

Auditor's 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, 2007 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 Corporation of the Town of Oakville as at December 31, 2007 and the results of its operations and its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for December 31, 2006 were audited by another firm of chartered accountants.



Chartered Accountants, Licensed Public Accountants

Hamilton, Canada
March 28, 2008

Consolidated Statement of Financial Position

(in thousands of dollars)

December 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Financial assets:		
Cash and cash equivalents	\$ 21,605	\$ 32,068
Temporary investments (note 3)	153,569	121,722
Taxes receivable (note 4)	15,714	16,600
Accounts receivable	11,743	6,989
Investment in Oakville Hydro Corporation (note 5)	162,733	161,070
	365,364	338,449
Liabilities		
Financial liabilities:		
Accounts payable and accrued liabilities	19,739	27,684
Other current liabilities	11,398	11,562
Post employment benefit liability (note 6(a))	12,580	11,622
WSIB liability (note 6 (b))	1,724	1,505
Deferred revenue - obligatory reserve funds (note 7)	84,441	67,157
Deferred revenue (note 8)	18,585	16,828
Long term liabilities (note 9)	35,815	25,338
	184,282	161,696
Net financial assets	181,082	176,753
Non financial assets:		
Prepaid expenses and inventory	1,338	1,304
Net Assets	\$ 182,420	178,057
Municipal Position:		
Fund balances (note 10)		
Operating Fund - schedule 1	561	641
Capital Fund - schedule 2	13,151	4,790
Reserves and Reserve Funds - schedule 3	52,029	46,596
Equity in Oakville Hydro Corporation (note 5 (c))	166,098	163,866
	231,839	215,893
Amounts to be recovered (note 11)	(49,419)	(37,836)
Municipal Position	\$ 182,420	\$ 178,057

Consolidated Statement of Financial Activities

(in thousands of dollars)

Year ended December 31, 2007, with comparative figures for 2006

	Budget (note 18)	2007 Actual	2006 Actual
Revenues:			
Taxation revenue	\$ 331,523	\$ 333,899	\$ 320,238
Less amounts received for Region and School Boards (note 2)	232,988	234,478	226,341
	98,535	99,421	93,897
Oakville Hydro - interest on promissory notes	5,200	4,713	5,392
User fees and charges (note 12)	34,768	36,231	33,367
Grants (note 16):			
Government of Canada	281	334	294
Province of Ontario	1,626	1,223	5,943
Gas tax revenue	2,088	2,482	1,972
Investment income	3,193	5,993	4,995
Penalties and interest	2,330	2,675	2,586
Developer contributions and development charges earned	29,267	11,937	13,634
Other	1,940	7,882	8,656
	80,693	73,470	76,839
Total revenues	179,228	172,891	170,736
Expenditures (note 17):			
Operating:			
General government	18,174	17,068	21,446
Protection to persons and property	26,317	26,869	24,723
Transportation services	31,710	33,349	30,470
Environmental services	506	530	525
Health services	719	938	813
Recreation and cultural services	34,053	35,581	31,658
Planning and development	8,868	10,286	8,539
	120,347	124,621	118,174
Capital:			
General government	4,342	7,176	8,495
Protection to persons and property	1,875	1,911	1,553
Transportation services	29,748	19,182	25,637
Environmental services	-	127	613
Health services	-	142	53
Recreation and cultural services	29,971	18,995	16,193
Planning and development	1,118	720	389
	67,054	48,253	52,933
Total expenditures	187,401	172,874	171,107
Equity in income of Oakville Hydro Corporation (note 5 (c))	-	4,312	3,964
Net revenues (expenditures)	(8,173)	4,329	3,593
Proceeds from long term debt	9,915	14,065	4,782
Increase in post employment benefit and WSIB liabilities	-	1,177	976
Debt principal repayments	(5,034)	(3,588)	(3,409)
Repayment of internal loans	-	(71)	(179)
Change in amounts to be recovered	4,881	11,583	2,170
Increase in non financial assets	-	34	114
Change in fund balances	\$ (3,292)	\$ 15,946	\$ 5,877

Consolidated Statement of Changes in Financial Position

(in thousands of dollars)

