

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF OAKVILLE**

Year ended December 31, 2020

Draft

THE CORPORATION OF THE TOWN OF OAKVILLE

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Year ended December 31, 2020

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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
Commissioner, Corporate Services
and Treasurer

Jonathan van der Heiden
Deputy Treasurer and
Director of Finance

May 25, 2021



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

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, 2020,
- 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, 2020, 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.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Ontario
May 25, 2021

THE CORPORATION OF THE TOWN OF OAKVILLE

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019
(In thousands of dollars)

	2020	2019
Financial assets		
Cash	\$ 56,797	\$ 56,066
Accounts receivable (note 2):		
Taxes receivable	33,462	21,461
Other	44,369	30,125
Investments (note 3)	427,352	386,878
Investment in Municipal Development Corporation (note 4)	(253)	76
Investment in Oakville Enterprises Corporation (note 5)	241,410	228,187
	<u>803,137</u>	<u>722,793</u>
Liabilities		
Accounts payable and accrued liabilities	35,048	47,162
Other current liabilities	30,679	26,763
Deferred revenue – obligatory reserve funds (note 6)	173,488	137,003
Deferred revenue (note 7)	39,499	41,168
Long-term liabilities (note 8)	107,782	109,562
Contaminated sites (note 9)	347	334
Post-employment benefit liability (note 10(b))	32,637	32,369
WSIB liability (note 10(c))	4,262	3,908
	<u>423,742</u>	<u>398,269</u>
Net financial assets	379,395	324,524
Non-financial assets		
Tangible capital assets (note 11)	1,829,705	1,753,801
Prepaid expenses and inventory	4,306	3,940
	<u>1,834,011</u>	<u>1,757,741</u>
Contingent liabilities and guarantees (note 15)		
Accumulated surplus (note 12)	<u>\$ 2,213,406</u>	<u>\$ 2,082,265</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, 2020, with comparative information for 2019

(In thousands of dollars)

	Budget (note 18)	2020	2019
Revenue:			
Taxation revenue	\$ 214,369	\$ 215,507	\$ 208,181
User fees and charges (note 13)	60,063	39,908	58,164
Government transfers:			
Government of Canada (note 16)	297	890	956
Province of Ontario (note 16)	471	8,272	826
Gas tax revenue (note 16)	18,953	5,097	7,558
Other Municipalities	4,080	12,554	9,211
Investment income	11,925	9,152	9,529
Revaluation Gain on Hydro Lease (note 5 (a))	-	8,409	875
Interest on promissory notes from Oakville			
Enterprises Corporation (note 5 (b))	4,622	4,622	4,622
Penalties and interest	3,000	1,074	3,756
Developer contributions and charges earned	27,147	93,474	78,486
Other	6,447	937	1,185
Equity in income of Municipal			
Development Corporation (note 4)	-	(329)	(324)
Equity in income of Oakville Enterprises			
Corporation (note 5)	6,100	11,504	9,412
Total revenue (note 17)	357,474	411,071	392,437
Expenses:			
General government	32,330	36,779	45,756
Protection to persons and property	47,949	50,590	47,829
Transportation services	58,511	92,354	93,510
Environmental services	1,557	10,077	9,480
Health services	3,931	4,041	3,916
Recreation and cultural services	63,466	66,577	80,857
Planning and development	19,333	19,512	23,801
Total expenses (note 17)	227,077	279,930	305,149
Annual surplus	130,397	131,141	87,288
Accumulated surplus, beginning of year	2,082,265	2,082,265	1,994,977
Accumulated surplus, end of year (note 12)	\$ 2,212,662	\$ 2,213,406	\$ 2,082,265

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, 2020, with comparative information for 2019
(In thousands of dollars)

