

**The Corporation Of The Town Of Tillsonburg**  
Consolidated Financial Statements  
**December 31, 2020**



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# The Corporation of the Town of Tillsonburg

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December 31, 2020

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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The consolidated financial statements of The Corporation of the Town of Tillsonburg have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of The Corporation of the Town of Tillsonburg's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Chief Administrative Officer is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements before they are submitted to Council.

The consolidated financial statements have been audited on behalf of the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Tillsonburg by Millard, Rouse & Rosebrugh LLP, in accordance with Canadian generally accepted auditing standards.



Kyle Pratt, Chief Administrative Officer



Sheena Pawliwec, Director of Finance / Treasurer

June 28, 2021  
Tillsonburg, Ontario

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## INDEPENDENT AUDITORS' REPORT

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

### *Opinion*

We have audited the consolidated financial statements of The Corporation of the Town of Tillsonburg (the Corporation), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, changes in net financial assets (debt) and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2020, and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Matters*

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express any opinion regarding the budget figures.

We draw our attention to Note 18 of the financial statements, which describes the effects of the coronavirus disease (COVID-19) on the Corporation. Our opinion is not modified in respect of this matter.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

June 28, 2021  
Tillsonburg, Ontario

*Millard, Rouse & Rosebrugh LLP*

**Millard, Rouse & Rosebrugh LLP**  
Chartered Professional Accountants  
Licensed Public Accountants

**The Corporation of the Town of Tillsonburg**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2020**

	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash	\$ 4,676,274	\$ 2,241,437
Investments (Note 4)	5,007,935	5,054,916
Taxes receivable	466,659	886,711
Accounts receivable	3,432,287	3,584,395
Due from unconsolidated entities (Note 5)	1,633,192	496,068
Land held for resale	1,846,763	1,914,211
Investment in Tillsonburg Hydro Inc. (Note 6)	11,834,214	11,611,935
	<b>28,897,324</b>	<b>25,789,673</b>
<b>LIABILITIES</b>		
Accounts payable	4,658,502	4,340,323
Customer and security deposits	5,852,459	3,272,829
Deferred revenue (Note 7)	4,186,113	4,281,588
Long term debt (Note 8)	14,604,574	14,032,495
	<b>29,301,648</b>	<b>25,927,235</b>
<b>NET FINANCIAL DEBT</b>	<b>(404,324)</b>	<b>(137,562)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 9)	65,218,533	63,148,886
Inventory	36,263	53,238
Prepaid expenses	47,377	179,263
	<b>65,302,173</b>	<b>63,381,387</b>
<b>ACCUMULATED SURPLUS (Note 10)</b>	<b>\$ 64,897,849</b>	<b>\$ 63,243,825</b>

See accompanying notes

**The Corporation of the Town of Tillsonburg**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**Year ended December 31, 2020**

	Budget 2020	2020	2019
	<i>(Note 17)</i>		
<b>REVENUE</b>			
Taxation	\$ 16,888,700	\$ 16,921,913	\$ 16,266,541
User charges	4,436,900	4,104,974	5,030,432
Government transfers - Federal <i>(Note 11)</i>	1,247,300	577,606	513,363
Government transfers - Provincial <i>(Note 12)</i>	3,121,300	3,273,606	1,652,476
Government transfers - Oxford County <i>(Note 13)</i>	529,800	279,612	236,910
Other income <i>(Note 14)</i>	2,067,900	1,690,667	1,789,277
Income from Tillsonburg Hydro Inc. <i>(Note 6)</i>	-	222,279	327,397
Loss on disposal of tangible capital assets	-	(1,567,289)	(1,383,216)
	<b>28,291,900</b>	<b>25,503,368</b>	<b>24,433,180</b>
<b>Expenses</b>			
General government	3,140,748	2,966,849	3,234,306
Protection services	6,299,137	6,756,587	6,441,049
Transportation services	5,942,953	5,961,534	5,484,495
Environmental services	597,871	641,355	576,800
Health services	270,061	339,734	300,057
Recreation and cultural services	5,707,509	5,332,814	5,571,435
Planning and development	601,719	1,850,471	792,506
	<b>22,559,998</b>	<b>23,849,344</b>	<b>22,400,648</b>
<b>ANNUAL SURPLUS</b>	<b>\$ 5,731,902</b>	<b>1,654,024</b>	<b>2,032,532</b>
<b>Accumulated surplus - beginning of year</b>	<b>63,243,825</b>	<b>63,243,825</b>	<b>61,211,293</b>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<b>\$ 68,975,727</b>	<b>\$ 64,897,849</b>	<b>\$ 63,243,825</b>

