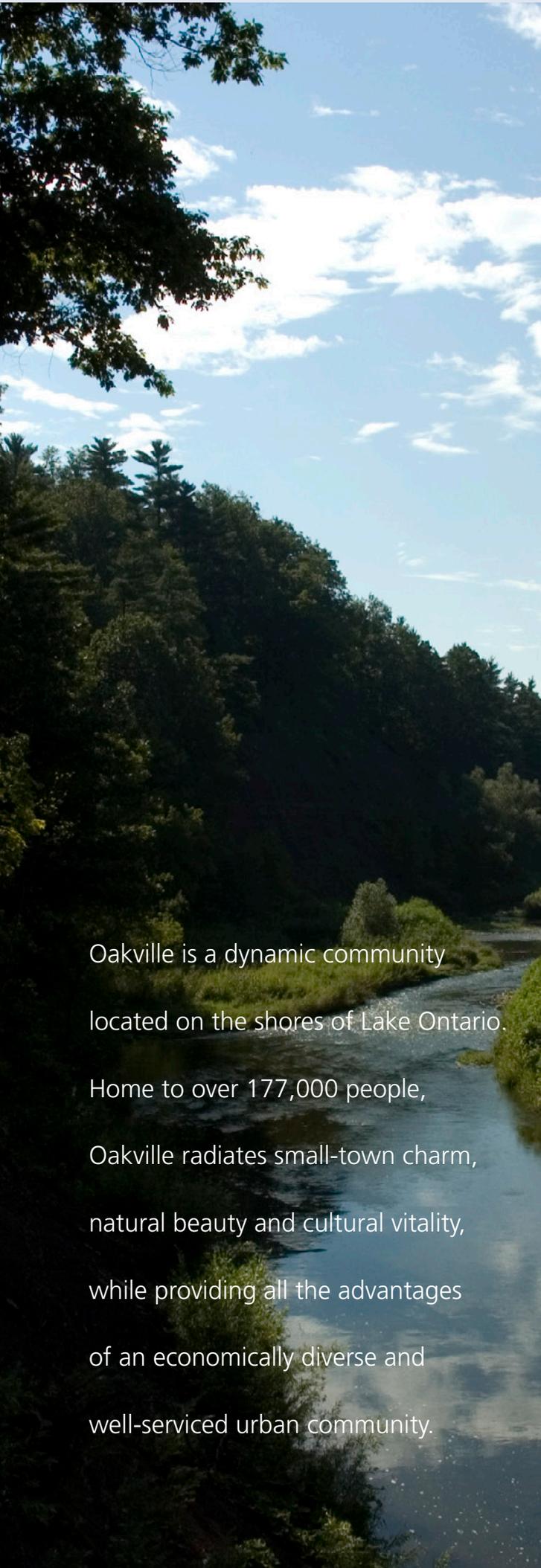


09

Town of Oakville
Annual Report





Oakville is a dynamic community located on the shores of Lake Ontario. Home to over 177,000 people, Oakville radiates small-town charm, natural beauty and cultural vitality, while providing all the advantages of an economically diverse and well-serviced urban community.

2009 Annual Report

The 2009 Annual Report is available online at www.oakville.ca/finance.htm.

If you require a hard copy, please contact Service Oakville at 905-845-6601.

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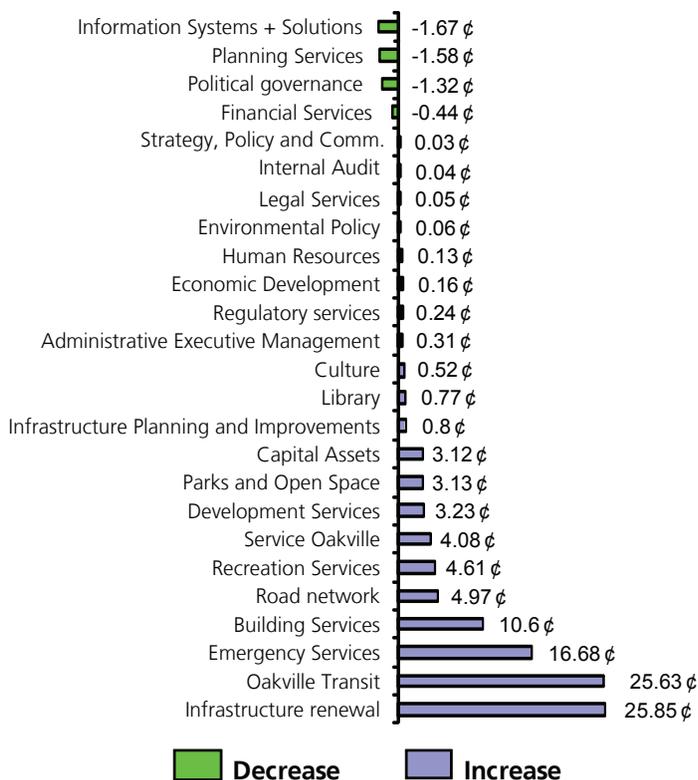


Oakville 2009 highlights

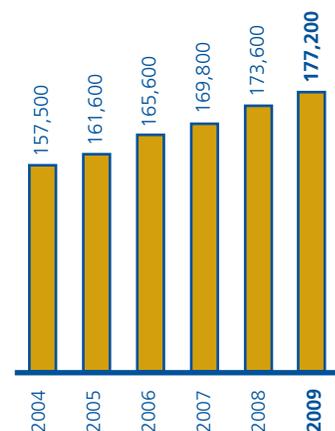
Town services span environmental stewardship and protection, parks, trails, forestry, harbours, creek channels and shorelines, recreation and community centres, building and heritage permits, by-laws and licensing, transit, land use planning, municipal engineering and construction, stormwater management and drainage, roads and works, and fire prevention and protection.

The town is committed to superior service delivery while it continues to develop the policies, programs and services to make Oakville the most livable town in Canada.

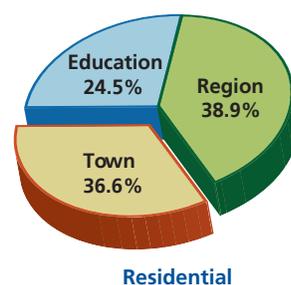
Where the increase in town taxes is going per \$1 tax increase



Population growth in Oakville



Who receives your tax dollars



Message from the Mayor



As Council finishes its third year, we have reached nearly all the goals we set in our unanimous 2007-2010 Strategic Work Plan.

We completed the Livable Oakville Plan to control growth and protect stable neighbourhoods. We made our transit system more useful for trips across town by introducing a new grid system. We now make developers pay 60 per cent more than in previous terms of Council. Our new debt policy will help continue to reduce our facilities deficit. We will be able to issue debt fully paid for by development fees to build what we need to keep up with growth. Our reserves exceed all debt. We are in a very strong financial position.

2009 also brought the Ontario Power Authority's decision to locate a TransCanada power plant on the Ford lands in southeast Oakville. The OMB upheld the town's interim control by-law prohibiting power plants from being built in Oakville until we complete our land-use study on planning rules for power plants.

In 2009, the 900-hectare Natural Heritage System won by the town in 2007 was reinforced by Halton Region's new official plan, Sustainable Halton. Livable Oakville works with Sustainable Halton to fit with the Ontario Government's Growth Plan for the Greater Golden Horseshoe.

Council's unanimously approved Economic Development Strategy won the Group Economic Development Achievement of the Year award from the Economic Developers Association of Canada.

Council and town staff are dedicated to serving our community. It is a pleasure to work together to achieve our goals. Together, we are creating in Oakville the most livable town in Canada.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rob Burton'.

Mayor Rob Burton





Members of Town Council

Council is the legislative governing body for the Town of Oakville and consists of the Mayor, elected at large by voters in the town, and 12 councillors each elected by voters in their respective ward. Each ward is represented by two councillors — one representing the town and one representing the town and the Regional Municipality of Halton.

Regional Councillors sit on Regional Council along with representatives from the towns of Milton and Halton Hills, and the City of Burlington. Council's term of office is four years. The current term began on December 1, 2006, and will end November 30, 2010.

Town Councillors



Ward 1
Ralph Robinson



Ward 2
Cathy Duddeck



Ward 3
Mary Chapin



Ward 4
Roger Lapworth



Ward 5
Marc Grant



Ward 6
Max Khan

Regional and Town Councillors



Ward 1
Alan Johnston



Ward 2
Fred Oliver



Ward 3
Keith Bird



Ward 4
Allan Elgar



Ward 5
Jeff Knoll



Ward 6
Tom Adams

Message from the CAO



2009 was another extremely busy and exciting year at the town, as Council and staff worked together to continue to implement the town's four year strategic plan as well as respond to new issues that affect the health and well-being of our community such as funding a local share contribution to the new Oakville hospital and the Ontario Power Authority's decision to select TransCanada Energy's proposal to build a 900 megawatt power plant in Oakville. We are very fortunate to have such engaged residents and stakeholder groups who help ensure the town's programs and services reflect the needs of our community.

The town was not immune from the effects of the global economic downturn in 2009 as development and building activity declined dramatically. The town successfully managed these challenges by implementing early spending constraints to ensure the town's budget was fully funded.

The town also took full advantage of the opportunity presented by the federal and provincial governments' Infrastructure Stimulus Fund. The town succeeded in obtaining \$30 million dollars toward the construction of a much-needed new transit facility to house our growing transit fleet and equipment. The new facility will be instrumental in ensuring the continued expansion of the new grid service design that was launched in September to make travel across town quicker and easier, and improves connections to GO trains, Mississauga Transit and Burlington Transit. The facility will open in 2011.

Other new facilities that benefited from stimulus funding this year include two new artificial turf fields at North Park and Bronte Athletic Park, which will be completed this fall, and Kinoak Arena, which is receiving upgrades to enhance its accessibility and overall appearance, as well as a new roof.

Construction is also on schedule for the quad pad arena at the newly named Sixteen Mile Sports Complex, which will open in September 2010. Council also approved renovations to QEP Community Centre to create the town's first dedicated multi-purpose space for arts and culture. The renovated facility will include 143,000 square feet of space for arts and culture groups, as well as gyms and pool. Construction will begin in 2010.

The Livable Oakville Plan — the culmination of the most extensive public consultation ever conducted by the town — was completed and approved by Council and Halton Region in 2009. The plan is a product of constructive collaboration between staff and over 1,000 residents and business community members, and will ensure our town can accommodate growth responsibly in the next 30 years without compromising our stable neighbourhoods.

The town also worked with the local business community to successfully launch a new ten-year Economic Development Strategy that creates a roadmap for a strong, diversified and healthy business environment in Oakville.

Finally, we invite residents to come to Town Hall to take advantage of our new ServiceOakville counter that opened in 2009. This new service counter provides our customers with easy access to all town programs and services and is the first step in our ongoing commitment to improving public access and service.

My sincere thanks to Council and staff for their continued dedication and commitment to making this community a great place to live. We have much to look forward to in 2010 and beyond.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ray Green'.

Ray Green, P. Eng.
Chief Administrative Officer

Vision

To be the most livable town in Canada

Mission

We create and preserve Canada's most livable community that enhances our natural, cultural, social and economic environments. We achieve this by continuously improving programs and services that are both accessible and environmentally and fiscally sustainable.

We are highly valued and widely celebrated due to the innovative and outstanding way we satisfy the needs of our residents, businesses and employees. As a result, the process is as fulfilling as the outcome.

We ensure our staff receives the same level of respect, commitment and caring that they are expected to deliver to the community.

Values

Accountability — We deliver what we promised. We are accountable for our own actions and results. We are accountable for the efficient and effective use of public funds.

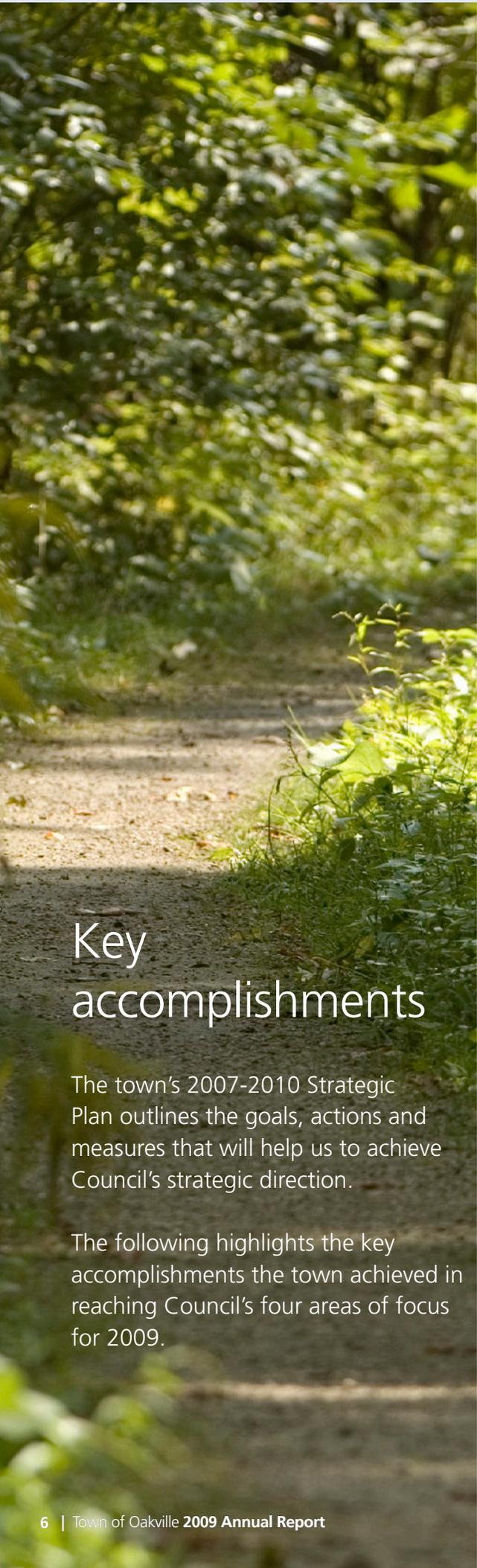
Dedication — We willingly take on responsibility. We are committed to serving our community. We take initiative and we take on our share of the work.

Honesty — Each of us demonstrates personal integrity, truthfulness and honesty in how we do our job. We inspire public confidence and trust in our government.

Innovation — We pursue innovation by being creative, showing initiative and taking risks. We encourage employees to exercise judgment in meeting customer needs.