	Budget (note 18)	2020	2019
Annual surplus	\$ 130,397	\$ 131,141	\$ 87,288
Acquisition of tangible capital assets	-	(124,789)	(125,874)
Amortization of tangible capital assets	-	48,232	42,968
(Gain) loss on disposal of assets	-	(3,891)	4,215
Proceeds of disposition on tangible capital assets	-	4,544	536
	130,397	55,237	9,133
Acquisition of prepaid expenses and inventory	-	(4,306)	(3,940)
Use of prepaid expenses and consumption of inventory	-	3,940	3,946
	-	(366)	6
Change in net financial assets	130,397	54,871	9,139
Net financial assets, beginning of year	324,524	324,524	315,385
Net financial assets, end of year	\$ 454,921	\$ 379,395	\$ 324,524

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, 2020, with comparative information for 2019

(In thousands of dollars)

	2020	2019
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 131,141	\$ 87,288
Items not involving cash:		
Amortization of tangible capital assets	48,232	42,968
(Gain) loss on disposal of assets	(3,891)	4,215
Developer contributions of tangible capital assets	(60,825)	(44,617)
Change in contaminated sites liability	13	(282)
Change in post-employment benefit liability	268	1,803
Change in WSIB liability	354	1,265
Equity in income of Municipal Development Corporation	329	324
Equity in income of Oakville Enterprises Corporation	(11,504)	(9,412)
Gain on revaluation of Oakville Enterprises Corporation		
direct financing lease	(8,409)	(875)
Change in non-cash assets and liabilities:		
Taxes receivable	(12,001)	(1,693)
Other accounts receivable	(14,244)	2,398
Accounts payable and accrued liabilities	(12,114)	1,686
Other current liabilities	3,916	73
Deferred revenue – obligatory reserve funds	36,485	36,640
Deferred revenue	(1,669)	3,302
Prepaid expenses and inventory	(366)	6
Net change in cash from operating activities	95,715	125,089
Capital Activities:		
Cash used to acquire tangible capital assets	(63,964)	(81,257)
Proceeds of disposition on tangible capital assets	4,544	536
Net change in cash from capital activities	(59,420)	(80,721)
Investing Activities:		
Net change in investments	(40,474)	1,343
Increase in shareholder loan to Municipal Development Corporation	-	(400)
Repayment of direct financing lease receivable from		
Oakville Enterprises Corporation	590	594
Dividend from Oakville Enterprises Corporation	6,100	6,100
Net change in cash from investing activities	(33,784)	7,637
Financing Activities:		
Debt issued	6,678	-
Debt principal repayment	(8,458)	(8,226)
Net change in cash from financing activities	(1,780)	(8,226)
Net change in cash	731	43,779
Cash, beginning of year	56,066	12,287
Cash, end of year	\$ 56,797	\$ 56,066

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, 2020
(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, 2020
(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, 2020
(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, 2020

(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, 2020
(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, 2020
(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 (2019 - \$2,815). There is also a valuation allowance for general accounts receivable of \$90 (2019 - \$57).

3. Investments:

Investments reported on the consolidated statement of financial position have market values of \$456,864 (2019 - \$395,372).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(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:

	2020	2019
Assets:		
Current	\$ 73	\$ 91
Total assets	\$ 73	\$ 91
Liabilities:		
Current	\$ 326	\$ 15
Shareholder loan	700	700
Total liabilities	1,026	715
Equity:		
Deficit	(953)	(624)
Total liabilities and equity	\$ 73	\$ 91

Operations:

	2020	2019
Revenue	\$ -	\$ -
Expenses (including income tax provision)	(329)	(324)
Net income and change in equity	\$ (329)	(324)

Town of Oakville investment represented by:

Shareholder loan	\$ 700	\$ 700
Accumulated net income, net of dividends received	(953)	(624)
Total investments in MDC	\$ (253)	\$ 76

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(In thousands of dollars)

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

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:

	2020	2019
Balances:		
Amounts due from MDC		
Accounts receivable	\$ 305	\$ 1

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

Subsequent to year-end, the Town authorized the provision of an additional \$500 loan the MDC, for which payment terms have not yet been determined.

