

## Auditors' Report

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

We have audited the consolidated statement of financial position of The Corporation of the Town of Oakville as at December 31, 2004 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2004 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

As disclosed in Note 2, the consolidated financial statements for the year ended December 31, 2004 have been revised. Our report, dated April 29, 2005, on the previously issued consolidated financial statements for the year ended December 31, 2004 has been withdrawn.

*Deloitte & Touche LLP*

Chartered Accountants

Toronto, Ontario

*April 29, 2005, except for Note 2 which is dated July 7, 2005.*

## Consolidated Statement of Financial Position

December 31, 2004

### FINANCIAL ASSETS

(in thousands)	2004	2003*
Cash and short-term investments (Note 4)	106,324	93,224
Taxes receivable (Note 5 (a))	14,552	17,420
Accounts receivable	11,429	5,845
Investment in Oakville Hydro Corporation (Note 6)	163,830	162,277
	<b>\$296,135</b>	<b>\$278,766</b>

### LIABILITIES

(in thousands)	2004	2003*
Accounts payable and accrued liabilities (Note 7)	16,022	14,397
Other current liabilities	6,771	5,799
Post employment benefit liability (Note 8 (a))	9,819	9,307
WSIB liability (Note 8 (b))	1,202	1,007
Deferred revenue – obligatory reserve funds (Note 9)	49,999	44,757
Deferred revenue (Note 10)	12,869	12,882
Long-term liabilities (Note 11)	24,009	18,926
	<b>\$120,691</b>	<b>\$107,075</b>
NET FINANCIAL ASSETS	175,444	171,691
NON-FINANCIAL ASSETS – Prepaid expenses and inventory	1,175	1,063
<b>NET ASSETS</b>	<b>\$176,619</b>	<b>\$172,754</b>

### MUNICIPAL POSITION

(in thousands)	2004	2003*
<b>FUND BALANCES</b> (Note 13)		
• Operating Fund – Schedule 1	638	688
• Capital Fund – Schedule 2	9,039	5,127
• Reserves and Reserve Funds – Schedule 3	36,156	33,287
• Equity in Oakville Hydro Corporation (Note 6 (c))	165,540	163,485
	<b>\$211,373</b>	<b>\$202,587</b>
AMOUNTS TO BE RECOVERED (Note 12)	34,754	29,833
	<b>\$176,619</b>	<b>\$172,754</b>

\*Restated – Note 2

# Consolidated Statement of Financial Activities

December 31, 2004

<b>REVENUES</b> (in thousands)	<b>2004</b> <b>Budget</b> <small>(Note 19)</small>	<b>2004</b> <b>Actual</b>	<b>2003*</b> <b>Actual</b>
Taxation – all classes (Note 1(a)(iii))	278,003	289,008	264,611
Less amounts received for Region and School Boards (Note 3)	198,264	205,252	191,643
	<b>\$79,739</b>	<b>\$83,756</b>	<b>\$72,968</b>
Oakville Hydro – interest on promissory notes and leases	5,974	6,091	4,891
User fees and charges (Note 14)	26,150	29,525	29,760
Grants			
• Government of Canada	203	316	336
• Province of Ontario	3,975	2,091	1,145
Investment income	2,343	2,925	3,588
Penalties and interest	2,230	2,167	2,354
Developer contributions and development charges earned	16,286	15,360	15,531
Other	2,925	4,117	3,316
<b>TOTAL REVENUES</b>	<b>\$139,825</b>	<b>\$146,348</b>	<b>\$133,889</b>

<b>EXPENDITURES</b> (Note 18) (in thousands)	<b>2004</b> <b>Budget</b> <small>(Note 19)</small>	<b>2004</b> <b>Actual</b>	<b>2003*</b> <b>Actual</b>
<b>OPERATING</b>			
General government	16,046	17,098	14,434
Protection to persons and property	23,524	21,969	21,244
Transportation services	26,139	27,767	26,786
Environmental services	407	466	569
Health services	654	755	642
Social and family services	57	47	42
Recreation and cultural services	25,375	26,313	25,222
Planning and development	5,555	5,389	4,657
	<b>\$97,757</b>	<b>\$99,804</b>	<b>\$93,596</b>