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Net revenues	\$ 4,329	\$ 3,593
Equity in income of Oakville Hydro Corporation	4,312	3,964
	17	(371)
Sources and uses of cash:		
Decrease (increase) in taxes receivable	886	(1,388)
Decrease (increase) in accounts receivable	(4,754)	1,507
Increase (decrease) in accounts payable and accrued liabilities	(7,945)	11,268
Increase (decrease) in other current liabilities	(164)	1,010
Increase in post employment benefit liability	958	830
Increase in WSIB liability	219	146
Increase in deferred revenue obligatory reserve funds	17,284	10,843
Increase in deferred revenue	1,757	2,070
	8,241	26,286
Net change in cash and cash equivalents from operations	8,258	25,915
Financing:		
Proceeds from long term debt	14,065	4,782
Debt principal repayment	(3,588)	(3,409)
	10,477	1,373
Investments:		
Purchase of temporary investments, net	(31,847)	(14,880)
Decrease in direct financing lease receivable from Oakville Hydro Corporation	569	558
Dividend from Oakville Hydro Corporation	2,080	800
	(29,198)	(13,522)
Net change in cash and cash equivalents	(10,463)	13,766
Cash and cash equivalents, beginning of year	32,068	18,302
Cash and Cash Equivalents, End of Year	\$ 21,605	\$ 32,068

Notes to Consolidated Financial Statements

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.

1. Significant Accounting Policies

(A) Reporting Entity

(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
- Kerr Village Business Improvement Area
- Oakville Galleries

All material inter-entity transactions and balances, except for those between the Town and the Oakville Hydro Corporations, 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 Canadian generally 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) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and short term highly liquid investments with a term to maturity of 90 days or less at acquisition.

(iii) Temporary and long term investments

Temporary and long term investments are reported at the lesser of cost or market value. Any premium or discount at purchase of an investment is amortized over the life of the investment.

(iv) Tangible capital assets

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

(v) Accounting for Bill 140 Capping and Clawback Provisions resulting from the Ontario Fair Assessment System.

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

(vi) 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 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.

(vii) Deferred revenue

Deferred revenue represents user charges, taxes 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.

(viii) 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 net of unearned investment income.

(ix) 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.

(x) 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.

(xi) 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 of taxes receivable, accounts receivable, accounts payable and accrued liabilities and expenditures in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

(C) Tangible Capital Assets:

Effective January 1, 2007, the Town adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (“CICA”) with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009. Currently, the Town records tangible capital assets as capital expenditures in the statement of financial activities. During 2007, the Town worked towards compliance with the new recommendations for

accounting for tangible capital assets. As of December 31, 2007, the Town had obtained a complete inventory listing and associated values for the land parcels and vehicle asset classes. In addition the Town disclosure for December 31, 2007 includes sub classes of outdoor pools, parking lots, harbour equipment, bridges and culverts, traffic signals, transit shelters, and sea walls and piers. A complete inventory and valuation of all remaining assets is currently underway and expected to be completed by December 31, 2008. Along with the compliance of PSAB 3150, the Town is currently implementing a full asset management program and JD Edwards system modules to ensure that assets are not only accounted for, but they that they are managed on an on going basis.

Under PSAB 3150, assets are valued at historical cost. Certain capital assets for which historical cost information is not available have been recorded at estimated historical cost using current fair market value discounted by a relevant inflation factor. The Town will be utilizing straight line amortization on all asset classes, as the means of calculating and expensing asset costs against the fiscal year over the life of the asset.

As of January 1, 2008, accumulated amortization for the assets classes and sub classes identified in PSG-7 (note 20) is presented in the notes to the financial statements. Amortization has not been recorded as an expense within the Town’s 2007 statement of financial activities. Asset costs and accumulated amortization for all asset classes is expected to be presented in the notes to the 2008 financial statements and is calculated on a straight line basis over an asset’s estimated useful lives as follows:

Asset	Rate
Land improvements	3 - 100 years
Buildings	10 - 75 years
Equipment	3 - 19 years
Vehicles	3 - 18 years
Road networks	10 - 100 years
Environmental network	10 - 100 years
Communications and technology network	3 - 8 years

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:

	School Boards	Region	2007 Total	2006 Total
Taxation and user charges	\$ 111,332	\$121,573	\$232,905	\$224,792
Grants-in-lieu	181	1,392	1,573	1,549
	\$ 111,513	\$122,965	\$234,478	\$226,341

3. Temporary investments:

Temporary investments, which are reported at the lesser of cost and market value, have a market value of \$156,632,672 (2006 \$124,026,349) at the end of the year.

