

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF OAKVILLE**

Year ended December 31, 2018

THE CORPORATION OF THE TOWN OF OAKVILLE

Consolidated Financial Statements

Year ended December 31, 2018

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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.

The Administrative Services Committee 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
Treasurer and Director of Finance

Jonathan van der Heiden
Deputy Treasurer and
Manager of Accounting

May 27, 2019



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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, 2018,
- 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, 2018, 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 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Ontario
May 27, 2019

THE CORPORATION OF THE TOWN OF OAKVILLE

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017
(In thousands of dollars)

	2018	2017
Financial assets:		
Cash	\$ 12,287	\$ 18,009
Accounts receivable (note 2):		
Taxes receivable	19,768	17,830
Other	32,523	31,937
Investments (note 3)	388,221	397,440
Investment in Oakville Enterprises Corporation (note 4)	224,594	215,651
	<u>677,393</u>	<u>680,867</u>
Liabilities:		
Accounts payable and accrued liabilities	45,476	43,508
Other current liabilities	26,690	24,961
Deferred revenue – obligatory reserve funds (note 5)	100,363	116,874
Deferred revenue (note 6)	37,866	35,963
Long-term liabilities (note 7)	117,788	119,549
Contaminated sites (note 8)	616	3,016
Post-employment benefit liability (note 9(a))	30,566	27,687
WSIB liability (note 9(b))	2,643	2,554
	<u>362,008</u>	<u>374,112</u>
Net financial assets	315,385	306,755
Non-financial assets:		
Tangible capital assets (note 10)	1,675,646	1,624,343
Prepaid expenses and inventory	3,946	3,719
	<u>1,679,592</u>	<u>1,628,062</u>
Contingent liabilities and guarantees (note 14)		
Accumulated surplus (note 11)	<u>\$ 1,994,977</u>	<u>\$ 1,934,817</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, 2018, with comparative information for 2017

(In thousands of dollars)

	Budget (note 17)	2018	2017
Revenue:			
Taxation revenue	\$ 195,796	\$ 200,225	\$ 188,307
User fees and charges (note 12)	58,152	57,686	60,300
Government transfers:			
Government of Canada (note 15)	301	4,156	2,565
Province of Ontario (note 15)	2,854	1,373	873
Gas tax revenue (note 15)	6,477	7,988	6,810
Other Municipalities	4,023	7,731	5,733
Investment income	11,841	11,143	11,023
Interest on promissory notes from Oakville			
Enterprises Corporation (note 4 (b))	4,622	4,624	4,624
Penalties and interest	3,000	3,325	3,234
Developer contributions and charges earned	38,086	58,566	95,919
Other	435	849	1,224
Equity in income of Oakville Enterprises Corporation (note 4)	5,500	15,443	11,288
Total revenue (note 16)	331,087	373,109	391,900
Expenses:			
General government	31,911	51,588	37,365
Protection to persons and property	45,753	47,219	46,952
Transportation services	56,538	99,647	100,420
Environmental services	1,430	8,078	6,086
Health services	3,807	4,124	4,127
Recreation and cultural services	59,606	81,253	74,289
Planning and development	17,291	21,040	21,852
Total expenses (note 16)	216,336	312,949	291,091
Annual surplus	114,751	60,160	100,809
Accumulated surplus, beginning of year	1,934,817	1,934,817	1,834,008
Accumulated surplus, end of year (note 11)	\$ 2,049,568	\$ 1,994,977	\$ 1,934,817

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, 2018, with comparative information for 2017

(In thousands of dollars)

	Budget	2018	2017
	(note 17)		
Annual surplus	\$ 114,751	\$ 60,160	\$ 100,809
Acquisition of tangible capital assets	-	(98,764)	(133,847)
Amortization of tangible capital assets	-	46,656	44,074
Gain on disposal of assets	-	(1,429)	(5,438)
Proceeds of disposition on tangible capital assets	-	2,234	10,099
Transfer to assets held for sale	-	-	(3,746)
	114,751	8,857	11,951
Acquisition of prepaid expenses and inventory	-	(3,946)	(3,719)
Use of prepaid expenses and consumption of inventory	-	3,719	3,484
	-	(227)	(235)
Change in net financial assets	114,751	8,630	11,716
Net financial assets, beginning of year	306,755	306,755	295,039
Net financial assets, end of year	\$ 421,506	\$ 315,385	\$ 306,755

