 (2021 - \$67,853) was drawn on this facility.

The Corporation has a letter of credit facility available of \$16,000, of which \$14,921 has been assigned to secure its primary source of electricity as required by the Independent Electricity System Operator ("IESO") Settlements Manual.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

6. Deferred revenue – obligatory reserve funds:

The deferred revenue – obligatory reserve funds, reported on the consolidated statement of financial position, are made up of the following:

						2022	2021
	Development Charges	Community Benefit Charge	Parkland	Gas Tax/CCBF	Commuter Cycling	Total	Total
Balance, beginning of year	\$ 158,627	\$ –	\$ 78,183	\$ 33,141	\$ 460	\$ 270,411	\$ 173,488
Developer and other contributions	75,966	903	7,942	–	–	84,811	101,462
Interest earned	5,986	6	1,845	790	9	8,636	4,195
Developer and other contributions	–	–	–	9,001	–	9,001	14,940
	81,952	909	9,787	9,791	9	102,448	294,085
Less:							
Contributions used in operating contributions	29,171	63	19,549	7,603	469	56,855	23,674
Balance, end of year	\$ 211,408	\$ 846	\$ 68,421	\$ 35,329	\$ –	\$ 316,004	\$ 270,411

7. Deferred revenue:

The deferred revenue, reported on the consolidated statement of financial position, is made up of the following:

				2022	2021
	Deferred revenues capital	Pre-authorized payments	Deferred tax revenues operations	Total	Total
Balance, beginning of year	\$ 4,267	\$ 19,863	\$ 19,754	\$ 43,884	\$ 39,499
Development fees	2,304	–	26,371	28,675	21,316
User fees	–	–	22,446	22,446	15,095
Other	–	21,475	–	21,475	19,863
	2,304	21,475	48,817	72,596	56,274
Less:					
Contributions used in operating and capital funds	1,587	19,863	45,648	67,098	51,889
Balance, end of year	\$ 4,984	\$ 21,475	\$ 22,923	\$ 49,382	\$ 43,884

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

8. Long-term liabilities:

- (a) The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2022	2021
The Town has assumed responsibility for the payment of the principal and interest charges on certain long-term serial debentures issued by Halton Region on behalf of the Town. Maturity dates vary from 2023 to 2032 and interest rates range from 0.3% to 3.7%.	\$ 22,830	\$ 14,943
The Town has assumed responsibility for the payment of the principal and interest charges on certain long-term liabilities issued by Halton Region under the Ontario Strategic Infrastructure Financing Authority (OSIFA) for Pine Glen. This debt is being recovered from the Oakville Soccer Club. The debt matures in 2030 and the interest rate is 4.80%	4,666	5,171
The Town has assumed responsibility for the payment of annual sinking fund deposits on long-term debentures issued by Halton Region on behalf of the Town with a maturity date of April 6, 2045. Annual sinking fund deposit requirements are \$1,816. The interest rate on the debentures is 3.15% and is payable in semi-annual instalments of \$1,418. The Town's share of the interest earned to date on the sinking fund deposits held by the Region are \$1,804.	77,286	79,102
The Town has entered into a capital lease agreement for the provision of a Geothermal Energy System at one of the Town's community centers. The agreement is with OEC Geo-Exchange Inc., a subsidiary of Oakville Enterprises Corporation. The agreement calls for quarterly payments of \$26, has an implicit interest rate of 1.90%, and expires in 2029. The corresponding asset and accumulated amortization are included in Note 11.	1,240	1,324
	\$ 106,022	\$ 100,540

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

8. Long-term liabilities (continued):

(b) Principal repayments due over the next five years and thereafter are as follows:

2023	\$	5,823
2024		5,706
2025		5,875
2026		6,054
2027		6,242
Thereafter		76,322
	\$	106,022

The principal repayments include the annual sinking fund deposit requirement of \$1,816.