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 CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020

(In thousands of dollars)

5. Investment in Oakville Enterprises Corporation (continued):

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

Financial Position:

	2020	2019
Assets:		
Current	\$ 97,678	\$ 95,891
Capital	363,984	337,166
Regulatory balances	8,190	7,522
Total assets and regulatory balances	\$ 469,852	\$ 440,579
Liabilities:		
Current	\$ 78,769	\$ 75,913
Capital lease obligations	20,265	12,640
Promissory notes payable to Town of Oakville	77,029	77,029
Long-term debt	54,739	55,318
Other	81,200	67,562
Regulatory balances	11,109	10,780
Total liabilities and regulatory balances	\$ 323,111	299,242
Equity:		
Share capital	\$ 63,024	\$ 63,024
Retained earnings	86,819	81,001
Accumulated other comprehensive income	(3,102)	(2,688)
Total equity	146,741	141,337
Total liabilities, regulatory balances and equity	\$ 469,852	\$ 440,579

Operations:

	2020	2019
Revenue	\$ 398,691	\$ 350,513
Expenses (including income tax provision)	(387,112)	(341,320)
Net movement in regulatory balances (net of tax)	339	966
Net income and net movement in regulatory balances	11,918	10,159
Other comprehensive loss	(414)	(747)
Change in equity	11,504	9,412
Dividend paid to Town of Oakville	(6,100)	(6,100)
	5,404	3,312
Direct financing lease receivable repayment	(590)	(594)
Revaluation of direct financing lease	8,409	875
Change in investment in Oakville Enterprises Corporation	\$ 13,223	\$ 3,593

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(In thousands of dollars)

5. Investment in Oakville Enterprises Corporation (continued):

Town of Oakville investment represented by:

	2020	2019
Direct financing leases receivable – note 5 (a)	\$ 17,640	\$ 9,821
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	83,717	78,313
Total investment in Oakville Enterprises Corporation	\$ 241,410	\$ 228,187

(a) Net investment in direct financing receivable:

The Town has provided direct financing leases to OEC for the municipal property known as 861 Redwood Square. The lease was renegotiated in 2020 and the corresponding change in value has been reflected as a gain. The lease expires in December of 2039.

Minimum payments under these lease agreements are as follows:

2021	\$ 1,498
2022	1,498
2023	1,566
2024	1,498
2025	1,498
Thereafter	20,979
	28,537
Less amount representing interest, imputed at 5.54%	(10,897)
	\$ 17,640

(b) Promissory notes:

The Corporation issued promissory notes to the Town, effective February 1, 2020, with principal repayment due on February 1, 2030. The Town has the option on one year's prior written notice to the Corporation to revise the maturity date and any of the terms of the promissory notes. At December 31, 2020, the interest rate in effect on the promissory notes was 6% (2019 - blended rate equivalent to 6%). Interest revenue earned from these notes totaled \$4,622 (2019 – \$4,622).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020

(In thousands of dollars)

5. Investment in Oakville Enterprises Corporation (continued):

(c) Related party transaction and balances:

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

	2020	2019
Transactions:		
Revenue:		
Interest on promissory notes	\$ 4,622	\$ 4,622
Interest on direct financing leases	910	874
Garage services	333	313
Property taxes	549	507
Tree trimming services	323	363
Other	43	72
Expenses:		
Energy purchases (at commercial rates)	7,425	7,257
Construction/locating	2,070	1,900
Streetlight conversion and maintenance	211	819
Rent	147	147
Balances:		
Amounts due from OEC:		
Promissory note receivable	77,029	77,029
Direct financing leases receivables	17,640	9,821
Interest on promissory note	4,622	4,622
Accounts receivable	61	77
Amounts due to OEC:		
Accounts payable and accrued liabilities	973	513
Capital lease	1,403	-

(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 \$37,500. As at December 31, 2020, no amount was drawn on this facility.

In 2020, the Corporation negotiated access to an additional \$25,000 credit facility secured during the pandemic as a mitigation against potential depletion of cash reserves. The temporary facility expires July 31, 2021. As at December 31, 2020, \$nil had been drawn under the Corporation's temporary credit facility.

