

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF OAKVILLE**

Year ended December 31, 2019

THE CORPORATION OF THE TOWN OF OAKVILLE

Consolidated Financial Statements

Year ended December 31, 2019

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Consolidated Financial Statements

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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 Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Nancy Sully
Acting Commissioner, Corporate Services
and Treasurer

Jonathan van der Heiden
Deputy Treasurer and
Manager of Accounting

June 22, 2020



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INDEPENDENT AUDITORS' 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, 2019,
- the consolidated statement of operations 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, 2019, 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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors 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
June 22, 2020

THE CORPORATION OF THE TOWN OF OAKVILLE

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018
(In thousands of dollars)

	2019	2018
Financial assets		
Cash	\$ 56,066	\$ 12,287
Accounts receivable (note 2):		
Taxes receivable	21,461	19,768
Other	30,125	32,523
Investments (note 3)	386,878	388,221
Investment in Municipal Development Corporation (note 4)	76	–
Investment in Oakville Enterprises Corporation (note 5)	228,187	224,594
	<u>722,793</u>	<u>677,393</u>
Liabilities		
Accounts payable and accrued liabilities	47,162	45,476
Other current liabilities	26,763	26,690
Deferred revenue – obligatory reserve funds (note 6)	137,003	100,363
Deferred revenue (note 7)	41,168	37,866
Long-term liabilities (note 8)	109,562	117,788
Contaminated sites (note 9)	334	616
Post-employment benefit liability (note 10(a))	32,369	30,566
WSIB liability (note 10(b))	3,908	2,643
	<u>398,269</u>	<u>362,008</u>
Net financial assets	324,524	315,385
Non-financial assets		
Tangible capital assets (note 11)	1,753,801	1,675,646
Prepaid expenses and inventory	3,940	3,946
	<u>1,757,741</u>	<u>1,679,592</u>
Contingent liabilities and guarantees (note 15)		
Accumulated surplus (note 12)	<u>\$ 2,082,265</u>	<u>\$ 1,994,977</u>

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

THE CORPORATION OF THE TOWN OF OAKVILLE

Consolidated Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

(In thousands of dollars)

	Budget (note 18)	2019	2018
Revenue:			
Taxation revenue	\$ 204,874	\$ 208,181	\$ 200,225
User fees and charges (note 13)	59,556	58,164	57,686
Government transfers:			
Government of Canada (note 16)	319	956	4,156
Province of Ontario (note 16)	547	826	1,373
Gas tax revenue (note 16)	7,517	7,558	7,988
Other Municipalities	3,975	9,211	7,731
Investment income	11,947	10,404	11,143
Interest on promissory notes from Oakville			
Enterprises Corporation (note 5 (b))	4,622	4,622	4,624
Penalties and interest	3,000	3,756	3,325
Developer contributions and charges earned	29,176	78,486	58,566
Other	2,025	1,185	1,149
Equity in income of Municipal			
Development Corporation (note 4)	–	(324)	(300)
Equity in income of Oakville Enterprises Corporation (note 5)			
	6,100	9,412	15,443
Total revenue (note 17)	333,658	392,437	373,109
Expenses:			
General government	32,104	45,756	51,588
Protection to persons and property	45,484	47,829	47,219
Transportation services	57,570	93,510	99,647
Environmental services	1,577	9,480	8,078
Health services	3,846	3,916	4,124
Recreation and cultural services	62,768	80,857	81,253
Planning and development	19,274	23,801	21,040
Total expenses (note 17)	222,623	305,149	312,949
Annual surplus	111,035	87,288	60,160
Accumulated surplus, beginning of year	1,994,977	1,994,977	1,934,817
Accumulated surplus, end of year (note 12)	\$ 2,106,012	\$ 2,082,265	\$ 1,994,977

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, 2019, with comparative information for 2018
(In thousands of dollars)

	Budget (note 18)	2019	2018
Annual surplus	\$ 111,035	\$ 87,288	\$ 60,160
Acquisition of tangible capital assets	–	(125,874)	(98,764)
Amortization of tangible capital assets	–	42,968	46,656
Loss (gain) on disposal of assets	–	4,215	(1,429)
Proceeds of disposition on tangible capital assets	–	536	2,234
	111,035	9,133	8,857
Acquisition of prepaid expenses and inventory	–	(3,940)	(3,946)
Use of prepaid expenses and consumption of inventory	–	3,946	3,719
	–	6	(227)
Change in net financial assets	111,035	9,139	8,630
Net financial assets, beginning of year	315,385	315,385	306,755
Net financial assets, end of year	\$ 426,420	\$ 324,524	\$ 315,385