See accompanying notes

**The Corporation of the Town of Tillsonburg**  
**Consolidated Statement of Changes in Net Financial Assets (Debt)**  
**Year ended December 31, 2020**

	Budget 2020	2020	2019
	<i>(Note 17)</i>		
<b>ANNUAL SURPLUS</b>	<b>\$ 5,731,902</b>	<b>\$ 1,654,024</b>	<b>\$ 2,032,532</b>
Amortization of tangible capital assets	3,033,398	3,033,398	2,733,420
Purchase of tangible capital assets	(8,451,300)	(6,854,065)	(4,846,793)
Proceeds on disposal of tangible capital assets	-	183,731	109,057
Loss on disposal of tangible capital assets	-	1,567,289	1,383,216
Decrease in inventory	-	16,975	3,880
Decrease (increase) in prepaid expenses	-	131,886	(168,023)
	<b>(5,417,902)</b>	<b>(1,920,786)</b>	<b>(785,243)</b>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<b>314,000</b>	<b>(266,762)</b>	<b>1,247,289</b>
Net financial debt - beginning of year	<b>(137,562)</b>	<b>(137,562)</b>	<b>(1,384,851)</b>
<b>NET FINANCIAL ASSETS (DEBT) - END OF YEAR</b>	<b>\$ 176,438</b>	<b>\$ (404,324)</b>	<b>\$ (137,562)</b>

See accompanying notes



**The Corporation of the Town of Tillsonburg**  
**Consolidated Statement of Cash Flow**  
**Year ended December 31, 2020**

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 1,654,024	\$ 2,032,532
Items not affecting cash:		
Amortization of tangible capital assets	3,033,398	2,733,420
Loss on disposal of tangible capital assets	1,567,289	1,383,216
Change in equity - Tillsonburg Hydro Inc.	(222,279)	(327,397)
	<b>6,032,432</b>	<b>5,821,771</b>
Changes in non-cash working capital:		
Taxes receivable	420,052	(182,744)
Accounts receivable	152,108	(445,744)
Due from unconsolidated entities	(1,137,124)	2,052,424
Land held for resale	67,448	(46,286)
Accounts payable	318,179	(2,024,035)
Other current liabilities	2,579,630	1,520,465
Deferred revenue	(95,475)	1,892,690
Inventory	16,975	3,879
Prepaid expenses	131,886	(168,023)
	<b>2,453,679</b>	<b>2,602,626</b>
Cash flow from operating activities	<b>8,486,111</b>	<b>8,424,397</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(6,854,065)	(4,846,793)
Proceeds from sale of tangible capital assets	183,731	109,057
Cash flow used by capital activities	<b>(6,670,334)</b>	<b>(4,737,736)</b>
<b>FINANCING ACTIVITIES</b>		
Net change in long term debt	572,079	648,414
Cash flow from financing activities	<b>572,079</b>	<b>648,414</b>
<b>INCREASE IN CASH FLOW</b>	<b>2,387,856</b>	<b>4,335,075</b>
Cash - beginning of year	7,296,353	2,961,278
<b>CASH - END OF YEAR</b>	<b>\$ 9,684,209</b>	<b>\$ 7,296,353</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 4,676,274	\$ 2,241,437
Investments	5,007,935	5,054,916
	<b>\$ 9,684,209</b>	<b>\$ 7,296,353</b>

See accompanying notes

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# The Corporation of the Town of Tillsonburg

## Notes to Consolidated Financial Statements

Year ended December 31, 2020

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### 1. NATURE OF OPERATIONS

The Corporation of the Town of Tillsonburg (the Town), is a town in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Significant aspects of the accounting policies adopted by the Town are as follows:

#### Reporting entity

##### *(i) Consolidated entities*

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes in accumulated surplus, and changes in net financial assets of the reporting entity. The consolidated financial statements include the activities of all committees of Council and local boards, municipal enterprises and utilities which are owned or controlled by the Town. These consolidated financial statements include:

*Tillsonburg Business Improvement Area*

All inter-departmental and inter-organizational transactions and balances between these organizations have been eliminated.