4. Taxes receivable:

The balance in taxes receivable, including penalties and interest, is comprised of the following:

	2007	2006
Current year	\$ 11,540	\$ 11,932
Arrears previous years	5,244	5,738
	16,784	17,670
Less allowance	1,070	1,070
	\$ 15,714	\$ 16,600

The allowance of \$1,069,630 has been established to cover the Town's share of vacancy rebates for 2007 and potential adjustments from unresolved assessment appeals.

5. Investment in Oakville Hydro Corporation:

Oakville Hydro Corporation and its wholly owned subsidiaries (collectively, the "Corporation") is owned and controlled by the Town and as a government business enterprise is accounted for on the modified equity basis in these consolidated financial statements. The Corporation serves as the electrical distribution utility for Oakville's residents and businesses. Other activities of the Corporation, and its subsidiaries, are to provide data communications services, energy services, water heater rental, billing services, street lighting services, retro fit multi residential buildings to individually metered units and utility related construction.

In 2005, the Corporation's subsidiary, Oakville Hydro Energy Services Inc., obtained an Electricity Generation License from the OEB to allow it to generate electricity. Construction commenced in 2006 on a landfill gas generation project to produce green energy. Production commenced in early 2008.

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:

	2007	2006
Financial Position:		
Assets:		
Current	\$47,673	\$45,304
Capital	134,794	128,135
Other	28,868	29,274
Total assets	\$ 211,335	\$202,713
Liabilities:		
Current	\$32,039	\$28,269
Capital lease obligations to Town of Oakville	10,492	11,061
Promissory notes payable to Town of Oakville	77,029	77,029
Other	16,376	13,374
Total liabilities	135,936	129,733
Equity:		
Share capital	63,024	63,024
Accumulated other comprehensive income	187	-
Retained earnings	12,188	9,956
Total equity	75,399	72,980
Total liabilities and equity	\$211,335	\$202,713

	2007	2006
Financial Activities:		
Revenue	\$167,179	\$159,839
Expenses (including income tax provision)	162,867	155,875
Income net of taxes	4,312	3,964
Dividend paid to Town of Oakville	(2,080)	(800)
Change in equity	\$2,232	\$3,164

	2007	2006
Town of Oakville's investment represented by:		
Direct financing leases receivable - note 5(a)	\$10,492	11,061
Promissory notes receivable - note 5 (b)	77,029	77,029
Investment in shares of the Corporation	63,024	63,024
Accumulated net income, net of dividends received and adjustment for future income taxes	12,188	9,956
Total investment	\$162,733	\$161,070

(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 the vehicle fleet.

Minimum payments under this lease agreement are as follows:

2008	\$ 1,319
2009	1,240
2010	1,152
2011	1,187
2012	1,222
Thereafter	9,648
Less amount representing interest, imputed at 7%	5,276
	<u>\$ 10,492</u>

(b) Promissory notes:

The Corporation issued promissory notes to the Town, effective February 1, 2000, with principal repayment due on February 1, 2020. The Town has the option on one year's prior written notice to the Corporation to revise the maturity date and any of the terms of the promissory notes. At December 31, 2007, the interest rate in effect on the promissory notes of \$67,946,000 was 6% (2006 - 7%) and the promissory note of \$9,083,000 has an interest rate in effect of 7% (2006 - 7%). Interest revenue earned from these notes totaled \$4,712,578 (2006 - \$5,392,038).