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, 2018, with comparative information for 2017

(In thousands of dollars)

	2018	2017
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 60,160	\$ 100,809
Items not involving cash:		
Amortization of tangible capital assets	46,656	44,074
Gain on disposal of assets	(1,429)	(5,438)
Developer contributions of tangible capital assets	(11,226)	(75,789)
Other municipalities contributions of tangible capital assets	(2,585)	-
Change in contaminated sites liability	(2,400)	(748)
Change in post-employment benefit liability	2,879	1,942
Change in WSIB liability	89	103
Equity in income of Oakville Enterprises Corporation	(15,443)	(11,288)
Change in non-cash assets and liabilities:		
Taxes receivable	(1,938)	(34)
Other accounts receivable	(586)	(4,104)
Accounts payable and accrued liabilities	1,968	764
Other current liabilities	1,729	1,009
Deferred revenue – obligatory reserve funds	(16,511)	26,023
Deferred revenue	1,903	(1,131)
Prepaid expenses and inventory	(227)	(235)
Net change in cash from operating activities	63,039	75,957
Capital Activities:		
Cash used to acquire tangible capital assets	(84,953)	(58,058)
Proceeds of disposition of assets	2,234	10,099
Net change in cash from capital activities	(82,719)	(47,959)
Investing Activities:		
Net change in investments	9,219	(38,079)
Decrease in direct financing lease receivable from Oakville Enterprises Corporation	500	459
Dividend from Oakville Enterprises Corporation	6,000	5,900
Net change in cash from investing activities	15,719	(31,720)
Financing Activities:		
Debt issued	6,100	6,693
Debt principal repayment	(7,861)	(8,760)
Net change in cash from financing activities	(1,761)	(2,067)
Net change in cash	(5,722)	(5,789)
Cash, beginning of year	18,009	23,798
Cash, end of year	\$ 12,287	\$ 18,009

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, 2018
(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 Enterprises Corporation and Oakville Municipal Development 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
- Oakville Galleries

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

(ii) Investment in Oakville Enterprises Corporation

The Town's investment in Oakville Enterprises Corporation 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, Oakville Enterprises Corporation 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 Oakville Enterprises Corporation 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 Oakville Enterprises Corporation 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, 2018
(In thousands of dollars)

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(iii) 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.

(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.

(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.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(In thousands of dollars)

1. Significant accounting policies (continued):

(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.

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.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(In thousands of dollars)

1. Significant accounting policies (continued):

(k) Post-employment benefits (continued):

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. Assets under construction 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, 2018
(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.

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, 2018
(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 (2017 – \$2,815). There is also a valuation allowance for general accounts receivable of \$53 (2017 – \$53).

3. Investments:

Investments reported on the consolidated statement of financial position have market values of \$386,594 (2017 – \$404,923).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(In thousands of dollars)

4. Investment in Oakville Enterprises Corporation:

Oakville Enterprises Corporation and its wholly owned subsidiaries (collectively, the "Corporation") 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. 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, generate electricity, 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 the Corporation and its subsidiaries for the year ended December 31:

Financial Position:

	2018	2017
Assets:		
Current	\$ 92,815	\$ 86,035
Capital	317,901	313,196
Regulatory balances	11,148	13,103
Total assets and regulatory balances	\$ 421,864	\$ 412,334
Liabilities:		
Current	\$ 68,429	\$ 62,168
Capital lease obligations	8,996	9,541
Promissory notes payable to Town of Oakville	77,029	77,029
Long-term debt	59,032	66,623
Other	54,981	50,174
Regulatory balances	15,372	18,217
Total liabilities and regulatory balances	283,839	283,752
Equity:		
Share capital	63,024	63,024
Retained earnings	76,942	67,972
Accumulated other comprehensive income	(1,941)	(2,414)
Total equity	138,025	128,582
Total liabilities, regulatory balances and equity	\$ 421,864	\$ 412,334

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(In thousands of dollars)

4. Investment in Oakville Enterprises Corporation (continued):

Operations:

	2018	2017
Revenue	\$ 337,617	\$ 339,072
Expenses (including income tax provision)	(324,733)	(327,586)
Net income from discontinued operations	-	(263)
Net movement in regulatory balances (net of tax)	2,006	468
Net income and net movement in regulatory balances	14,890	11,691
Other comprehensive income (loss)	553	(403)
Change in equity	15,443	11,288
Dividend paid to Town of Oakville	(6,000)	(5,900)
	9,443	5,388
Direct financing lease receivable repayment	(500)	(459)
Change in investment in Oakville Enterprises Corporation	\$ 8,943	\$ 4,929

