

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, 2005 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, 2005 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.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario

June 5, 2006

Consolidated Statement of Financial Position

December 31, 2005

FINANCIAL ASSETS (in thousands)	2005	2004*
Cash and short-term investments (Note 3)	\$125,144	\$106,324
Taxes receivable (Note 4(a))	15,212	14,552
Accounts receivable	8,496	11,429
Investment in Oakville Hydro Corporation (Note 5)	158,463	151,905
	307,315	284,210
LIABILITIES (in thousands)		
Accounts payable and accrued liabilities (Note 6)	16,416	16,022
Other current liabilities	10,552	6,771
Post employment benefit liability (Note 7(a))	10,792	9,819
WSIB liability (Note 7(b))	1,359	1,202
Deferred revenue – obligatory reserve funds (Note 8)	59,132	49,999
Deferred revenue (Note 9)	14,758	12,869
Long-term liabilities (Note 10)	23,965	24,009
	136,974	120,691
NET FINANCIAL ASSETS	170,341	163,519
NON-FINANCIAL ASSETS – Prepaid expenses and inventory	1,190	1,175
NET ASSETS	\$171,531	\$164,694

MUNICIPAL POSITION (in thousands)

FUND BALANCES (Note 12)

Operating Fund – Schedule 1	\$638	\$638
Capital Fund – Schedule 2	6,847	9,039
Reserves and Reserve Funds – Schedule 3	39,011	36,156
Equity in Oakville Hydro Corporation (Note 5 (c))	160,702	153,617
	207,198	199,450

AMOUNTS TO BE RECOVERED (Note 11)	35,667	34,754
-----------------------------------	--------	--------

MUNICIPAL POSITION	\$171,531	\$164,696
---------------------------	------------------	------------------

*Restated – Note 5 (d)

Consolidated Statement of Financial Activities

December 31, 2005

REVENUES (in thousands)	2005 Budget (Note 18)	2005 Actual	2004* Actual
Taxation – all classes (Note 1(a)(iii))	\$294,550	\$302,586	\$289,008
Less amounts received for Region and School Boards (Note 2)	208,714	213,862	205,252
	85,836	88,724	83,756
Oakville Hydro – interest on promissory notes and leases	5,200	5,392	6,091
User fees and charges (Note 13)	29,752	31,468	29,525
Grants			
Government of Canada	271	266	316
Province of Ontario	2,959	4,210	2,091
Investment income	2,894	3,680	2,925
Penalties and interest	2,230	2,585	2,167
Developer contributions and development charges earned	17,205	15,353	15,360
Other	1,125	5,210	4,117
TOTAL REVENUES	147,472	156,888	146,348

EXPENDITURES (in thousands) (Note 17)

OPERATING			
General government	17,486	20,744	17,098
Protection to persons and property	23,938	23,973	21,969
Transportation services	27,575	30,649	27,767
Environmental services	548	588	466
Health services	687	841	755
Social and family services	58	39	47
Recreation and cultural services	28,394	28,836	26,313
Planning and development	6,587	6,846	5,389
	105,273	112,516	99,804
CAPITAL			
General government	7,905	4,435	4,148
Protection to persons and property	2,902	2,432	3,267
Transportation services	24,411	18,049	22,463
Environmental services	735	1,011	1,089
Health services	45	130	61
Recreation and cultural services	11,249	17,629	9,716
Planning and development	2,018	949	4,102
	49,265	44,635	44,846
TOTAL EXPENDITURES	154,538	157,151	144,650
CHANGE IN EQUITY – OAKVILLE HYDRO CORPORATION (Note 5(c))	–	7,085	(9,870)
NET REVENUES (EXPENDITURES)	(7,066)	6,822	(8,172)
ADD			
Proceeds from long-term debt	4,008	3,584	7,725
Increase in post employment benefits and WSIB liabilities	–	1,130	7
LESS			
Debt principal repayments	(6,004)	(3,629)	(2,642)
Repayment of internal loans	(243)	(172)	(169)
INCREASE (DECREASE) IN AMOUNTS TO BE RECOVERED	(2,239)	913	4,921
INCREASE IN NON-FINANCIAL ASSETS	–	15	112
CHANGE IN FUND BALANCES	\$(9,305)	\$7,750	\$(3,139)