- (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) Total interest on long-term liabilities which are reported on the consolidated statement of operations amounted to \$3,565 (2021 - \$3,488). The long-term liabilities bear interest at rates ranging from 0.30% to 4.80% (2021 - 0.30% to 4.80%).
- (e) The balance of long-term liabilities reported on the consolidated statement of financial position is funded from the following sources:

	2022	2021
Tax levy supported	\$ 89,394	\$ 93,121
Development supported	10,000	–
Oakville Soccer Club	4,666	5,171
Harbours supported	1,962	2,248
	\$ 106,022	\$ 100,540

9. Contaminated sites:

- (a) The Town has recognized a liability of \$185 (2021 - \$196) for remediation of various contaminated sites for which the Town has assumed responsibility from other organizations.
- (b) The future remediation costs and any post-remediation costs have an estimated undiscounted cost of \$200 (2021 - \$200) and have been present valued using a discount rate of 5% (2021 - 2.75%). Estimates for these costs are based upon quotes provided by experts, the Town's history with similar remediation efforts and/or management's best estimates.
- (c) The amount of estimated recoveries is \$nil (2021 - \$nil).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

10. Employment benefits and other liabilities:

(a) Post-employment benefit liability:

The Town pays extended health and dental benefits for early retirees to age 65 as well as for certain employees. The Town recognizes these post-employment costs in the period in which the employees rendered the services. The accrued benefit liability and the expense for the 12 months ended December 31, 2022 were determined by an actuarial valuation as at December 31, 2022.

The main actuarial assumptions employed for the valuations are as follows:

(i) Interest (discount rate):

The obligation as at December 31, 2022, of the present value of future liabilities, and the expense for the 12 months ended December 31, 2022, were determined using a discount rate of 5.00% (2021 - 2.75%).

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 6.5% (2021 - 6.5%) in the first year after the valuation date, reducing linearly to 4.0% after 8 years.

(iii) Dental costs:

Dental costs were assumed to increase at the rate of 4.0% per year.

Information about the Town's post-employment benefit liability is as follows:

	2022	2021
Accrued benefit obligation, beginning of year	\$ 24,543	\$ 24,130
Current service costs	1,208	1,228
Actuarial gain	(3,681)	(694)
Interest on accrued benefit obligation	683	609
Benefits paid during the period	(655)	(730)
Accrued benefit obligation, end of year	22,098	24,543
Unamortized actuarial gain	11,410	8,492
Accrued benefit liability, end of year	\$ 33,508	\$ 33,035

Included in current year costs is \$762 (2021 - \$708) for amortization of the actuarial gain. The unamortized actuarial gain is amortized over the expected average remaining service life of the employee group which was 13 years.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

10. Employment benefits and other liabilities (continued):

(b) WSIB:

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board (“WSIB”) Act the Town has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The most recent actuarial valuation was performed as at December 31, 2022, which includes an estimation of expected costs and payments for 2023, 2024 and 2025, as well as a calculation of the actuarial updates to December 31, 2023, 2024 and 2025.

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

(i) Interest (discount rate):

The obligation as at December 31, 2022, of the present value of future liabilities, and the expense for the 12 months ended December 31, 2022, were determined using a discount rate of 5% (2021 – 3.50%).

(ii) Administration costs:

Administration costs were assumed to be 23% (2021 – 28%) of the compensation expense.

(iii) Compensation expense:

Compensation costs, which include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at rates ranging from 1% to 3% (2021 – (0.25)% to 1.75%) depending on the benefit type.

Information about the Town’s WSIB liability is as follows:

	2022	2021
Accrued WSIB obligation, beginning of year	\$ 6,496	\$ 6,208
Current service costs	1,248	745
Actuarial loss	4,229	-
Interest on accrued benefit obligation	229	219
Benefits paid during the period	(697)	(676)
Accrued WSIB obligation, end of year	11,505	6,496
Unamortized actuarial loss	(5,820)	(1,768)
Accrued WSIB liability, end of year	\$ 5,685	\$ 4,728

Included in current service costs is \$178 (2021 – \$178) for amortization of the actuarial loss. The unamortized actuarial loss on future payments required to WSIB is amortized over the expected period of the liability which is 10 years (2021 – 12 years).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

10. Employment benefits and other liabilities (continued):

(c) Other pension plans:

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 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. OMERS is reporting a funding deficit of \$6,700,000 in 2022 (2021 - \$3,100,000). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, additional increases in the contributions may be required.