Respect — We value an open, respectful and inclusive workplace. We value the cultural and social diversity of our community. We make it possible for every resident to participate in our community, and in our government.

Teamwork — We act as a team. We demonstrate high levels of trust and cooperation. We collaborate across departments to achieve our goals. We work in partnership with our community.



Key accomplishments

The town's 2007-2010 Strategic Plan outlines the goals, actions and measures that will help us to achieve Council's strategic direction.

The following highlights the key accomplishments the town achieved in reaching Council's four areas of focus for 2009.

To enhance our natural environment

- Livable Oakville, the town's new official plan, was approved by Council in June and by the Region of Halton at the end of November. The new official plan defines and maps the future growth of Oakville for the next 20 years. It will appropriately direct growth as well as protect our natural environment, heritage properties and stable neighbourhoods.
- The town's North Oakville East Secondary Plan and North Oakville West Secondary Plan were approved by Council. These plans map out the town's vision of creating a transit-first, sustainable, walkable community in the lands north of Dundas.
- Sustainability and Environmental Policy Directions were completed in the Livable Oakville Plan. They aim to protect resources, preserve the natural environment and 'green' the community overall.
- The annual State of the Environment Report (SOER), presented to Council in December is designed to provide a snapshot of environmental conditions in the town.
- The Environmental Strategic Plan (ESP) Update report – Let's Go Green Together, was presented to Council in the spring on 2008 programs and 2009 projected initiatives.
- Phase one of the town's inventory of trees is under development. Ash trees are being inventoried first to address concerns with Emerald Ash Borer — a small green beetle that slowly kills ash trees. An Emerald Ash Borer Management Plan is also under development for 2010 to address how to limit the spread of this invasive beetle.
- Creek channel stabilization for Falgarwood Creek is underway and an annual Storm Water Monitoring Report was presented to Council this year.
- The Active Transportation Master Plan was presented to Council. The plan aims to improve the quality of life for all Oakville residents by enhancing walking and cycling connections to public transit and encouraging residents to walk, cycle or use public transit.
- Council approved a new by-law that doubles the depth of topsoil required in new subdivisions from four inches (100 mm) to eight inches (200 mm). Trees planted in boulevards must include trenching to 30 inches (750 mm).

Did you know?

- The 2009 Citizen Survey results show 79 per cent of residents are satisfied with the effort the town makes to protect the environment — up from 59 per cent in 2007.
- The town set a 20 per cent green house gas emission reduction target for the corporation and a 6 per cent reduction for the community by 2014.
- There were 1,400 hectares of parkland and 160 kilometres of park trails in the Town of Oakville in 2009. This represents an eleven per cent increase in kilometers of trails within parkland from 2008.
- The 2009 Citizen Survey results indicated that 85 per cent of residents are satisfied with the amount of green space available for residents use.

To enhance our cultural environment

- The town completed the Heritage Policy Directions and Heritage Districts in the Livable Oakville Plan to help guide the town in the management and preservation of heritage resources in Oakville.
- Heritage planning priorities and actions were established and in 2009 outcomes included: the expansion of the Oakville Heritage Register by 354 properties; the designation of 10 properties; the completion of a number of education and outreach initiatives including the development of brochures; a new web presence and participation in the Ontario Heritage Trust Awards program, the National Old Home Expo in Oakville and Doors Open Oakville.
- Council approved our first municipal cultural plan, Enabling Culture to Thrive in Oakville: Oakville's Strategic Directions for Culture. The cultural plan will help the town develop the appropriate policies, infrastructure and partnerships to facilitate culture in Oakville.
- Renovations began on the Queen Elizabeth Park Community Centre — a 144,000 square foot multipurpose recreation, arts and culture facility.
- A business plan for the Oakville Centre for the Performing Arts was completed and will support the Downtown Strategic Review, as part of the Livable Oakville Plan.
- Facilities audits were completed on a number of recreation department buildings including the Oakville Centre for the Performing Arts and Centennial Pool. The audits provide the town with clear direction on what steps need to be taken to keep the buildings in good shape for years to come.
- The town negotiated an agreement with the Halton District School Board to move the Clearview Neighbourhood Library Branch to the new Clearview Public School in 2010.
- A new Arts policy was drafted in 2009 which includes direction on the care and presentation of the corporate art collection, procedures for implementing a public art program, and memorandums of understanding between the town and the Oakville Arts Council and ArtWorks Oakville. The policy will be presented to Council in 2010.

Did you know?

- The 2009 Citizens Survey results show that 85 per cent of residents are satisfied with arts and cultural programs and venues — up 19 per cent from 2007.
- In addition, 91 per cent of those survey indicated they were satisfied with public library services — up from 88 per cent from 2007.





To enhance our social environment

- As part of the Livable Oakville Plan, five growth management studies — Midtown Oakville, Uptown Core, Palermo, Bronte and Kerr Villages, and Downtown — were completed. Planned growth in these areas will protect stable residential neighbourhoods.
- The town opened its new ServiceOakville counter at Town Hall. A prominent, visible main entrance, a more accessible service counter and more services offered just inside the front doors are all part of the town's commitment to making doing business with the town easier.
- Work is continuing on the town's study of lit sports fields. Staff will report back to Council in 2010.
- In January 2010, the town will consult with residents on the town's contribution to the new hospital. Throughout 2009, the town collaborated with Halton Healthcare Services and the Ontario Realty Corporation on the planning application for the new hospital site. Zoning by-law amendments were presented to Council at the end of November to allow development to begin.
- Oakville's brand new indoor soccer facility opened. The Pine Glen Soccer Centre is operated by the Oakville Soccer Club (OSC).
- Four new parks opened including Millstone Park, Palermo Park (with two baseball diamonds and a leash-free area), Castlebrook Park (with a soccer field), and Nautical Park (with a soccer field, splash pad and playground). In addition, phase one of South Shell Park opened with trails and a permeable paving parking lot, and Bronte Heritage Waterfront Park saw some updates with the addition of pavers, trees and benches.
- The Bronte Youth Centre opened earlier this year, providing local teens with access to a wide range of programs and services such as homework help, job search workshops, and free activities including movie nights.
- The town is well positioned to be fully compliant with the province's accessible customer service requirements by the end of the year. All staff will be full trained by the end of December
- To help improve service, Oakville Transit's care-A-van was enhanced with the introduction of door-to-door service. New transit bus loop facilities were also expanded for the Sheridan College and Uptown Core transit terminals.
- Town Hall hosted its first citizenship ceremony in partnership with Citizenship and Immigration Canada in October.

Did you know?

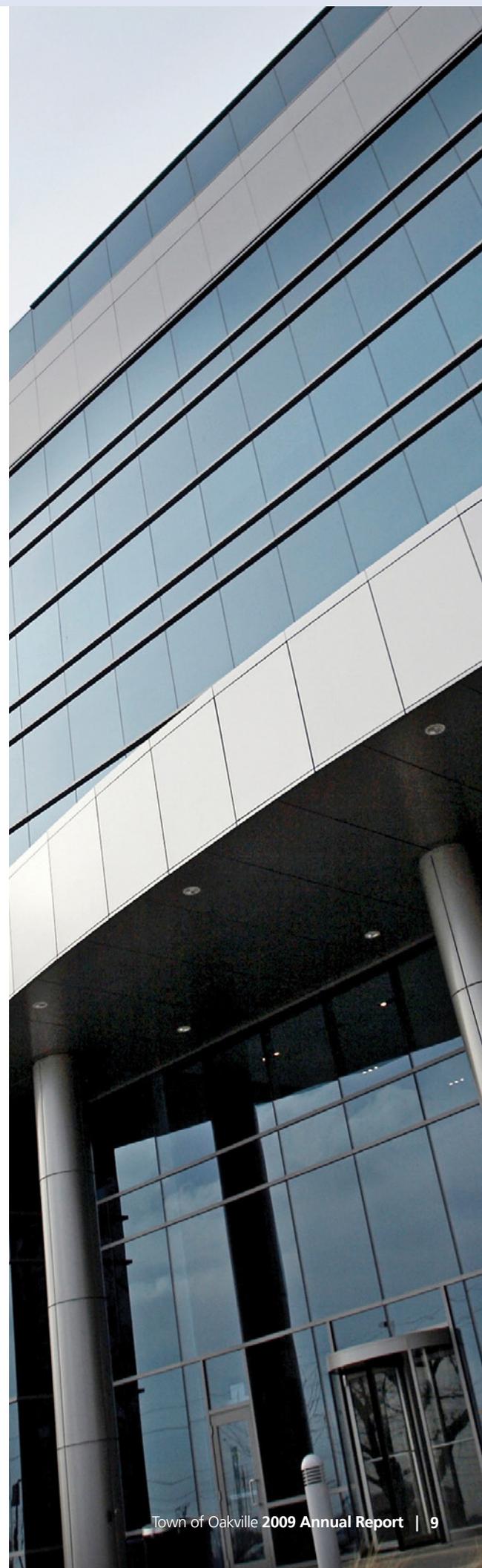
- New rescue truck added and 12 new firefighters hired.
- 2009 Citizens Survey results indicate that the top three qualities that make Oakville livable are small-town/community/family atmosphere, parks/recreation/sports/teams and safe/low crime/good police .

To enhance our economic environment

- The town's award winning Economic Development Strategy 2009-2019 was developed with extensive consultation from the business community, and is the town's road map to building a healthy business environment that is strong, diversified and prosperous. A formal business satisfaction survey will be conducted in the future.
- The 10-year Economic Development Strategy won Achievement of the Year award from the Economic Developers Association of Canada (EDAC)/RBC Financial Group Economic Development.
- The Economic Development department won the National Marketing Award from the Economic Developers Association of Canada (EDAC) for its electronic newsletter.
- The Employment Policy Directions in the Livable Oakville Plan were completed.
- Industry sector profiles and the Oakville business profiles were completed and will be used as marketing tools for investment attraction.
- An agreement with the Oakville Tourism Partnership was completed and a consultant was hired to develop a sustainable business plan for tourism in Oakville.
- As part of the Livable Oakville Plan, the Downtown Oakville Strategic Review was initiated this year and is expected to be completed in 2010.
- The town provided support to the RBC Canadian Open and hosted 70 leaders from the development and ICI real estate community. Events included presentations regarding development opportunities in Oakville and a tour of employment lands.

Did you know?

- A new site selection tool allows companies, site selectors and realtors to efficiently search a database to identify sites in town for investment.
- The Economic Development department will report on the following measures in 2010:
 - Office and industrial development (sq. ft.)
 - Employment land serviced (hectares)
 - Employment land absorbed or developed (hectares)
 - Number of companies assisted
 - Status update on development of digital hub
 - Status update on development of life sciences and technology park





To have programs and services that are environmentally sustainable

- Oakville Transit implemented a new grid transit service design that offers more choice, more direct travel across town and more convenient service.
- Eighty per cent of the town's parking patrol fleet is made up of fuel efficient/low emission vehicles. The goal is to have the full fleet fuel efficient/low emission in 2010.
- To reduce the use of natural resources, minimize waste and promote energy conservation, the town implemented an Environmental Sustainability Policy with two corresponding procedures — the Sustainable Purchasing Procedure and the Sustainable Green Fleet Procedure.
- The town completed the corporate portion of Milestone 3 for the Partners for Climate Protection (PCP) program — an action plan to reduce the town's greenhouse gas emissions.
- An Energy Management Plan is being developed to help minimize the town's energy consumption. A presentation to council on the plan is scheduled for early 2010.
- To help reduce energy use the town completed a pilot project for LED streetlights with the Lakeshore Road West reconstruction project.
- A zero-waste program was launched at Town Hall on Earth Day (April 22) this year. Initiatives included the introduction of Halton Region's GreenCart program at Town Hall, whereby hundreds of garbage bins have been removed from offices in favour of central recycling and composting waste stations. In addition, the Town Hall cafeteria no longer sells bottled water and has traded plastic and Styrofoam for compostable containers and cups.
- Council passed an interim control by-law and official plan amendment to ensure the necessary planning work and studies could take place before any power plant over a 10-megawatt capacity could be constructed in Oakville.
- In December, the Ontario Municipal Board (OMB) upheld the interim control by-law that will allow the town time to complete its studies and develop appropriate policies. The town engaged outside legal and environmental experts to respond to the province's decision to locate a power plant in Oakville, to ensure that the health of residents as well as the local air quality and environment are not compromised by this decision.

Did you know?

- Since April the town has increased collected recyclables at town offices by 2092 litres per week.
- Town Hall now produces approximately 16,010 litres of compostable garbage each week since the introduction of the GreenBin program.
- The town acquired eight new expansion buses.
- Implementation of the Environmental Strategic Plan is 90 per cent complete.
- Energy and environmental monitoring measures will be presented with the green house gas emissions report in 2010.

