

**THE CORPORATION OF THE TOWN OF TILLSONBURG**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2022**



# THE CORPORATION OF THE TOWN OF TILLSONBURG

For the year ended December 31, 2022

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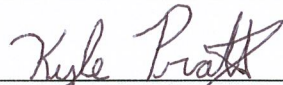
## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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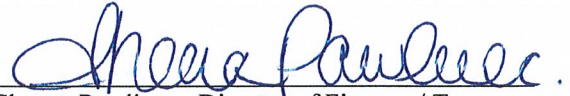
The consolidated financial statements of The Corporation of the Town of Tillsonburg have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based upon 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

July 31, 2023  
Tillsonburg, Ontario



## INDEPENDENT AUDITORS' REPORT

**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 'Entity'), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, and cash flows 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 consolidated financial position of the Entity as at December 31, 2022, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows 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 *Auditors' Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

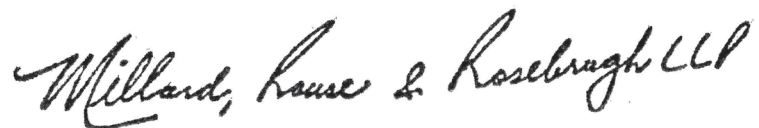
Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the group Entity to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



July 31, 2023  
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## STATEMENT OF FINANCIAL POSITION

As at December 31	2022	2021
<b>FINANCIAL ASSETS</b>		
Cash	4,063,399	4,136,248
Investments (Note 5)	5,195,069	5,055,671
Taxes receivable (Note 6)	1,013,161	691,148
Accounts receivable (Note 7)	5,727,406	4,689,370
Due from unconsolidated entities (Note 8)	3,102,161	1,898,869
Land held for resale	3,437,567	1,846,763
Investment in Tillsonburg Hydro Inc. (Note 9)	12,370,732	12,129,314
	34,909,495	30,447,383
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 10)	5,293,428	5,529,270
Customer and security deposits	2,959,082	2,927,750
Post-employment / retirement benefits (Note 11)	614,368	-
Deferred revenue (Note 12)	8,742,870	7,530,774
Long-term liabilities (Note 13)	12,397,791	13,922,196
Contaminated sites (Note 3)	277,385	-
	30,284,924	29,909,990
<b>NET FINANCIAL ASSETS</b>	4,624,571	537,393
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 14)	70,898,342	70,401,800
Inventories	346,351	57,710
Prepaid expenses	48,005	63,839
	71,292,698	70,523,349
<b>ACCUMULATED SURPLUS (Note 15)</b>	75,917,269	71,060,744

See accompanying notes



# THE CORPORATION OF THE TOWN OF TILLSONBURG

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31	Budget 2022 <i>(Note 22)</i>	2022	2021
<b>REVENUES</b>			
Taxation	17,832,900	18,487,589	17,325,959
User charges	4,590,900	5,145,900	4,959,253
Government transfers - Federal (Note 16)	5,170,400	2,184,672	753,418
Government transfers - Provincial (Note 17)	7,152,000	4,065,191	3,143,633
Government transfers - Oxford County (Note 18)	284,900	248,550	564,376
Other income (Note 19)	1,919,200	1,185,745	781,469
Income from Tillsonburg Hydro Inc. (Note 9)	-	241,418	295,100
Gain (loss) on disposal of tangible capital assets	-	210,196	2,557,937
	36,950,300	31,769,261	30,381,145
<b>EXPENSES</b>			
General government	2,886,900	3,654,918	3,463,322
Protection services	7,080,100	7,111,736	7,310,080
Transportation services	4,880,650	6,806,471	6,130,658
Environmental services	537,600	453,792	476,703
Health services	336,600	301,673	262,656
Recreation and cultural services	5,751,600	6,775,348	5,673,674
Planning and development	426,200	1,808,798	901,187
	21,899,650	26,912,736	24,218,280
<b>ANNUAL SURPLUS</b>	15,050,650	4,856,525	6,162,865
Accumulated surplus - beginning of year	71,060,744	71,060,744	64,897,879
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	86,111,394	75,917,269	71,060,744