*Restated – Note 5 (d)

Consolidated Statement of Changes in Financial Position

December 31, 2005

NET INFLOW (OUTFLOW) OF CASH AND SHORT-TERM INVESTMENTS RELATED TO THE FOLLOWING ACTIVITIES (in thousands)

	2005	2004*
OPERATING		
Net revenues (expenditures)	\$6,822	\$(8,172)
Change in equity in Oakville Hydro Corporation	7,085	(9,870)
	\$(263)	\$1,698
Uses:		
Increase in taxes receivable	(660)	–
Increase in accounts receivable	–	(5,584)
Decrease in deferred revenue	–	(13)
	(660)	(5,597)
Sources:		
Decrease in taxes receivable	–	2,868
Decrease in accounts receivable	2,933	–
Increase in accounts payable and accrued liabilities	394	1,625
Increase in other current liabilities	3,780	972
Increase in post employment benefit liability	973	512
Increase in WSIB liability	157	195
Increase in deferred revenue – obligatory reserve funds	9,133	5,242
Increase in deferred revenue	1,889	–
	\$19,259	\$11,414
Net increase in cash from operations	18,336	7,515
INVESTING		
Decrease in direct financing lease receivable from Oakville Hydro Corporation	529	502
FINANCING		
Proceeds from long-term debt	3,584	7,725
Debt principal repayment	(3,629)	(2,642)
	(45)	5,083
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS	18,820	13,100
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	106,324	93,224
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	\$125,144	\$106,324

*Restated – Note 5 (d)

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.

(b) Basis of accounting

(i) Revenues 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.

1. Significant Accounting Policies (continued)

(iv) Deferred revenue – obligatory reserve funds

Deferred revenue – obligatory reserve funds represents development charge contributions, payments in lieu of parkland and parking, and gas tax, levied 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. 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:

	2005 School Boards	2005 Region	2005 Total	2004 Total
Taxation and user charges	\$104,051	\$108,189	\$212,240	\$203,704
Grants-in-lieu	195	1,427	1,622	1,548
TOTAL	\$104,246	\$109,616	\$213,862	\$205,252

3. 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 8). The composition is as follows:

	2005 Cash	2005 Short-term Investments	2005 Total	2004 Cash	2004 Short-term Investments	2004 Total
Operating Fund	\$3,671	\$67,919	\$71,590	\$4,735	\$64,024	\$68,759
Reserve Funds	11,692	41,862	53,554	9,831	27,734	37,565
TOTAL	\$15,363	\$109,781	\$125,144	\$14,566	\$91,758	\$106,324

Investments, which are reported at cost, have a market value of \$110,366,358 (2004 – \$94,451,669) at the end of the year.

4. Receivables

	2005	2004
(a) Taxes receivable		
Current year	\$11,054	\$10,164
Arrears previous years	5,228	5,416
	16,282	15,580
Less allowance	1,070	1,028
	\$15,212	\$14,552

The allowance of \$1,069,630 has been established to cover the Town's share of vacancy rebates for 2005 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:

	2005	2004
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	-	\$290

5. 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 owned by 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.

5. 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	2005	2004*
ASSETS		
Current	\$80,845	\$76,076
Capital	99,992	95,696
Other	19,469	18,924
TOTAL ASSETS	\$200,306	\$190,696
LIABILITIES		
Current	\$32,504	\$26,797
Capital lease obligations to Town of Oakville	11,618	12,147
Promissory notes payable to Town of Oakville	77,029	77,029
Other	9,339	11,994
TOTAL LIABILITIES	\$130,490	\$127,967
EQUITY		
Share capital	63,024	63,024
Retained earnings	6,792	(295)
TOTAL EQUITY	\$69,816	\$62,729
TOTAL LIABILITIES AND EQUITY	\$200,306	\$190,696