Town of Oakville investment represented by:

	2018	2017
Direct financing leases receivable – note 4 (a)	\$ 9,540	\$ 10,040
Promissory notes receivable – note 4 (b)	77,029	77,029
Investment in shares of the Corporation	63,024	63,024
Accumulated net income, net of dividends received	75,001	65,558
Total investment in Oakville Enterprises Corporation	\$ 224,594	\$ 215,651

(a) Net investment in direct financing receivable:

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

Minimum payments under these lease agreements are as follows:

2019	\$ 1,345
2020	1,345
2021	1,345
2022	1,345
2023	1,345
Thereafter	8,069
	14,794
Less amount representing interest, imputed at 8.6%	(5,254)
	\$ 9,540

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(In thousands of dollars)

4. Investment in Oakville Enterprises Corporation (continued):

(b) Promissory notes:

The Corporation 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 the Corporation to revise the maturity date and any of the terms of the promissory notes. At December 31, 2018, the interest rate in effect on the promissory notes of \$67,946 was 5.87% (2017 – 5.87%) and the promissory note of \$9,083 has an interest rate in effect of 7% (2017 – 7%). Interest revenue earned from these notes totaled \$4,624 (2017 – \$4,624).

(c) Related party transaction and balances:

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

	2018	2017
Transactions:		
Revenue:		
Interest on promissory notes	\$ 4,624	\$ 4,624
Interest on direct financing leases	934	946
Garage services	400	417
Property taxes	456	466
Tree trimming services	520	349
Other	77	76
Expenses:		
Energy purchases (at commercial rates)	6,178	6,183
Streetlight maintenance	2,060	5,982
Construction/locating	666	583
Rent	147	147
Balances:		
Amounts due from the Corporation:		
Promissory note receivable	77,029	77,029
Direct financing leases receivables	9,540	10,040
Interest on promissory note	4,624	4,624
Accounts receivable	117	353
Amounts due to the Corporation:		
Accounts payable and accrued liabilities	1,080	1,415

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(In thousands of dollars)

4. Investment in Oakville Enterprises Corporation (continued):

(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 \$37,000 with a Canadian chartered bank. As at December 31, 2018 no amount was drawn on this facility. In addition, the Corporation has a letter of credit facility available of \$16,000 with a Canadian chartered bank, 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.

5. 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:

	2018				2017	
	Development Charges	Parkland	Gas Tax	Commuter Cycling	Total	Total
Balance, beginning of year	\$ 63,225	\$ 39,564	\$ 14,085	\$ -	\$ 116,874	\$ 90,851
Developer and other contributions	24,124	2,419	-	-	26,543	41,783
Interest earned	1,866	760	341	11	2,978	2,873
Provincial and Federal funding	-	-	8,493	645	9,138	8,216
	25,990	3,179	8,834	656	38,659	52,872
Less:						
Contributions used in operating and capital funds	22,904	24,279	7,987	-	55,170	26,849
	\$ 66,311	\$ 18,464	\$ 14,932	\$ 656	\$ 100,363	\$ 116,874

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(In thousands of dollars)

6. Deferred revenue:

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

	2018			2017	
	Deferred revenues capital	authorized payments	Pre-tax revenues operations	Total	Total
Balance, beginning of year	\$ 4,357	\$ 17,037	\$ 14,569	\$ 35,963	\$ 37,094
Development Fees	1,968	-	10,280	12,248	14,426
User fees	-	-	16,137	16,137	16,005
Other	-	18,013	-	18,013	17,037
	1,968	18,013	26,417	46,398	47,468
Less:					
Amounts recognized as revenue	1,464	17,037	25,994	44,495	48,599
	\$ 4,861	\$ 18,013	\$ 14,992	\$ 37,866	\$ 35,963

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(In thousands of dollars)

7. Long-term liabilities:

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

	2018	2017
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 2019 to 2028 and interest rates range from 1.35% to 4.90%.	\$ 26,684	\$ 26,210
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. Maturity dates are between 2019 and 2030 and the interest rate is 4.80%.	6,553	6,971
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 interest is payable in semi-annual instalments of \$1,418.	84,551	86,368
	\$ 117,788	\$ 119,549