\*Restated – Note 2

<b>EXPENDITURES</b> (Note 18) (in thousands)	<b>2004 Budget</b> (Note 19)	<b>2004 Actual</b>	<b>2003*</b> <b>Actual</b>
<b>CAPITAL</b>			
General government	3,569	4,148	2,863
Protection to persons and property	1,018	3,267	2,702
Transportation services	19,863	22,463	26,897
Environmental services	1,780	1,089	262
Health services	45	61	6
Recreation and cultural services	17,480	9,716	9,834
Planning and development	1,122	4,102	4,337
	<b>\$44,877</b>	<b>\$44,846</b>	<b>\$46,901</b>
<b>TOTAL EXPENDITURES</b>	<b>\$142,634</b>	<b>\$144,650</b>	<b>\$140,497</b>
CHANGE IN EQUITY – OAKVILLE HYDRO CORPORATION (Note 6(c))	–	2,055	6,648
<b>NET REVENUES (EXPENDITURES)</b>	<b>\$(2,809)</b>	<b>\$3,753</b>	<b>\$40</b>
ADD			
• Proceeds from internal loan	1,257	–	710
• Proceeds from long-term debt	3,409	7,725	–
• Increase in post employment benefits and WSIB liabilities	–	7	936
LESS			
• Debt principal repayment	(5,206)	(2,642)	(2,641)
• Repayment of internal loan	(772)	(169)	(117)
INCREASE (DECREASE) IN AMOUNTS TO BE RECOVERED	(1,312)	4,921	(1,112)
INCREASE (DECREASE) IN NON-FINANCIAL ASSETS	–	112	(43)
<b>CHANGE IN FUND BALANCES</b>	<b>\$(4,121)</b>	<b>\$8,786</b>	<b>\$(1,115)</b>

\*Restated – Note 2

# Consolidated Statement of Changes in Financial Position

December 31, 2004

## NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES

(in thousands)

	2004	2003*
<b>OPERATING</b>		
Net revenues	3,753	40
Less changes in equity in Oakville Hydro Corporation	(2,055)	(6,648)
	<b>\$1,698</b>	<b>\$(6,608)</b>
Uses:		
Increase in taxes receivable	–	(2,020)
Increase in accounts receivable	(5,584)	–
Decrease in deferred revenue	(13)	(570)
	<b>\$(5,597)</b>	<b>\$(2,590)</b>
Sources:		
Increase in deferred revenue – Obligatory Reserve Funds	5,242	7,555
Decrease in accounts receivable	–	2,871
Decrease in taxes receivable	2,868	–
Increase in post employment benefit liability	512	773
Increase in accounts payable and accrued liabilities	1,625	5,299
Increase in other current liabilities	972	1,151
Increase in WSIB liability	195	163
	<b>\$11,414</b>	<b>\$17,812</b>
Net increase in cash from operations	7,515	8,614
<b>INVESTING</b>		
Decrease in direct financing lease receivable from Oakville Hydro Corporation	502	455
<b>FINANCING</b>		
Long-term debt issued	7,725	–
Long-term debt repaid	(2,642)	(2,641)
	<b>\$5,083</b>	<b>\$(2,641)</b>
<b>NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS</b>	<b>\$13,100</b>	<b>\$6,428</b>
<b>CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR</b>	<b>\$93,224</b>	<b>\$86,796</b>
<b>CASH AND SHORT-TERM INVESTMENTS, END OF YEAR</b>	<b>\$106,324</b>	<b>\$93,224</b>

\*Restated – Note 2

## Notes to the Consolidated Financial Statements

### 1. Significant Accounting Policies

The consolidated financial statements of the Corporation of The Town of Oakville (the “Town”) are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (“PSAB”) of the Canadian Institute of Chartered Accountants.

Significant accounting policies adopted include:

#### (a) (i) Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees of Council which are controlled by the Town (except for the Oakville Hydro Corporation), including the following:

- The Oakville Public Library Board
- Downtown Oakville Business Improvement Area
- Bronte Business Improvement Area
- Oakville Galleries

All material inter-entity transactions and balances, except for those between the Town and the Oakville Hydro Corporation, are eliminated on consolidation.

#### (ii) Investment in Oakville Hydro Corporation

The Town’s investment in Oakville Hydro Corporation is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, Oakville Hydro Corporation’s accounting policies are not adjusted to conform with those of the municipality and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of Oakville Hydro Corporation in its consolidated statement of financial activities with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from Oakville Hydro Corporation will be reflected as reductions in the investment asset account.

#### (iii) Accounting for region and school board transactions

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

#### (iv) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately in the Trust Funds Statement of Financial Position and Financial Activities.

## 1. Significant Accounting Policies (continued)

### (b) Basis of accounting

#### (i) Revenue and expenditures

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

#### (ii) Tangible capital assets

Tangible capital asset expenditures incurred during the year are recorded as capital expenditures in the statement of financial activities.

#### (iii) Accounting for Property Tax Phase-in and Bill 140 Capping Provisions resulting from the Ontario Fair Assessment System

The net impact in property taxes as a result of the application of phase-in and capping provisions does not affect the consolidated statement of financial activities as the full amount of the property taxes is levied.