(c) Equity in Oakville Hydro Corporation:

	2007	2006
Balance, beginning of year	\$ 163,866	\$ 160,702
Changes during the year:		
Net income for the year	4,312	3,933
Refundable dividend tax received by the Corporation	-	31
Equity in income of Oakville Hydro Corporation	4,312	3,964
Dividend received from Oakville Hydro	(2,080)	(800)
	2,232	3,164
Balance, end of year	\$ 166,098	\$ 163,866

(d) Related party transactions and balances:

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

	2007	2006
Transactions:		
Revenue:		
Interest on capital leases	\$ 756	\$ 796
Cashier services	3	3
Tree trimming services	221	181
Garage services	467	566
Property taxes	302	301
Interest on promissory notes	4,713	5,392
Expenses:		
Energy purchases (at commercial rates)	\$ 2,891	\$ 2,967
Fibre optic rental	71	77
Streetlight maintenance	555	56

	2007	2006
Balances:		
Amounts due from the Corporation:		
Accounts receivable	\$ 83	\$ 122
Direct financing leases receivables	10,492	11,061
Promissory note receivable	77,029	77,029
Amounts due to the Corporation:		
Accounts payable and accrued liability	\$ 454	\$ 407

(e) Contingencies and guarantees of Oakville Hydro Corporation as disclosed in their financial statements are as follows:

(i) Legal proceedings

A class action claiming \$500 million in restitution payments, plus interest, was served to Toronto Hydro 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 (“LDC’s”) in Ontario that have charged late payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, contrary to Section 347(1) (b) of the Criminal Code. Pleadings have closed in the action but the action has not yet been certified as a class action and no discoveries have been held, as the parties were awaiting the outcome of a similar proceeding brought against Enbridge Gas Distribution Inc. (formerly Consumers Gas).

On April 22, 2004, the Supreme Court of Canada released a decision in the Consumers Gas case rejecting all of the defences which had been raised by Enbridge, although the Court did not permit the Plaintiff class to recover damages for any period prior to the issuance of the Statement of Claim in 1994 challenging the validity of late payment penalties. The Supreme Court remitted

the matter back to the Ontario Superior Court of Justice for determination of the damages. At the end of 2006, a mediation process resulted in the settlement of the damages payable by Enbridge.

In 2007, Enbridge filed an application to the Ontario Energy Board to recover the Court approved amount and related amounts from ratepayers. On February 4, 2008, the OEB approved recovery of the said amounts from ratepayers over a five year period.

After the release by the Supreme Court of Canada of its 2004 decision in the Consumers Gas case, the plaintiffs in the LDC late payment penalties class action indicated their intention to proceed with their litigation against the LDC’s. To date, no formal steps have been taken to move the action forward. The electric utilities intend to respond to the action if and when it proceeds on the basis that the LDC’s situation may be distinguishable from that of Consumers Gas.

(ii) Short term credit facilities

The Corporation has an uncommitted line of credit facility available for \$20 million with a chartered bank. As at December 31, 2007 no amount was drawn on this facility. In addition, the Corporation has a letter of credit facility available of \$15 million with a chartered bank, of which \$13 million has been assigned to secure a prudential support according to the Independent Electricity System Operator (“IESO”) Settlements Manual.

6. Post employment benefit liability:

(a) Post employment benefit liability:

Employee future benefits are comprised of health and dental benefits. Certain employees receive an accrual for one day earned per year of service payable at retirement. Dependent on eligibility, health and dental coverage may be 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, 2007 and the changes in the accrued benefit obligation for the 2007 fiscal year was determined by a full actuarial valuation prepared as at December 31, 2007.

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

(i) Inflation

Inflation was assumed to be 2.5% per year.

(ii) Discount rate

The present value as at December 31, 2007 of the future benefits obligation was determined using a discount rate of 5.25%.

(iii) Health and dental trend costs

Health care trend costs of 8% in 2007, reducing linearly to 3.5% in 2018. Dental care trend costs of 3.5% annual increases are presumed.

Mortality is based on the 1994 Uninsured Pensioner Mortality Table.

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

	2007	2006
Accrued benefits liability, beginning of year	\$11,622	\$10,792
Current service costs	615	565
Interest on accrued benefits	644	615
Amortization of actuarial gains (losses)	68	18
Benefits paid during the period	(369)	(368)
Accrued benefits liability, end of year	\$12,580	\$11,622

	2007	2006
Post employment benefits obligation	\$13,695	\$12,431
Unamortized actuarial losses	(1,115)	(809)
Post employment benefits liability	\$12,580	\$11,622

(b) Workplace Safety and Insurance (WSIB) Liability:

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. A full actuarial valuation was completed in 2007 in order to determine the accrued liability at December 31, 2007.