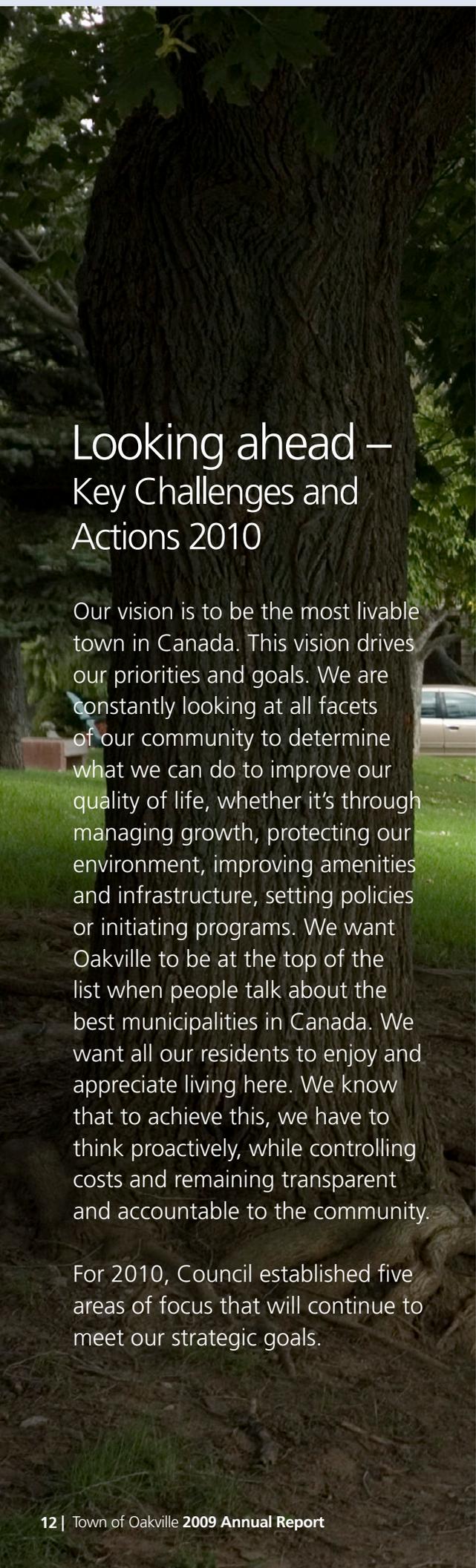
To have programs and services that are fiscally sustainable

- The town continued its program-based, performance-based budgeting system, “PB2,” across all commissions for the 2010 budget cycle. PB2 focuses on the programs the town delivers and the performance measures to assess them.
- The town was successful at acquiring funding from the Federal/Provincial governments through the Infrastructure Stimulus Fund for a new transit facility, as well as through the Recreational Infrastructure Canada (RInC) program for upgrades to Kinoak Arena, Bronte Athletic Park and the North Park fields.
- New development charges that more accurately reflect the costs of growth were approved. The new rates will generate \$625.9 million to fund new facilities to 2018 and new road infrastructure to 2031.
- Town Council approved a comprehensive 10-year financial forecast of the town’s capital and operating budgets in the spring.
- Council approved a combined operating and capital budget of \$324.2 million for 2010 that focuses on maintaining services and following through on Council priorities. The town’s portion of the tax levy will rise by 4.5 per cent, for a total property tax increase to the homeowner of 1.6 per cent.
- Council implemented restraint measures in April 2009 to manage the economic downturn including a vacancy management protocol that has resulted in 32 positions being held vacant, and an overall reduction in departmental budgets for travel, conferences and other discretionary spending.
- The town has inventoried and valued all its assets and is in full compliance with PSAB 3150 Tangible Capital Assets regulations. The 2008 financial statements have been restated to include \$1.2 billion in net book value of assets. Oakville is one of the first municipalities to restate financial statements to include asset values, which significantly affects the statement presentation.
- The first phase of business continuity plans were developed for the entire organization. All departments completed a comprehensive review of their business processes, identified key service priorities and the resources required to support these priorities.

Did you know?

- Level of town reserves is \$46.761 million.
- Rate of taxation and level of taxes and fees as percentage of total revenue was 60 per cent for 2009.
- Gross expenditures are \$1,114.54 per person.
- Net expenditures are \$662.74 per person.





Looking ahead – Key Challenges and Actions 2010

Our vision is to be the most livable town in Canada. This vision drives our priorities and goals. We are constantly looking at all facets of our community to determine what we can do to improve our quality of life, whether it's through managing growth, protecting our environment, improving amenities and infrastructure, setting policies or initiating programs. We want Oakville to be at the top of the list when people talk about the best municipalities in Canada. We want all our residents to enjoy and appreciate living here. We know that to achieve this, we have to think proactively, while controlling costs and remaining transparent and accountable to the community.

For 2010, Council established five areas of focus that will continue to meet our strategic goals.

Natural environment

- Implement strategy to respond to proposed power plant approved by the province
- Report on town's development of legislation and regulations related to *Green Energy Act*
- North Oakville Urban Forest Strategic Master Plan
- Emerald Ash Borer Management Plan presented to Council
- Milestone 3 for the Partners for Climate Protection program presented to Council; implementation commenced
- Site alteration by-law updated
- Inventory of town trees reviewed
- Commence update to Transportation Master Plan
- 14 Mile Creek Channel Improvements — complete environmental assessment and design work
- Falgarwood Creek Channel Stabilization project completed
- Wildlife Management Plan report to Council

Economic environment

- Downtown Oakville Strategic Review completed
- Development of new Oakville hospital supported by the town
- Comprehensive commercial parking study update
- Implement Economic Development Strategy
- Marketing plan for business attraction
- International business development plan
- International hub for digital media & animation review
- Market assessment, business case and servicing plan for Winston Park West employment lands

Continuous improvement

- New transit facility construction commenced
- Quad pad arena in North Park, facility opened in the fall
- Award contract for Queen Elizabeth Park School redevelopment into a community centre
- Continue implementation of ServiceOakville strategy
- Clearview Neighbourhood Library branch opened at new Clearview Public School
- Parks and parkettes opened including: Aspen Forest Park soccer field, Forester Park splash pad, phase one of Westwood Park, phase one of Bronte Waterfront Heritage Park, neighbourhood parkettes in West Oak Trails, west of Bronte Road
- Stage two and three of PRESTO farecard system implemented
- Electronic agenda management system (EAMS) enhanced to include full integration of Advisory Committee and Site Plan and Committee of Adjustment agendas and minutes
- Town-wide public engagement and notification strategy presented to Council; promote awareness of strategy
- Engineering design for new Kerr Street / CNR grade separation

Environmental sustainability

- Sustainable Building and Energy Strategies finalized
- Environmental Strategic Plan — major five-year update
- Storm Sewer Master Plan study
- Environmental policies and procedures developed and implemented, such as Energy Management, Sustainable Green Building, Towards Zero Waste
- Report on State of Oakville's Environment and implementation status of Environmental Strategic Plan to Council
- Expand recycling program to all sportfields and all neighbourhood parks, phased in over two years
- Two parking patrol vehicles acquired; full patrol fleet will be fuel efficient/low emission vehicles
- Central irrigation system expanded to additional turf areas
- Integrated Community Sustainability Plan completed
- Outreach and education programs conducted to promote community engagement in environmental stewardship, air quality improvement and energy conservation actions
- First green roof (pilot) at Kinoak Arena

Fiscal sustainability

- New collective agreements with CUPE Locals 136 and 1329 negotiated
- Rates and fees reviewed for: parking operations, road corridor permitting, planning services, site alteration, pool enclosures, regulatory services, recreation and culture
- Harbours financial plan presented to Council
- Integrated risk management for Oakville Public Library implemented, rolled-out to remaining business units
- Two additional business units in asset management program integrated
- 2009 financial statement completed in full compliance with all *Municipal Act* & PSAB regulations
- Quarterly financial reports presented to Council



Organizational chart



The CAO provides leadership and demonstrates a commitment to excellence in the administration and management of the Corporation of the Town of Oakville, and ensures that town services and programs are aligned with Council-approved policies and strategic directions.

The Community Services commission is responsible for fire protection and prevention, emergency management, parks, forestry, harbours, cemeteries and the delivery of recreation and cultural services. The commission also provides a corporate link to the Oakville Library, Oakville Galleries and TOWARF (Town of Oakville Water and Air Rescue Force).

The Corporate Services commission provides support services to ensure fiscal responsibility, records management, compliance with legislation and regulations, appropriate legal and real estate services and advice, council support, as well as human resources and information technology services, to support the town's operating departments. The commission is also responsible for the management of town-owned facilities.

The Planning and Development commission is responsible for guiding private development proposals in order to achieve the town's Livable Oakville strategic goal. The commission meets this goal through the development of official plan policies, promotion of economic development opportunities, and review of planning, building, development engineering and site alteration proposals.

The Infrastructure and Transportation Services commission is responsible for the coordination and delivery of programs and services related to the management, engineering, construction, operation and maintenance of municipal public works infrastructure (roads, traffic, water resources and fleet). It is also responsible for the provision of public transit, environmental policy, and municipal parking operations and enforcement.



Report from Financial Operations

The Town of Oakville's Consolidated Financial Statements for 2009 confirm that our town is in a sound financial position and continues to be well positioned to face economic challenges.

The statements have been prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Commencing in 2009, the financial statements now report the net book value of the town's tangible capital assets and reflect current year amortization expense in its operations; 2008 financial statements have been restated for comparative purposes.

The town's external auditors KPMG, have examined the statements in accordance with generally accepted auditing standards and have expressed the unqualified opinion that the consolidated statements are free from material misstatement and fairly present the financial position of the town as at December 31, 2009 in all material respects.

The financial statements include the Consolidated Statement of Financial Position, the related Consolidated Statements of Operations, Change in Net Financial Assets (Net Debt) and Cash Flows. New to the statements this year is the Consolidated Statement of Change in Net Financial Assets (Net Debt). The statements indicate how the town financed

its activities; confirm that resources obtained were used in accordance with the town's approved budgets; and adhere to the financial management and planning policies of the town. The notes to the statements provide informative supporting information to the financial schedules, as well as details with respect to information no longer provided in financial schedules such as transactions relating to reserves and reserve funds, a continuity schedule for tangible capital assets, along with detailed information relating to the town's investment in Oakville Hydro.

The consolidated financial statements combine the operations of the town, Oakville Public Library, Oakville Galleries and the town's three business improvement areas. The statements also include the town's investment in Oakville Hydro using the modified equity method of accounting which reports only the net assets and the town's equity in the Oakville Hydro Corporation.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet especially now since effective January 1, 2009, all municipalities are required to record their tangible capital assets in their financial statements. This statement includes two key components — net financial assets (assets minus liabilities), and new this year, instead of reporting "municipal position or fund balances," we are reporting accumulated surplus.

A key indicator of a municipality's financial condition is its net financial assets. Net financial assets represent the difference between the financial assets of the corporation (cash, receivables, investments) less its financial liabilities (accounts payable, deferred revenues, debentures and post employment liabilities). The town is in a net asset position, where its assets exceed liabilities by \$184.5 million, a slight decrease of \$12.7 million from 2008. The town's assets, particularly cash and investments decreased by \$52.6 million, due primarily to the downturn in the economy, but offsetting that impact is a decrease of \$39.9 million in liabilities particularly deferred revenue which reflects the downturn in the housing market.

The town's accumulated surplus (replaces prior years' municipal position), increased by \$34.4 million from \$1,433.4 million in 2008 to \$1,467.8 million in 2009, due



to an increase in the town's tangible capital assets of \$46.2 million. It is important to note the accumulated surplus cannot be construed as "cash or funds" available for spending, as the majority of the value is for "non financial assets", which are not available to discharge existing liabilities, but rather are held for use in the provision of services.

The Consolidated Statement of Operations is the municipal equivalent to the private sector's income statement. This statement presents the source, allocation and use of the town's financial resources throughout the reporting period and reflects the combined operations of the operating fund, non-asset related capital project spending, reserve and reserve funds for the town and its local boards.

With the new reporting format this schedule no longer reports the costs associated with the acquisition of tangible capital assets (formerly reported as the capital fund), but rather the use of assets by reporting amortization expenses by function. As well, we no longer report on the change in fund balances but instead we report only on the annual surplus (revenues minus expenses) and accumulated surplus, which ties into Consolidated Statement of Financial Position. Therefore, the annual surplus does not include expenses relating to the acquisition of tangible capital assets, nor does it reflect the costs relating to the principal

repayment of long term debt or the receipt of debt proceeds; but it does reflect the use of assets in service through an amortization expense. The 2009 annual surplus is \$11 million lower than 2008, which is due to a decrease in revenues particularly development related revenues and a slight increase in expenditures.

This schedule also reports the 2009 operations against the 2009 approved budgets, but similar to the actuals, certain components are not included, such as reserve and reserve fund transfers, capital expenses relating to the acquisitions of tangible capital assets, and debt principal payments. With the inclusion of the non-financial assets, the financial statement becomes very difficult to compare to the annual and capital budget documents and approvals, as they are presented on a "cash" basis for purposes of calculating tax levy, and include a surplus of only \$500,000.

The Consolidated Statement of Change in Net Financial Assets (Net Debt) is a new schedule this year, which is intended to provide the user of the financial statements with more detailed information concerning the non-financial assets of the Town of Oakville. It provides information on the acquisition costs of the tangible capital assets as well as the usage of the assets through amortization expenses. Of particular interest this year is the impact to the town of the change in accounting policy made by Oakville Hydro

relating to recognizing future taxes. The town's investment and equity in Oakville Hydro has been reduced by \$16 million as a result of this change.

The Consolidated Statement of Cash Flows shows the impact that all transactions have on the town's cash position. It reconciles the annual surplus to the cash and cash equivalents balance reported on the Consolidated Statement of Financial Position. It highlights the use of cash for operating, capital, investing and financing activities and provides information that cannot be found on any other statement particularly relating to long term debt. From this schedule you can readily see the reasons for the significant decrease in cash and cash equivalents.

At the end of 2009, the Town of Oakville continues to report a strong and solid financial position. As with most municipalities in Ontario, the town is facing many financial challenges and recent economic conditions have compounded these challenges. The town is fully compliant with PSAB 3150 — Tangible Capital Asset regulations, with net capital assets with a book value of \$1,281.1 billion and estimated replacement costs of \$2.4 billion excluding land values. The funding for the renewal of these assets will place challenges on future budgets. Providing services to a growing community combined with demand for new and enhanced services and recent economic issues will place pressure on the town's finances while we strive to maintain reasonable and competitive tax rates.

In conjunction with PSAB 3150 the town is implementing a comprehensive asset management system. This tool will provide the town with the information it needs to develop a sustainable financing plan for infrastructure renewal. The ten-year financial forecast allows the town to evaluate infrastructure investments in light of their impact on future budgets. This tool allowed the town to evaluate the impact of reduced development charge funding resulting from the current economic slowdown and to make necessary modifications to the timing of growth related capital projects. The PB2 budgeting methodology provides for multi-year operating budgets, which assist in planning the implementation of new or enhanced programs and services, balanced against future tax increases. The development of performance measures is well underway and will assist the town in finding efficiencies. These tools contribute the current sound financial position of the town as shown in these financial statements.

In April 2010, Town Council passed by resolution to contribute up to \$200 million to Halton Healthcare Services (HHS) to fund a new Oakville Hospital. This

will require staff to prepare financial plans and options for the final financing of the town's local share commitment that minimizes property taxes and the impact on our own infrastructure renewal and growth.

There are many contributors to the town's success and achievements. Thank you to Town Council, commissioners, department heads and staff in all the town's departments for all their efforts in ensuring the town remains in a strong financial position. We especially would like to thank the staff in the Financial Operations and Financial Planning departments. This group of professionals is dedicated to ensuring the town's financial affairs are handled responsibly and with integrity, and consistently go the extra mile.



Lynn Horlor
Deputy Treasurer and
Director of Financial
Operations
The Corporation of the
Town of Oakville



Gord Lalonde
Commissioner of
Corporate Services
and Treasurer

Dated: June 28, 2010

Town wins the Government Finance Officers Association award

For the twelfth consecutive year, the Town of Oakville has received the Government Finance Officers Association of the United States and Canada (GFOA) award for financial reporting for 2008.