Contributions for employees with a normal retirement age of 65 were being made at a rate of 9.0% for earnings up to the yearly maximum pensionable earnings of \$64.9 and at a rate of 14.6% for earnings greater than the yearly maximum pensionable earnings.

The amount contributed to OMERS by the Town of Oakville for 2022 was \$11,544 (2021 - \$11,288). Employee contributions to OMERS for 2022 totaled \$11,544 (2021 - \$11,288).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

11. Tangible capital assets:

	2022									
	Land	Land Improve- ments	Buildings	Equipment	Vehicles	Roads Network	Environ- mental Network	Comm & Tech Services	Work in Progress	Total
Asset Cost										
Balance, beginning of year	846,895	282,343	391,074	44,759	92,967	622,151	349,534	33,418	30,641	2,693,782
Add: Additions during the year	127,500	6,437	4,987	3,055	1,665	31,773	15,583	5,038	53,055	249,093
Less: Disposals/transfers during the year	(8,270)	(286)	987	(5,127)	(2,519)	(1,781)	(12)	(1,826)	(60,356)	(79,190)
Balance, end of year	966,125	288,494	397,048	42,687	92,113	652,143	365,105	36,630	23,340	2,863,685
Accumulated Amortization										
Balance, beginning of year	–	214,535	126,339	20,132	56,596	302,348	109,101	22,464	–	851,515
Add: Amortization	–	5,891	9,232	3,717	6,264	13,213	5,152	3,164	–	46,633
Less: Accumulated amortization on disposals/transfers	–	(403)	264	(3,008)	(3,225)	(1,662)	(5)	(2,180)	–	(10,219)
Balance, end of year	–	220,023	135,835	20,841	59,635	313,899	114,248	23,448	–	887,929
Net book value, end of year	966,125	68,471	261,213	21,846	32,478	338,244	250,857	13,182	23,340	1,975,756

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

11. Tangible capital assets (continued):

	2021									
	Land	Land Improve- ments	Buildings	Equipment	Vehicles	Roads Network	Environ- mental Network	Comm & Tech Services	Work in Progress	Total
Asset Cost										
Balance, beginning of year	821,997	278,300	393,129	41,210	88,806	608,799	343,736	35,045	35,698	2,646,720
Add: Additions during the year	29,342	5,712	1,452	6,144	5,431	14,645	5,802	2,962	36,198	107,688
Less: Disposals/transfers during the year	(4,444)	(1,669)	(3,507)	(2,595)	(1,270)	(1,293)	(4)	(4,589)	(41,255)	(60,626)
Balance, end of year	846,895	282,343	391,074	44,759	92,967	622,151	349,534	33,418	30,641	2,693,782
Accumulated Amortization										
Balance, beginning of year	–	209,900	119,637	18,922	51,312	289,460	104,064	23,720	–	817,015
Add: Amortization	–	6,100	8,981	3,785	6,507	14,076	5,038	3,282	–	47,769
Less: Accumulated amortization on disposals/transfers	–	(1,465)	(2,279)	(2,575)	(1,223)	(1,188)	(1)	(4,538)	–	(13,269)
Balance, end of year	–	214,535	126,339	20,132	56,596	302,348	109,101	22,464	–	851,515
Net book value, end of year	846,895	67,808	264,735	24,627	36,371	319,803	240,433	10,954	30,641	1,842,267

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

11. Tangible capital assets (continued):

(a) Work-in-process assets:

Work-in-process assets having a value of \$23,240 (2021 - \$30,641) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is comprised of:

	2022	2021
Land	\$ 109,229	\$ 28,771
Land Improvements	2,123	89
Road Network	12,868	1,624
Environmental Network	13,020	2,330
Total contributed assets	\$ 137,240	\$ 32,814

Leased Assets:

The Town has capital leases included in tangible capital assets as follows:

	Cost	Accumulated Amortization	Net Book Value
Buildings	\$ 1,690	\$ 131	\$ 1,559

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land under roads, cemetery lands and buildings slated for demolition are the only assets where nominal values were assigned.