The investments in government business enterprises are accounted for using the modified equity basis which is consistent with the Canadian generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Town and inter-organizational transactions and balances are not eliminated.

The following government business enterprise is reflected in these consolidated financial statements:

*Tillsonburg Hydro Inc.*

##### *(ii) Accounting for Oxford County and school board transactions*

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards and Oxford County are not reflected in the municipal fund balances of these financial statements. The taxation revenue collected and remitted on behalf of the school boards amounted to \$5,097,446 (2019 - \$5,219,854). The taxation revenue collected and remitted on behalf of Oxford County amounted to \$8,505,170 (2019 - \$8,195,153).

##### *(iii) Trust funds*

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet".

##### *(iv) Non-consolidated entities*

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated:

*Tillsonburg Waterworks Department  
Tillsonburg Sanitary Sewer Department*

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# The Corporation of the Town of Tillsonburg

## Notes to Consolidated Financial Statements

Year ended December 31, 2020

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Basis of presentation

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

#### Revenue recognition

##### *(i) Taxation*

Annually, the Town bills and collects property tax revenue for municipal levy purposes as well as education taxes on behalf of the local school boards. The Town has the authority to levy and collect property taxes under the Municipal Act, 2001.

The amount of the total annual municipal property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class of property, in accordance with legislation and Council-approved policies, in order to raise the revenue needed to meet operating budget requirements.

The Municipal Property Assessment Corporation (MPAC), a not-for-profit corporation funded by all of Ontario's municipalities, is responsible for property assessments. MPAC provides the current value assessment (CVA) of each property in the returned assessment roll in December of each year. The amount of property tax levied on an individual property is the product of the CVA, the municipal tax rate by class, and the education tax rate by class.

Taxation revenue is recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year relating to; newly occupied properties, properties omitted in the December assessment roll, or other MPAC adjustments. Tax revenue can also be reduced if there are reductions in assessment values resulting from property assessment appeals.

##### *(ii) Government transfers*

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

##### *(iii) User charges*

User charges relate to various municipal programs and fees imposed based on specific activities. Examples of user charges include: recreation programs, water, wastewater and solid waste. Revenue is recognized when the activity is performed or when services are rendered.

##### *(iv) Other income*

Other income is recognized in the year that the events giving rise to the revenue occur and the revenue is earned. Amounts received which relate to revenue that will be earned in a future year are deferred and reported as liabilities on the Consolidated Statement of Financial Position.

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# The Corporation of the Town of Tillsonburg

## Notes to Consolidated Financial Statements

Year ended December 31, 2020

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Costs include all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Assets under construction are not amortized. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing the year the asset is available for productive use. Half the normal rate of amortization is recorded in the initial year of productive use. Amortization rates are as follows:

Land improvements	25 to 50 years
Buildings and structures	30 to 70 years
Leasehold improvements	term of lease
Vehicles	3 to 20 years
Information technology	3 to 10 years
Equipment	5 to 40 years
Roads	20 to 50 years
Bridges and other structures	40 to 50 years

#### Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise of high interest savings accounts.

Investment income earned on available current funds, reserves and reserve funds (other than obligatory funds) are reported in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

#### Land held for resale

Land held for resale is recorded at cost.

#### Inventory

Inventory of supplies held for consumption is valued at the lower of cost and replacement value.

#### Deferred revenue

The municipality receives funds for specific purposes which are externally restricted by legislation, regulation or agreement. These restricted funds are not available for general municipal purposes and are recognized as revenue in the fiscal year the funds are used for the specified purpose.

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# The Corporation of the Town of Tillsonburg

## Notes to Consolidated Financial Statements

Year ended December 31, 2020

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, 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 items subject to such estimates and assumptions include valuation allowances for taxes receivable, accounts receivable, and employee benefits liability. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the year which they become known.