The award is presented to municipalities with annual financial reports that achieve high program standards for Canadian government accounting and financial reporting. It recognizes the accountability, stewardship, and credibility of the municipality, as presented by the clarity, comparability and completeness of the town's annual report.

Comprehensive financial management and planning policies

Overview

The management of the Corporation of the Town of Oakville is responsible for the integrity, objectivity and accuracy of the financial information presented in our financial statements.

In order to meet its responsibility for presenting accurate information, management maintains comprehensive financial and internal control systems. These systems are designed to ensure the safeguarding of assets and the integrity of the financial data. The control systems provide an organizational structure, which effectively segregates responsibility, employs highly qualified professional staff, and develops corporate policies and procedures, which are continuously reviewed.

Financial management

The Town of Oakville prepares its financial information in accordance with the generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and prescribed policies issued by the Ministry of Municipal Affairs and Housing. The Town's sources of financing and expenditures are recorded using the accrual basis of accounting. This basis recognizes revenues as they are earned and measurable, and expenditures as they are incurred and measurable as the result of receipt of goods or services and the creation of a legal obligation to pay. This is also the basis for developing the town's budget.

In municipal financial operations, monies raised or supplied for one purpose cannot be used for any other

purpose. Legal restrictions and contractual agreements prevent it from being used or diverted to any other use. Fund accounting shows that the money has been used for its intended purpose. The funds used by the Town of Oakville are the operating fund, capital fund, reserve funds and trust funds. These funds are used for budget purposes and for day-to-day financial management. The 2009 financial statements are fully compliant with PSAB 3150 Tangible Capital Assets and are not presented by fund, but on a consolidated fund basis.

Another element of financial management is to ensure the financial stability of the corporation. By looking forward and preparing for future needs, the town is able to deal with legislative changes, the impact of growth, and changes in the economic climate without significantly impacting the tax rate.



Financial policies

The following financial policies establish the framework for the Town of Oakville's overall fiscal planning and management. The success of the Town's budget process rests on a solid foundation of budget principles. These principles may be summarized as follows:

1. Sustainability

The annual budget incorporates a long-term perspective and should be affordable today and in the future. The Town's budget shall be in compliance with the *Municipal Act* and thus must be balanced and shall not plan for a deficit. The use of one-time revenues shall not be incorporated into the Town's base budget and revenue diversification should be maximized.

2. Interdependency

The operating and capital budgets must be reviewed with a coordinated effort. It must be recognized that capital expenditures, financing decisions and strategies will impact on future operating budgets.

3. Affordability

The assumption of new assets and infrastructure and the replacement of existing assets will be well planned, and appropriate financing strategies and means will be utilized to minimize the financial impact and ensure that the tax rate is maintained at manageable levels. Growth related infrastructure is funded primarily through development charges in accordance with the *Development Charges Act*. Funding for non-growth infrastructure is funded through tax revenues. The town prepares multi-year operating and 10-year capital forecasts to evaluate the town's ability to afford new programs, service levels changes and new facilities. The compliance to PSAB 3150 Tangible Capital Assets, provides the town with the asset foundation and values to assist the town in managing their future infrastructure renewal needs.

4. Fee for Service

The town will ensure that user fees will be utilized to cover costs of appropriate services and are subject to annual review.

5. Management Principles

The town will maximize program efficiencies while maintaining program effectiveness. The annual budget will focus on results and outcomes. The safeguarding of the town's assets and resources shall be a key management objective. Town management and

staff review the numerous programs provided by all departments in order to ensure community needs are being met.

Operating budget controls

The town has adopted various policies that allow departments to effectively manage programs and services for which they are accountable. These policies establish a hierarchy of authority for adjusting between budget appropriations. The general accountabilities and allowable adjustments are as follows:

- Departmental services approved by Council are carried out within the department's net expenditure approvals, and deviations from this policy are reported to and reviewed by the CAO or Council, as set out herein.
- Department heads/commissioners are accountable to the treasurer/deputy treasurer, the chief administrative officer and Council for their spending, revenue generation and service delivery performance against budget approvals.
- Revenues received beyond the level provided for in the budget shall not be spent or committed without Council approval. At year-end, such remaining revenues become part of the town surplus.
- Reallocations between object codes that do not affect the net operating budget of a specific program may be made by a department head and will be implemented on an expenditure basis only.
- The transfer of approved budgets of not more than \$50,000 in respect of each reallocation between programs within a department that do not affect the net operating budget for the department shall require the approval of the commissioner, if applicable, the treasurer/deputy treasurer and the CAO. Any such reallocation shall be reported as part of the quarterly variance report. Reallocation of approved budgets in excess of \$50,000 requires Council approval.
- The transfer of approved budgets between programs and/or services affecting the net operating budget for a department shall require the approval of the treasurer/deputy treasurer and the CAO prior to seeking approval of Council.



Capital budget controls

The following points highlight the capital budget control process:

- Council, in adopting the capital budget, shall determine the sums required for each capital project listed in the capital budget. The treasurer/deputy treasurer shall certify that funding for the capital projects in the capital budget is within the town's updated financial obligation limit in relation to allowable provincial levels.
- All capital budgets and departmental reports to Council seeking authority for the release of funds and commencement of the capital project or amendments to the capital program must first be approved by the treasurer/deputy treasurer to ensure accuracy, financing sources and financial impact, and then reviewed by the CAO before being submitted to Council for approval.
- Similar to the operating budget, there are a hierarchy of controls detailing how project budgets may be amended.

Tangible capital assets

- The town has developed asset management policies to determine asset classes, thresholds, useful lives which are being followed to support compliance to PSAB 3150 Tangible Capital Assets.
- Amortization is done on a monthly basis, and charged corporately. Departmental budgets are not affected by amortization, as they are prepared

on a cash basis for tax purposes. Reconciliation of annual transfers to reserves/reserve funds are compared to amortization and reported to Council on an annual basis, in compliance with *Municipal Act 284/09*.

- Through the monthly capital project review, there is a linkage between the project and the asset being constructed or purchased. Once the asset is in service, the asset is capitalized and the project closed.
- Assets which are contributed to the town through development agreements are not budgeted for, but are included within the tangible capital assets as well as showed as funded from contributed revenue.
- Asset inventories are maintained and signed off by department directors quarterly and annually.

Debt management

Council has adopted a policy that ensures the annual debt repayment level is significantly below the allowable Provincial Government authorized level of 25 per cent of operating revenues. Council's current approved guideline stipulates that debt repayments for tax supported debt are not to exceed 6.25 per cent of operating revenues. In addition, total debt repayments including debt that will be recovered from non-tax sources are not to exceed 12 per cent of operating revenues. Finally, development supported debt repayments are not to exceed 25 per cent of the projected annual average development charge revenues. The town currently has a relatively low total debt burden in comparison to the provincial standard.

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of Oakville (the "town") are the responsibility of the town's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the town. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the town's consolidated financial statements.



Ray Green
Chief Administrative Officer



Gord Lalonde
Commissioner of Corporate
Services and Treasurer

Auditor's report



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Chartered Accountants
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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 (the "Town") as at December 31, 2009 and the consolidated statements of operations, change in net financial assets, and cash flows 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, 2009 and the results of its operations and changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted financial accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Accountants, Licensed Public Accountants

Hamilton, Canada
April 9, 2010, except
as to Note 17 which is
as of April 20, 2010

Consolidated Statement of Financial Position

December 31, 2009, with comparative figures for 2008
(in thousands of dollars)

| | 2009 | 2008 |
|--|--------------------|---------------------|
| | | (Restated – note 2) |
| Financial assets: | | |
| Cash and cash equivalents | \$ 12,224 | \$ 39,280 |
| Accounts receivable (note 3) | | |
| Taxes receivable | 23,039 | 16,525 |
| Other | 19,018 | 19,584 |
| Investments (note 4) | 132,001 | 147,756 |
| Investment in Oakville Hydro Corporation (note 5) | 150,037 | 165,713 |
| | <u>336,319</u> | <u>388,858</u> |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 32,441 | 35,356 |
| Other current liabilities | 13,864 | 11,758 |
| Deferred revenue – obligatory reserve funds (note 6) | 33,651 | 69,200 |
| Deferred revenue (note 7) | 24,573 | 24,694 |
| Long-term liabilities (note 8) | 29,086 | 34,107 |
| Post employment benefit liability (note 9(a)) | 16,013 | 14,626 |
| WSIB liability (note 9(b)) | 2,211 | 1,965 |
| | <u>151,839</u> | <u>191,706</u> |
| Net financial assets | 184,480 | 197,152 |
| Non financial assets: | | |
| Tangible capital assets (note 10) | 1,281,170 | 1,234,954 |
| Prepaid expenses and inventory | 2,134 | 1,318 |
| | <u>1,283,304</u> | <u>1,236,272</u> |
| Accumulated surplus (note 11) | <u>\$1,467,784</u> | <u>\$1,433,424</u> |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Operations

Year ended December 31, 2009, with comparative figures for 2008
(in thousands of dollars)

| | Budget | 2009 | 2008 |
|---|-------------------------|--------------------|-----------------------|
| | (Unaudited –note 18) | | (Restated –note 2) |
| Revenues: | | | |
| Taxation revenue | \$ 369,142 | \$ 373,790 | \$ 357,695 |
| Less amounts received for Region and School Boards | 247,251 | 250,280 | 244,859 |
| | 121,891 | 123,510 | 112,836 |
| User fees and changes (note 12) | 35,850 | 35,324 | 34,956 |
| Government transfers (note 15) | | | |
| Government of Canada | 6,312 | 6,715 | 1,515 |
| Province of Ontario | 7,268 | 3,877 | 5,743 |
| Other Municipalities | 2,979 | 4,295 | 5,130 |
| Investment income | 3,743 | 7,131 | 6,511 |
| Interest on promissory notes to Oakville | | | |
| Hydro Corporation (note 5(b)) | 4,717 | 4,713 | 4,712 |
| Penalties and interest | 2,430 | 3,062 | 2,804 |
| Developer contributions and development charges earned | 38,130 | 47,987 | 62,088 |
| Other | 5,350 | 6,026 | 14,462 |
| Equity in income of Oakville Hydro Corporation (note 5(c)) | 3,100 | 4,725 | 6,706 |
| Total revenue | 231,770 | 247,365 | 257,463 |
| Expenses (note 16): | | | |
| General government | 23,570 | 28,501 | 23,739 |
| Protection to persons and property | 30,822 | 32,122 | 29,284 |
| Transportation services | 38,688 | 64,605 | 66,154 |
| Environmental services | 883 | 4,153 | 4,574 |
| Health services | 835 | 1,148 | 850 |
| Recreation and cultural services | 40,311 | 55,504 | 59,734 |
| Planning and development | 111,247 | 10,826 | 11,587 |
| Total expenses | 146,356 | 196,859 | 195,922 |
| Annual surplus | 85,414 | 50,506 | 61,541 |
| Accumulated surplus, beginning of year (note 2) | 1,435,983 | 1,417,278 | 1,371,883 |
| Accumulated surplus, end of year (note 11) | \$1,521,397 | \$1,467,784 | \$1,433,424 |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Change in Net Financial Assets (Net Debt)

Year ended December 31, 2009, with comparative figures for 2008
(in thousands of dollars)

| | Budget | 2009 | 2008 |
|--|-------------------------|-----------|-----------|
| | (Unaudited –note 18) | | |
| Annual surplus | \$ 85,414 | \$ 50,506 | \$ 61,541 |
| Acquisition of tangible capital assets | (84,463) | (82,668) | (81,215) |
| Amortization of tangible capital assets | - | 36,197 | 34,992 |
| Gain on sale of tangible capital assets | - | (107) | (382) |
| Proceeds on sale of tangible capital assets | - | 362 | 1,114 |
| | 951 | 4,290 | 16,050 |
| Acquisition of prepaid expenses and inventory | - | (2,134) | 1,318 |
| Use of prepaid expenses and consumption of inventory | - | 1,318 | (1,298) |
| | - | (816) | 20 |
| Change in accounting policy recognizing future taxes in Oakville Hydro Corporation (note 2) | - | (16,146) | - |
| Change in net financial assets | 951 | (12,672) | 16,070 |
| Net financial assets, beginning of year | 197,152 | 197,152 | 181,082 |
| Net financial assets, end of year | \$198,103 | \$184,480 | \$197,152 |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008
(in thousands of dollars)

| | 2009 | 2008 |
|--|----------|---------------------|
| | | (Restated – note 2) |
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$50,506 | \$61,541 |
| Items not involving cash: | | |
| Amortization | 36,197 | 34,992 |
| Gain on sale of tangible capital assets | (107) | (382) |
| Developer contributions of tangible capital assets | (5,398) | (20,670) |
| Change in employee benefits | 1,387 | 2,046 |
| Change in WSIB liability | 246 | 241 |
| Equity in income of Oakville Hydro | (4,725) | (6,706) |
| Change in non-cash assets and liabilities: | | |
| Taxes receivable | (6,514) | (811) |
| Accounts receivable | 566 | (7,841) |
| Accounts payable and accrued liabilities | (2,915) | 15,617 |
| Other current liabilities | 2,106 | 360 |
| Deferred revenue – obligatory reserve funds | (35,549) | (15,241) |
| Deferred revenue | (121) | 6,109 |
| Prepaid expenses and inventory | (816) | 20 |
| Net change in cash and cash equivalents from operations | 34,863 | 69,275 |
| Capital activities: | | |
| Proceeds on sale of tangible capital assets | 362 | 1,114 |
| Cash used to acquire tangible capital assets | (77,270) | (60,545) |
| Net change in cash and cash equivalents from operations | (76,908) | (59,431) |
| Investing activities: | | |
| Investments | 15,755 | 5,813 |
| Decrease in direct financing lease receivable from Oakville Hydro Corporation | 567 | 604 |
| Dividend from Oakville Hydro Corporation | 3,688 | 3,122 |
| Net change in cash from investing activities | 20,010 | 9,539 |
| Financing activities: | | |
| Debt issued | 351 | 3,176 |
| Debt principal repayment | (5,372) | (4,884) |
| Net change in cash from financing activities | (5,021) | (1,708) |
| Net change in cash and cash equivalents | (27,056) | 17,675 |
| Cash and cash equivalents, beginning of year | 39,280 | 21,605 |
| Cash and cash equivalents, end of year | \$12,224 | \$39,280 |

Notes to Consolidated Financial Statements

The Corporation of the Town of Oakville (the “town”) is a municipality that provides municipal services such as fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the town are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (“PSAB”) of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the town are as follows:

(A) Basis of consolidation:

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the town and which are owned or controlled by the town, except for the town’s government business enterprise (Oakville Hydro Corporation), which are accounted for on the modified equity basis of accounting.