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

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(In thousands of dollars)

6. Deferred revenue – obligatory reserve funds:

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

	2020				2019	
	Development Charges	Parkland	Gas Tax	Commuter Cycling	Total	Total
Balance, beginning of year	\$80,473	\$ 35,596	\$ 20,270	\$ 664	\$137,003	\$ 100,363
Developer and other contributions	48,705	10,841	-	-	59,546	61,502
Interest earned	2,043	971	496	14	3,524	3,424
Provincial and Federal funding	-	-	10,702	-	10,702	12,478
	50,748	11,812	11,198	14	73,772	77,404
Less:						
Contributions used in operating and capital funds	30,295	1,831	5,096	65	37,287	40,764
Balance, end of year	\$ 100,926	\$ 45,577	\$ 26,372	\$ 613	\$173,488	\$ 137,003

7. Deferred revenue:

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

	2020				2019	
	Deferred revenues capital	Pre-authorized payments	Deferred tax revenues operations	Total	Total	Total
Balance, beginning of year	\$ 4,740	\$ 19,321	\$ 17,107	\$ 41,168	\$ 37,866	
Development Fees	1,605	-	15,505	17,110	14,313	
User fees	-	-	10,304	10,304	18,734	
Other	-	19,128	-	19,128	19,321	
	1,605	19,128	25,809	46,542	52,368	
Less:						
Amounts recognized as revenue	1,758	19,321	27,132	48,211	49,066	
Balance, end of year	\$ 4,587	\$ 19,128	\$ 15,784	\$ 39,499	\$ 41,168	

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(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:

	2020	2019
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 2021 to 2030 and interest rates range from 0.65% to 4.35%.	\$ 19,807	\$ 20,713
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%	5,654	6,114
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 \$938.	80,918	82,735
The Town has entered into a capital lease agreement for the provision of a Geothermal Energy System at one of the Town's community centers. The agreement is with OEC Geo-Exchange Inc., a subsidiary of Oakville Enterprises Corporation. The agreement calls for quarterly payments of \$26, has an implicit interest rate of 1.90%, and expires in 2029. The corresponding asset and accumulated amortization are included in Note 11.	1,403	-
	\$ 107,782	\$ 109,562

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(In thousands of dollars)

8. Long-term liabilities (continued):

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

2021	\$	8,367
2022		4,437
2023		4,502
2024		4,290
2025		4,359
Thereafter		81,827
	\$	107,782

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

- (c) The long-term liabilities in (a) issued in the name of the Town have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (d) Total interest on long-term liabilities which are reported on the consolidated statement of operations amounted to \$3,671 (2019 – \$3,877). The long-term liabilities bear interest at rates ranging from 0.65% to 4.80% (2019 – 1.60% - 4.80%).
- (e) The balance of long-term liabilities reported on the consolidated statement of financial position is funded from the following sources:

	2020	2019
Tax levy supported	\$ 96,960	\$ 94,162
Development supported	3,842	7,552
Oakville Soccer Club	5,654	6,114
Harbours supported	1,326	1,734
	\$ 107,782	\$ 109,562

9. Contaminated sites:

- (a) The Town has recognized a liability of \$347 (2019 - \$334) 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 2.50%. 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 (2019 - \$nil).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(In thousands of dollars)

10. Employment benefits and other liabilities:

(a) Post-employment benefit liability:

The Town pays extended health and dental benefits for early retirees to age 65 as well as for 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, 2020 were determined by an actuarial valuation as at December 31, 2020.

(b) 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, 2020, of the present value of future liabilities, and the expense for the 12 months ended December 31, 2020, were determined using a discount rate of 2.50% (2019 – 3.00%).

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 6.5% (2019 – 6.5%) in the first year after the valuation date, reducing linearly to 4.0% after 8 years.

(iii) Dental costs:

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

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

	2020	2019
Accrued benefit obligation, beginning of year	\$ 21,890	\$ 30,764
Current service costs	1,089	1,518
Actuarial loss (gain)	1,168	(10,662)
Interest on accrued benefit obligation	822	1,165
Benefits paid during the period	(839)	(895)
Accrued benefit obligation, end of year	24,130	21,890
Unamortized actuarial gain	8,507	10,479
Accrued benefit liability, end of year	\$ 32,637	\$ 32,369

Included in current year costs is \$804 (2019 - \$15) 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, 2020

(In thousands of dollars)

10. Employment benefits and other liabilities (continued):

(c) 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, 2020, of the present value of future liabilities, and the expense for the 12 months ended December 31, 2020, were determined using a discount rate of 3.50% (2019 - 3.50%).