Actual results could differ from management's best estimates as additional information becomes available in the future.

### 3. CONTAMINATED SITES

A contaminated site is an unproductive site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A liability for remediation of contaminated sites is recognized when the Town is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate for the amount can be made. All criteria must be met in order to recognize a liability.

The Town received an order from the Ministry of Natural Resources to clean up the discharge from a failing abandoned oil well. The source well is under an existing road embankment, however, the exact location is not apparent. The responsibility for the cost to clean up and plug the abandoned oil well is in dispute. The matter has been referred to legal counsel and the outcome is not determinable at this time. The Town is not aware of any other contaminated sites.

As at December 31, 2020 there is no liability recorded in the consolidated financial statements. The Town will continue to review contaminated sites on an annual basis and when the criteria for recognition have been met, a liability will be recorded.

### 4. INVESTMENTS

Investments of \$5,007,935 (2019 - \$5,054,916) are recorded at their market value and are short-term in nature. Investments consist of a high interest savings accounts which have a market value approximating cost.

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# The Corporation of the Town of Tillsonburg

## Notes to Consolidated Financial Statements

Year ended December 31, 2020

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### 5. DUE FROM UNCONSOLIDATED ENTITIES

The banking activities of the following entities are administered by the Town. Accordingly, the amount due from these entities represents the net working capital position between the Town and the entity as follows:

	2020	2019
Tillsonburg Hydro Inc.	\$ 988,726	\$ (52,643)
Town of Tillsonburg Waterworks Department	352,969	312,918
Town of Tillsonburg Sanitary Sewer Department	291,497	235,793
	<b>\$ 1,633,192</b>	<b>\$ 496,068</b>

### 6. INVESTMENT IN TILLSONBURG HYDRO INC.

The Town accounts for its 100% investment in Tillsonburg Hydro Inc. using the modified equity method. Under this method, the accounting policies of Tillsonburg Hydro Inc. are not adjusted to conform to those of the Town. In subsequent years, the cost of this investment is increased by the earnings or decreased by the losses of Tillsonburg Hydro Inc.

Tillsonburg Hydro Inc. prepares their financial statements in accordance with International Financial Reporting Standards (IFRS).

Condensed financial information of Tillsonburg Hydro Inc. is as follows:

*(continues)*

**The Corporation of the Town of Tillsonburg**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**

**6. INVESTMENT IN TILLSONBURG HYDRO INC. (continued)**

**Statement of Financial Position as at December 31**

	2020	2019
Current assets	\$ 4,547,621	\$ 4,885,924
Property, plant and equipment	17,493,263	15,694,150
Other non-current assets	15,246	30,018
Regulatory assets	978,238	12,344
	<b>\$ 23,034,368</b>	<b>\$ 20,622,436</b>
Current liabilities	\$ 3,172,488	\$ 1,794,983
Long-term liabilities	7,995,763	6,901,368
Regulatory liabilities	31,903	314,150
Equity	11,834,214	11,611,935
	<b>\$ 23,034,368</b>	<b>\$ 20,622,436</b>

**Statement of Comprehensive Income and Changes in Equity**

	2020	2019
Revenue	\$ 27,225,060	\$ 24,211,739
Cost of power	24,099,510	20,201,303
Distribution revenue	3,125,550	4,010,436
Net non-utility activities	(7,567)	35,842
Expenses	3,589,865	3,503,804
Income before income taxes	(471,882)	542,474
Income taxes	353,980	111,959
Net movement in regulatory balances	(1,248,141)	(96,882)
Comprehensive income for the year, before dividends	422,279	527,397
Dividends	200,000	200,000
Net change in investment in Tillsonburg Hydro Inc.	<b>\$ 222,279</b>	<b>\$ 327,397</b>
Investment in Tillsonburg Hydro Inc. - Opening	\$ 11,611,935	\$ 11,284,538
Net change in investment in Tillsonburg Hydro Inc.	222,279	327,397
Investment in Tillsonburg Hydro Inc. - Ending	<b>\$ 11,834,214</b>	<b>\$ 11,611,935</b>

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# The Corporation of the Town of Tillsonburg