These entities and organizations include:

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

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

(ii) Investment in Oakville 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. Under the modified equity basis, Oakville Hydro Corporation 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 operations 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, expenses, assets and liabilities with respect to the operations of the Region of Halton and the schools board are not reflected in these consolidated financial statements.

(iv) Trust funds

Trust funds and their related operations administered by the Town are not included in these consolidated financial statements.

(B) Basis of accounting:

The town follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(C) Government transfers:

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(D) Deferred revenue — obligatory reserve funds:

Deferred revenue — obligatory reserve funds represents development charge contributions, payments in lieu of parkland and gas tax, levied or received under the authority of federal and provincial legislation and town by-laws. These amounts have been collected but the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(E) Deferred revenue:

Deferred revenues represent licenses, permits, grants and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(F) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

Notes to Consolidated Financial Statements

Year ended December 31, 2009

(tabular columns in thousands of dollars)

(G) Cash equivalents:

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

(H) Investments:

Investments consist of bonds and debentures and are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(I) 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 investment. The investment in the leases is composed of net minimum remaining lease payments net of unearned investment income.

(J) Employee future benefits:

(i) The town provides certain employee benefits which will require funding in future periods. These benefits include long-term disability, benefits under the *Workplace Safety and Insurance Board ("WSIB") Act*, and extended health and dental benefits for early retirees.

The costs of long-term disability, benefits under the *Workplace Safety and Insurance Board Act* and extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, earned days accumulated for certain employees payable at retirement, health care cost trends, long term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as service payments, health and dental benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

(ii) The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(K) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

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

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(v) Interest capitalization

The town does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(vi) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vii) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(L) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits.

In addition, the town’s implementation of the Public Sector Accounting Handbook PS3150 has requirement management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

2. Change in accounting policies:

The town has implemented Public Sector Accounting Board (“PSAB”) sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The town applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different

method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, the consumer price index was used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

| Accumulated surplus at January 1, 2008: | |
|--|--------------|
| Operating fund balance | \$ 561 |
| Capital fund balance | 13,151 |
| Reserves | 52,029 |
| Reserve funds | 166,098 |
| Amounts to be recovered | (49,419) |
| Accumulated surplus, as previously reported | 182,420 |
| Net book value of tangible capital assets recorded | 1,189,463 |
| Accumulated surplus, as restated, January 1, 2008 | 1,371,883 |
| Annual surplus for 2008 | 61,541 |
| Accumulated surplus, December 31, 2008 before the following | 1,433,424 |
| Change in accounting policy recognizing regulatory liabilities on future income tax assets in investment in Oakville Hydro Corporation | (16,146) |
| Net book value of tangible capital assets recorded | \$ 1,417,278 |

| Annual surplus for 2008: | |
|---|-----------|
| Net revenues, as previously reported | \$ 16,070 |
| Developer contribution of tangible capital assets | - |
| Assets capitalized but previously expensed | 81,215 |
| Amortization expense not previously recorded | (34,992) |
| Gain on sale of tangible capital assets | 382 |
| Proceeds on disposal reported as revenue | (1,114) |
| Change in non-financial assets not previously reported as expense | (20) |
| Annual surplus, as restated | \$ 61,541 |

Notes to Consolidated Financial Statements

Year ended December 31, 2009

(tabular columns in thousands of dollars)

Oakville Hydro Corporation

– regulatory accounting changes

The Oakville Hydro Corporation, which is accounted for on a modified equity basis by the Town, experienced a change in accounting policy. Effective January 1, 2009, Oakville Hydro Electricity Distribution Inc. (“OHEDI”), a wholly owned subsidiary of the Oakville Hydro Corporation, adopted the amended sections of CICA Handbook Section 3465, Income taxes.

The amendment to CICA Handbook section 3465 states that where future income taxes may be expected to be included in approved rates charged to customers in the future and be recovered or returned to future customers, the recognition of a regulatory asset or liability for the increase or reduction in future revenue is required. Furthermore, the regulatory asset or liability established by this requirement is a temporary difference for which an additional future income tax asset or liability is recognized. The temporary differences primarily relate to depreciation in excess of capital cost allowance. This change has been applied on a retroactive basis without restatement of prior periods. As a result of this change, OHEDI’s opening retained earnings decreased by \$16,146 and regulatory liabilities and future income tax assets increased by \$22,235 and \$6,702 respectively at January 1, 2009. The impact to OHEDI’s results from operations for the year ended December 31, 2009 was a reduction of future income taxes of \$2,222.

The town accounts for the Oakville Hydro Corporation using the modified equity method. This change in accounting policy at Oakville Hydro Corporation has been applied in the same manner at the town. As a result, opening accumulated surplus

has decreased by \$16,146 and the investment in Oakville Hydro Corporation has decreased by \$16,146.

3. Accounts receivable

Taxes receivable are reported net of a valuation allowance of \$1,356 (2008 — \$1,891). There is no valuation allowance for other accounts receivable.

4. Investments:

Investments reported on the consolidated statement of financial position have market values of \$138,501 (2008 — \$150,554).

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 2009.



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

| | 2009 | 2008 |
|---|-------------------|-------------------|
| Financial position: | | |
| Assets: | | |
| Current | \$ 79,694 | \$ 54,177 |
| Capital | 119,779 | 144,660 |
| Other | 22,276 | 17,979 |
| Total assets | 221,749 | 216,816 |
| Liabilities: | | |
| Current | 35,016 | 32,093 |
| Capital lease obligations to Town of Oakville | 9,321 | 9,888 |
| Promissory notes payable to Town of Oakville | 77,029 | 77,029 |
| Other | 36,696 | 19,010 |
| Total liabilities | 158,062 | 138,020 |
| Equity: | | |
| Share capital | 63,024 | 63,024 |
| Accumulated other comprehensive income | - | - |
| Retained earnings | 663 | 15,772 |
| Total equity | 63,687 | 78,796 |
| Total liabilities and equity | \$ 221,749 | \$ 216,816 |
| Operations: | | |
| Revenue | \$ 157,282 | \$ 152,978 |
| Expenses (including income tax provision) | 152,557 | 146,272 |
| Income net of taxes | 4,725 | 6,706 |
| Dividend paid to Town of Oakville | (3,688) | (3,122) |
| Change in accounting policy (note 2) | (16,149) | - |
| Change in equity | (15,109) | 3,584 |
| Direct financing lease receivable repayment | (567) | (604) |
| Change in investment in Oakville Hydro Corporation | \$ (15,676) | \$ 2,980 |
| Town of Oakville's investment represented by: | | |
| Direct financing leases receivable note 5(a) | \$ 9,321 | \$ 9,888 |
| 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 change in accounting policy | 663 | 15,772 |
| Total investment in Oakville Hydro Corporation | \$ 150,037 | \$ 165,713 |

Notes to Consolidated Financial Statements

Year ended December 31, 2009

(tabular columns in thousands of dollars)

(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:

| | |
|--|----------|
| 2010 | \$ 1,152 |
| 2011 | 1,187 |
| 2012 | 1,222 |
| 2013 | 1,259 |
| Thereafter | 8,388 |
| | 13,208 |
| Less amount representing interest, imputed at 7% | 3,887 |
| | \$ 9,321 |

(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, 2009, the interest rate in effect on the promissory notes of \$67,946 was 6 per cent (2008 — 6 per cent) and the promissory note of \$9,083 has an interest rate in effect of 7 per cent (2008 — 7 per cent). Interest revenue earned from these notes totaled \$4,713 (2008 — \$4,712).

(C) Equity in Oakville Hydro Corporation:

| | 2009 | 2008 |
|--|-----------|-----------|
| Balance, beginning of year | \$169,682 | \$166,098 |
| Income net of taxes | 4,725 | 6,706 |
| Dividend received from Oakville Hydro | (3,688) | (3,122) |
| Change in accounting policy recognizing future income taxes (note 2) | (16,146) | - |
| | (15,109) | 3,584 |
| Balance, end of year | \$154,573 | \$169,682 |

| | | |
|--|-----------|-----------|
| Investment in Oakville Hydro Corporation | \$150,037 | \$165,713 |
| Direct financing lease repaid | 4,536 | 3,969 |

| | | |
|--|-----------|-----------|
| Equity in Oakville Hydro Corporation (note 11) | \$154,573 | \$169,682 |
|--|-----------|-----------|

(D) Related party transaction and balances:

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

| | 2009 | 2008 |
|--|----------|----------|
| Revenue | | |
| Interest on capital leases | \$ 674 | \$ 715 |
| Cashier services | 2 | 3 |
| Tree trimming service | 204 | 232 |
| Garage services | 491 | 483 |
| Property taxes | 314 | 312 |
| Interest on promissory notes | 4,713 | 4,712 |
| Expenses | | |
| Energy purchases (at commercial rates) | \$ 3,125 | \$ 3,001 |
| Fibre optic rental | 53 | 58 |
| Streetlight maintenance | 558 | 339 |
| Balances | | |
| Amounts due from the Corporation | | |
| Accounts receivable | \$ 93 | \$ 80 |
| Direct financing leases receivable | 9,321 | 9,888 |
| Promissory note receivable | 77,029 | 77,029 |
| Amounts due to the Corporation | | |
| Accounts payable and accrued liability | \$ 392 | \$ 196 |

(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 restitutionary payments, plus interest, was served on the former Toronto Hydro-Electric Commission, continuing as Toronto Hydro Corporation on November 18, 1998. The action was initiated against the former Toronto Hydro-Electric Commission as the representative of the defendant class consisting of all

municipal electric utilities (MEU) in Ontario, of which the Oakville Hydro Corporation is a successor MEU, which 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 cent per year, contrary to Section 347(1) (b) of the Criminal Code. This action is at a preliminary stage. The Electricity Distributors Association is undertaking the defense of this class action of behalf of the defendant class. It is anticipated that the action will now proceed for determination in light of the reasons in the decision of the Supreme Court in the Enbridge class action.

On April 22, 2004, in a decision in a class action commenced against The Consumers' Gas Company Limited (now Enbridge Gas Distribution Inc.), the Supreme Court of Canada ruled that Consumers' Gas was required to repay that portion of certain late payment charges collected by it from its customers that were in excess of the interest limit stipulated in section 347 of the Criminal Code. The parties have reached a settlement of this class action and the settlement has been approved by the Ontario Superior Court of Justice.

On February 4, 2008, the OEB ruled that all of Enbridge's costs related to settlements of the class action lawsuits, including legal costs, settlement cost and interest, are recoverable from

ratepayers. The OEB's decision allows Enbridge to recover all amounts over a five year period commencing in 2008.

In May 2008, the representative plaintiff in the class action made a petition to the Lieutenant Governor in Council of Ontario (LGiC) in which he asked the LGiC to require the OEB to reconsider its decision of February 4, 2008 and potentially re-hear that matter.

A settlement is in the process of being negotiated for the claim against the Defendant Class of MEUs. The settlement has not yet been approved by the MEUs or the courts.

At this time, given the preliminary status of this action, it is not possible to quantify the effect, if any, on the financial statements of the corporation. Consequently, no provision has been made in these financial statements with respect to any possible losses that may arise as a result of this matter.

(ii) Short term credit facilities

The corporation has an uncommitted line of credit facility available for \$20 million with a Canadian chartered bank. As at December 31, 2009 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. Deferred revenue — obligatory reserve funds:

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

| | 2009 | | | | 2008 | |
|---|---------------------|-----------|-----------|----------------------|-----------|-----------|
| | Development charges | Parkland | Gas tax | Investing in Ontario | Total | Total |
| Balance, beginning of year | \$ 37,303 | \$ 12,502 | \$ 11,961 | \$ 7,434 | \$ 69,200 | \$ 84,441 |
| Developer and other contributions | 6,876 | 1,792 | - | - | 8,668 | 14,190 |
| Interest earned | (964) | 1,179 | 635 | 454 | 1,304 | 2,937 |
| Provincial and federal funding | - | - | 7,134 | - | 7,134 | 13,053 |
| | 5,912 | 2,971 | 7,769 | 454 | 17,106 | 30,180 |
| Less | | | | | | |
| Contributions used in operating and capital funds | 42,457 | 247 | 8,645 | 1,306 | 52,655 | 45,421 |
| | \$ 758 | \$ 15,226 | \$ 11,085 | \$ 6,582 | \$ 33,651 | \$ 69,200 |

Notes to Consolidated Financial Statements

Year ended December 31, 2009

(tabular columns in thousands of dollars)

7. Deferred revenue:

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

| | 2009 | | | | 2008 | |
|---|------------------------------|---------------------------|-----------------------------|---------------------------------|-----------|-----------|
| | Deferred revenues operations | Deferred revenues capital | Pre-authorized tax payments | Deferred revenues Library & BIA | Total | Total |
| Balance, beginning of year | \$ 8,754 | \$ 6,457 | \$ 9,452 | \$ 31 | \$ 24,694 | \$ 18,585 |
| Development Fees | 1,192 | 42 | - | - | 1,234 | 3,670 |
| User fees | 34 | - | - | - | 34 | 148 |
| Provincial Grants | - | - | - | - | - | 3,550 |
| Other | - | - | 462 | - | 462 | 1,708 |
| | 1,226 | 42 | 462 | | 1,730 | 9,076 |
| Less | | | | | | |
| Contributions used in operating and capital funds | 1,110 | 724 | | 17 | 1,851 | 2,967 |
| | \$ 8,870 | \$ 5,775 | \$ 9,914 | \$ 14 | \$ 24,573 | \$ 24,694 |

8. Long-term liabilities:

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

| | 2009 | 2008 |
|--|-----------|-----------|
| The municipality has assumed responsibility for the payment of the principal interest charges on certain long-term serial debentures issued by Halton Region on behalf of the town. Interest rates range from 1.00 per cent to \$18,585 | \$ 22,893 | \$ 26,810 |
| 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 rates range from 2.37 per cent to 2.43 per cent. | 6,193 | 7,297 |
| | \$ 29,086 | \$ 34,107 |

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

| | |
|------------|------------------|
| 2010 | \$ 5,262 |
| 2011 | 5,039 |
| 2012 | 3,794 |
| 2013 | 3,497 |
| 2014 | 3,630 |
| Thereafter | 7,864 |
| | <u>\$ 29,086</u> |

(C) 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.