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

(i) Inflation

Inflation was assumed to be 2.5% per year.

(ii) Discount rate

The present value as at December 31, 2007 of the future benefits obligation was determined using a discount rate of 5.0%.

(iii) Health care costs

Health care costs of 6% in 2007.

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

	2007	2006
Accrued WSIB liability, beginning of year	\$ 1,505	\$ 1,359
Current service costs	446	341
Interest on accrued benefits	86	87
Amortization of actuarial losses	4	4
Benefits paid during the year	(317)	(286)
Accrued WSIB liability, end of year	\$1,724	\$1,505

	2007	2006
Accrued WSIB obligation	\$ 1,999	\$ 1,559
Unamortized actuarial losses	(275)	(54)
	\$ 1,724	\$1,505

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

7. Deferred revenue obligatory reserve funds:

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

	Development Charges	2007 Parkland	Gas Tax	Total	2006 Total
Balance, beginning of year	\$ 50,807	\$ 11,725	\$ 4,625	\$ 67,157	\$ 56,666
Developer and other contributions	22,536	2,812	-	25,348	17,886
Interest earned	1,618	489	328	2,435	1,961
Provincial and Federal Funding	-	-	6,401	6,401	2,975
	24,154	3,301	6,729	34,184	22,822
Less:					
Contributions used in operating and capital funds	10,891	3,527	2,482	16,900	12,331
	\$ 64,070	\$ 11,499	\$ 8,872	\$ 84,441	\$ 67,157

8. Deferred revenue:

	2007	2006
Deferred revenues - operations	\$ 8,231	\$ 6,352
Deferred revenues - capital	2,593	3,289
Pre authorized tax payments	7,744	7,170
Deferred revenues - Library and Business Improvement Area	17	17
	\$ 18,585	\$ 16,828

9. Long term liabilities:

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

	2007	2006
The municipality 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. Interest rates range from 4.05% to 8.75%.	\$ 27,440	\$ 15,911
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%.	8,375	9,427
	\$ 35,815	\$ 25,338

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

2008	\$	4,884
2009		5,106
2010		4,960
2011		4,725
2012		3,467
Thereafter		12,673
	\$	35,815

(b) The long term liabilities in (a) issued in the name of the municipality have received the 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 \$1,145,536 (2006 - \$1,007,993).

10. Municipal fund balances at the end of the year:

(a) Operation fund balance:

	2007	2006
Reduction in general area taxation:		
Town	\$ 500	\$ 500
Library	5	18
Business improvement are	56	123
	\$ 561	\$ 641

(b) Capital fund balance:

	2007	2006
Acquisition of tangible capital assets to be:		
Recovered through reserves and reserve funds	\$ (2,462)	\$ (278)
Financed from the proceeds of long term liabilities	(95)	(3,528)
Financed from third party recoveries and savings in other projects	(12,216)	(16,527)
Funds available for the acquisition of tangible capital assets	27,924	25,123
	\$ 13,151	\$ 4,790

(c) Reserves and reserve funds:

	2007	2006
Reserves set aside for specific purposes by Council for:		
Tax rate stabilization	\$ 2,715	\$ 2,641
Capital financing	16,978	12,459
Acquisition of tangible capital assets	9,899	9,432
Recreation and culture	391	378
Working capital	5,531	6,275
Insurance	414	434
	35,928	31,619
Reserve funds set aside for specific purposes by Council for:		
Post employment benefits and WSIB liability	5,839	5,439
Street trees	1,186	1,463
Conservation purposes	250	238
Harbours	465	512
Library development	127	120
Building, ground maintenance and replacement	5,147	4,387
Parking	3,087	2,818
	16,101	14,977
	\$ 52,029	\$ 46,596

The Operating Fund surplus for the Town of Oakville for the fiscal year ended December 31, 2007, available to be used to offset taxation or user fees in 2008, has been reduced by an amount of \$188,613 (2006 - \$1,851,521) 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 10(a) would have shown a surplus of \$688,613 (2006 - \$2,351,521).