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

2019	\$ 8,226
2020	8,383
2021	7,772
2022	3,830
2023	3,889
Thereafter	85,688
	\$ 117,788

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, 2018

(In thousands of dollars)

7. 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 \$4,065 (2017 – \$4,194). The long-term liabilities bear interest at rates ranging from 1.35% to 4.90%.
- (e) The balance of long-term liabilities reported on the consolidated statement of financial position is funded from the following sources:

	2018	2017
Tax levy supported	\$ 97,970	\$ 95,466
Development supported	11,134	14,595
Oakville Soccer Club	6,553	6,971
Harbours supported	2,131	2,517
	<u>\$ 117,788</u>	<u>\$ 119,549</u>

8. Contaminated sites:

- (a) The Town has recognized a liability of \$616 (2017 - \$3,016) for remediation of various contaminated sites for which the Town has assumed responsibility.
- (b) The future remediation costs and any post-remediation costs have an estimated undiscounted cost of \$620 and have been present valued using a discount rate of 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.

9. 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, 2018 were determined by an actuarial valuation as at December 31, 2016 and extrapolated to December 31, 2018.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(In thousands of dollars)

9. 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, 2018, of the present value of future liabilities, and the expense for the 12 months ended December 31, 2018, were determined using a discount rate of 3.75%.

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 8.0% in the first year after the valuation date, reducing linearly to 4.0% after 10 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:

	2018	2017
Accrued benefit obligation, beginning of year	\$ 30,434	\$ 29,997
Current service costs	1,576	1,466
Change in obligation from experience	(700)	(1,913)
Plan improvements	932	59
Actuarial (gain)/ loss	(1,640)	734
Interest on accrued benefit obligation	1,001	1,060
Benefits paid during the period	(839)	(969)
Accrued benefit obligation, end of year	30,764	30,434
Unamortized actuarial loss	(198)	(2,747)
Accrued benefit liability, end of year	\$ 30,566	\$ 27,687

Included in current year costs is \$210 (2017 – \$324) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life of the employee group which ranges between 12.3 to 13.1 years.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(In thousands of dollars)

9. 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, 2016, which includes an estimation of expected costs and payments for 2017, 2018 and 2019, as well as a calculation of the actuarial updates to December 31, 2017, 2018 and 2019.

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

(i) Interest (discount rate):

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

(ii) Administration costs:

Administration costs were assumed to be 38.0% 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 1.25% to 2.00% depending on the benefit type.

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

	2018	2017
Accrued WSIB obligation, beginning of year	\$ 2,819	\$ 2,681
Current service costs	387	375
Interest on accrued benefit obligation	106	101
Benefits paid during the period	(347)	(338)
Accrued WSIB obligation, end of year	2,965	2,819
Unamortized actuarial loss	(322)	(265)
Accrued WSIB liability, end of year	\$ 2,643	\$ 2,554

Included in current service costs is \$57 (2017 – \$35) 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 10 years.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(In thousands of dollars)

9. 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 1,325 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 \$4,200,000 (2017 - \$5,400,000) in 2018.

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 2018 was \$11,127 (2017 – \$10,917). Employee contributions to OMERS for 2018 totaled \$11,127 (2017 - \$10,917).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(In thousands of dollars)

10. Tangible capital assets:

	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, 2018
(In thousands of dollars)

10. Tangible capital assets (continued):

	2017									
	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	\$684,016	\$249,216	\$301,670	\$29,740	\$76,410	\$562,629	\$292,724	\$26,769	\$22,973	\$2,246,147
Add: Additions during the year	52,691	7,857	73	5,459	5,208	30,185	13,272	5,920	58,396	179,061
Less: Disposals during the year	(48)	(1,930)	(789)	(2,032)	(3,038)	(2,855)	(41)	(1,792)	(44,443)	(56,968)
Balance, end of year	736,659	255,143	300,954	33,167	78,580	589,959	305,955	30,897	36,926	2,368,240
Accumulated Amortization										
Balance, beginning of year	-	192,132	93,289	14,585	39,512	268,907	86,055	16,182	-	710,662
Add: Amortization	-	5,741	6,689	2,921	6,336	14,526	4,345	3,516	-	44,074
Less: Accumulated amortization on disposals	-	(1,486)	(773)	(1,838)	(2,899)	(2,029)	(22)	(1,792)	-	(10,839)
Balance, end of year	-	196,387	99,205	15,668	42,949	281,404	90,378	17,906	-	743,897
Net book value, end of year	\$736,659	\$58,756	\$201,749	\$17,499	\$35,631	\$308,555	\$215,577	\$12,991	\$36,926	\$1,624,343