(ii) Administration costs:

Administration costs were assumed to be 28% (2019 - 28%) of the compensation expense.

(iii) Compensation expense:

Compensation costs, which include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at rates ranging from (0.25)% to 1.75% (2019 - (0.25%) - 1.75%) depending on the benefit type.

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

	2020	2019
Accrued WSIB obligation, beginning of year	\$ 5,933	\$ 2,965
Actuarial loss	-	1,644
Current service costs	723	1,570
Interest on accrued benefit obligation	209	112
Benefits paid during the period	(657)	(358)
Accrued WSIB obligation, end of year	6,208	5,933
Unamortized actuarial loss	(1,946)	(2,025)
Accrued WSIB liability, end of year	\$ 4,262	\$ 3,908

Included in current service costs is \$80 (2019 - \$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, 2020
(In thousands of dollars)

10. Employment benefits and other liabilities (continued):

(d) 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 \$3,200,000 (2019 - \$3,400,000) in 2020.

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 \$58.7 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 2020 was \$11,638 (2019 - \$11,977). Employee contributions to OMERS for 2020 totaled \$11,638 (2019 - \$11,977).

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(In thousands of dollars)

11. Tangible capital assets:

	2020									
	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	782,375	270,488	343,947	36,157	89,680	589,343	329,033	32,584	58,158	2,531,765
Add: Additions during the year	39,972	9,942	49,602	7,240	2,753	20,372	14,703	2,665	63,621	210,870
Less: Disposals during the year	(350)	(2,130)	(420)	(2,187)	(3,627)	(916)	-	(204)	(86,081)	(95,915)
Balance, end of year	821,997	278,300	393,129	41,210	88,806	608,799	343,736	35,045	35,698	2,646,720
Accumulated Amortization										
Balance, beginning of year	-	205,764	112,094	17,868	47,741	275,117	99,178	20,202	-	777,964
Add: Amortization	-	6,190	7,960	3,210	7,193	15,071	4,886	3,722	-	48,232
Less: Accumulated amortization on disposals	-	(2,054)	(417)	(2,156)	(3,622)	(728)	-	(204)	-	(9,181)
Balance, end of year	-	209,900	119,637	18,922	51,312	289,460	104,064	23,720	-	817,015
Net book value, end of year	821,997	68,400	273,492	22,288	37,494	319,339	239,672	11,325	35,698	1,829,705

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(In thousands of dollars)

11. Tangible capital assets (continued):

	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, 2020
(In thousands of dollars)

11. Tangible capital assets (continued):

(a) Work-in-process assets:

Work-in-process assets having a value of \$35,698 (2019 - \$58,158) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

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

	2020	2019
Land	\$ 34,576	\$ 21,307
Land Improvements	257	119
Equipment	-	8
Road Network	14,844	10,610
Environmental Network	11,148	12,573
Accrued Benefit Liability, end of year	\$ 60,825	\$ 44,617

Leased Assets:

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

	Cost	Accumulated Amortization	Net Book Value
Buildings	\$ 1,690	\$ 15	\$ 1,675

(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, 2020
(In thousands of dollars)

12. Accumulated surplus:

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

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 1,829,705	\$ 1,753,801
Equity in Oakville Enterprises Corporation	241,410	228,187
Unexpended capital	45,973	65,202
BIA reserves	256	326
Other	5,637	5,129
Unfunded:		
Contaminated sites	(347)	(334)
Post-employment benefits and WSIB	(36,899)	(36,277)
Long-term liabilities	(107,782)	(109,562)
	1,977,953	1,906,472
Reserves set aside for specific purposes by Council for:		
Tax rate stabilization	59,480	47,328
Capital financing	70,551	33,038
Acquisition of tangible capital assets	20,821	20,290
Working capital	46,260	41,507
Insurance	1,123	1,123
	198,235	143,286
Reserve funds set aside for specific purposes by Council:		
Post-employment benefits and WSIB	22,776	21,630
Street trees	50	43
Conservation purposes	165	160
Harbors	(6,239)	(6,351)
Library development	963	937
Building, ground maintenance and replacement	14,001	10,279
Parking	2,623	2,969
Bonus zoning	2,879	2,840
	37,218	32,507
	\$ 2,213,406	\$ 2,082,265