11. Amounts to be recovered:

Amounts to be recovered will be funded as follows:

	2007	2006
From future revenue:		
Long term liabilities (note 9 (a))	\$ 35,815	\$ 25,338
Internal loan from obligatory reserve fund bearing interest at 3% and maturing on December 31, 2007	-	71
Post employment benefits and WSIB liability	7,765	6,988
From reserve funds:		
Post employment benefits and WSIB liability	5,839	5,439
	\$ 49,419	\$ 37,836

12. User fees and charges:

User fees and charges include the following:

	2007	2006
Development fees and miscellaneous	\$ 4,838	\$ 5,673
Other municipalities	3,639	3,138
Transit revenues	5,110	4,639
Parking, Provincial offences act and other fines	3,217	2,968
Town facilities rental and usage fees	7,144	5,497
Recreation and cultural program revenues	5,461	5,078
Cemeteries	841	640
Licenses and permits	5,981	5,734
	\$ 36,231	\$ 33,367

13. Trust Funds:

Trust funds administered by the municipality amounting to \$3,214,269 (2006 - \$3,013,113) 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.

14. Pension agreements:

The Town makes contributions to Ontario Municipal Employees Retirement Fund (OMERS), a multi employer plan, which as of December 31, 2007 was on behalf of approximately 1,073 members of its staff. The amount contributed to OMERS for 2007 was \$4,740,331 (2006 - \$4,064,461). 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.

15. Contingent liabilities and guarantees:

(a) Loan guarantees:

The Town of Oakville has one loan guarantee outstanding at the end of 2007, as follows:

	December 31	
	Original	2007
Burloak Canoe Club	\$ 75	\$ 36

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

(b) 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, which the Town may at some future date be held liable.

(c) 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.

(d) 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 an officer, an employee, a volunteer or member of Council, Board, Commission of 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.

16. Government transfers:

The Town recognizes the transfer of government funding as expenditures or revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the Consolidated Statement of Financial Activities are:

	2007	2006
Revenue:		
Ontario grants:		
Ontario Municipal Partnership Fund	\$ 305	\$ 250
Move Ontario	-	2,014
Elderly Person's Centres	53	55
Library operating grant	182	185
Museum operating grant	58	46
COIP Glen Abbey Recreation Centre	60	1,640
GTA farecard project	307	-
Ontario bus replacement	-	1,632
Communities in action and zero tolerance	30	8
Ontario arts council	85	113
Ontario gas tax	459	724
Miscellaneous	143	-
	1,682	6,667
Federal grants:		
Canada council	223	192
Canadian heritage grant	60	60
DCH grant	44	21
HRDC grant	7	21
Federal gas tax	2,023	1,248
	2,357	1,542
Total revenues	\$ 4,039	\$ 8,209

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:

	2007	2006
Salaries, wages and employee benefits	\$ 88,622	\$ 79,166
Operating materials and supplies	9,951	11,743
Contracted services	23,100	24,433
Rent and financial expenses	410	314
External transfers to others	1,392	1,510
Tangible capital assets	48,253	52,933
Debt service	1,146	1,008
	\$ 172,874	\$ 171,107

18. Budget figures:

The approved operating and capital budgets for 2007 are reflected on the consolidated schedule of Operating Fund Financial Activities and Fund Balance, consolidated schedule of Capital Fund Financial Activities and 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 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

20. Tangible capital assets:

As of December 31, 2007, the Town had obtained a complete inventory listing and associated values for the land parcels and vehicle asset classes. In addition, the following disclosure for December 31, 2007 includes sub classes of outdoor pools, parking lots, harbour equipment, bridges and culverts, traffic signals, transit shelters, and sea walls and piers.

	Cost	Accumulated amortization	Net book value
Land parcels	\$ 534,245	\$ -	\$ 534,245
Outdoor pools	193	143	50
Parking lots	627	270	357
Harbours - fleet	349	118	231
Docks and ramps	574	316	258
Fire vehicles	7,719	3,832	3,887
Transit vehicles	26,837	13,581	13,256
Roads and parks vehicles	10,307	5,748	4,559
Bridges and culverts	98,646	26,729	71,917
Traffic signals	6,071	2,633	3,438
Transit shelters	255	38	217
Sea walls and piers	3,437	1,137	2,300
	\$ 689,260	\$ 54,545	\$ 634,715

Consolidated Schedule of Operating Fund Financial Activities and Fund Balance

Schedule 1

(in thousands of dollars)