*Restated – Note 5 (d)

FINANCIAL ACTIVITIES	2005	2004*
Revenue	\$165,175	\$147,201
Expenses (including/net of income tax expense/recovery)	158,088	143,928
CHANGE IN RETAINED EARNINGS	7,087	3,273
Adjustment to shareholder's equity Restatement (Note 5 (d))	–	(13,143)
CHANGE IN EQUITY	\$7,087	(\$9,870)
TOWN OF OAKVILLE'S INVESTMENT REPRESENTED BY:		
• Direct financing leases receivable (Note 5 (a))	\$11,618	\$12,147
• Promissory notes receivable (Note 5 (b))	77,029	77,029
• Investment in shares of the Corporation	63,024	63,024
• Accumulated net income and adjustment for future income taxes	6,792	(295)
TOTAL INVESTMENT	\$158,463	\$151,905

*Restated – Note 5 (d)

(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:

2006	\$1,353
2007	1,325
2008	1,319
2009	1,240
2010	1,152
2011-2019	12,057
	18,446
Less amount representing interest, imputed at 7%	6,828
	\$11,618

5. Investment in Oakville Hydro Corporation (continued)

(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 totalled \$5,392,038 (2004 – \$5,222,172).

(c) Equity in Oakville Hydro Corporation	2005	2004
BALANCE, BEGINNING OF YEAR	\$153,617	\$163,487
Changes during the year:		
• Net income for the year	7,085	3,273
• Restatement of opening balance (Note 5 (d))	–	(13,143)
	7,085	(9,870)
BALANCE, END OF YEAR	\$160,702	\$153,617

(d) Restatement of Prior Year's Figures

The financial statements of Oakville Hydro Corporation have been restated to record capital assets that were transferred from the Corporation of the Town of Oakville on February 1, 2000 back to the original carrying value of the predecessor Commission. The effect of the restatement is as follows:

INCREASE/(DECREASE):	2004
Capital assets	\$(16,813)
Other assets (Future income taxes)	4,888
Net income	(1,218)
RETAINED EARNINGS, BEGINNING OF YEAR	\$(13,143)

(e) Related party transactions and balances

The following summarizes the Town's related party transactions and balances with Oakville Hydro Corporation for the year ended December 31, 2005.

TRANSACTIONS	2005	2004
REVENUE		
Interest on capital leases	\$833	\$870
Cashier services	4	4
Tree trimming services	189	193
Garage services	466	511
Property taxes	311	310
Donation of property	715	–
Interest on promissory notes	5,392	5,222
EXPENSES		
Energy purchases (at commercial rates)	\$2,715	\$2,933
Fibre optic rental	60	56
Streetlight maintenance	397	436
BALANCES		
AMOUNTS DUE FROM OAKVILLE HYDRO CORPORATION		
• Accounts receivable	\$128	\$150
• Direct financing leases receivables	11,618	12,147
• Promissory note receivable	77,029	77,029
AMOUNTS DUE TO OAKVILLE HYDRO CORPORATION		
• Accounts payable and accrued liability	\$692	\$278

6. 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 invoices, 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:

	2005	2004
Trade accounts payable	\$10,796	\$11,757
Payables to other governments	2,828	2,524
Payroll liabilities	1,281	1,570
Accrued liabilities	1,511	171
	\$16,416	\$16,022

7. 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.

The post employment benefits obligation at December 31, 2005 and the changes in the accrued benefit obligation for the 2005 fiscal year was determined by an actuarial valuation prepared as at December 31, 2005.