#### (iv) Deferred revenue – Obligatory Reserve Funds

Deferred revenue – obligatory reserve funds represents development charge contributions, and payments in lieu of parkland and parking under the authority of 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.

#### (v) Deferred revenue

Deferred revenue represents user charges and other fees which have been collected, for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

#### (vi) Net investment in direct financing leases receivable

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

#### (vii) Post employment benefits

The present value of the cost of providing employees with future benefits programs is recognized as employees earn these entitlements through service.

#### (viii) Government transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

#### (ix) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

## 2. Restatement of Financial Statements

Subsequent to the issuance of the consolidated financial statements, it was determined that externally restricted development charges were recognized as revenue of the capital fund prior to the specified expenditures being made. The financial statements previously issued have been withdrawn and the following changes made to correct the previously issued financial statements for the year ended December 31, 2004 and to restate the prior year comparative figures as follows:

	December 31 2004	December 31 2003
Increase in deferred revenue – obligatory Reserve Funds	17,901	10,868
Decrease in the Capital Fund balance	17,901	10,868
Decrease in development charges earned	7,033	10,084
Decrease in net revenues (Capital Fund)	7,033	10,084
Decrease in the opening balance of the Capital Fund	–	784

## 3. Operations of School Boards and The Region of Halton

Further to Note 1(a)(iii), the taxation and other revenues of the school boards and the Region of Halton are comprised of the following:

	2004 School Boards	2004 Region	2004 Total	2003 Total
Taxation and user charges	101,206	102,498	203,704	190,024
Grants-in-lieu	209	1,339	1,548	1,619
<b>TOTAL</b>	<b>\$101,415</b>	<b>\$103,837</b>	<b>\$205,252</b>	<b>\$191,643</b>

## 4. Cash and Short-term Investments

This represents a consolidation of cash and short-term investments from the operating fund, local boards and the reserve funds (including those funds set aside in respect of deferred revenue – obligatory reserve funds as detailed in Note 9). The composition is as follows:

	2004 Cash	2004 Investments	2004 Total	2003 Cash	2003 Investments	2003 Total
Operating Fund	4,735	64,024	68,759	1,189	47,668	48,857
Reserve Funds	9,831	27,734	37,565	32,790	11,577	44,367
<b>TOTAL</b>	<b>\$14,566</b>	<b>\$91,758</b>	<b>\$106,324</b>	<b>\$33,979</b>	<b>\$59,245</b>	<b>\$93,224</b>

Investments, which are reported at cost, have a market value of \$94,451,669 (2003 – \$61,488,268) at the end of the year.

## 5. Receivables

(a) Taxes receivable	2004	2003
Current year	10,164	11,163
Arrears previous years	5,416	7,485
	<b>15,580</b>	<b>18,648</b>
Less allowance	1,028	1,228
	<b>\$14,552</b>	<b>\$17,420</b>

The allowance of \$1,027,511 has been established to cover the Town's share of vacancy rebates for 2003 and potential adjustments from unresolved assessment appeals.

### (b) Interfund receivables

As a means of funding the acquisition of computer hardware and software, funds are borrowed by the Operating Fund from Reserve Funds. These funds are secured by a promissory note and repaid over a predetermined period of time. The financing arrangements and ultimate repayment are approved by Council through the current budget process. For the purposes of these financial statements, both the financing and repayment are reflected as interfund transfers and therefore eliminated during consolidation. The following is the current status of all such loans outstanding:

	2004	2003
Financing of computer software, hardware and equipment, repayable in semi-annual principal and interest payments of \$149,408; bearing interest at 4.0% and maturing on December 31, 2005	<b>\$290</b>	<b>\$569</b>

## 6. Investment in Oakville Hydro Corporation

In recognition of the requirements of Bill 35 (the Energy Competition Act, 1998) the Town of Oakville on January 24, 2000 passed a transfer by-law that transferred, at fair value all of the assets and liabilities of the Oakville Hydro-Electric Commission, effective February 1, 2000, to four newly created corporations for the Town of Oakville. These four corporations, Oakville Hydro Corporation and its wholly-owned subsidiaries, Oakville Hydro Electricity Distribution Inc., Oakville Hydro Energy Services Inc., and Oakville Hydro Communications Inc. have carried on the former businesses of the Commission with all its rights, duties, obligations and responsibilities from the date of transfer. The Town of Oakville is the sole shareholder of Oakville Hydro Corporation.

Oakville Hydro Corporation is wholly-owned and controlled by the Town of Oakville and as a government business enterprise is accounted for on the modified equity basis in these financial statements. Oakville Hydro serves as the electrical distribution utility for Oakville's residents. Other activities of Oakville Hydro, and its subsidiaries, are to provide fibre optic services, energy services, water heater rental, billing services, meter services and street lighting services.