(D) Total interest on long-term liabilities which are reported on the consolidated statement of operations amounted to \$1,405 (2008 — \$1,627). The long-term liabilities bear interest at rates ranging from 1 to 6.1 per cent.

9. Post employment benefit liability:

(A) Retiree benefits:

The Town pays extended health and dental benefits for early retirees to age 65 as well as for certain employees, a one day per year accrual of service payable at retirement. The town recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability and the expense for the 12 months ended December 31, 2009, were determined by actuarial valuation using a discount rate of 2.25 per cent. The most recent actuarial valuation was performed as at December 31, 2008.

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

(i) Interest (discount rate):

The obligation as at December 31, 2009, of the present value of future liabilities and the expense for the 12 months ended December 31, 2009, were determined using a discount rate of 5.25 per cent.

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 8.0 per cent per year reducing to 3.5 per cent per year by 2018 and 3.5 per cent per year thereafter.

(iii) Dental costs:

Dental costs were assumed to increase at the rate of 3.5 per cent per year.

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

| | 2009 | 2008 |
|---------------------------------|------------------|------------------|
| Accrued benefits liability, | | |
| beginning of year | \$ 15,648 | \$ 13,695 |
| Current service costs | 916 | 822 |
| Plan improvements | | |
| and amendments | 726 | 798 |
| Interest on accrued benefits | 851 | 744 |
| Benefits paid during the period | (465) | (411) |
| | <u>\$ 17,676</u> | <u>\$ 15,648</u> |
| Unamortized actuarial loss | (1,663) | (1,022) |
| Accrued benefits liability, | | |
| end of year | \$ 16,013 | \$ 14,626 |

Included in current service costs is \$85 (2008 — \$93) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life which is 12 years.

(B) WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB") Act, the town has elected to be treated as a schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The most recent actuarial valuation was performed as at December 31, 2009.

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

(i) Interest (discount rate):

The obligation as at December 31, 2009, of the present value of future liabilities and the expense for the 12 months ended December 31, 2009, were determined using a discount rate of 5.25 per cent.

Notes to Consolidated Financial Statements

Year ended December 31, 2009

(tabular columns in thousands of dollars)

(ii) Administration costs:

Administration costs were assumed to be 28.0 per cent of the compensation expense.

(iii) Compensation expense:

Compensation costs, which include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at rates ranging from 2.25 to 6.0 per cent depending on the benefit type.

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

| | 2009 | 2008 |
|---------------------------------|----------|----------|
| Accrued WSIB liability, | | |
| beginning of year | \$ 2,214 | \$ 1,999 |
| Current service costs | 510 | 495 |
| Interest on accrued benefits | 113 | 103 |
| Benefits paid during the period | (404) | (383) |
| | 2,433 | 2,214 |
| Unamortized actuarial loss | (222) | (249) |
| Accrued WSIB liability, | | |
| end of year | \$ 2,211 | \$ 1,965 |

WSIB (cont'd)

Included in current service costs is \$27 (2008 - \$27) for amortization of the actuarial loss. The unamortized actuarial loss on future payments required to WSIB is amortized over the expected period of the liability which is 10 years.

(C) Other pension plans:

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 1,171 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates to pay.

Contributions for employees with a normal retirement age of 65 were being made at a rate of 6.5% for earnings up to the yearly maximum pensionable earnings of \$44.9 and at a rate of 9.6% for earnings greater than the yearly maximum pensionable earnings.

The amount contributed to OMERS for 2009 was \$5,812 (2008 - \$5,153).

10. Tangible capital assets:

| | 2009 | | | | | | | | | |
|---------------------------------|-----------|-------------------|-----------|-----------|----------|---------------|-----------------------|----------------------|------------------|-------------|
| | Land | Land improvements | Buildings | Equipment | Vehicles | Roads network | Environmental network | Comp & tech services | Work in progress | Total |
| Asset Cost 2009 | | | | | | | | | | |
| Balance, beginning of year | \$475,075 | \$205,435 | \$170,123 | \$23,918 | \$52,802 | \$511,122 | \$231,828 | \$12,469 | \$25,685 | \$1,708,457 |
| Add: additions during the year | 5,161 | 11,239 | 506 | 1,877 | 8,365 | 7,024 | 1,234 | 2,743 | 44,519 | 82,668 |
| Less: disposals during the year | (29) | (420) | - | (1,442) | (3,951) | (3,093) | (189) | (685) | - | (9,809) |
| Balance, end of year | 480,207 | 216,254 | 170,629 | 24,353 | 57,216 | 515,053 | 232,873 | 14,527 | 70,204 | 1,781,316 |
| Accumulated amortization | | | | | | | | | | |
| Balance, beginning of year | - | 138,107 | 54,260 | 11,802 | 25,579 | 181,238 | 55,678 | 6,839 | - | 473,503 |
| Add: additions during the year | - | 8,019 | 3,777 | 2,240 | 4,290 | 12,862 | 3,342 | 1,667 | - | 36,197 |
| Less: disposals during the year | - | (300) | - | (1,403) | (3,951) | (3,027) | (188) | (685) | - | (9,554) |
| Balance, end of year | - | 145,826 | 58,037 | 12,639 | 25,918 | 191,073 | 58,832 | 7,821 | - | 500,146 |
| Net book value, end of year | \$480,207 | \$70,428 | \$112,592 | \$11,714 | \$31,298 | \$323,980 | \$174,041 | \$6,706 | \$70,204 | \$1,281,170 |

10. Tangible capital assets:

| 2008 | | | | | | | | | | |
|-----------------------------------|-----------|---------------------------|-----------|-----------|----------|------------------|-------------------------------|----------------------------|---------------------|-------------|
| | Land | Land improve- ments | Buildings | Equipment | Vehicles | Roads network | Environ- mental network | Comp & tech services | Work in progress | Total |
| Asset Cost 2008 | | | | | | | | | | |
| Balance, beginning of year | \$455,527 | \$202,487 | \$159,844 | \$22,018 | \$44,862 | \$496,618 | \$225,984 | \$10,560 | \$12,426 | \$1,630,326 |
| Add: additions during the year | 19,862 | 2,978 | 10,279 | 2,546 | 9,617 | 14,921 | 5,844 | 1,909 | 13,259 | 81,215 |
| Less: disposals during the year | (314) | (30) | - | (646) | (1,677) | (417) | - | - | - | (3,084) |
| Balance, end of year | 475,075 | 205,435 | 170,123 | 23,918 | 52,802 | 511,122 | 231,828 | 12,469 | 25,685 | 1,708,457 |
| Accumulated amortization | | | | | | | | | | |
| Balance, beginning of year | - | 129,588 | 50,712 | 10,268 | 23,161 | 169,412 | 52,378 | 5,344 | - | 440,863 |
| Add: additions during the year | - | 8,549 | 3,548 | 2,178 | 3,738 | 12,184 | 3,300 | 1,495 | - | 34,992 |
| Less: disposals during the year | - | (30) | - | (644) | (1,320) | (358) | - | - | - | (2,352) |
| Balance, end of year | - | 138,107 | 54,260 | 11,802 | 25,579 | 181,238 | 55,678 | 6,839 | - | 473,503 |
| Net book value, end of year | \$475,075 | \$67,328 | \$115,863 | \$12,116 | \$27,223 | \$329,884 | \$176,150 | \$5,630 | \$25,685 | \$1,234,954 |
| Net book value, beginning of year | \$455,527 | \$72,899 | \$109,132 | \$11,750 | \$21,701 | \$327,206 | \$173,606 | \$5,216 | \$12,426 | \$1,189,463 |

(A) Assets under construction

Assets under construction having a value of \$70,204 (2008 — \$25,685) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(B) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$5,398 (2008 — \$20,670) comprised of road networks in the amount of \$281 (2008 — \$9,210); environmental network - \$114 (2008 — \$4,581); and land - \$5,003 (2008 — \$6,879)

(C) Tangible capital assets disclosed at nominal values

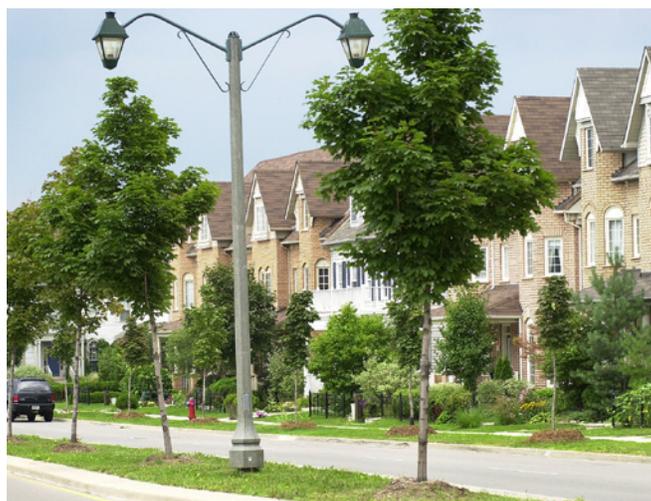
Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land under roads, cemetery lands and buildings slated for demolition are the only assets where nominal values were assigned.

(D) Works of art and historical treasures

The Town manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(E) Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$nil (2008 \$nil).



Notes to Consolidated Financial Statements

Year ended December 31, 2009

(tabular columns in thousands of dollars)

11. Accumulated surplus:

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

| | 2009 | 2008 |
|---|--------------|--------------|
| Surplus | | |
| Invested in tangible capital assets | \$ 1,281,170 | \$ 1,234,954 |
| Other | 659 | 14,497 |
| Equity in Oakville Hydro | 154,573 | 169,682 |
| Unfunded | | |
| Post employee benefits | (18,224) | (15,891) |
| Long-term liabilities | (29,086) | (34,107) |
| | 1,389,092 | 1,369,135 |
| Reserves set aside for specific purposes by Council for: | | |
| Tax rate stabilization | 10,499 | 4,558 |
| Capital financing | 27,079 | 23,149 |
| Acquisition of tangible capital assets | 12,906 | 12,830 |
| Recreation and culture | 463 | 423 |
| Working capital | 4,456 | 4,233 |
| Insurance | 1,347 | 568 |
| Total reserves | 56,750 | 45,761 |
| Reserve funds set aside for specific purpose by Council: | | |
| Post employment benefits and WSIB | 8,317 | 6,908 |
| Street trees | 612 | 729 |
| Conservation purposes | 292 | 262 |
| Harbours | 572 | 447 |
| Library development | 197 | 164 |
| Building, ground maintenance and replacement | 7,925 | 6,374 |
| Parking | 4,027 | 3,643 |
| | \$ 21,942 | \$ 18,527 |
| | \$ 1,467,784 | \$ 1,433,423 |

12. User fees and charges:

User fees and charges include the following:

| | 2009 | 2008 |
|--|-----------|-----------|
| Development fees and miscellaneous | \$ 5,435 | \$ 5,382 |
| Transit revenues | 5,953 | 5,647 |
| Parking, Provincial Offences Act and other fines | 3,596 | 3,671 |
| Town facilities rental and usage fees | 7,254 | 7,793 |
| Recreation and cultural program revenues | 6,128 | 5,932 |
| Cemeteries | 1,319 | 722 |
| Licenses and permits | 5,639 | 5,809 |
| | \$ 35,324 | \$ 34,956 |

13. Trust funds:

Trust funds administered by the municipality amounting to \$3,816 (2008 — \$3,437) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities.

14. Contingent liabilities and guarantees:

(A) Loan guarantees:

The Town of Oakville has one loan guarantee outstanding at the end of 2009, as follows:

| | Original | December 31, 2009 |
|--------------------|----------|-------------------|
| Burloak Canoe Club | \$ 75 | \$ 30 |

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 or committee of the town. The maximum amount of any potential future payment cannot be reasonably estimated.

(iii) In the normal course of business, the town, on occasion, has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the town to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the town from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, the town has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the financial statements with respect to these agreements.

15. 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:

| | 2009 | 2008 |
|---|-----------|----------|
| Revenue | | |
| Federal grants | | |
| Canada council | \$ 275 | \$ 104 |
| Canadian heritage grant | 70 | 65 |
| DCH grant | 56 | 231 |
| HRDC grant | 52 | 17 |
| Community Investment Support | 22 | 20 |
| Federal gas tax | 5,940 | 1,078 |
| Infrastructure Stimulus Funding | 300 | - |
| | 6,715 | 1,515 |
| Ontario grants | | |
| Ontario Municipal Partnership Fund | 305 | 305 |
| Elderly Person's Centres | 116 | 74 |
| Library – operating grant | 182 | 182 |
| Museum – operating grant | 58 | 58 |
| COMRIF | - | 30 |
| GTA farecard project, Metrolinx & Provincial Trans Expansion funding initiative | 182 | 197 |
| Ontario Economic Outlook & Fiscal Review | - | 1,266 |
| Roads & Bridge Funding | - | 2,448 |
| Infrastructure Ontario Mill | 381 | 327 |
| Communities in action and zero tolerance | 41 | 35 |
| Ontario arts council | 105 | 92 |
| Ontario gas tax | 2,175 | 713 |
| Miscellaneous | 32 | 16 |
| COMRIF | | |
| Infrastructure | 300 | - |
| | 3,877 | 5,743 |
| | \$ 10,592 | \$ 7,258 |

Notes to Consolidated Financial Statements

Year ended December 31, 2009

(tabular columns in thousands of dollars)

16. Segmented information:

The Town of Oakville is a diversified lower tier municipal government that provides a wide range of services to its citizens, including fire, public transit, roads and works operations, parks, recreation, culture, planning, development and building services. Segmented information has been identified based on lines of service provided by the Town. These lines of service have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(i) Governance and corporate services:

Reported in the general government functional area, it covers those departments responsible for political governance (Council, Clerks), administrative executive management (CAO, Internal Audit, Strategy, Policy and Communications), Corporate Services (Finance, Human Resources, Legal, Information Systems + Solutions, Capital Assets) and those expenses and revenues which are truly corporate in nature and cannot be easily apportioned to one department over another, such as investment income and penalties and interest on overdue taxes. Also, any tax revenue required to cover debt principal repayments, transfers to capital and reserves/reserve funds, has been allocated to this area.