(d) Works of art and historical treasures:

The Town manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets:

No tangible capital assets were written down during the year (2021 - \$nil).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

12. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2022	2021
Surplus:		
Invested in tangible capital assets	\$ 1,975,756	\$ 1,842,267
Equity in Oakville Enterprises Corporation	282,334	248,846
Equity in Municipal Development Corporation	360	828
Unexpended capital	121,765	54,694
BIA reserves	402	445
Other	2,342	2,894
Unfunded:		
Contaminated sites	(185)	(196)
Post-employment benefits and WSIB	(39,193)	(37,763)
Long-term liabilities	(106,022)	(100,540)
	2,237,559	2,011,475
Reserves set aside for specific purposes by Council for:		
Tax rate stabilization	69,426	64,843
Capital financing	158,082	114,148
Acquisition of tangible capital assets	15,829	21,758
Working capital	52,776	50,451
Insurance	1,123	1,123
	297,236	252,323
Reserve funds set aside for specific purposes by Council:		
Post-employment benefits and WSIB	25,135	23,859
Street trees	4	22
Conservation purposes	215	170
Harbors	(6,605)	(5,778)
Library development	1,009	996
Building, ground maintenance and replacement	16,929	18,491
Parking	682	1,655
Bonus zoning	5,363	2,921
	42,732	42,336
	\$ 2,577,527	\$ 2,306,134

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

13. User fees and charges:

User fees and charges include the following:

	2022	2021
Development fees and miscellaneous	\$ 11,807	\$ 8,847
Transit revenues	5,538	3,611
Parking, Provincial Offences Act and other fines	3,769	4,341
Town facilities rental and usage fees	11,833	9,501
Recreation and cultural program revenues	9,518	3,174
Cemeteries	823	1,058
Licenses and permits	15,625	15,519
	<u>\$ 58,913</u>	<u>\$ 46,051</u>

14. Trust funds:

Trust funds administered by the Town amounting to \$6,801 (2021 - \$6,623) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

15. Contingent liabilities and guarantees:

(a) Litigation:

The Town has been named as defendant in certain legal actions in which damages have been sought. The exact outcome of these actions is not determinable, as at the date of reporting, however, provisions have been made for those legal actions where it is likely the Town may at some future date be held liable.

(b) Cemeteries Act:

The Cemeteries Act (Revised), R.S.O., 1990, requires the Town to assume ownership and responsibility for the continuing care of pioneer and abandoned cemeteries. However, the Cemeteries Act does not address the issue of funding for this obligation, other than to provide that any assets, funds and trust accounts, if they exist, become the property of the municipality at the time the ownership is assumed. This potential liability cannot be quantified at this time and no provision has been included in these financial statements.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

15. Contingent liabilities and guarantees (continued):

(c) Guarantees:

- (i) The Town, on occasion, has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements the Town agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (ii) The Town has purchased errors and omissions insurance to mitigate the costs of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as an officer, an employee, a volunteer or member of Council, Board, Commission or Committee of the Town. The maximum amount of any potential future payment cannot be reasonably estimated.
- (iii) In the normal course of business, the Town, on occasion, has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Town to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Town from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Town has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the financial statements with respect to these agreements.

- (iv) The Town has a credit facility for \$99 for the purpose of issuing letters of credit mainly to support requirements of the Department of Fisheries and Oceans Canada, of which \$nil (2021 - \$nil) has been drawn.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

16. Government and external transfers:

The government transfers reported within the Consolidated Statement of Operations are:

	2022	2021
Revenue:		
Federal grants:		
CCBF	\$ 5,192	\$ 5,562
Investing in Canada Infrastructure Program:		
Public Transit Stream	1,888	476
Green and Inclusive Community Buildings	1,006	–
Canada Revitalization Fund	717	–
Young Canada Works, Summer Jobs	355	336
Canadian Heritage Grant	167	117
Natural Resources Canada	97	123
Other	74	114
Museum Assistance Program Fund	56	–
	<u>9,552</u>	<u>6,728</u>
Ontario grants:		
Safe Restart Agreement – General	–	4,740
Ontario Gas Tax	2,411	3,146
Safe Restart Agreement – Transit	2,151	3,981
Investing in Canada Infrastructure Program	768	324
Audit & Accountability Fund	408	90
Streamline Development Approval Fund	299	–
Library – operating grant	182	182
Elderly Person's Centres	137	116
Reconnect Festival and Event Program	109	51
Museum – operating grant	58	75
Fire Safety Grant	–	52
Other	10	75
	<u>6,533</u>	<u>12,832</u>
Total revenue	\$ 16,085	\$ 19,560