**6. Investment in Oakville Hydro Corporation (continued)**

The following table provides condensed supplementary consolidated financial information for the Corporation and its subsidiaries for the year ended December 31:

FINANCIAL POSITION	2004	2003
<b>ASSETS</b>		
Current	76,076	67,811
Capital	112,509	114,758
Other	14,036	16,432
<b>TOTAL ASSETS</b>	<b>\$202,621</b>	<b>\$199,001</b>
<b>LIABILITIES</b>		
Current	26,796	26,561
Capital lease obligations to Town of Oakville	12,147	12,648
Promissory notes payable to Town of Oakville	77,030	77,030
Other	11,994	10,163
<b>TOTAL LIABILITIES</b>	<b>\$127,967</b>	<b>\$126,402</b>
<b>EQUITY</b>		
Share capital	63,024	63,024
Retained earnings	11,630	9,575
<b>TOTAL EQUITY</b>	<b>\$74,654</b>	<b>\$72,599</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$202,621</b>	<b>\$199,001</b>
FINANCIAL ACTIVITIES	2004	2003
Revenue	147,201	144,895
Expenses (including/net of income tax expense/recovery)	145,146	140,018
<b>CHANGE IN RETAINED EARNINGS</b>	<b>\$2,055</b>	<b>\$4,877</b>
Adjustment to shareholder's equity Change in Development Charge Contributions	–	1,771
<b>CHANGE IN EQUITY</b>	<b>\$2,055</b>	<b>\$6,648</b>
<b>TOWN OF OAKVILLE'S INVESTMENT REPRESENTED BY:</b>		
• Direct financing leases receivable (a)	12,147	12,648
• Promissory notes receivable (b)	77,030	77,030
• Investment in shares of the Corporation	63,024	63,024
• Accumulated profit, changes in development charge contributions and adjustment for future income taxes	11,629	9,575
<b>TOTAL INVESTMENT</b>	<b>\$163,830</b>	<b>\$162,277</b>

## 6. Investment in Oakville Hydro Corporation (continued)

### (a) Net investment in direct financing receivable

The Town has provided direct financing leases to Oakville Hydro Corporation for the property known municipality as 861 Redwood Square, and a vehicle fleet.

Minimum payments under the leases commenced in 2001 and are as follows for the years ending:

2005	1,362
2006	1,353
2007	1,325
2008	1,319
2009	1,240
2010-2019	13,209
	<b>\$19,808</b>
Less amount representing interest, imputed at 7%	7,661
	<b>\$12,147</b>

### (b) Promissory notes receivable

Oakville Hydro Corporation issued promissory notes to the Town of Oakville, effective February 1, 2000, with principal repayment due on February 1, 2020. Interest is payable at various rates from 0% to 7% during the initial two year term of the notes and 6.45% to 7% throughout the balance of the term of the notes. Interest revenue earned from these notes totaled \$5,222,172 (2003 – \$3,987,082).

### (c) Equity in Oakville Hydro Corporation

	2004	2003
<b>BALANCE, BEGINNING OF YEAR</b>	163,485	156,837
Changes during the year:		
• Net earnings for the year	2,055	4,877
• Development charge contributions	–	1,771
	<b>2,055</b>	<b>6,648</b>
<b>BALANCE, END OF YEAR</b>	<b>\$165,540</b>	<b>\$163,485</b>

**6. Investment in Oakville Hydro Corporation (continued)**

**(d) Related party transactions and balances**

The following summarizes the Town's related party transactions with Oakville Hydro Corporation for the year ended December 31, 2004 and the balances at December 31, 2004:

TRANSACTIONS	2004	2003
<b>REVENUE</b>		
Interest on capital leases	869	904
Cashier services	4	2
Tree trimming services	193	164
Garage services	511	312
Property taxes	310	300
Interest on promissory notes	5,222	3,987
<b>EXPENSES</b>		
Energy purchases (at commercial rates)	2,933	2,865
Gain on sale of property	-	303
Fibre optic rental	56	91
Streetlight maintenance	436	417
<b>BALANCES</b>		
<b>AMOUNTS DUE FROM OAKVILLE HYDRO CORPORATION</b>		
• Accounts receivable	150	84
• Direct financing leases receivables	12,147	12,648
• Promissory note receivable	77,030	77,030

**7. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities include financial obligations to outside organizations and individuals as a result of transactions and events on or before the end of the accounting period. They are the result of contracts, agreements and legislation in force at the end of the accounting period that require the Town of Oakville to pay for goods and services acquired or provided on or before the accounting date. A breakdown is provided below:

	2004	2003
Trade accounts payable	11,757	10,960
Payables to other governments	2,524	2,543
Payroll liabilities	1,570	879
Accrued liabilities	171	15
	<b>\$16,022</b>	<b>\$14,397</b>