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, 2019, with comparative information for 2018

(In thousands of dollars)

	2019	2018
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 87,288	\$ 60,160
Items not involving cash:		
Amortization of tangible capital assets	42,968	46,656
Loss (gain) on disposal of assets	4,215	(1,429)
Developer contributions of tangible capital assets	(44,617)	(11,226)
Other municipalities' contributions of tangible capital assets	-	(2,585)
Change in contaminated sites liability	(282)	(2,400)
Change in post-employment benefit liability	1,803	2,879
Change in WSIB liability	1,265	89
Equity in income of Municipal Development Corporation	324	300
Equity in income of Oakville Enterprises Corporation	(9,412)	(15,443)
Gain on revaluation of Oakville Enterprises Corporation direct financing lease	(875)	-
Change in non-cash assets and liabilities:		
Taxes receivable	(1,693)	(1,938)
Other accounts receivable	2,398	(586)
Accounts payable and accrued liabilities	1,686	1,968
Other current liabilities	73	1,729
Deferred revenue – obligatory reserve funds	36,640	(16,511)
Deferred revenue	3,302	1,903
Prepaid expenses and inventory	6	(227)
Net change in cash from operating activities	125,089	63,339
Capital Activities:		
Cash used to acquire tangible capital assets	(81,257)	(84,953)
Proceeds of disposition on tangible capital assets	536	2,234
Net change in cash from capital activities	(80,721)	(82,719)
Investing Activities:		
Net change in investments	1,343	9,219
Increase in shareholder loan to Municipal Development Corporation	(400)	(300)
Repayment of direct financing lease receivable from Oakville Enterprises Corporation	594	500
Dividend from Oakville Enterprises Corporation	6,100	6,000
Net change in cash from investing activities	7,637	15,419
Financing Activities:		
Debt issued	-	6,100
Debt principal repayment	(8,226)	(7,861)
Net change in cash from financing activities	(8,226)	(1,761)
Net change in cash	43,779	(5,722)
Cash, beginning of year	12,287	18,009
Cash, end of year	\$ 56,066	\$ 12,287

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, 2019
(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, 2019
(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, 2019

(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, 2019
(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, 2019

(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, 2019
(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 \$2,815 (2018 - \$2,815). There is also a valuation allowance for general accounts receivable of \$57 (2018 - \$53).

3. Investments:

Investments reported on the consolidated statement of financial position have market values of \$395,372 (2018 - \$386,594).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(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:

	2019	2018
Assets:		
Current	\$ 91	\$ 188
Total assets	\$ 91	\$ 188
Liabilities:		
Current	\$ 15	\$ 188
Shareholder loan	700	300
Total liabilities	715	488
Equity:		
Deficit	(624)	(300)
Total liabilities and equity	\$ 91	\$ 188

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

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

Operations:

	2019	2018
Revenue	\$ -	\$ -
Expenses (including income tax provision)	(324)	(300)
Net income and change in equity	(324)	(300)
Town of Oakville investment represented by:		
Shareholder loan	700	300
Accumulated net income, net of dividends received	\$ (624)	\$ (300)
Total investments in MDC	\$ 76	\$ -

The Town has provided a shareholder loan to MDC. This shareholder loan is non-interest bearing, has no fixed terms or repayment date 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:

	2019	2018
Balances:		
Amounts due from MDC		
Accounts receivable	\$ 1	\$ 164

This balance is non-interest bearing and carries no fixed terms of repayment.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019

(In thousands of dollars)

5. Investment in Oakville Enterprises Corporation:

Oakville Enterprises Corporation and its wholly owned subsidiaries (collectively "OEC") 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. OEC serves as the electrical distribution utility for Oakville's residents and businesses. Other activities of OEC, 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 following tables provide condensed supplementary consolidated financial information for OEC and its subsidiaries for the year ended December 31:

Financial Position:

	2019	2018
Assets:		
Current	\$ 95,891	\$ 92,815
Capital	337,166	317,901
Regulatory balances	7,522	11,148
Total assets and regulatory balances	\$ 440,579	\$ 421,864
Liabilities:		
Current	\$ 75,913	\$ 68,429
Capital lease obligations	12,640	8,996
Promissory notes payable to Town of Oakville	77,029	77,029
Long-term debt	55,318	59,032
Other	67,562	54,981
Regulatory balances	10,780	15,372
Total liabilities and regulatory balances	299,242	283,839
Equity:		
Share capital	63,024	63,024
Retained earnings	81,001	76,942
Accumulated other comprehensive income	(2,688)	(1,941)
Total equity	141,337	138,025
Total liabilities, regulatory balances and equity	\$ 440,579	\$ 421,864