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(In thousands of dollars)

13. User fees and charges:

User fees and charges include the following:

	2020	2019
Development fees and miscellaneous	\$ 8,757	\$ 8,582
Transit revenues	3,647	9,113
Parking, Provincial Offences Act and other fines	3,162	4,482
Town facilities rental and usage fees	7,023	11,267
Recreation and cultural program revenues	2,826	11,890
Cemeteries	1,190	646
Licenses and permits	13,303	12,184
	\$ 39,908	\$ 58,164

14. Trust funds:

Trust funds administered by the Town amounting to \$6,357 (2019 - \$6,026) 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, 2020
(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 (2019 - \$nil) has been drawn.

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(In thousands of dollars)

16. Government and external transfers:

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

	2020	2019
Revenue:		
Federal grants:		
Federal gas tax	\$ 1,684	\$ 4,370
Clean Water and Wastewater Fund	397	439
Young Canada Works, Summer Jobs	217	155
Investing in Canada Infrastructure Program: Public Transit Stream	160	-
Canadian Heritage Grant	93	73
Seniors New Horizons	19	-
Canada 150 Community Infrastructure Program	4	4
Canada Council	-	233
Public Transit Infrastructure Fund	-	40
Library	-	12
	2,574	5,326
Ontario grants:		
Safe Restart Agreement- General	4,460	-
Ontario gas tax	3,413	3,188
Safe Restart Agreement- Transit	2,997	-
Clean Water and Wastewater Fund	201	219
Library – operating grant	182	183
Investing in Canada Infrastructure Program: Public Transit Stream	133	-
Elderly Person's Centres	125	125
Municipal Transit Enhanced Cleaning	109	-
Museum – operating grant	58	58
Recreation programs	7	13
Ontario Arts Council	-	131
Audit and accountability fund	-	67
Celebrate Ontario	-	25
Cannabis funding	-	5
	11,685	4,014
Total revenue	\$ 14,259	\$ 9,340

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(In thousands of dollars)

16. Government and external transfers (continued):

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

	2020	2019
Expenses:		
Recreational & cultural grants:		
Oakville Galleries Operating Grant	\$ 363	\$ 356
Theatre groups subsidization	172	161
Oakville Arts Council	88	86
Recreational program subsidization	8	351
Historical Society	8	8
Sport development grants	3	16
Oakville Lawn Bowling	3	3
	645	981
Other:		
Oakville Tourism Partnership	171	676
Heritage grants	72	86
Community Assistance Fee Waiver	51	40
T.O.W.A.R.F.	33	33
Accessibility costs	3	5
Election rebates	-	100
Brownfield study costs	-	17
	330	957
Total external transfers	\$ 975	\$ 1,938

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(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, 2020
(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, 2020
(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, 2020

(In thousands of dollars)