## Notes to Consolidated Financial Statements

Year ended December 31, 2020

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### 7. DEFERRED REVENUE

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Professional Accountants, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in deferred revenue including obligatory reserve funds of the Town are as follows:

	Opening Balance	Contributions Received	Investment Income	Revenue Recognized	Ending Balance
Development charges	2,397,788	1,170,483	15,635	(1,010,539)	<b>2,573,367</b>
Building permits	498,304	1,268,421	-	(905,659)	<b>861,066</b>
Federal gas tax	581,310	481,497	15,941	(476,275)	<b>602,473</b>
Other	804,186	149,207	-	(804,186)	<b>149,207</b>
	<b>\$ 4,281,588</b>	<b>\$ 3,069,608</b>	<b>\$ 31,576</b>	<b>\$ (3,196,659)</b>	<b>\$ 4,186,113</b>



**The Corporation of the Town of Tillsonburg**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**

**8. LONG TERM LIABILITIES**

a) Long term liabilities reported on the Consolidated Statement of Financial Position is comprised of the following:

	<u>2020</u>	<u>2019</u>
Total long term liabilities issued or assumed by the municipality and outstanding at the end of the year amounts to:	<b>\$ 14,604,574</b>	\$ 14,032,495

b) Of the long term liabilities reported above, principal payments are recoverable from general municipal revenues and are repayable as follows:

2021	<b>\$ 1,434,234</b>
2022	<b>1,431,266</b>
2023	<b>1,410,357</b>
2024	<b>1,115,416</b>
2025	<b>1,090,981</b>
Thereafter	<b><u>8,122,320</u></b>
	<b><u>\$ 14,604,574</u></b>

The above long term liabilities have maturity dates ranging from 2021 to 2044 with interest rates varying between 1.97% to 5.77%.

c) The long term liabilities in part (a) have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayments and limits prescribed by the Ministry of Municipal Affairs and Housing.

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**The Corporation of the Town of Tillsonburg**

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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**9. TANGIBLE CAPITAL ASSETS**

	Land	Buildings and Fixtures	Transportation Equipment	Roads and Bridges	Other Equipment	Assets Under Construction	2020
Cost, beginning of year	\$ 1,266,961	\$ 24,759,146	\$ 8,129,902	\$ 61,312,674	\$ 6,650,410	\$ 5,352,447	<b>\$107,471,540</b>
Additions	-	706,420	1,169,550	3,709,058	480,065	6,854,065	<b>12,919,158</b>
Disposals	-	-	(220,866)	(2,093,676)	(86,085)	-	<b>(2,400,627)</b>
Transfer to capital assets	-	-	-	-	-	(6,065,093)	<b>(6,065,093)</b>
<b>Cost, end of year</b>	<b>1,266,961</b>	<b>25,465,566</b>	<b>9,078,586</b>	<b>62,928,056</b>	<b>7,044,390</b>	<b>6,141,419</b>	<b>111,924,978</b>
Accumulated amortization, beginning of year	-	9,704,593	3,589,872	26,541,272	4,486,917	-	<b>44,322,654</b>
Amortization	-	573,844	549,656	1,603,311	306,587	-	<b>3,033,398</b>
Disposals	-	-	(220,866)	(342,656)	(86,085)	-	<b>(649,607)</b>
<b>Accumulated amortization, end of year</b>	<b>-</b>	<b>10,278,437</b>	<b>3,918,662</b>	<b>27,801,927</b>	<b>4,707,419</b>	<b>-</b>	<b>46,706,445</b>
<b>Net carrying amount, end of year</b>	<b>\$ 1,266,961</b>	<b>\$ 15,187,129</b>	<b>\$ 5,159,924</b>	<b>\$ 35,126,129</b>	<b>\$ 2,336,971</b>	<b>\$ 6,141,419</b>	<b>\$ 65,218,533</b>

(continues)