(ii) Fire:

The mandate of Fire is to provide emergency services through a range of services to protect the lives and property of the inhabitants of Oakville from the adverse effects of fires, sudden medical and non-medical emergencies including but not limited to exposure to dangerous conditions brought on by natural, technological or human-caused events. The main objectives are to prevent fires, educate the public with regards to fire related risks, to enforce fire safety standards, fight and suppress fires and to plan and respond to all emergencies throughout the Town.

(iii) Building Services:

The mandate of Building Services is to inform and assist customers to ensure safe and orderly development and provide efficient delivery of building approvals, inspections and management systems. The Building Services department is for the most part, an enforcement agency, enforcing both provincial and municipal regulations. Provincially, the department enforces the Ontario Building Code to ensure that all construction within the municipality meets the minimum standard required ensuring life safety for all residents, businesses and workers that choose to live and/or work in Oakville. Municipally, the department enforces the local zoning regulations which are designed to ensure that development within the municipality conforms to the regulations designed to create the most livable town in Canada.

(iv) Parks, Recreation and Culture:

The mandate for Parks is a commitment to ensuring a diverse range of open space opportunities that preserves and enhances the quality of life for present and future generations. This will be accomplished by protecting and enhancing our heritage and environment, facilitating community partnerships and providing effective efficient services through a dedicated and professional staff. This service is responsible for the provision of the parks and open space program, which provides the residents with day-to-day maintenance for the town's parks and open space system, as well as undertaking the planning and construction of new parkland and open space. Parks and Open Spaces is also responsible for the operation of the Oakville Harbours and Cemeteries Operations.

The mandate of Recreation and Culture is to provide a diverse range of recreational opportunities that preserve and enhance the quality of life for present and future generations which are innovative and accessible to all residents and meet the diverse needs of a changing community. They are responsible for the effective delivery of the recreation services program, including direct program delivery, the provision of facilities and internal departmental and corporate support as well as the support of groups and organizations throughout the town in the delivery of services to their members. This program is provided through the provision of administration, recreation programs, support services and facilities. The Recreation and Cultural department also provide management and programming of the Oakville Museum and the Oakville Centre for the Performing Arts.

(v) Roads and Works:

The mandate of Roads and Works is to provide quality road, traffic and water resource systems maintenance and operations to the residents and businesses of Oakville. This program is responsible for the maintenance and operation of the town's transportation and water resources system. This area is also responsible for winter control for the town and Region of Halton.

The Engineering section manages the infrastructure planning and improvements program which provides for the detailed planning, design and construction of Oakville's transportation and water resources infrastructure programs. Through cost effective and responsible means, it involves environmental assessments, studies, public and agency consultations, engineering designs and approvals, tendering and administration for projects and services including roads and traffic, bridges and culverts, sidewalks and cycle ways, storm drainage, storm water management, creek channels and shoreline projection. This department is also responsible for the provision of parking and parking enforcement.

(vi) Transit:

The mandate of Transit is to provide a safe, reliable, convenient and efficient public transit services within the urban area. This program is responsible for designing and delivering a range of transit services within the urban boundaries of the Town of Oakville.

(vii) Planning, Development Services and Economic Development:

The mandate of Planning Services department is to strive for excellence in creating a livable community for present and future generations. This program creates the policy framework and implementation tools required to shape the future of the community.

The mandate of Development Services is to ensure that new urban public infrastructure, built through the development processes, meets or exceeds the town’s standards and requirements. They are responsible for ensuring that the town’s land development standards are achieved on all development applications.

The mandate of the Economic Development department is to create a balanced environment that fosters economic growth, job

creation and live/work opportunities. This program has a number of functions that involve the local business community as well as other stakeholders within and outside of Oakville. Collectively, these functions work to build a positive economic environment that result in business retention, expansion and attraction, which will drive assessment and job growth in the town.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment’s budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

| 2009 | | | | | | | | | |
|---|-------------------------------------|-----------|----------------------|--------------------------------|-----------------------------------|--|-------------------|----------|------------|
| | Governance Corporate Services | Fire | Building Services | Parks, Recreation & Culture | Roads and Works Engineering | Planning Development & Economic Transit Development | Other Services | | Total |
| Revenue | | | | | | | | | |
| Taxation | \$ 23,063 | \$ 23,913 | \$ 123 | \$ 32,974 | \$ 26,732 | \$ 12,281 | \$ 3,202 | \$ 1,222 | \$ 123,510 |
| Ontario grants | 305 | - | - | 523 | 387 | 482 | - | 5 | 1,702 |
| Canada grants | - | - | - | 453 | - | 300 | 22 | - | 775 |
| Gas tax revenues | 597 | - | - | - | 4,378 | 3,140 | - | - | 8,115 |
| Other municipalities | 23 | - | - | 421 | 3,181 | 670 | - | - | 4,295 |
| Oakville Hydro | 4,713 | - | - | - | - | - | - | - | 4,713 |
| User fees and service charges | 1,957 | 42 | 4,980 | 14,797 | 4,302 | 5,953 | 3,053 | 240 | 35,324 |
| Investment income | 7,131 | - | - | - | - | - | - | - | 7,131 |
| Penalties and interest | 3,062 | - | - | - | - | - | - | - | 3,062 |
| Developer contributions and development charges earned | (17,010) | 725 | - | 33,105 | 26,904 | 2,851 | 1,412 | - | 47,987 |
| Equity in Income in Oakville Hydro | 4,725 | - | - | - | - | - | - | - | 4,725 |
| Other | 808 | - | - | 2,349 | 1,863 | 1,003 | 3 | - | 6,026 |
| | 29,374 | 24,680 | 5,103 | 84,622 | 67,747 | 26,680 | 7,692 | 1,467 | 247,365 |
| Expenditures | | | | | | | | | |
| Salaries, wages and benefits | 19,193 | 21,327 | 4,751 | 27,770 | 12,521 | 11,645 | 5,142 | 300 | 102,649 |
| Debt expense | - | 13 | - | 514 | 869 | 8 | - | - | 1,404 |
| Materials | (2,558) | 372 | 1,994 | 6,910 | 1,291 | 3,242 | 567 | 169 | 11,987 |
| Contracted services | 9,274 | 1,537 | 930 | 10,533 | 16,196 | 1,588 | 1,120 | 1,160 | 42,338 |
| Rents and financial expenses | 106 | - | - | 370 | 47 | 52 | - | - | 575 |
| External transfers | 208 | - | - | 1,083 | 287 | 94 | 37 | - | 1,709 |
| Amortization | 2,279 | 1,130 | 5 | 11,735 | 18,211 | 2,771 | 6 | 60 | 36,197 |
| | 28,502 | 24,379 | 7,680 | 58,915 | 49,422 | 19,400 | 6,872 | 1,689 | 196,859 |
| Surplus (deficit) of revenues over expenditures | \$ 872 | \$ 301 | \$ (2,577) | \$ 25,707 | \$ 18,325 | \$ 7,280 | \$ 820 | \$ (222) | \$ 50,506 |

Notes to Consolidated Financial Statements

Year ended December 31, 2009

(tabular columns in thousands of dollars)

| 2008 | | | | | | | | | |
|---|-------------------------------------|-----------|----------------------|-----------------------------------|-----------------------------------|--|-------------------|------------|------------|
| | Governance Corporate Services | Fire | Building Services | Parks, Recreation & Culture | Roads and Works Engineering | Planning Development & Economic Transit Development | Other Services | Total | |
| Revenue | | | | | | | | | |
| Taxation | \$ 35,139 | \$ 21,373 | \$ 1,140 | \$ 28,147 | \$ 13,124 | \$ 10,758 | \$ 3,155 | \$ - | \$ 112,836 |
| Ontario grants | 2,756 | - | - | 442 | 358 | 1,462 | - | 12 | 5,030 |
| Canada grants | - | - | - | 417 | - | - | 20 | - | 437 |
| Gas tax revenues | - | - | - | - | 714 | 1,077 | - | - | 1,791 |
| Oakville Hydro | 4,712 | - | - | - | - | - | - | - | 4,712 |
| User fees and service charges | 1,567 | 67 | 5,381 | 14,993 | 4,317 | 5,648 | 2,807 | 176 | 34,956 |
| Other municipalities | 18 | - | - | 507 | 3,884 | 721 | - | - | 5,130 |
| Investment income | 6,291 | - | - | 80 | 140 | - | - | - | 6,511 |
| Penalties and interest | 2,804 | - | - | - | - | - | - | - | 2,804 |
| Developer contributions and development charges earned | 20,667 | 12 | - | 19,035 | 8,796 | 12,908 | 670 | - | 62,088 |
| Equity in Income in Oakville Hydro | 6,706 | - | - | - | - | - | - | - | 6,706 |
| Other | 1,860 | - | - | 10,061 | 1,287 | 1,248 | 6 | - | 14,462 |
| | 82,520 | 21,452 | 6,521 | 73,682 | 32,620 | 33,822 | 6,658 | 188 | 257,463 |
| Expenditures | | | | | | | | | |
| Salaries, wages and benefits | 18,209 | 18,876 | 5,140 | 26,872 | 11,593 | 10,315 | 5,564 | 287 | 96,856 |
| Debt expense | - | 24 | - | 621 | 973 | 9 | - | - | 1,627 |
| Materials | (7,506) | 201 | 1,734 | 7,322 | 1,895 | 3,984 | 864 | 156 | 8,650 |
| Contracted services | 9,952 | 1,407 | 850 | 16,583 | 20,285 | (798) | 1,807 | 895 | 50,981 |
| Rents and financial expenses | 127 | - | - | 283 | 38 | 58 | - | - | 506 |
| External transfers | 917 | 33 | - | 980 | 287 | 93 | - | - | 2,310 |
| Amortization | 2,152 | 1,115 | - | 12,120 | 17,361 | 2,237 | 7 | - | 34,992 |
| | 23,851 | 21,656 | 7,724 | 64,781 | 52,432 | 15,898 | 8,242 | 1,338 | 195,922 |
| Surplus (deficit) of revenues over expenditures | \$ 58,669 | \$ (204) | \$ (1,203) | \$ 8,901 | \$ (19,812) | \$ 17,924 | \$ (1,584) | \$ (1,150) | \$ 61,541 |

17. Subsequent events:

On April 20, 2010, the Town of Oakville committed by Council resolution, to Halton Healthcare Services (HHS) up to \$200,000 towards the local share plan for the new Oakville Hospital. Funding to be structured as \$130,000 at substantial completion in 2015 as defined by Infrastructure Ontario's Alternative Financing and Procurement process, \$40,000 as required over the 30 year concession period to fund life cycle costs and, at the discretion of the Council of the day, a further \$30,000 at substantial completion the need for which will be determined at the time of the financial close. On January 29, 2010, Oakville Hydro Corporation sold all of its shares of, Blink Communications Inc., one of its subsidiaries, for \$130,000 in cash before tax.

18. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2009 operating and capital budgets approved by Council on January 10, 2009. Amortization and post employment liabilities were not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

| Budget Amount | |
|----------------------------|------------|
| Revenues | |
| Operating budget | \$ 181,092 |
| Capital budget | 84,463 |
| Less | |
| Transfers from other funds | (31,632) |
| Proceeds on debt issue | (2,153) |
| Total revenue | 231,770 |
| Expenses | |
| Operating budget | 181,566 |
| Capital budget | 84,463 |
| Less | |
| Transfers to other funds | (29,618) |
| Proceeds on debt issue | (84,463) |
| Debt principal payments | (5,592) |
| Total expenses | 146,356 |
| Annual surplus | \$ 85,414 |

Five year review (unaudited)

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|------------|------------|------------|------------|------------|
| Demographics | | | | | |
| Population at the end of the year est. | 177,200 | 173,600 | 169,800 | 165,600 | 161,600 |
| Number of households | 60,868 | 59,398 | 57,953 | 56,528 | 55,107 |
| Staff Complement | | | | | |
| Approved continuous full-time | 1,070 | 1,025 | 944 | 910 | 867 |
| Approved part-time (FTE) (includes Library) | 357 | 351 | 327 | 332 | 318 |
| Oakville's Area in km ² | 143 | 143 | 143 | 143 | 143 |
| Roads network | | | | | |
| Kilometres | N/A | 743 | 743 | 739 | 643 |
| Lane kilometres | 1,887 | 1,785 | 1,785 | 1,770 | 1,661 |
| Parkland in Acres | 3,504 | 3,504 | 3,459 | 3,347 | 3,338 |
| Building Permits — Issued | | | | | |
| New residential units | 684 | 653 | 1,239 | 1,385 | 1,638 |
| Total residential construction value | \$220 M | \$258 M | \$384 M | \$493 M | \$348 M |
| Total construction value — all types of permits | \$504 M | \$501 M | \$668 M | \$712 M | \$387 M |
| Taxable assessment (000'S) | | | | | |
| Residential, multi-residential and farm | 24,999,716 | 23,098,780 | 22,578,267 | 21,935,908 | 18,253,515 |
| Commercial — all classes | 3,133,554 | 2,696,911 | 2,626,792 | 2,504,313 | 2,077,621 |
| Industrial — all classes | 814,418 | 854,292 | 891,443 | 909,739 | 860,526 |
| Pipeline & managed forests | 48,807 | 46,476 | 50,758 | 45,898 | 45,189 |
| | 28,996,495 | 26,696,459 | 26,147,260 | 25,395,858 | 21,236,851 |
| Commercial and industrial as a percentage of taxable assessment | 13.62% | 13.30% | 13.46% | 13.44% | 13.84% |
| Exempt assessment | 1,517,861 | 1,419,657 | 1,379,597 | 1,331,242 | 1,285,908 |
| Tax Collections (000'S) | | | | | |
| Town of Oakville | 121,714 | 111,301 | 98,680 | 93,208 | 87,218 |
| Region of Halton | 134,537 | 128,536 | 123,483 | 117,745 | 109,394 |
| School boards (public & separate) | 120,848 | 117,780 | 114,866 | 112,354 | 106,139 |
| | 377,099 | 357,617 | 337,029 | 323,307 | 302,751 |