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

- (i) Inflation Inflation was assumed to be 2.4% per year.
- (ii) Discount rate The present value as at December 31, 2005 of the future benefits obligation was determined using a discount rate of 5.25%.
- (iii) Health and dental trend costs Health care trend costs are presumed to increase at 10% in 2006, reducing linearly to 3.5% in 2015. 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:

	2005	2004
ACCRUED BENEFITS LIABILITY, BEGINNING OF YEAR	\$9,819	\$9,307
Current service costs	464	387
Prior period service costs – Plan amendment	197	(181)
Interest on accrued benefits	614	581
Amortization of actuarial (gain) losses	(12)	(12)
Benefits paid during the period	(290)	(263)
ACCRUED BENEFITS LIABILITY, END OF YEAR	\$10,792	\$9,819
Post employment benefits obligation	\$11,014	\$9,622
Unamortized actuarial (losses) gains	(222)	197
POST EMPLOYMENT BENEFITS LIABILITY	\$10,792	\$9,819

7. 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 2005.

The Town had maintained an insurance policy, which protected the Corporation against single claims in excess of \$500,000, but that policy was not renewed beyond its expiry date in 2005.

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

	2005	2004
ACCRUED WSIB LIABILITY, BEGINNING OF YEAR	\$1,202	\$1,007
Expense for the year	416	456
Benefits paid during the year	(259)	(261)
ACCRUED WSIB LIABILITY, END OF YEAR	\$1,359	\$1,202
Accrued WSIB obligation	\$1,417	\$1,471
Unamortized actuarial losses	(58)	(269)
ACCRUED WSIB LIABILITY, END OF YEAR	\$1,359	\$1,202

Management has provided the most current information available to the actuary for purposes of estimating the WSIB liability.

8. Deferred Revenue – Obligatory Reserve Funds

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

	2005	2005	2005	2005	2005	2004
	Development Charges	Parkland	Gas Tax	Parking	Total	Total
BALANCE, BEGINNING OF YEAR	\$40,685	\$6,917	\$273	\$2,124	\$49,999	\$44,757
Developer and other contributions	18,355	2,048	2,230	7	22,640	18,839
Interest earned	811	278	18	100	1,207	1,065
Parking	–	–	–	235	235	199
	19,166	2,326	2,248	342	24,082	20,103
Less: Developer contributions used in capital operations	14,770	179	–	–	14,949	14,861
BALANCE, END OF YEAR	\$45,081	\$9,064	\$2,521	\$2,466	\$59,132	\$49,999

9. Deferred Revenue

	2005	2004
Deferred revenues – operations	\$4,486	\$3,083
Deferred revenues – capital	3,807	3,884
Pre-authorized tax payments	6,440	5,887
Deferred revenues – Library and Business Improvement Areas	25	15
	\$14,758	\$12,869

10. Long-term Liabilities

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

	2005	2004
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%.	\$14,094	\$16,284
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%.	9,871	7,725
LONG-TERM LIABILITIES AT THE END OF THE YEAR	\$23,965	\$24,009

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

2006	\$3,384
2007	3,195
2008	3,338
2009	3,489
2010	3,269
Thereafter	7,290
	\$23,965

- (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 \$1,159,654 (2004 – \$1,073,157).

11. Amounts to be recovered

Amounts to be recovered will be funded as follows:

	2005	2004
FROM FUTURE REVENUE:		
• Long-term liabilities (Note 10(a))	\$23,965	\$24,009
• Internal loan from obligatory reserve fund bearing interest at 3% and maturing on December 31, 2006	250	424
• Post employment benefits and WSIB liability	6,419	5,539
FROM RESERVE FUNDS:		
Post employment benefits and WSIB liability	5,033	4,560
FROM INSURANCE PROCEEDS RELATING TO WSIB LIABILITY	–	222
	\$35,667	\$34,754

12. Municipal Fund Balances at the end of the year

(a) Operating fund balance

	2005	2004
REDUCTION IN GENERAL AREA TAXATION		
Town	\$500	\$500
Business improvement areas	138	138
	\$638	\$668

(b) Capital fund balance

	2005	2004
ACQUISITION OF TANGIBLE CAPITAL ASSETS TO BE:		
Recovered through reserves and reserve funds	\$(2,055)	\$(6,567)
Financed from the proceeds of long-term liabilities	(1,582)	(1,739)
Financed from third party recoveries and savings in other projects	(17,718)	(6,430)
Funds available for the acquisition of tangible capital assets	28,202	23,775
	\$6,847	\$9,039