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

5. Investment in Oakville Enterprises Corporation (continued):

Operations:

	2019	2018
Revenue	\$ 350,513	\$ 337,617
Expenses (including income tax provision)	(341,320)	(324,733)
Net movement in regulatory balances (net of tax)	966	2,006
Net income and net movement in regulatory balances	10,159	14,890
Other comprehensive income (loss)	(747)	553
Change in equity	9,412	15,443
Dividend paid to Town of Oakville	(6,100)	(6,000)
	3,312	9,443
Direct financing lease receivable repayment	(594)	(500)
Revaluation of direct financing lease	875	–
Change in investment in Oakville Enterprises Corporation	\$ 3,593	\$ 8,943

Town of Oakville investment represented by:

	2019	2018
Direct financing leases receivable – note 5 (a)	\$ 9,821	\$ 9,540
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	78,313	75,001
Total investment in Oakville Enterprises Corporation	\$ 228,187	\$ 224,594

(a) Net investment in direct financing receivable:

The Town has provided direct financing leases to OEC for the property known municipality as 861 Redwood Square.

Minimum payments under these lease agreements are as follows:

2020	\$ 1,468
2021	1,468
2022	1,468
2023	1,468
2024	1,468
Thereafter	7,343
	14,683
Less amount representing interest, imputed at 8.6%	(4,862)
	\$ 9,821

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019

(In thousands of dollars)

5. Investment in Oakville Enterprises Corporation (continued):

(b) Promissory notes:

OEC issued promissory notes to the Town, effective February 1, 2000, with principal repayment due on February 1, 2020. The Town has the option on one year's prior written notice to OEC to revise the maturity date and any of the terms of the promissory notes. At December 31, 2019, the interest rate in effect on the promissory notes of \$67,946 was 5.87% (2018 - 5.87%) and the promissory note of \$9,083 has an interest rate in effect of 7% (2018 - 7%). Interest revenue earned from these notes totaled \$4,622 (2018 - \$4,624).

(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:

	2019	2018
Transactions:		
Revenue:		
Interest on promissory notes	\$ 4,622	\$ 4,624
Interest on direct financing leases	874	934
Garage services	313	400
Property taxes	507	456
Tree trimming services	363	520
Other	72	77
Expenses:		
Energy purchases (at commercial rates)	7,257	6,178
Construction/locating	1,900	666
Streetlight conversion and maintenance	819	2,060
Rent	147	147
Balances:		
Amounts due from OEC:		
Promissory note receivable	77,029	77,029
Direct financing leases receivables	9,821	9,540
Interest on promissory note	4,622	4,624
Accounts receivable	77	117
Amounts due to OEC:		
Accounts payable and accrued liabilities	513	1,080

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

5. Investment in Oakville Enterprises Corporation (continued):

(d) Contingencies and guarantees of Oakville Enterprises Corporation:

Short term credit facilities disclosed in their financial statements

OEC has an uncommitted line of credit facility available for \$37,500. As at December 31, 2019, no amount was drawn on this facility. In addition, OEC 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.

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:

	2019				2018	
	Development Charges	Parkland	Gas Tax	Commuter Cycling	Total	Total
Balance, beginning of year	\$ 66,311	\$ 18,464	\$ 14,932	\$ 656	\$ 100,363	\$ 116,874
Developer and other contributions	38,213	23,289	–	–	61,502	26,543
Interest earned	2,079	909	419	17	3,424	2,978
Provincial and Federal funding	–	–	12,478	–	12,478	9,138
	40,292	24,198	12,897	17	77,404	38,659
Less:						
Contributions used in operating and capital funds	26,130	7,066	7,559	9	40,764	55,170
Balance, end of year	\$ 80,473	\$ 35,596	\$ 20,270	\$ 664	\$ 137,003	\$ 100,363