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(In thousands of dollars)

10. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$32,701 (2017 – \$36,926) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is \$13,811 (2017 – \$75,789) comprised of road networks in the amount of \$6,674 (2017 – \$11,373); environmental network in the amount of \$2,903 (2017 – \$12,038); land improvements in the amount of \$174 (2017 – \$286), equipment in the amount of \$nil (2017 – \$173) and land in the amount of \$1,475 (2017 – \$51,919), and buildings in the amount of \$2,585 (2017 - \$nil).

(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, 2018
(In thousands of dollars)

11. Accumulated surplus:

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

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 1,675,646	\$ 1,624,343
Other	64,545	51,426
Equity in Oakville Enterprises Corporation	224,594	215,651
Unfunded:		
Contaminated sites	(616)	(3,016)
Post-employment benefits and WSIB	(33,209)	(30,241)
Long-term liabilities	(117,788)	(119,549)
	<u>1,813,172</u>	<u>1,738,614</u>
Reserves set aside for specific purposes by Council for:		
Tax rate stabilization	40,800	36,256
Capital financing	46,030	58,772
Acquisition of tangible capital assets	19,357	19,050
Working capital	38,968	41,027
Insurance	1,123	1,183
	<u>146,278</u>	<u>156,288</u>
Reserve funds set aside for specific purposes by Council:		
Post-employment benefits and WSIB	19,242	17,742
Street trees	301	293
Conservation purposes	167	241
Harbors	(5,609)	(643)
Library development	707	633
Building, ground maintenance and replacement	13,836	15,601
Parking	4,676	3,883
Bonus zoning	2,207	2,165
	<u>35,527</u>	<u>39,915</u>
	<u>\$ 1,994,977</u>	<u>\$ 1,934,817</u>

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(In thousands of dollars)

12. User fees and charges:

User fees and charges include the following:

	2018	2017
Development fees and miscellaneous	\$ 8,805	\$ 9,310
Transit revenues	9,037	8,411
Parking, Provincial Offences Act and other fines	5,209	4,951
Town facilities rental and usage fees	10,995	9,981
Recreation and cultural program revenues	11,303	10,787
Cemeteries	1,102	950
Licenses and permits	11,235	15,910
	<u>\$ 57,686</u>	<u>\$ 60,300</u>

13. Trust funds:

Trust funds administered by the Town amounting to \$5,952 (2017 – \$5,770) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

14. 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, 2018
(In thousands of dollars)

14. 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 \$500 for the purpose of issuing letters of credit mainly to support requirements of the Department of Fisheries and Oceans Canada, of which \$nil has been drawn.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(In thousands of dollars)

15. Government and external transfers:

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

	2018	2017
Revenue:		
Federal grants:		
Federal gas tax	\$ 4,504	\$ 4,007
Public Transit Infrastructure Fund	2,543	1,848
Clean Water and Wastewater Fund	1,042	91
Canada council	211	200
Canada 150 Community Infrastructure Program	167	152
Young Canada Works, Summer Jobs	94	117
Canadian heritage grant	63	157
Economic Development Grant	25	-
Library	11	-
	8,660	6,572
Ontario grants:		
Ontario gas tax	3,484	2,803
Clean Water and Wastewater Fund	521	45
Library – operating grant	207	182
Main Street Revitalization	201	-
Ontario arts council	140	113
Elderly Person’s Centres	120	116
Communities in action and zero tolerance	60	42
Museum – operating grant	58	58
Celebrate Ontario	25	25
Ontario 150	21	134
Trillium grant	20	43
Miscellaneous	-	115
	4,857	3,676
Total revenue	\$ 13,517	\$ 10,248

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(In thousands of dollars)

15. Government and external transfers (continued):

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

	2018	2017
Expenses:		
Recreational & cultural grants:		
Recreational program subsidization	\$ 287	\$ 255
Theatre groups subsidization	163	138
Oakville Arts Council	85	83
Sport development grant	39	35
Historical Society	8	8
Oakville Lawn Bowling	3	3
	585	522
Other:		
Oakville Tourism Partnership	100	100
Heritage grants	60	71
T.O.W.A.R.F.	33	33
Bronte BIA – Canada Day	15	50
Kerr Village BIA – Fall Fest	15	15
Kerr St. Façade Improvement Program	14	11
Other	10	1
Accessibility costs	4	14
	251	295
Total external transfers	\$ 836	\$ 817

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(In thousands of dollars)

16. 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, 2018
(In thousands of dollars)

16. 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 and Oakville Galleries.