Year ended December 31, 2007, with comparative figures for 2006

	Budget	2007	2006
Revenues:			
Taxation revenue	\$ 331,523	\$ 333,899	\$ 320,238
Less amounts received for Region and School Boards	232,988	234,478	226,341
	98,535	99,421	93,897
Oakville Hydro - interest on promissory notes	5,200	4,713	5,392
User fees and charges	34,768	36,231	33,367
Grants:			
Government of Canada	281	310	294
Province of Ontario	684	722	2,667
Gas tax revenue	287	287	1,248
Transfer from trust funds	126	204	154
Sale of land, assets and publications	111	2,109	426
Investment income	3,193	5,395	4,562
Penalties and interest	2,330	2,675	2,586
	46,980	52,646	50,696
Total revenues	145,515	152,067	144,593
Expenditures:			
General government	18,174	17,068	21,446
Protection to persons and property	26,317	26,869	24,723
Transportation services	31,710	33,349	30,470
Environmental services	506	530	525
Health services	719	938	813
Recreation and cultural services	34,053	35,581	31,658
Planning and development	8,868	10,286	8,539
Total expenditures	120,347	124,621	118,174
Net revenues	25,168	27,446	26,419
Financing and transfers:			
Debt principal repayments	(5,034)	(3,588)	(3,409)
Repayment of internal loans	-	(71)	(179)
Increase in non financial assets	-	34	114
Increase in post employment benefit and WSIB liabilities	-	1,177	976
Dividend from Oakville Hydro Corporation	1,400	2,080	800
Transfers to Reserves and Reserve Funds	(11,647)	(16,333)	(14,502)
Transfer to Capital Fund	(10,387)	(10,825)	(10,216)
	(25,668)	(27,526)	(26,416)
Change in operating fund balance	(500)	(80)	3
Fund balance, beginning of year	641	641	638
Fund balance, end of year	\$ 141	\$ 561	\$ 641

Consolidated Schedule of Capital Fund Financial Activities and Fund Balance

Schedule 2

(in thousands of dollars)

Year ended December 31, 2007, with comparative figures for 2006

	Budget	2007	2006
Revenues:			
Federal grants	\$ -	\$ 24	\$ -
Provincial grants	942	501	3,276
Gas tax revenue	1,801	916	724
Developer charges earned	29,267	14,419	12,859
Upper tier recoveries	1,467	131	1,015
Other revenue and recoveries	236	2,384	6,949
Total revenues	33,713	18,375	24,823
Expenditures:			
General government	4,342	7,176	8,495
Protection to persons and property	1,875	1,911	1,553
Transportation services	29,748	19,182	25,637
Environmental services	-	127	613
Health services	-	142	53
Recreation and cultural services	29,971	18,995	16,193
Planning and development	1,118	720	389
Total expenditures	67,054	48,253	52,933
Net expenditures	(33,341)	(29,878)	(28,110)
Financing and transfers:			
Proceeds from long term debt	9,915	14,065	4,782
Transfer from Operating Fund	10,387	10,825	10,216
Transfer from Reserve and Reserve Funds	13,039	13,349	11,055
Net financing and transfers	33,341	38,239	26,053
Change in Capital Fund balance	-	8,361	(2,057)
Capital Fund Balance, beginning of year	4,790	4,790	6,847
Capital Fund balance, end of year	\$ 4,790	\$ 13,151	\$ 4,790

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

Schedule 3

(in thousands of dollars)

Year ended December 31, 2007, with comparative figures for 2006

	Budget	2007	2006
Revenues:			
Developer contributions	\$ -	\$ 459	\$ 777
Gas tax revenue	-	1,279	-
Donations	-	113	112
Investment income	-	598	523
Total revenues	-	2,449	1,412
Net transfers (to) from other funds:			
Capital Fund	(13,039)	(13,349)	(11,055)
Operating Fund	11,647	16,333	14,502
	(1,392)	2,984	3,447
Changes in reserves and reserve fund balances	(1,392)	5,433	4,859
Reserves and reserve funds, beginning of year	46,596	46,596	41,737
Reserves and reserve funds, end of year	\$ 45,204	\$ 52,029	\$ 46,596