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

7. Deferred revenue:

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

	2019			2018	
	Deferred revenues capital	Pre-authorized payments	Deferred tax revenues operations	Total	Total
Balance, beginning of year	\$ 4,861	\$ 18,013	\$ 14,992	\$ 37,866	\$ 35,963
Development Fees	1,386	–	12,927	14,313	12,248
User fees	–	–	18,734	18,734	16,137
Other	–	19,321	–	19,321	18,013
	1,386	19,321	31,661	52,368	46,398
Less:					
Amounts recognized as revenue	1,507	18,013	29,546	49,066	44,495
Balance, end of year	\$ 4,740	\$ 19,321	\$ 17,107	\$ 41,168	\$ 37,866

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019

(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:

	2019	2018
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 2020 to 2028 and interest rates range from 1.60% to 4.45%.	\$ 20,713	\$ 26,684
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%	6,114	6,553
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 \$615.	82,735	84,551
	\$ 109,562	\$ 117,788

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

2020	\$ 8,383
2021	7,772
2022	3,830
2023	3,889
2024	3,669
Thereafter	82,019
	\$ 109,562

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

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

8. Long-term liabilities (continued):

- (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 \$3,877 (2018 – \$4,065). The long-term liabilities bear interest at rates ranging from 1.60% to 4.80% (2018 – 1.35% - 4.90%).
- (e) The balance of long-term liabilities reported on the consolidated statement of financial position is funded from the following sources:

	2019	2018
Tax levy supported	\$ 94,162	\$ 97,970
Development supported	7,552	11,134
Oakville Soccer Club	6,114	6,553
Harbours supported	1,734	2,131
	\$ 109,562	\$ 117,788

9. Contaminated sites:

- (a) The Town has recognized a liability of \$334 (2018 - \$616) 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 \$368 and have been present valued using a discount rate of 3.00%. 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 (2018 - \$nil).

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 inactive 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, 2019 were determined by an actuarial valuation as at December 31, 2019.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019

(In thousands of dollars)

10. Employment benefits and other liabilities (continued):

(a) Post-employment benefit liability (continued):

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

(i) Interest (discount rate):

The obligation as at December 31, 2019, of the present value of future liabilities, and the expense for the 12 months ended December 31, 2019, were determined using a discount rate of 3.00% (2018 – 3.75%).

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 6.5% (2018 – 8.0%) 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:

	2019	2018
Accrued benefit obligation, beginning of year	\$ 30,764	\$ 30,434
Current service costs	1,518	1,576
Change in obligation from experience	–	(700)
Plan improvements	–	932
Actuarial gain	(10,662)	(1,640)
Interest on accrued benefit obligation	1,165	1,001
Benefits paid during the period	(895)	(839)
Accrued benefit obligation, end of year	21,890	30,764
Unamortized actuarial gain (loss)	10,479	(198)
Accrued benefit liability, end of year	\$ 32,369	\$ 30,566

Included in current year costs is \$15 (2018 - \$210) for amortization of the actuarial loss. The unamortized actuarial gain is amortized over the expected average remaining service life of the employee group which ranges between 12.3 to 13.0 years.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(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, 2019, which includes an estimation of expected costs and payments for 2020, 2021 and 2022, as well as a calculation of the actuarial updates to December 31, 2020, 2021 and 2022.

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

(i) Interest (discount rate):

The obligation as at December 31, 2019, of the present value of future liabilities, and the expense for the 12 months ended December 31, 2019, were determined using a discount rate of 3.50% (2018 - 3.75%).

(ii) Administration costs:

Administration costs were assumed to be 28% (2018 - 38%) 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 (0.25%) to 1.75% (2018 - 1.25% - 2.00%) depending on the benefit type.

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

	2019	2018
Accrued WSIB obligation, beginning of year	\$ 2,965	\$ 2,819
Actuarial loss	1,644	–
Current service costs	1,570	387
Interest on accrued benefit obligation	112	106
Plan amendment change	–	–
Benefits paid during the period	(358)	(347)
Accrued WSIB obligation, end of year	5,933	2,965
Unamortized actuarial loss	(2,025)	(322)
Accrued WSIB liability, end of year	\$ 3,908	\$ 2,643

Included in current service costs is \$58 (2018 - \$58) for amortization of the actuarial gain. The unamortized actuarial loss on future payments required to WSIB is amortized over the expected period of the liability which is 12 years.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(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 1,340 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 \$3,400,000 (2018 - \$4,200,000) in 2019.