(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, 2018
(In thousands of dollars)

16. 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.

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, 2018

(In thousands of dollars)

16. Segmented information (continued):

	2018								
	Governance Corporate Services	Fire	Building Services	Parks, Recreation and Culture	Roads and Works Engineering	Transit	Planning, Development & Economic Development	Other Services	Total
Revenue:									
Taxation	\$ 39,165	\$ 36,434	\$ 1,349	\$ 57,617	\$ 36,798	\$ 22,994	\$ 4,064	\$ 1,804	\$ 200,225
Ontario grants	-	-	-	614	734	-	-	25	1,373
Canada grants	-	-	-	401	1,195	2,528	25	7	4,156
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 Oakville Enterprises	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, 2018
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16. Segmented information (continued):

	2017									
	Governance		Building Services	Parks, Recreation and Culture	Roads and Works Engineering	Transit	Planning, Development & Economic		Other Services	Total
	Corporate Services	Fire					Development	Development		
Revenue:										
Taxation	\$ 33,622	\$ 35,441	\$ 1,390	\$ 52,426	\$ 37,104	\$ 23,946	\$ 2,597	\$ 1,781	\$ 188,307	
Ontario grants	-	-	-	727	96	-	-	50	873	
Canada grants	-	-	-	541	105	1,837	-	82	2,565	
Gas tax revenues	-	-	-	-	3,768	3,042	-	-	6,810	
Other Municipalities	70	-	-	985	4,678	-	-	-	5,733	
Oakville Enterprises	4,624	-	-	-	-	-	-	-	4,624	
User fees and service charges	3,266	247	14,376	21,655	5,414	8,413	6,631	298	60,300	
Investment income	10,642	-	-	380	-	-	-	1	11,023	
Penalties and interest	3,234	-	-	-	-	-	-	-	3,234	
Developer contributions and development charges earned	52,361	24	-	12,938	29,981	299	316	-	95,919	
Equity in Income in Oakville Enterprises	11,288	-	-	-	-	-	-	-	11,288	
Other	97	19	-	394	714	-	-	-	1,224	
	119,204	35,731	15,766	90,046	81,860	37,537	9,544	2,212	391,900	
Expenses:										
Salaries, wages and benefits	28,526	32,158	6,294	39,842	16,113	20,304	7,942	412	151,591	
Debt expense	12	-	-	3,951	147	84	-	-	4,194	
Materials	(65)	494	42	6,860	5,403	4,842	48	-	17,624	
Contracted services	11,165	2,687	3,595	23,279	23,908	6,415	3,254	1,692	75,995	
Rents and financial expenses	320	-	-	454	71	9	-	-	854	
External transfers	138	33	-	689	482	673	182	-	2,197	
Amortization	3,870	1,657	1	11,200	22,213	5,083	7	43	44,074	
(Gain)/loss on disposal of assets	(6,601)	(9)	-	424	613	146	(11)	-	(5,438)	
	37,365	37,020	9,932	86,699	68,950	37,556	11,422	2,147	291,091	
Annual surplus (deficit)	\$ 81,839	\$ (1,289)	\$ 5,834	\$ 3,347	\$ 12,910	\$ (19)	\$ (1,878)	\$ 65	\$ 100,809	

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Notes to Consolidated Financial Statements

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(In thousands of dollars)

17. Budget data:

The audited budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council on December 18, 2017. 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	\$ 323,732
Capital budget	128,370
BIAs	1,984
Less:	
Internal revenues and recoveries	(25,939)
Transfers from other funds	(97,060)
Total revenue	331,087
Expenses:	
Operating budget	323,732
Capital budget	128,370
BIA's	1,978
Less:	
Internal expenses	(25,939)
Transfers to other funds	(75,477)
Capital expenses	(128,886)
Debt principal payments	(7,442)
Total expenses	216,336
Annual surplus	\$ 114,751

18. Comparative figures:

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