Property taxation

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|-----------|-----------|-----------|-----------|-----------|
| Residential | | | | | |
| Town of Oakville | 0.365676% | 0.360280% | 0.327816% | 0.317037% | 0.351490% |
| Region of Halton | 0.404957% | 0.421431% | 0.415521% | 0.405525% | 0.445593% |
| School boards (public and separate) | 0.252000% | 0.264000% | 0.264000% | 0.264000% | 0.296000% |
| | 1.022633% | 1.045711% | 1.007337% | 0.986562% | 1.093083% |
| Multi-residential | | | | | |
| Town of Oakville | 0.827122% | 0.814918% | 0.741486% | 0.717105% | 0.795035% |
| Region of Halton | 0.915973% | 0.953234% | 0.939867% | 0.917257% | 1.007886% |
| School boards (public and separate) | 0.252000% | 0.264000% | 0.264000% | 0.264000% | 0.296000% |
| | 1.995095% | 2.032152% | 1.945353% | 1.898362% | 2.098921% |
| Commercial - full rate | | | | | |
| Town of Oakville | 0.532607% | 0.524748% | 0.477463% | 0.461764% | 0.511945% |
| Region of Halton | 0.589820% | 0.613815% | 0.605206% | 0.590647% | 0.649007% |
| School boards (public and separate) | 1.264346% | 1.374657% | 1.374657% | 1.374657% | 1.528601% |
| | 2.386773% | 2.513220% | 2.457326% | 2.427068% | 2.689553% |
| Commercial - vacant units, excess land | | | | | |
| Percentage of Full Rate | 70% | 70% | 70% | 70% | 70% |
| Industrial - full rate | | | | | |
| Town of Oakville | 0.862958% | 0.773612% | 0.773612% | 0.748175% | 0.829482% |
| Region of Halton | 0.955658% | 0.980588% | 0.980588% | 0.956999% | 1.051555% |
| School boards (public and separate) | 1.859195% | 1.929620% | 1.929620% | 1.929620% | 2.118413% |
| | 3.677811% | 3.683820% | 3.683820% | 3.634794% | 3.999450% |
| Industrial - Vacant units, excess land | | | | | |
| Percentage of full rate | 65% | 65% | 65% | 65% | 65% |
| Pipeline | | | | | |
| Town of Oakville | 0.388238% | 0.382510% | 0.348042% | 0.336598% | 0.373177% |
| Region of Halton | 0.429944% | 0.447433% | 0.441159% | 0.430546% | 0.473086% |
| School boards (public and separate) | 1.353050% | 1.402694% | 1.402694% | 1.402694% | 1.412687% |
| | 2.171232% | 2.232637% | 2.191895% | 2.169838% | 2.258950% |
| Farmland or managed forest | | | | | |
| Town of Oakville | 0.073135% | 0.072056% | 0.081954% | 0.079259% | 0.087873% |
| Region of Halton | 0.080992% | 0.084286% | 0.103880% | 0.101382% | 0.111398% |
| School boards (public and separate) | 0.063000% | 0.066000% | 0.066000% | 0.066000% | 0.074000% |
| | 0.217127% | 0.222342% | 0.251834% | 0.246641% | 0.273271% |

Revenue fund operations

Restated

| | 2009 (000's) | 2008 (000's) | 2008 (000's) | 2007 (000's) | 2006 (000's) | 2005 2006 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------|
| Expenditures by function | Note 1 | Note 1 | | | | |
| General government | 28,501 | 23,739 | 17,939 | 17,068 | 21,446 | 18,553 |
| Protection to persons & property | 32,122 | 29,284 | 28,135 | 26,869 | 24,723 | 23,973 |
| Transportation services | 64,605 | 66,154 | 38,657 | 33,349 | 30,470 | 30,649 |
| Environmental services | 4,153 | 4,574 | 379 | 530 | 525 | 588 |
| Health services | 1,148 | 850 | 807 | 938 | 813 | 841 |
| Recreation and Cultural services | 55,504 | 59,734 | 38,603 | 35,581 | 31,658 | 28,836 |
| Planning and development | 10,826 | 11,587 | 10,505 | 10,286 | 8,539 | 6,846 |
| Financing repayments & transfers | N/A | N/A | 36,528 | 27,526 | 26,416 | 22,622 |
| | 196,859 | 195,922 | 171,553 | 152,147 | 144,590 | 132,908 |

Expenditures by object

| | | | | | | |
|---|---------|---------|---------|---------|---------|---------|
| Salaries, wages & employee benefits | 102,649 | 96,856 | 96,860 | 88,622 | 79,166 | 73,098 |
| Materials, services & financial expenses | 54,900 | 60,137 | 35,855 | 34,607 | 37,498 | 35,538 |
| Transfers to others | 1,709 | 2,310 | 2,310 | 1,392 | 1,510 | 1,650 |
| Debt principal repayment & Own fund transfers | N/A | N/A | 36,528 | 27,526 | 26,416 | 22,622 |
| Interest on long term debt | 1,404 | 1,627 | | | | |
| Amortization expense | 36,197 | 34,992 | N/A | N/A | N/A | N/A |
| | 196,859 | 195,922 | 171,553 | 152,147 | 144,590 | 132,908 |

Reference: Consolidated Statement of Operations

Revenues by source

| | | | | | | |
|--|---------|---------|---------|---------|---------|---------|
| Taxation (includes supplementary & payments in lieu) | 123,510 | 112,836 | 112,836 | 99,421 | 93,897 | 88,724 |
| Province of Ontario - grants/subsidies | 3,877 | 5,743 | 3,210 | 722 | 2,667 | 1,039 |
| Other grants i.e. Canada | 6,715 | 1,515 | 408 | 310 | 1,542 | 266 |
| Oakville Hydro - interest on promissory Notes & leases | 4,713 | 4,712 | 4,712 | 4,713 | 5,392 | 5,392 |
| Fees and service charges | 35,324 | 34,956 | 38,974 | 36,231 | 33,367 | 31,361 |
| Other municipalities | 4,295 | 5,130 | | | | |
| Other revenue | 64,206 | 85,865 | 11,523 | 10,670 | 7,728 | 6,126 |
| Equity in Oakville Hydro | 4,725 | 6,706 | | | | |
| | 247,365 | 257,463 | 171,663 | 152,067 | 144,593 | 132,908 |

| | | | | | | |
|--|--------|--------|-----|-----|-----|-----|
| Annual surplus | 50,506 | 61,541 | | | | |
| Accumulated net revenue (surplus) at the end of the year | | | 671 | 561 | 641 | 638 |

Note 1: The Town of Oakville has implemented Public Sector Accounting Board ("PSAB") section 3150 which requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction. 2008 has been restated for comparative purposes.

Tangible capital assets by class

| | 2009 (000's) | 2008 (000's) |
|--|-----------------|-----------------|
| Net book value | Note 1 | Note 1 |
| Land | 480,207 | 475,075 |
| Land improvements | 70,428 | 67,328 |
| Buildings | 112,592 | 115,863 |
| Equipment | 11,714 | 12,116 |
| Vehicles | 31,298 | 27,223 |
| Roads networks | 323,980 | 329,884 |
| Environmental network | 174,041 | 176,150 |
| Communication & technical services | 6,706 | 5,630 |
| Capital works in progress | 70,204 | 25,685 |
| | 1,281,170 | 1,234,954 |
| Additions and disposals | | |
| Assets — beginning of year | 1,708,457 | 1,630,326 |
| Additions | 82,668 | 81,215 |
| Disposals | (9,809) | (3,084) |
| Assets - end of year | 1,781,316 | 1,708,457 |
| Accumulated amortization | | |
| Amortization — beginning of year | 473,503 | 440,863 |
| Current year expense | 36,197 | 34,992 |
| Accumulated amortization on disposals | (9,554) | (2,352) |
| Accumulated Amortization - end of year | 500,146 | 473,503 |
| Net book value | 1,281,170 | 1,234,954 |

Note 1: The Town of Oakville has implemented Public Sector Accounting Board ("PSAB") section 3150 which requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction. 2008 has been restated for comparative purposes.

Capital operations

| | 2009 (000's) | 2008 (000's) | 2007 (000's) | 2006 (000's) | 2005 (000's) |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Expenditures by function | N/A | | | | |
| General government | | 5,587 | 7,176 | 8,495 | 4,435 |
| Protection to persons & property | | 711 | 1,911 | 1,553 | 2,432 |
| Transportation services | | 42,033 | 19,182 | 25,637 | 18,049 |
| Environmental services | | 964 | 127 | 613 | 1,011 |
| Health services | | 79 | 142 | 53 | 130 |
| Recreation and cultural services | | 35,769 | 18,995 | 16,193 | 17,629 |
| Planning and development | | 1,288 | 720 | 389 | 949 |
| | | 86,431 | 48,253 | 52,933 | 44,635 |
| Financing by source | N/A | | | | |
| Transfers from own funds | | 25,925 | 24,174 | 21,271 | 18,090 |
| Long-term debt/internal borrowing | | 3,176 | 14,065 | 4,782 | 3,584 |
| Grants/Subsidies — federal/provincial | | 3,377 | 1,441 | 4,000 | 941 |
| Other | | 54,629 | 16,934 | 20,823 | 19,828 |
| | | 87,107 | 56,614 | 50,876 | 42,443 |

Note 1: The Town of Oakville has implemented Public Sector Accounting Board ("PSAB") section 3150 which requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction. 2008 has been restated for comparative purposes.

Discretionary reserves and reserve funds and obligatory reserve funds

| | | | | | |
|---|----------------|----------------|----------------|----------------|---------------|
| Discretionary reserves** | 56,750 | 45,761 | 35,928 | 31,619 | 27,960 |
| Discretionary reserve funds** | 21,942 | 18,527 | 16,102 | 12,159 | 11,051 |
| Obligatory reserve funds* | | | | | |
| Development charges | 758 | 37,303 | 64,070 | 50,807 | 45,408 |
| Parkland | 15,226 | 12,502 | 11,499 | 11,725 | 8,737 |
| Gas tax | 9,177 | 10,306 | 8,205 | 4,625 | 2,521 |
| Ontario bus replacement & farecard | 1,908 | 1,655 | 667 | | |
| Investing in Ontario | 6,582 | 7,434 | | | |
| Parking - reclassified to discretionary | | | | 2,818 | 2,466 |
| Total - Reserves & Reserve Funds | 112,343 | 133,488 | 136,471 | 113,753 | 98,143 |

* Reported on the Consolidated Statement of Financial Position as "Deferred Revenue" in compliance with PSAB reporting requirements

** Reference - Note 11 in the 2009 Financial Statements for more details

Net long term debt

Net long-term liabilities

| | | | | | |
|----------------------------------|----------|----------|----------|----------|----------|
| Town of Oakville Purposes | 29,086 | 34,107 | 35,815 | 25,338 | 23,965 |
| Per capita | \$164.14 | \$196.47 | \$210.93 | \$153.01 | \$148.30 |
| Percentage of taxable assessment | 0.10% | 0.13% | 0.14% | 0.10% | 0.11% |

Annual charges for net long-term liabilities - Principal and Interest

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Town of Oakville purposes | 6,809 | 6,511 | 4,805 | 4,602 | 4,962 |
| Annual repayment limit prescribed by province | 32,493 | 29,894 | 27,107 | 26,635 | 23,820 |
| As a percentage of operations/revenue fund expend*** | 4.2% | 3.8% | 3.2% | 3.2% | 3.7% |
| Per capita | \$38.43 | \$37.51 | \$28.29 | \$27.79 | \$30.71 |
| Percentage of taxable assessment | 0.023483% | 0.024389% | 0.018374% | 0.018122% | 0.023366% |

*** Calculation for 2009 is based on the revised reporting requirements i.e. amortization expense is included in total expenses for operations

Principal Corporate Tax Payers

- Ford Motor Company
- Cambridge Leaseholds - Oakville Place Shopping Mall
- 2121049 Ontario Limited - Burloak Shopping Centre
- Silgold Developments Inc.
- Oakville Entertainment Holdings Inc.
- Petro-Canada
- 2725321 Canada Inc. - Town Centre I Shopping Plaza
- Sun Life Assurance Company of Canada - Town Centre II Shopping Plaza
- Calloway Reit (Hopedale) Inc.
- Upper Oakville Shopping Centre Limited
- Great West Life and London Life

Oakville was awarded the Government Finance Officers Association (GFOA) - Canadian Award for Financial Reporting (CanFR) for the **twelfth** consecutive year.

Canadian Award for Financial Reporting

Presented to

The Corporation of the Town
of Oakville, Ontario

For its Annual
Financial Report
for the Year Ended

December 31, 2008

A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units whose annual financial reports achieve the highest program standards for Canadian Government accounting and financial reporting.




President


Executive Director

2009 Awards

Achievement of the Year

Economic Developers Association of Canada (EDAC)/RBC Financial Group Economic Development

Oakville's Economic Development Strategy 2009-2019 won the Achievement of the Year award from the Economic Developers Association of Canada (EDAC)/RBC Financial Group Economic Development. In addition, Economic Development's electronic newsletter won the EDAC marketing award.

Canada's Favourite Crossing Guard Award

Federal Express Canada Ltd., a subsidiary of FedEx Corp. (NYSE: FDX), and Safe Kids Canada

James (Jim) Arnold, crossing guard with the town for 20 years, was one of three winners in Canada's Favourite Crossing Guard Contest. The contest is part of the Walk This Way pedestrian safety program launched by FedEx Express Canada and Safe Kids Canada.

E.A. Danby Award

Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO)

TownTV won the E.A. Danby Award for innovative municipal administration from the Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO).

Forester of the Year Award

Ontario Professional Foresters Association (OPFA)

John McNeil, Manager of Forestry Services, Parks and Open Space department was awarded with the Forester of the Year in 2009 by the OPFA. This annual award recognizes foresters who have made a notable contribution to the OPFA or to forestry in Ontario. This was the first time the OPFA chose an urban forester to receive the award.

ReBronze Award

Lifesaving Society

The aquatics staff from the Recreation and Culture department won the 2009 ReBronze Award. In celebration of the Lifesaving Society's 100th Anniversary this award is an opportunity for Lifesaving Society members to tackle a few items from the current Bronze Medallion exam mixed with a few from days gone by.

2009 Pinnacle Awards of Merit

Canadian Public Relations Society (CPRS) Hamilton Chapter

Corporate Communications won two 2009 Pinnacle Awards of Merit from the Canadian Public Relations Society (CPRS) Hamilton Chapter. "Make it Matter! Not just another survey" won in the internal communications category and "Clearing Windrows. Fulfilling Needs" won in the marketing communications category.

2009 Virtuoso Award of Excellence

International Association of Business Communicators (IABC) London Chapter

The "Make it Matter! Not just another survey" communications strategy won a 2009 Virtuoso Award of Excellence from the International Association of Business Communicators (IABC) London Chapter.

2009 Winter Active

Parks and Recreation Ontario

The town won the 2009 Winter Active campaign from Parks and Recreation Ontario for being one of the most active communities in the 2009 WinterActive Community Challenge.

Town of Oakville

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