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 \$57.4 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 2019 was \$11,977 (2018 - \$11,127). Employee contributions to OMERS for 2019 totaled \$11,977 (2018 - \$11,127).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

11. Tangible capital assets:

	2019									
	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	758,831	263,171	341,693	34,288	84,847	598,840	310,223	32,685	32,701	2,457,279
Add: Additions during the year	23,651	8,922	2,962	4,441	9,749	27,376	20,061	3,255	81,013	181,430
Less: Disposals during the year	(107)	(1,605)	(708)	(2,572)	(4,916)	(36,873)	(1,251)	(3,356)	(55,556)	(106,944)
Balance, end of year	782,375	270,488	343,947	36,157	89,680	589,343	329,033	32,584	58,158	2,531,765
Accumulated Amortization										
Balance, beginning of year	-	201,446	106,167	17,286	45,341	296,808	94,822	19,763	-	781,633
Add: Amortization	-	5,740	6,548	3,108	7,188	11,925	4,664	3,795	-	42,968
Less: Accumulated amortization on disposals	-	(1,422)	(621)	(2,526)	(4,788)	(33,616)	(308)	(3,356)	-	(46,637)
Balance, end of year	-	205,764	112,094	17,868	47,741	275,117	99,178	20,202	-	777,964
Net book value, end of year	782,375	64,724	231,853	18,289	41,939	314,226	229,855	12,382	58,158	1,753,801

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

11. Tangible capital assets (continued):

	2018									
	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	\$ 736,659	\$ 255,143	\$ 300,954	\$ 33,167	\$ 78,580	\$ 589,959	\$ 305,955	\$ 30,897	\$ 36,926	\$ 2,368,240
Add: Additions during the year	22,521	9,015	40,739	2,531	10,681	9,594	4,284	3,624	83,331	186,320
Less: Disposals during the year	(349)	(987)	-	(1,410)	(4,414)	(713)	(16)	(1,836)	(87,556)	(97,281)
Balance, end of year	758,831	263,171	341,693	34,288	84,847	598,840	310,223	32,685	32,701	2,457,279
Accumulated Amortization										
Balance, beginning of year	-	196,387	99,205	15,668	42,949	281,404	90,378	17,906	-	743,897
Add: Amortization	-	5,862	6,962	3,012	6,796	15,881	4,451	3,692	-	46,656
Less: Accumulated amortization on disposals	-	(803)	-	(1,394)	(4,404)	(477)	(7)	(1,835)	-	(8,920)
Balance, end of year	-	201,446	106,167	17,286	45,341	296,808	94,822	19,763	-	781,633
Net book value, end of year	\$ 758,831	\$ 61,725	\$ 235,526	\$ 17,002	\$ 39,506	\$ 302,032	\$ 215,401	\$ 12,922	\$ 32,701	\$ 1,675,646

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019

(In thousands of dollars)

11. Tangible capital assets (continued):

(a) Work-in-process assets:

Work-in-process assets having a value of \$58,158 (2018 - \$32,701) 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 \$44,617 (2018 - \$13,811) comprised of road networks in the amount of \$10,610 (2018 - \$6,674); environmental network in the amount of \$12,573 (2018 - \$2,903); land improvements in the amount of \$119 (2018 - \$174), equipment in the amount of \$8 (2018 - \$nil) and land in the amount of \$21,307 (2018 - \$1,475), and buildings in the amount of \$nil (2018 - \$2,585).

(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.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

12. Accumulated surplus:

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

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 1,753,801	\$ 1,675,646
Equity in Oakville Enterprises Corporation	228,187	224,594
Unexpended capital	65,202	58,679
BIA reserves	326	227
Other	5,129	5,639
Unfunded:		
Contaminated sites	(334)	(616)
Post-employment benefits and WSIB	(36,277)	(33,209)
Long-term liabilities	(109,562)	(117,788)
	1,906,472	1,813,172
Reserves set aside for specific purposes by Council for:		
Tax rate stabilization	47,328	40,800
Capital financing	33,038	46,030
Acquisition of tangible capital assets	20,290	19,357
Working capital	41,507	38,968
Insurance	1,123	1,123
	143,286	146,278
Reserve funds set aside for specific purposes by Council:		
Post-employment benefits and WSIB	21,630	19,242
Street trees	43	301
Conservation purposes	160	167
Harbors	(6,351)	(5,609)
Library development	937	707
Building, ground maintenance and replacement	10,279	13,836
Parking	2,969	4,676
Bonus zoning	2,840	2,207
	32,507	35,527
	\$ 2,082,265	\$ 1,994,977

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

13. User fees and charges:

User fees and charges include the following:

	2019	2018
Development fees and miscellaneous	\$ 8,582	\$ 8,805
Transit revenues	9,113	9,037
Parking, Provincial Offences Act and other fines	4,482	5,209
Town facilities rental and usage fees	11,267	10,995
Recreation and cultural program revenues	11,890	11,303
Cemeteries	646	1,102
Licenses and permits	12,184	11,235
	<u>\$ 58,164</u>	<u>\$ 57,686</u>

14. Trust funds:

Trust funds administered by the Town amounting to \$6,026 (2018 - \$5,952) 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, 2019

(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 (2018 - \$nil) has been drawn.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

16. Government and external transfers:

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

	2019	2018
Revenue:		
Federal grants:		
Federal gas tax	\$ 4,370	\$ 4,504
Clean Water and Wastewater Fund	439	1,042
Canada Council	233	211
Young Canada Works, Summer Jobs	155	94
Canadian Heritage Grant	73	63
Public Transit Infrastructure Fund	40	2,543
Library	12	11
Canada 150 Community Infrastructure Program	4	167
Economic Development Grant	–	25
	5,326	8,660
Ontario grants:		
Ontario gas tax	3,188	3,484
Clean Water and Wastewater Fund	219	521
Library – operating grant	183	207
Ontario Arts Council	131	140
Elderly Person’s Centres	125	120
Audit and accountability fund	67	–
Museum – operating grant	58	58
Celebrate Ontario	25	25
Recreation programs	13	60
Cannabis funding	5	–
Main Street Revitalization	–	201
Ontario 150	–	21
Trillium grant	–	20
	4,014	4,857
Total revenue	\$ 9,340	\$ 13,517

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

16. Government and external transfers (continued):

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

	2019	2018
Expenses:		
Recreational & cultural grants:		
Recreational program subsidization	\$ 351	\$ 287
Theatre groups subsidization	161	163
Oakville Arts Council	86	85
Sport development grants	16	39
Historical Society	8	8
Oakville Lawn Bowling	3	3
	625	585
Other:		
Oakville Tourism Partnership	676	100
Election rebates	100	–
Heritage grants	86	60
Community Assistance Fee Waiver	40	–
T.O.W.A.R.F.	33	33
Brownfield study costs	17	–
Accessibility costs	5	4
Kerr St. Façade Improvement Program	–	14
Other	–	40
	957	251
Total external transfers	\$ 1,582	\$ 836

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

17. Segment 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. Segmented information has been identified based on lines of service provided by the Town. These lines of service have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(i) Governance and Corporate Services:

Reported in the General Government functional area, it covers those departments responsible for Political Governance (Council, Clerks), Administrative Executive Management (CAO, Internal Audit, Strategy, Policy and Communications), Corporate Services (Financial Services, Human Resources, Legal Services, Information Systems, Facilities & Construction Management) and those expenses and revenues which are truly corporate in nature and cannot be easily apportioned to one department over another, such as investment income and penalties and interest on overdue taxes. Also, any tax revenue required to cover debt principal repayments, transfers to capital and reserves/reserve funds, has been allocated to this area.

(ii) Fire:

The mandate of Fire is to provide emergency services through a range of services to protect the lives and property of the inhabitants of Oakville from the adverse effects of fires, sudden medical and non-medical emergencies including, but not limited to, exposure to dangerous conditions brought on by natural, technological or human-caused events. The main objectives are to prevent fires, educate the public with regards to fire related risks, to enforce fire safety standards, fight and suppress fires and to plan and respond to all emergencies throughout the Town.

(iii) Building Services:

The mandate of Building Services is to inform and assist customers to ensure safe and orderly development and provide efficient delivery of building approvals, inspections and management systems. The Building Services department is for the most part, an enforcement agency, enforcing both Provincial and Municipal regulations. Provincially, the department enforces the Ontario Building Code to ensure that all construction within the municipality meets the minimum standard required ensuring life safety for all residents, businesses and workers that choose to live and/or work in Oakville. Municipally, the department enforces the local zoning regulations which are designed to ensure that development within the municipality conforms to the regulations designed to create the most livable town in Canada.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

17. Segment information (continued):

(iv) Parks, Recreation and Culture:

The mandate for Parks is a commitment to ensuring a diverse range of open space opportunities that preserves and enhances the quality of life for present and future generations. This will be accomplished by protecting and enhancing the Town's heritage and environment, facilitating community partnerships and providing effective efficient services through a dedicated and professional staff. This service is responsible for the provision of the parks and open space program, which provides the residents with day-to-day maintenance for the Town's parks and open space system, as well as undertaking the planning and construction of new parkland and open space. Parks & Open Spaces is also responsible for the operation of the Oakville Harbours, Forestry Operations and Cemeteries.