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

16. Government and external transfers (continued):

The external transfers reported within the Consolidated Statement of Operations are:

	2022	2021
Expenses:		
Recreational & cultural grants:		
Oakville Galleries operating grant	\$ 382	\$ 371
Recreational program subsidization	183	103
Theatre groups subsidization	179	175
Oakville Arts Council	91	90
Sport development grants	38	56
Historical Society	8	8
Oakville Lawn Bowling	3	8
	884	811
Other:		
Oakville Tourism Partnership	645	241
Heritage grants	113	80
T.O.W.A.R.F.	33	33
Accessibility costs	1	4
Oakville Galleries program grant	–	28
	792	386
Total external transfers	\$ 1,676	\$ 1,197

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

17. Segmented information:

The Town is a diversified lower tier municipal government that provides a wide range of services to its citizens, including fire, public transit, roads and works operations, engineering and construction, parks, recreation, culture, planning, development and building services. Although Town services are provided internally by these defined service areas, for financial reporting, the Town has chosen to remain consistent with the Ontario Financial Information Return (FIR) and the seven functional areas that it prescribes. This will allow comparability between the town's segmented information and several schedules on the FIR that require full segment disclosure of operating expenses and limited disclosure of operating revenues. The services that have been separately disclosed in the segmented information are defined by the compositional requirements of the FIR as follows:

(i) General Government:

The General Government segment is comprised of governance and corporate management of the municipality.

(ii) Protection Services:

The Protective Services segment is comprised of the following service areas: fire services including fire suppression, fire prevention programs and fire inspections, by-law enforcement and building permit and inspection.

(iii) Transportation Services:

Transportation Services segment is comprised of the following services: roads maintenance, winter control, parking, street lighting and transit.

(iv) Environmental Services:

The Environmental Services segment is comprised of storm water management services.

(v) Health Services:

The Health Services segment is comprised primarily of cemetery maintenance and management as well as the town's debt repayments for their contribution to the Oakville Trafalgar Memorial Hospital.

(vi) Recreation and Cultural Services:

The Recreation and Cultural Services segment is comprised of the following service areas: parks, recreation programs, recreation facilities, libraries, marinas, museums and other cultural services and activities.

(vii) Planning and Development:

The Planning and Development segment is comprised of planning and zoning, commercial, industrial, and residential developments, economic development, and the business improvement areas.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

17. Segmented information (continued):

	2022							
	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation & Cultural Services	Planning & Development	Total
Revenue:								
Taxation	\$ 42,839	\$ 44,097	\$ 71,480	\$ 1,712	\$ 167	\$ 61,258	\$ 11,732	\$ 233,285
Canada grants	714	–	1,598	–	–	2,037	11	4,360
Ontario grants	248	–	2,929	–	–	387	558	4,122
CCBF	–	–	6,573	684	–	346	–	7,603
Other Municipalities	496	–	4,515	6	–	452	67	5,536
Oakville Enterprises	4,622	–	–	–	–	–	–	4,622
User fees and service charges	3,103	13,730	10,260	–	823	20,922	10,075	58,913
Investment income	13,181	–	–	–	–	239	1	13,421
Revaluation gain on Hydro Lease	806	–	–	–	–	–	–	806
Penalties and interest	4,150	–	–	–	–	–	–	4,150
Developer contributions and development charges earned	120,542	36	33,439	13,020	–	22,401	32	189,470
Gain on dilution of OEC shares	17,415	–	–	–	–	–	–	17,415
Equity in MDC	(519)	–	–	–	–	–	–	(519)
Equity in OEC	21,962	–	–	–	–	–	–	21,962
Other	(40)	15	(95)	23	160	358	3	424
	229,519	57,878	130,699	15,445	1,150	108,400	22,479	565,570
Expenses:								
Salaries, wages and benefits	32,440	45,709	38,369	482	466	40,459	10,960	168,885
Debt expense	24	–	250	–	2,835	456	–	3,565
Materials	182	582	12,689	82	97	7,180	71	20,883
Contracted services	10,097	7,189	18,907	3,319	621	17,125	12,147	69,405
Rents and financial expenses	494	–	89	–	18	346	105	1,052
External transfers	137	43	1,269	–	–	1,251	768	3,468
Amortization	4,065	2,163	22,137	4,924	29	13,244	71	46,633
(Gain)/loss on disposal of assets	(19,730)	–	(221)	6	(31)	262	–	(19,714)
	27,709	55,686	93,489	8,813	4,035	80,323	24,122	294,177
Annual surplus	\$ 201,810	\$ 2,192	\$ 37,210	\$ 6,632	\$ (2,885)	\$ 28,077	\$ (1,643)	\$ 271,393