## 8. Post Employment Benefit Liability

### (a) Post employment benefit liability

Employee future benefits are comprised of health and dental benefits, as well as an accrual for one day earned per year of service payable at retirement. Dependent on eligibility, health and dental coverage may be a shared financial responsibility between the Town and the retired employee. All coverage ceases at age 65. The Town recognizes these post-retirement costs as they are earned during the employee's tenure of service. An actuarial valuation was performed in 2003 due to a change in the benefit plan for non-union staff that elect for early retirement. The plan now provides that non-union employees who retire with up to 19 years of service shall have 80% of the premiums paid by the Town. Employees with over 19 years shall have 100% of the cost of the premiums paid by the Town.

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

- (i) General inflation                      Future general inflation levels, as measured by changes in Customer Price Index (CPI), were assumed to be 2.5% per year.
- (ii) Interest (discount) rate            The present value as at December 31, 2004 of the future benefits was determined using a discount rate of 6.2%.
- (iii) Health/dental costs                Health care costs are presumed to increase at 10% in 2004, reducing linearly to 3.5% in 2013. Dental care trend costs of 3.5% annual increases are presumed.

Mortality based on 1983 Group Annuity Mortality Table

Information about the Town's benefit liabilities is as follows:

	2004	2003
ACCRUED FUTURE BENEFITS LIABILITY, BEGINNING OF YEAR	9,307	8,534
Expense for the period	775	1,033
Benefits paid during the period	(263)	(260)
<b>ACCRUED FUTURE BENEFITS LIABILITY, END OF YEAR</b>	<b>\$9,819</b>	<b>\$9,307</b>
Post employment benefit obligation	10,016	9,310
Actuarial loss	(197)	(3)
<b>POST EMPLOYMENT BENEFIT LIABILITY</b>	<b>\$9,819</b>	<b>\$9,307</b>

**8. Post Employment Benefit Liability (continued)**

**(b) Workplace Safety and Insurance Obligations (WSIB)**

Effective January 1, 1994, the Corporation of the Town of Oakville became a Schedule II employer under the Workplace Safety & Insurance Act and follows a policy of self insurance for all its employees. An actuarial valuation was completed in 2004.

The Town also maintains an insurance policy, which protects the Corporation against single claims in excess of \$500,000.

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

	2004	2003
ACCRUED WSIB LIABILITY, BEGINNING OF YEAR	1,007	844
Expense for the period	456	369
Benefits paid during the period	(261)	(206)
<b>ACCRUED WSIB LIABILITY, END OF YEAR</b>	<b>\$1,202</b>	<b>\$1,007</b>
WSIB obligation	1,471	1,299
Actuarial loss	(269)	(292)
<b>WSIB LIABILITY</b>	<b>\$1,202</b>	<b>\$1,007</b>

**9. Deferred Revenue – Obligatory Reserve Funds**

Continuity of deferred revenue – obligatory reserve funds is as follows:

	2004	2004	2004	2004	2004	2003*
	Development Charges	Parkland	Gas Tax	Parking	Total	Total
BALANCE, BEGINNING OF YEAR	37,765	5,038	–	1,954	44,757	37,202
Developer and other contributions	16,372	2,188	273	6	18,839	21,589
Interest earned	854	141	–	70	1,065	1,371
Parking	–	–	–	199	199	284
	<b>\$17,226</b>	<b>\$2,329</b>	<b>\$273</b>	<b>\$275</b>	<b>\$20,103</b>	<b>\$23,244</b>
Less: Developer contributions used in capital operations	14,306	450	–	105	14,861	15,689
<b>BALANCE, END OF YEAR</b>	<b>\$40,685</b>	<b>\$6,917</b>	<b>\$273</b>	<b>\$2,124</b>	<b>\$49,999</b>	<b>\$44,757</b>

\* Restated – Note 2

**10. Deferred Revenue**

	2004	2003
Deferred revenues – operations	3,083	3,472
Deferred revenues – capital	3,884	4,364
Pre-authorized tax payments	5,887	5,003
Deferred revenues – Library and Business Improvement Areas	15	43
	<b>\$12,869</b>	<b>\$12,882</b>

## 11. Long-term Liabilities

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

	2004	2003
The municipality has assumed responsibility for the payment of the principal and interest charges on certain long-term liabilities issued by Halton Region on behalf of the Town. Interest rates range from 4.05% to 8.75%.	16,284	18,926
The municipality has assumed responsibility for the payment of the principal and interest charges on certain long-term liabilities issued by Halton Region on behalf of the Town, under the Ontario Strategic Infrastructure Financing Authority (OSEIFA). Interest is at 2.43%.	7,725	–
<b>LONG-TERM LIABILITIES AT THE END OF THE YEAR</b>	<b>\$24,009</b>	<b>\$18,926</b>

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

2005	3,496
2006	3,061
2007	2,865
2008	2,999
2009	3,142
Thereafter	8,446
	<b>\$24,009</b>

- (b) The long-term liabilities in (a) issued in the name of the municipality have received approval of the Ontario Municipal Board (or approval by private legislation) for those approved on or before December 31, 1992. Those approved on or after January 1, 1993 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.
- (c) Interest expense on long-term liabilities amounted to \$1,073,157 (2003 – \$1,230,000).