## The Corporation of the Town of Tillsonburg

### Notes to Consolidated Financial Statements

Year ended December 31, 2020

#### 9. TANGIBLE CAPITAL ASSETS *(continued)*

	Land	Buildings and Fixtures	Transportation Equipment	Roads and Bridges	Other Equipment	Assets Under Construction	2019
Cost, beginning of year	\$ 1,266,961	\$ 23,913,623	\$ 7,291,103	\$ 59,797,336	\$ 6,469,669	\$ 7,618,676	<b>\$106,357,368</b>
Additions	-	845,523	1,787,428	4,153,357	326,714	4,846,793	<b>11,959,815</b>
Disposals	-	-	(948,629)	(2,638,019)	(145,973)	-	<b>(3,732,621)</b>
Transfer to capital assets	-	-	-	-	-	(7,113,022)	<b>(7,113,022)</b>
<b>Cost, end of year</b>	<b>1,266,961</b>	<b>24,759,146</b>	<b>8,129,902</b>	<b>61,312,674</b>	<b>6,650,410</b>	<b>5,352,447</b>	<b>107,471,540</b>
Accumulated amortization, beginning of year	-	9,143,749	4,080,926	26,285,543	4,319,364	-	<b>43,829,582</b>
Amortization	-	560,844	457,575	1,409,300	305,701	-	<b>2,733,420</b>
Disposals	-	-	(948,629)	(1,153,571)	(138,148)	-	<b>(2,240,348)</b>
<b>Accumulated amortization, end of year</b>	<b>-</b>	<b>9,704,593</b>	<b>3,589,872</b>	<b>26,541,272</b>	<b>4,486,917</b>	<b>-</b>	<b>44,322,654</b>
<b>Net carrying amount, end of year</b>	<b>\$ 1,266,961</b>	<b>\$ 15,054,553</b>	<b>\$ 4,540,030</b>	<b>\$ 34,771,402</b>	<b>\$ 2,163,493</b>	<b>\$ 5,352,447</b>	<b>\$ 63,148,886</b>

# The Corporation of the Town of Tillsonburg

## Notes to Consolidated Financial Statements

Year ended December 31, 2020

### 10. ACCUMULATED SURPLUS

The Town segregates its accumulated surplus into the following categories:

	2020	2019
Investment in tangible capital assets	\$ 65,218,533	\$ 63,148,886
Long term liabilities	(14,604,574)	(14,032,495)
Unfinanced capital	(3,025,810)	(2,415,276)
Net investment in tangible capital assets	47,588,149	46,701,115
Operating surplus	195,388	90,310
Tillsonburg BIA surplus	123,168	169,265
Reserves		
Council	3,587	3,556
Election	28,760	18,568
Physician recruitment	124,647	58,660
Tax rate stabilization	630,981	723,134
Insurance	1,298	-
IT equipment	137,823	87,827
Asset management funding	972,386	974,091
Fleet and equipment	437,167	390,401
Fire department equipment	74,168	153,253
Police	79,354	78,682
Police services board	32,670	18,005
Engineering	242,975	75,144
Development remediation	18,489	18,168
Linear infrastructure	214,386	309,863
Airport	31,238	6,144
Waste management	1,904	1,888
Recreation, culture and parks	536,178	527,704
Facility infrastructure	1,110,545	555,935
Cemetery	67,469	66,897
Downtown parking	275,859	265,969
Economic development	135,046	337,311
	5,156,930	4,671,200
Investment in Tillsonburg Hydro Inc.	11,834,214	11,611,935
	\$ 64,897,849	\$ 63,243,825

**The Corporation of the Town of Tillsonburg**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**

**11. GOVERNMENT TRANSFERS - FEDERAL**

	Budget (note 17)	2020	2019
Operating			
Conditional	\$ 3,200	\$ -	\$ 13,367
Capital			
Infrastructure funding	48,800	101,331	-
Federal gas tax revenue	1,195,300	476,275	499,996
	<b>\$ 1,247,300</b>	<b>\$ 577,606</b>	<b>\$ 513,363</b>

**12. GOVERNMENT TRANSFERS - PROVINCIAL**

	Budget (note 17)	2020	2019
Operating			
Ontario Municipal Partnership Fund	\$ 570,600	\$ 570,600	\$ 430,900
Conditional	786,600	1,283,982	1,169,837
Capital			
Infrastructure funding	1,764,100	1,419,024	51,739
	<b>\$ 3,121,300</b>	<b>\$ 3,273,606</b>	<b>\$ 1,652,476</b>