(c) Reserves and reserve funds

	2005	2004
RESERVES SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL FOR:		
Building maintenance reserve	\$ –	\$1,557
Tax rate stabilization	2,236	2,150
Capital financing	8,109	8,670
Acquisition of tangible capital assets	8,732	6,827
Recreation and culture	379	303
Working capital	8,070	8,621
Insurance	434	434
	\$27,960	\$28,562

RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL FOR:		
Post employment benefits and WSIB liability	5,033	4,560
Street trees	1,541	1,061
Lot levies and subdivider contributions	–	26
Conservation purposes	229	224
Harbours	430	166
Other	6	3
Library Development	130	89
Building maintenance and replacement	3,682	1,465
	11,051	7,594
	\$39,011	\$36,156

The Operating Fund surplus for the Town of Oakville for the fiscal year ended December 31, 2005, available to be used to offset taxation or user fees in 2005, has been reduced by an amount of \$1,274,932 (2004 – \$4,389,334) 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 12(a) would have shown a surplus of \$1,774,932 (2004 – \$4,889,334).

13. User Fees and Charges

User fees and charges includes the following:

	2005	2004
Development fees and miscellaneous	\$3,833	\$4,685
Other municipalities	3,498	2,222
Transit revenues	4,378	3,692
Parking, Provincial Offences Act and other fines	3,173	3,274
Town facilities rental and usage fees	5,233	3,508
Recreation and cultural program revenues	4,940	5,383
Cemetery plot and burial revenues	719	577
Licenses and permits	5,694	6,184
	\$31,468	\$29,525

14. Trust Funds

Trust funds administered by the municipality amounting to \$2,721,131 (2004 – \$2,649,647) 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.

15. Pension Agreements

The municipality makes contributions to Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, which as of December 31, 2005 was on behalf of 953 members of its staff. The amount contributed to OMERS for 2005 was \$3,547,360 (2004 – \$3,137,471). 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.

16. Contingent Liabilities and Guarantees

(a) Loan guarantees

The Town of Oakville has one loan guarantee outstanding at the end of 2005, as follows:

	Original	December 31 2005
Burloak Canoe Club	\$75,000	\$41,500

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

(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.

16. Contingent Liabilities and Guarantees (continued)

(c) Litigation

- (i) The development community has filed appeals to the Ontario Municipal Board (OMB) regarding the North Oakville Secondary Plan. The Town is currently defending its position and any related costs incurred up to December 31, 2005 are reflected in these financial statements. The balance of the costs associated with the OMB hearing will be reflected in subsequent years' financial statements, when incurred.
- (ii) The Town received the Ontario Municipal Board decision regarding the Pitblado expropriation hearing and related costs have been recorded in the current year. The Town is awaiting a decision with regard to legal costs. The outcome with respect to legal costs and other 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.
- (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.
- (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.

17. Classification of Expenditures by Object

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

	2005	2004
Salaries, wages and employee benefits	\$73,098	\$66,985
Operating materials and supplies	13,340	12,000
Contracted services	22,859	17,595
Rent and financial expenses	409	626
External transfers to others	1,650	1,525
Tangible capital assets	44,635	44,846
Debt service	1,160	1,073
TOTAL EXPENDITURES BY OBJECT	\$157,151	\$144,650

18. Budget Figures

The approved operating and capital budgets for 2005 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. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting principles.

19. Comparative Figures

Certain of the prior year's comparative figures have been restated as disclosed in note 5 (d) or reclassified to conform to the current year's presentation.