17. Segmented information (continued):

2020									
	Governance Corporate Services	Fire	Building Services	Parks, Recreation and Culture	Roads and Works Engineering	Transit	Planning, Development & Economic Development	Total	
Revenue:									
Taxation	\$ 42,700	\$ 39,057	\$ -	\$ 55,094	\$ 46,157	\$ 25,479	\$ 7,020	\$	215,507
User fees and service charges	4,458	223	-	11,333	2,850	3,648	6,887		39,908
Canada grants	-	-	-	311	402	159	18		890
Ontario grants	4,460	-	-	373	199	3,240	-		8,272
Gas tax revenues	-	-	-	122	1,562	3,413	-		5,097
Other Municipalities	294	1	-	431	11,654	12	162		12,554
Investment income	8,866	-	-	284	1	-	1		9,152
Revaluation gain on Hydro lease	8,409	-	-	-	-	-	-		8,409
Oakville Enterprises	4,622	-	-	-	-	-	-		4,622
Penalties and interest	1,074	-	-	-	-	-	-		1,074
Developer contributions and development charges earned	34,576	11,982	-	9,940	36,820	42	114		93,474
Other	38	56	8	450	385	-	-		937
Equity in Income in MDC	(329)	-	10,509	-	-	-	-		(329)
Equity in Income in OEC	11,504	-	-	-	-	-	-		11,504
	120,672	51,319	10,517	78,338	100,030	35,993	14,202		411,071
Expenses:									
Salaries, wages and benefits	29,267	34,722	5,066	34,108	15,865	18,942	9,008		146,978
Debt expense	2,849	-	-	532	264	26	-		3,671
Materials	369	532	(5)	5,391	5,101	3,721	(10)		15,099
Contracted services	8,904	3,118	2,281	19,594	23,254	4,897	4,700		66,748
Rents and financial expenses	392	-	-	258	54	1	98		803
External transfers	258	37	-	778	342	632	243		2,290
Amortization	4,107	1,962	-	12,862	23,435	5,782	84		48,232
Loss/(gain) on disposal of assets	(3,650)	(19)	-	(350)	121	(6)	13		(3,891)
	42,496	40,352	7,342	73,173	68,436	33,995	14,136		279,930
Annual surplus	\$ 78,176	\$ 10,967	\$ 3,175	\$ 5,165	\$ 31,594	\$ 1,998	\$ 66	\$	131,141

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020

(In thousands of dollars)

17. Segmented information (continued):

2019									
	Governance Corporate Services	Fire	Building Services	Parks, Recreation and Culture	Roads and Works Engineering	Transit	Planning, Development & Economic Development	Total	
Revenue:									
Taxation	\$ 40,038	\$ 37,004	\$ -	\$ 53,885	\$ 45,147	\$ 24,199	\$ 7,908	\$	208,181
User fees and service charges	4,912	231	8,572	24,043	4,727	9,113	6,566		58,164
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
Investment income	9,950	-	-	311	5	-	3		9,950
Revaluation gain on Hydro lease	875	-	-	-	-	-	-		875
Oakville Enterprises	4,622	-	-	-	-	-	-		4,622
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
Other	68	-	-	564	553	-	-		1,185
Equity in Income in MDC	(324)	-	-	-	-	-	-		(324)
Equity in Income in OEC	9,412	-	-	-	-	-	-		9,412
	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, 2020
(In thousands of dollars)

18. Budget data:

The audited budget data presented in these consolidated financial statements is based upon the 2020 operating and capital budgets approved by Council on December 16, 2020. 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	\$ 345,535
Capital budget	119,413
BIAs	1,714
Less:	
Internal revenues and recoveries	(27,592)
Transfers from other funds	(81,596)
Total revenue	357,474
Expenses:	
Operating budget	345,535
Capital budget	119,413
BIA's	1,615
Less:	
Internal expenses	(27,592)
Transfers to other funds	(83,804)
Capital expenses	(120,092)
Debt principal payments	(7,998)
Total expenses	227,077
Annual surplus	\$ 130,397

THE CORPORATION OF THE TOWN OF OAKVILLE

Notes to Consolidated Financial Statements

Year ended December 31, 2020
(In thousands of dollars)

19. COVID-19:

In 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. As a result, the Town has experienced, and is continuing to experience, impacts on various services, including the closure of various park, recreation, and library facilities and administrative buildings for non-essential personnel, the cancellation of various programming, and a reduction in transit services/usage. These closures and cancellations have a direct impact on the Town's finances, primarily in relation to user fee revenues. In addition, Town Council has provided various measures to assist residents, including the provision of property tax deferrals. The Province of Ontario has provided emergency funding to assist the Town in addressing the financial impacts of the pandemic. As the pandemic continues there may be further financial implications to the Town.

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