**13. GOVERNMENT TRANSFERS - COUNTY OF OXFORD**

	Budget (note 17)	2020	2019
Operating			
Conditional	\$ 234,800	\$ 279,612	236,910
Capital			
Infrastructure funding	295,000	-	-
	<b>\$ 529,800</b>	<b>\$ 279,612</b>	<b>\$ 236,910</b>

**The Corporation of the Town of Tillsonburg**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**

**14. OTHER INCOME**

	Budget (note 17)	2020	2019
Penalties and interest on taxes	\$ 160,000	\$ 168,443	\$ 159,872
Investment income	243,500	318,753	391,988
Developer contributions	1,409,000	1,010,538	532,314
Donations	255,400	192,933	705,103
	<b>\$ 2,067,900</b>	<b>\$ 1,690,667</b>	<b>\$ 1,789,277</b>

**15. CONTRACTUAL OBLIGATIONS**

**Ontario Provincial Police contract**

The Town of Tillsonburg has entered into a six-year agreement with the Solicitor General of Ontario for the provision of police services. The six-year term expires in December 2025. The annual cost of this contract for 2020 was \$3,356,445 (2019 - \$3,228,460).

**16. PENSION AGREEMENTS**

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

The amount contributed to OMERS for current service is included as an expenditure on the Consolidated Statement of Operations. The amount contributed to OMERS for 2020 was \$761,333 (2019 - \$748,299). Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Town does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

**The Corporation of the Town of Tillsonburg**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**

**17. BUDGET FIGURES**

The operating budgets adopted by Town of Tillsonburg Council were not prepared on a basis consistent with the reporting requirements of the Public Sector Accounting Board. The budgets were prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis to be used. The budget figures anticipated using surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the Consolidated Statements of Operations represent the budget adopted by Council with adjustments as follows:

	2020
Operating budget surplus for the year adopted by Council	\$ -
Add:	
Budgeted transfers to the capital fund for tangible capital asset purchases	19,501,900
Budgeted transfers to reserves	437,300
Principal payments on debt	1,396,300
Less:	
Amortization	(3,033,398)
Proceeds on debt issue	(8,799,800)
Budgeted transfers from reserves	(3,770,400)
Budget surplus per Consolidated Statement of Operations	\$ 5,731,902

**18. COVID-19**

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As at the date of issuance of the financial statements, the Corporation is aware of changes in its operations as a result of the COVID-19 crisis. Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary, however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the Corporation's operations as at the date of these financial statements.

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# The Corporation of the Town of Tillsonburg

## Notes to Consolidated Financial Statements

Year ended December 31, 2020

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### 19. SEGMENTED INFORMATION

The Corporation of Town of Tillsonburg is a lower-tier municipality of Oxford County that provides a wide range of services to its residents. The major services chosen for segmented disclosure are the five departments which consume the greatest amount of the Town's total operating expenses. The revenue and expenses reported for each segment includes directly attributable amounts as well as internal charges and recoveries allocated on a reasonable basis.

A description of each major service and the activities each provide are as follows:

#### **General government**

The general government includes council and corporate management.

#### **Protection services**

The protection services include fire, police, protective inspection and control, and building permit and inspection services.

#### **Transportation services**

The transportation services department is responsible for the safe and efficient movement of people and goods within the Town of Tillsonburg. Responsibilities include road construction and maintenance, winter control, transit, airport, developing parking and traffic by-laws, and implementation and maintenance of street lighting.

#### **Recreation and cultural**

This segment includes parks, recreation programs, recreation facilities, museums, and community events.

#### **Other services**

Other services include storm sewer, solid waste collection, cemeteries, and planning and development.