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

December 31, 2005

REVENUES (in thousands)	2005 Budget	2005 Actual	2004 Actual
Taxation – all classes	\$294,550	\$302,586	\$289,008
Less amounts received for Region and School Boards	208,714	213,862	205,252
NET TAXATION FOR MUNICIPAL PURPOSES	85,836	88,724	83,756
Oakville Hydro – interest on promissory notes and leases	5,200	5,392	6,091
User fees and charges	29,752	31,361	29,380
Grants:			
Government of Canada	271	266	316
Province of Ontario	1,784	3,269	778
Transfer from trust funds	97	200	193
Sale of publications	25	107	145
Investment income	2,894	3,234	2,567
Penalties and interest	2,230	2,585	2,167
TOTAL REVENUES	128,089	135,138	125,393
EXPENDITURES (in thousands)			
General government	17,486	20,744	17,098
Protection to persons and property	23,938	23,973	21,969
Transportation services	27,575	30,649	27,767
Environmental services	548	588	466
Health services	687	841	755
Social and family services	58	39	47
Recreation and cultural services	28,394	28,836	26,313
Planning and development	6,587	6,846	5,389
TOTAL EXPENDITURES	105,273	112,516	99,804
NET REVENUES	\$22,816	\$22,622	\$25,589
FINANCING AND TRANSFERS (in thousands)			
Debt principal repayments	(6,004)	(3,629)	(2,642)
Repayment of internal loans	(243)	(174)	(169)
Increase in non-financial assets	–	15	112
Increase in post employment benefit and WSIB liabilities	–	1,130	7
Transfers to Reserves and Reserve Funds	(9,597)	(11,381)	(13,703)
Transfer to Capital Fund	(7,472)	(8,583)	(9,244)
NET FINANCING AND TRANSFERS	(23,316)	(22,622)	(25,639)
CHANGE IN OPERATING FUND BALANCE	(500)	–	(50)
FUND BALANCE, BEGINNING OF YEAR	500	638	688
FUND BALANCE, END OF YEAR	\$ –	\$638	\$638

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

December 31, 2005

REVENUES (in thousands)	2005 Budget	2005 Actual	2004 Actual
Provincial Grants	\$1,175	\$941	\$1,313
Developer charges earned	17,205	14,818	15,000
Upper tier recoveries	–	2,523	3,078
Other revenue and recoveries	1,003	2,487	846
TOTAL REVENUES	19,383	20,769	20,237

EXPENDITURES

(in thousands)			
General government	7,905	4,435	4,148
Protection to persons and property	2,902	2,432	3,267
Transportation services	24,410	18,049	22,463
Environmental services	735	1,011	1,089
Health services	45	130	61
Recreation and cultural services	11,249	17,629	9,716
Planning and development	2,018	949	4,102
TOTAL EXPENDITURES	49,264	44,635	44,846
NET EXPENDITURES	(29,881)	(23,866)	(24,609)

FINANCING AND TRANSFERS

(in thousands)			
Proceeds on long-term debt	4,008	3,584	7,725
Transfer from Operating Fund	7,472	8,583	9,244
Transfer from Reserve and Reserve Funds	18,401	9,507	11,552
NET FINANCING AND TRANSFERS	29,881	21,674	28,521
CHANGE IN CAPITAL FUND BALANCE	–	(2,192)	3,912
CAPITAL FUND BALANCE, BEGINNING OF YEAR	–	9,039	5,127
CAPITAL FUND BALANCE, END OF YEAR	\$ –	\$6,847	\$9,039

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

December 31, 2005

REVENUES (in thousands)	2005 Budget	2005 Actual	2004 Actual
Developer contributions	\$ –	\$535	\$360
Investment income	–	446	358
TOTAL REVENUES	–	981	718
NET TRANSFERS (TO) FROM OTHER FUNDS			
Capital Fund	(18,401)	(9,507)	(11,552)
Operating Fund	9,597	11,381	13,703
	8,804	1,874	2,151
CHANGE IN RESERVES AND RESERVE FUND BALANCES	8,804	2,855	2,869
RESERVES AND RESERVE FUNDS, BEGINNING OF YEAR		36,156	33,287
RESERVES AND RESERVE FUNDS, END OF YEAR	\$(8,804)	\$39,011	\$36,156