The mandate of Recreation and Culture is to provide a diverse range of recreational opportunities that preserve and enhance the quality of life for present and future generations which are innovative and accessible to all residents and meet the diverse needs of a changing community. They are responsible for the effective delivery of the recreation services program, including direct program delivery, the provision of facilities and internal departmental and corporate support as well as the support of groups and organizations throughout the Town in the delivery of services to their members. This program is provided through the provision of administration, recreation programs, support services and facilities. The Recreation and Cultural Department also provides management and programming of the Oakville Museum and the Oakville Centre for Performing Arts.

Included in this area is also Oakville Public Library Board operations.

(v) Roads and Works and Engineering:

The mandate of Roads and Works is to provide quality road, traffic and water resource systems maintenance and operations to the residents and businesses of the Town. This program is responsible for the maintenance and operation of the Town's transportation and water resources system. This area is also responsible for winter control for the Town and Halton Region.

The Engineering section manages the infrastructure planning and improvements program which provides for the detailed planning, design and construction of the Town's transportation and water resources infrastructure programs. Through cost effective and responsible means, it involves environmental assessments, studies, public and agency consultations, engineering designs and approvals, tendering and administration for projects and services including roads and traffic, bridges and culverts, sidewalks and cycle ways, storm drainage, storm water management, creek channels and shoreline protection. This department is also responsible for the provision of parking and parking enforcement.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

17. Segment information (continued):

(vi) Transit:

The mandate of Transit is to provide safe, reliable, convenient and efficient public transit services within the urban area. This program is responsible for designing and delivering a range of transit services within the urban boundaries of the Town.

(vii) Planning, Development and Economic Development:

The mandate of Planning Services area is to strive for excellence in creating a livable community for present and future generations. This program creates the policy framework and implementation tools required to shape the future of the community.

The mandate of Development Services is to ensure that new urban public infrastructure, built through the development processes, meets or exceeds the Town's standards and requirements. They are responsible for ensuring that the Town's land development standards are achieved on all development applications.

The mandate of Economic Development area is to create a balanced environment that fosters economic growth, job creation and live/work opportunities. This program has a number of functions that involve the local business community as well as other stakeholders within and outside of Oakville. Collectively, these functions work to build a positive economic environment that result in business retention, expansion and attraction, which will drive assessment and job growth in the Town. This segment also includes the results of the local business improvement areas.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

17. Segmented information (continued):

	2019									
	Governance		Building Services	Parks, Recreation and Culture	Roads and Works Engineering	Transit	Planning, Development & Economic		Other Services	Total
	Corporate Services	Fire					Development			
Revenue:										
Taxation	\$ 40,038	\$ 37,004	\$ -	\$ 53,885	\$ 45,147	\$ 24,199	\$ 7,908	\$ -	\$ 208,181	
Canada grants	7	-	-	457	429	47	16	-	956	
Ontario grants	72	-	-	510	219	-	25	-	826	
Gas tax revenues	-	-	-	84	4,286	3,188	-	-	7,558	
Other Municipalities	111	-	-	659	8,416	17	8	-	9,211	
Oakville Enterprises	4,622	-	-	-	-	-	-	-	4,622	
User fees and service charges	4,912	231	8,572	24,043	4,727	9,113	6,566	-	58,164	
Investment income	10,085	-	-	311	5	-	3	-	10,404	
Penalties and interest	3,756	-	-	-	-	-	-	-	3,756	
Developer contributions and development charges earned	21,661	3,330	-	22,445	29,695	222	1,133	-	78,486	
Equity in Income in MDC	(324)	-	-	-	-	-	-	-	(324)	
Equity in Income in OEC	9,412	-	-	-	-	-	-	-	9,412	
Other	68	-	-	564	553	-	-	-	1,185	
	94,420	40,565	8,572	102,958	93,477	36,786	15,659	-	392,437	
Expenses:										
Salaries, wages and benefits	31,750	33,205	5,159	42,499	16,703	21,054	9,304	-	159,674	
Debt expense	2,849	-	-	729	252	47	-	-	3,877	
Materials	(98)	288	9	6,710	5,940	5,020	27	-	17,896	
Contracted services	11,645	2,607	2,168	26,982	18,788	4,451	5,694	-	72,335	
Rents and financial expenses	365	-	-	468	86	4	100	-	1,023	
External transfers	331	46	-	712	449	845	778	-	3,161	
Amortization	4,081	1,855	-	11,505	20,166	5,282	79	-	42,968	
Loss/(gain) on disposal of assets	195	(25)	-	142	3,802	101	-	-	4,215	
	51,118	37,976	7,336	89,747	66,186	36,804	15,982	-	305,149	
Annual surplus	\$ 43,302	\$ 2,589	\$ 1,236	\$ 13,211	\$ 27,291	\$ (18)	\$ (323)	\$ -	\$ 87,288	