## 12. Amounts to be recovered

Amounts to be recovered will be funded as follows:

	2004	2003
<b>FROM FUTURE REVENUE:</b>		
• Long-term liabilities (Note 11(a))	24,009	18,926
• Internal loan from obligatory reserve fund bearing interest at 3% and maturing on December 31, 2006	424	593
• Post employment benefits and WSIB liability	5,539	5,813
<b>FROM RESERVE FUNDS:</b>		
Post employment benefits and WSIB liability	4,560	4,279
<b>FROM INSURANCE PROCEEDS RELATING TO WSIB LIABILITY</b>	<b>222</b>	<b>222</b>
	<b>\$34,754</b>	<b>\$29,833</b>

**13. Municipal Fund Balances at the end of the year**

(a) Operating fund balance

	2004	2003
<b>REDUCTION IN GENERAL AREA TAXATION</b>		
Town	500	500
Library	–	58
Business improvement areas	138	130
	<b>\$638</b>	<b>\$688</b>

(b) Capital fund balance

	2004	2003*
<b>ACQUISITION OF TANGIBLE CAPITAL ASSETS TO BE:</b>		
Recovered through reserves and reserve funds	(6,567)	(11,935)
Financed from the proceeds of long-term liabilities	(1,739)	(1,229)
Financed from third party recoveries and savings in other projects	(6,430)	(8,284)
Funds available for the acquisition of tangible capital assets	23,775	26,575
	<b>\$9,039</b>	<b>\$5,127</b>

\* Restated – Note 2

(c) Reserves and reserve funds

	2004	2003
<b>RESERVES SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL FOR:</b>		
Building maintenance reserve	1,557	1,543
Tax rate stabilization	2,150	2,000
Capital financing	8,670	6,890
Acquisition of tangible capital assets	6,827	5,738
Recreation and culture	303	235
Working capital	8,621	7,976
Insurance	434	434
	<b>\$28,562</b>	<b>\$24,816</b>

(d) Reserve funds

	2004	2003
<b>RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL FOR:</b>		
Post employment benefits and WSIB liability	4,560	4,279
Street trees	1,061	1,246
Lot levies and subdivider contributions	26	1,391
Conservation purposes	224	219
Harbours	166	134
Other	3	10
Library Development	89	102
Building maintenance and replacement	1,465	1,090
	<b>7,594</b>	<b>8,471</b>
	<b>\$36,156</b>	<b>\$33,287</b>

The Operating Fund surplus for the Town of Oakville for the fiscal year ended December 31, 2004, available to be used to offset taxation or user fees in 2004, has been reduced by an amount of \$4,389,334 (2003 – \$2,231,837) which was transferred to the Reserves and Reserve Funds as authorized by Corporate Policy. Had this transfer not been made, the balance “reduction in general area taxation” for the Town in Note 13(a) would have shown a surplus of \$4,889,334 (2003 – \$2,731,837).

## 14. User Fees and Charges

User fees and charges includes the following:

	2004	2003
Development fees and miscellaneous	5,486	3,711
Other municipalities	2,222	3,500
Transit revenues	3,692	3,383
Parking, Provincial Offences Act and other fines	3,274	3,466
Parks and recreation facility rental fees	2,707	3,379
Cultural program revenues	5,383	5,270
Cemetery plot/burial revenues	577	490
Licenses and permits	6,184	6,561
	<b>\$29,525</b>	<b>\$29,760</b>

## 15. Trust Funds

Trust funds administered by the municipality amounting to \$2,693,807 (2003 – \$2,518,808) are not included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

In addition, the Community Foundation of Oakville holds certain funds on behalf of the Town of Oakville.

## 16. Pension Agreements

The municipality makes contributions to Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, which as of December 31, 2004 was on behalf of 927 contributors during the year. 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.

In 2004, the contribution holiday expired and full contributions resumed. This resulted in contributions for 2004 of \$3,137,471 (2003 - \$951,469).

## 17. Contingent Liabilities and Guarantees

### (a) Loan guarantees

The Town of Oakville has one loan guarantee outstanding at the end of 2004:

	Original	December 31 2004
Burloak Canoe Club	<b>\$75,000</b>	<b>\$44,500</b>

Safeguards have been put in place to protect the Town should default occur on the part of the club.