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

(In thousands of dollars)

17. Segmented information (continued):

	2021							
	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation & Cultural Services	Planning & Development	Total
Revenue:								
Taxation	\$ 37,476	\$ 43,027	\$ 75,344	\$ 1,454	\$ 167	\$ 55,796	\$ 9,948	\$ 223,212
Canada grants	124	–	481	–	–	487	74	1,166
Ontario grants	4,771	52	4,275	–	–	447	141	9,686
CCBF	29	–	5,213	1,818	–	1,648	–	8,708
Other Municipalities	(110)	343	5,734	7	–	533	75	6,582
Oakville Enterprises	4,622	–	–	–	–	–	–	4,622
User fees and service charges	1,835	13,554	7,739	–	1,058	13,503	8,362	46,051
Investment income	7,383	–	–	–	–	263	3	7,649
Revaluation gain on Hydro Lease	128	–	–	–	–	–	–	128
Penalties and interest	4,019	–	–	–	–	–	–	4,019
Developer contributions and development charges earned	28,796	(50)	10,656	–	–	8,618	141	48,161
Equity in MDC	(119)	–	–	–	–	–	–	(119)
Equity in OEC	13,946	–	–	–	–	–	–	13,946
Other	40	17	1,295	157	112	238	37	1,896
	102,940	56,943	110,737	3,436	1,337	81,533	18,781	375,707
Expenses:								
Salaries, wages and benefits	29,041	44,950	36,374	601	409	35,056	11,299	157,730
Debt expense	26	–	283	–	2,835	344	–	3,488
Materials	585	590	10,646	43	101	6,657	93	18,715
Contracted services	8,389	6,623	18,818	5,388	660	13,505	10,593	63,976
Rents and financial expenses	407	–	63	–	26	281	90	867
External transfers	165	37	1,061	–	–	718	324	2,305
Amortization	4,095	2,039	23,230	4,816	40	13,471	78	47,769
(Gain)/loss on disposal of assets	(11,290)	(4)	(647)	3	(3)	66	4	(11,871)
	31,418	54,235	89,828	10,851	4,068	70,098	22,481	282,979
Annual surplus	\$ 71,522	\$ 2,708	\$ 20,909	\$ (7,415)	\$ (2,731)	\$ 11,435	\$ (3,700)	\$ 92,728

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2022
(In thousands of dollars)

18. Budget data:

The audited budget data presented in these consolidated financial statements is based upon the 2022 operating and capital budgets approved by Council on December 20, 2021. Amortization and post-employment liabilities were not contemplated on development of the budget and, as such, have not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget Amount
Revenue:	
Operating budget	\$ 367,707
Capital budget	276,262
BIAs	2,044
Less:	
Internal revenues and recoveries	(30,069)
Transfers from other funds	(128,037)
Total revenue	487,907
Expenses:	
Operating budget	367,707
Capital budget	276,262
BIA's	2,044
Less:	
Internal expenses	(30,069)
Transfers to other funds	(89,025)
Capital expenses	(277,172)
Debt principal payments	(4,012)
Total expenses	245,735
Annual surplus	\$ 242,172