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019

(In thousands of dollars)

17. Segmented information (continued):

	2018									
	Governance		Building	Parks, Recreation and Culture	Roads and Works Engineering	Transit	Planning, Development & Economic		Other	Total
	Corporate	Fire					Services	Development		
	Services									
Revenue:										
Taxation	\$ 39,165	\$ 36,434	\$ 1,349	\$ 57,617	\$ 36,798	\$ 22,994	\$ 4,064	\$ 1,804	\$ 200,225	
Canada grants	-	-	-	401	1,195	2,528	25	7	4,156	
Ontario grants	-	-	-	614	734	-	-	25	1,373	
Gas tax revenues	-	-	-	-	4,504	3,484	-	-	7,988	
Other Municipalities	2,743	-	-	531	4,457	-	-	-	7,731	
Oakville Enterprises	4,624	-	-	-	-	-	-	-	4,624	
User fees and service charges	3,995	211	9,264	23,312	5,560	9,039	6,052	253	57,686	
Investment income	10,811	-	-	332	-	-	-	-	11,143	
Penalties and interest	3,325	-	-	-	-	-	-	-	3,325	
Developer contributions and development charges earned	3,897	782	-	17,370	19,546	559	16,412	-	58,566	
Equity in Income in OEC	15,443	-	-	-	-	-	-	-	15,443	
Other	(226)	-	-	578	461	-	36	-	849	
	83,777	37,427	10,613	100,755	73,255	38,604	26,589	2,089	373,109	
Expenses:										
Salaries, wages and benefits	31,710	32,157	6,708	42,531	16,371	20,861	8,129	520	158,987	
Debt expense	9	-	-	3,749	240	67	-	-	4,065	
Materials	(753)	394	40	6,752	6,144	5,482	51	-	18,110	
Contracted services	17,615	2,540	3,692	26,584	23,399	4,586	3,136	1,366	82,918	
Rents and financial expenses	307	-	-	441	91	9	91	-	939	
External transfers	164	56	-	1,064	473	773	173	-	2,703	
Amortization	3,978	1,683	1	11,609	23,844	5,482	7	52	46,656	
(Gain)/loss on disposal of assets	(1,442)	(52)	-	156	(92)	(5)	6	-	(1,429)	
	51,588	36,778	10,441	92,886	70,470	37,255	11,593	1,938	312,949	
Annual surplus	\$ 32,189	\$ 649	\$ 172	\$ 7,869	\$ 2,785	\$ 1,349	\$ 14,996	\$ 151	\$ 60,160	

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

18. Budget data:

The audited budget data presented in these consolidated financial statements is based upon the 2019 operating and capital budgets approved by Council on January 28, 2019. 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	\$ 337,311
Capital budget	116,312
BIAs	2,112
Less:	
Internal revenues and recoveries	(26,804)
Transfers from other funds	(95,273)
Total revenue	333,658
Expenses:	
Operating budget	337,311
Capital budget	116,312
BIA's	2,137
Less:	
Internal expenses	(26,804)
Transfers to other funds	(81,923)
Capital expenses	(116,623)
Debt principal payments	(7,787)
Total expenses	222,623
Annual surplus	\$ 111,035

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2019
(In thousands of dollars)

19. Subsequent events:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

The Town declared a state of emergency under the Emergency Management Act Ontario, on March 17, 2020. The declaration of a state of emergency provides the Mayor with the ability to take action and make orders, as necessary, to protect the health, safety and welfare of residents. In addition, at the time of approval of these financial statements, the Town has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Closure of parks and recreation facilities and administrative buildings for non-essential personnel from March 13, 2020 to the date of the auditors' report based on public health recommendations
- Mandatory working from home requirements for non-essential workers and those able to do so

The current challenging economic climate may lead to adverse changes in cash flows, reduction of service levels and budgetary constraints, which may also have a direct impact on the Town's revenues, annual surplus or deficit and reserve and reserve funds in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the Town, surrounding economy and services are not known at this time.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.