*(continues)*



**The Corporation of the Town of Tillsonburg**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**

**19. SEGMENTED INFORMATION (continued)**

	General Government	Protection Services	Transportation Services	Recreation and Cultural Services	Other Services	Consolidated 2020
<b>Revenue</b>						
Government transfers	\$ 1,343,955	\$ 154,221	\$ 2,295,074	\$ 196,871	\$ 140,703	\$ 4,130,824
User charges	636,389	1,794,669	474,336	779,609	419,971	4,104,974
Other revenue [1]	817,370	33,000	(958,472)	233,896	219,863	345,657
	<b>2,797,714</b>	<b>1,981,890</b>	<b>1,810,938</b>	<b>1,210,376</b>	<b>780,537</b>	<b>8,581,455</b>
<b>Expenses</b>						
Salaries, wages and benefits	2,356,810	1,970,541	1,925,850	2,600,233	617,468	9,470,902
Materials	228,527	733,992	1,003,885	1,137,645	1,567,579	4,671,628
Contracted services	679,981	3,563,003	732,414	563,992	303,360	5,842,750
External transfers	51,500	-	-	-	-	51,500
Inter-functional adjustments	(1,372,639)	362,947	446,304	340,896	222,492	-
Financial expenses	240,587	15,000	14,822	-	-	270,409
Interest on long term liabilities	94,236	5,767	201,306	193,339	14,109	508,757
Amortization	687,847	105,337	1,636,953	496,709	106,552	3,033,398
	<b>2,966,849</b>	<b>6,756,587</b>	<b>5,961,534</b>	<b>5,332,814</b>	<b>2,831,560</b>	<b>23,849,344</b>
<b>Deficiency of revenue over expenses for the year financed by net municipal levy</b>	<b>\$ (169,135)</b>	<b>\$ (4,774,697)</b>	<b>\$ (4,150,596)</b>	<b>\$ (4,122,438)</b>	<b>\$ (2,051,023)</b>	<b>\$ (15,267,889)</b>
<b>Taxation revenue</b>						<b>16,921,913</b>
<b>Annual surplus</b>						<b>\$ 1,654,024</b>

[1] Other revenue - Includes penalties and interest on taxes, investment income, gain (loss) on sale of assets, developer contributions, donations and equity in Tillsonburg Hydro Inc.

**The Corporation of the Town of Tillsonburg**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2020**

**19. SEGMENTED INFORMATION (continued)**

	General Government	Protection Services	Transportation Services	Recreation and Cultural Services	Other Services	Consolidated 2019
<b>Revenue</b>						
Government transfers	\$ 1,336,344	\$ 69,731	\$ 738,666	\$ 113,330	\$ 144,678	\$ 2,402,749
User charges	694,064	1,586,037	764,560	1,507,507	478,264	5,030,432
Other revenue [1]	1,249,652	12,426	(1,419,447)	607,179	283,648	733,458
	<b>3,280,060</b>	<b>1,668,194</b>	<b>83,779</b>	<b>2,228,016</b>	<b>906,590</b>	<b>8,166,639</b>
<b>Expenses</b>						
Salaries, wages and benefits	2,507,212	2,013,949	1,849,205	2,759,045	524,848	9,654,259
Materials	385,148	603,380	1,112,964	1,265,957	529,108	3,896,557
Contracted services	621,678	3,394,226	434,678	590,167	247,534	5,288,283
External transfers	46,000	-	-	-	-	46,000
Inter-functional adjustments	(1,295,184)	337,712	457,878	267,430	232,164	-
Financial expenses	262,058	-	14,993	-	-	277,051
Interest on long term liabilities	88,416	5,937	171,094	209,458	30,173	505,078
Amortization	618,978	85,845	1,443,683	479,378	105,536	2,733,420
	<b>3,234,306</b>	<b>6,441,049</b>	<b>5,484,495</b>	<b>5,571,435</b>	<b>1,669,363</b>	<b>22,400,648</b>
<b>Deficiency of revenue over expenses for the year financed by net municipal levy</b>	<b>\$ 45,754</b>	<b>\$ (4,772,855)</b>	<b>\$ (5,400,716)</b>	<b>\$ (3,343,419)</b>	<b>\$ (762,773)</b>	<b>\$ (14,234,009)</b>
<b>Taxation revenue</b>						<b>16,266,541</b>
<b>Annual surplus</b>						<b>\$ 2,032,532</b>

[1] Other revenue - Includes penalties and interest on taxes, investment income, gain (loss) on sale of assets, developer contributions, donations and equity in Tillsonburg Hydro Inc.