## 17. Contingent Liabilities and Guarantees (continued)

### (b) Oakville Hydro Corporation

A class action claiming \$500 million in restitutionary payments plus interest was served on November 18, 1998. The action was initiated against Toronto Hydro Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario, which have charged late payment charges on overdue utility bills at any time after April 1, 1981. The claim is that payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of that permitted under Section 347(1)(b) of the Criminal Code.

The Electricity Distributors Association (formerly the Municipal Electric Association) is undertaking the defence of this class action. At this time it not possible to determine the effect, if any, on the financial position of Oakville Hydro Corporation, and therefore on that of the Town of Oakville. For this reason, no recognition of any potential liability has been given in these financial statements.

### (c) Litigation

- (i) The development community has filed appeals to the Ontario Municipal Board (OMB) regarding the North Oakville Secondary Plan. In 2004, the Town began preparations for the OMB hearing and these costs are reflected in these financial statements. The balance of the costs associated with this hearing will be reflected in the 2005 and subsequent years' financial statements, when incurred.
- (ii) The Town is still awaiting the Ontario Municipal Board decision regarding the Pitblado expropriation hearing. The Town has made provision for the expected outcome of this decision in these financial statements.
- (iii) The Town has been named as defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at the date of reporting and accordingly, no provision has been made in these financial statements for any liability which may result.

### (d) 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 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.

### (e) Guarantees

In the normal course of business, the Town enters into agreements that meet the definition of a guarantee.

- (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.

## 17. Contingent Liabilities and Guarantees (continued)

- (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 a trustee, director or officer 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 statement of financial position with respect to these agreements.

## 18. Classification of Expenditures by Object

The Consolidated Statement of Financial Activities presents the expenditures by function; the following classifies those same expenditures by object:

	2004	2003
Salaries, wages and employee benefits	66,985	61,490
Operating materials and supplies	12,000	11,065
Contracted services	17,595	17,421
Rent and financial expenses	626	971
External transfers to others	1,525	1,419
Tangible capital assets	44,846	46,901
Debt service	1,073	1,230
<b>TOTAL EXPENDITURES BY OBJECT</b>	<b>\$144,650</b>	<b>\$140,497</b>

## 19. Budget Figures

The approved operating and capital budgets for 2004 are reflected on the Consolidated Schedule of Operating Fund Financial Activities and Fund Balance, Consolidated Schedule of Capital Fund Financial Activities, Fund Balance and the Consolidated Statement of Financial Activities. The budgets established for the capital fund operations are on a project-oriented basis, the costs of which may be carried out over one or more years and therefore, may not be comparable with the current year actual amounts. As well, the municipality does not have a budget for activity within Reserves and Reserve Funds, with the exception being those transactions which flow through either the operating or capital budgets.

## Consolidated Schedule of Operating Fund Financial Activities and Fund Balance – Schedule 1

December 31, 2004

<b>REVENUES</b> (in thousands)	<b>2004 Budget</b>	<b>2004 Actual</b>	<b>2003 Actual</b>
Taxation – all classes	278,003	289,008	264,611
Less amounts received for Region and School Boards	198,264	205,252	191,643
<b>NET TAXATION FOR MUNICIPAL PURPOSES</b>	<b>\$79,739</b>	<b>\$83,756</b>	<b>\$72,968</b>
Oakville Hydro – interest on promissory notes and leases	5,974	6,091	4,891
User fees and charges	26,150	29,380	29,579
Grants:			
• Government of Canada	203	316	336
• Province of Ontario	715	778	692
Transfer from Trust Funds	98	193	138
Sale of publications	43	145	181
Investment income	2,343	2,567	2,878
Penalties and interest	2,230	2,167	2,354
<b>TOTAL REVENUES</b>	<b>\$117,495</b>	<b>\$125,393</b>	<b>\$114,017</b>
<b>EXPENDITURES</b> (in thousands)	<b>2004 Budget</b>	<b>2004 Actual</b>	<b>2003 Actual</b>
General government	16,046	17,098	14,434
Protection to persons and property	23,524	21,969	21,244
Transportation services	26,139	27,767	26,786
Environmental services	407	466	569
Health services	654	755	642
Social and family services	57	47	42
Recreation and cultural services	25,375	26,313	25,222
Planning and development	5,555	5,389	4,657
<b>TOTAL EXPENDITURES</b>	<b>\$97,757</b>	<b>\$99,804</b>	<b>\$93,596</b>
<b>NET REVENUES</b>	<b>\$19,738</b>	<b>\$25,589</b>	<b>\$20,421</b>
<b>FINANCING AND TRANSFERS</b> (in thousands)	<b>2004 Budget</b>	<b>2004 Actual</b>	<b>2003 Actual</b>
Debt principal repayments	(5,206)	(2,642)	(2,641)
Repayment of Internal loan	(772)	(169)	(117)
(Decrease)/Increase in non-financial assets	–	112	(43)
Increase in post employment benefit and WSIB liabilities	–	7	936
Transfers to Reserves and Reserve Funds	(7,344)	(13,703)	(10,738)
Transfer to Capital Fund	(6,916)	(9,244)	(7,716)
<b>NET FINANCING AND TRANSFERS</b>	<b>\$(20,238)</b>	<b>\$(25,639)</b>	<b>\$(20,319)</b>
<b>CHANGE IN OPERATING FUND</b>	<b>\$(500)</b>	<b>\$(50)</b>	<b>\$102</b>
FUND BALANCE, BEGINNING OF YEAR	500	688	586
<b>FUND BALANCE, END OF YEAR</b>	<b>–</b>	<b>\$638</b>	<b>\$688</b>

## Consolidated Schedule of Capital Fund Financial Activities and Fund Balance – Schedule 2

December 31, 2004

<b>REVENUES</b> (in thousands)	<b>2004</b> <b>Budget</b>	<b>2004</b> <b>Actual</b>	<b>2003*</b> <b>Actual</b>
Provincial Grants	3,260	1,313	453
Developer charges earned	16,286	15,000	15,096
Upper tier recoveries	468	3,078	2,290
Other revenue and recoveries	2,316	846	888
<b>TOTAL REVENUES</b>	<b>\$22,330</b>	<b>\$20,237</b>	<b>\$18,727</b>

<b>EXPENDITURES</b> (in thousands)	<b>2004</b> <b>Budget</b>	<b>2004</b> <b>Actual</b>	<b>2003*</b> <b>Actual</b>
General government	3,569	4,148	2,863
Protection to persons and property	1,018	3,267	2,702
Transportation services	19,863	22,463	26,897
Environmental Services	1,780	1,089	262
Health services	45	61	6
Recreation and cultural services	17,480	9,716	9,834
Planning and development	1,122	4,102	4,337
<b>TOTAL EXPENDITURES</b>	<b>\$44,877</b>	<b>\$44,846</b>	<b>\$46,901</b>
<b>NET EXPENDITURES</b>	<b>\$(22,547)</b>	<b>\$(24,609)</b>	<b>\$(28,174)</b>

<b>FINANCING AND TRANSFERS</b> (in thousands)	<b>2004</b> <b>Budget</b>	<b>2004</b> <b>Actual</b>	<b>2003*</b> <b>Actual</b>
Proceeds on long-term debt	3,409	7,725	–
Proceeds from internal loan	1,257	–	710
Transfer from Operating Fund	6,916	9,244	7,716
Transfer from Reserve and Reserve Fund	10,965	11,552	10,406
<b>NET FINANCING AND TRANSFERS</b>	<b>\$22,547</b>	<b>\$28,521</b>	<b>\$18,832</b>
<b>CHANGE IN FUND BALANCE</b>	<b>–</b>	<b>\$3,912</b>	<b>\$(9,342)</b>
<b>OPENING CAPITAL FUND BALANCE</b>			
• As previously reported	–	15,995	15,253
• Adjustment for development charges (Note 2)	–	(10,868)	(784)
<b>AS RESTATED</b>	<b>–</b>	<b>\$5,127</b>	<b>\$14,469</b>
<b>ENDING CAPITAL FUND BALANCE</b>	<b>–</b>	<b>\$9,039</b>	<b>\$5,127</b>

\*Restated – Note 2

## Consolidated Schedule of Reserves and Reserve Funds Financial Activities and Fund Balance – Schedule 3

December 31, 2004

<b>REVENUES</b> (in thousands)	<b>2004 Budget</b>	<b>2004 Actual</b>	<b>2003 Actual</b>
Developer contributions			
Town	–	360	435
Investment income	–	358	710
<b>TOTAL REVENUES</b>	<b>–</b>	<b>\$718</b>	<b>\$1,145</b>

### NET TRANSFERS (TO) FROM OTHER FUNDS

Capital Fund	(10,965)	(11,552)	(10,406)
Operating Fund	7,344	13,703	10,738
	<b>\$(3,621)</b>	<b>\$2,151</b>	<b>\$332</b>
CHANGE IN RESERVES AND RESERVE FUND BALANCES	(3,621)	2,869	1,477
OPENING BALANCE	–	33,287	31,810
<b>ENDING BALANCE</b>	<b>\$(3,621)</b>	<b>\$36,156</b>	<b>\$33,287</b>