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31	Budget 2022 <i>(Note 22)</i>	2022	2021
<b>Annual surplus</b>	15,050,650	4,856,525	6,162,865
Amortization on tangible capital assets	(3,648,235)	3,648,235	3,301,613
Purchase of tangible capital assets	28,054,235	(6,860,377)	(8,538,442)
Transfer of land to land held for resale	-	2,611,736	-
Proceeds on disposal of tangible capital assets	-	314,062	2,611,498
Loss (gain) on disposal of tangible capital assets	-	(210,196)	(2,557,944)
Decrease (increase) in inventory	-	(288,641)	(21,447)
Decrease in prepaid expenses	-	15,834	(16,462)
<b>Increase in net financial assets</b>	39,456,650	4,087,178	941,681
Net financial assets - beginning of year	-	537,393	(404,288)
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	40,110,250	4,624,571	537,393



# THE CORPORATION OF THE TOWN OF TILLSONBURG

## STATEMENT OF CASH FLOWS

For the year ended December 31	2022	2021
<b>Cash Flows From Operating Activities</b>		
Annual surplus	4,856,525	6,162,865
Items not affecting cash:		
Amortization of tangible capital assets	3,648,235	3,301,613
(Gain) loss on disposal of tangible capital assets	(210,196)	(2,557,944)
Change in equity - Tillsonburg Hydro Inc.	(241,418)	(295,100)
	8,053,146	6,611,434
<b>Changes in non-cash working capital:</b>		
Taxes receivable	(322,013)	(225,216)
Accounts receivable	(1,038,036)	(1,256,320)
Due from unconsolidated entities	(1,203,292)	(265,677)
Land held for resale	(1,590,804)	-
Accounts payable and accrued liabilities	(235,842)	870,768
Post-employment/retirement benefits	614,368	-
Other current liabilities	31,332	(2,924,709)
Contaminated site	277,385	-
Deferred revenue	1,212,096	3,344,661
Inventories	(288,641)	(21,447)
Prepaid expenses	15,834	(16,462)
	(2,527,613)	(494,402)
Cash flow from operating activities	5,525,533	6,117,032
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(6,860,377)	(8,538,442)
Transfer of land to land held for resale	2,611,736	-
Proceeds from sale of tangible capital assets	314,062	2,611,498
Cash flow used by capital activities	(3,934,579)	(5,926,944)
<b>FINANCING ACTIVITIES</b>		
Net change in long term debt	(1,524,405)	(682,378)
Cash flow from financing activities	(1,524,405)	(682,378)
<b>INCREASE (DECREASE) IN CASH FLOW</b>	66,549	(492,290)
<b>Opening Cash and Cash Equivalents</b>	9,191,919	9,684,209
<b>Closing Cash and Cash Equivalents</b>	9,258,468	9,191,919
<b>Cash and Cash Equivalents Comprised of:</b>		
Cash on hand and balances with banks	4,063,399	4,136,248
Investments	5,195,069	5,055,671
	9,258,468	9,191,919

See accompanying notes

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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### 1. NATURE OF OPERATIONS

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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

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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 Canadian Professional Accountants of Canada.

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

#### (a) Reporting Entity

##### (i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, and 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-department 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 Public Sector Accounting Standards 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 Township 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, expenditures, assets, and liabilities with respect to the operations of the school boards and the County of Oxford, 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 \$4,793,844 (2021 - \$4,496,206). The taxation revenue collected and remitted on behalf of Oxford County amounted to \$9,473,683 (2021 - \$8,745,822).

##### (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".

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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#### (a) Reporting Entity (Continued)

(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*

#### (b) 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 and services and the creation of a legal obligation to pay.

#### (c) 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 Township 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. Transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

(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.

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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#### (c) Revenue Recognition (Continued)

##### (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.

#### (d) Tangible capital assets

Tangible capital assets are recorded 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
Building 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

#### (e) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, cash held in financial institutions and short term investments with original maturities of three months or less from the time of acquisition.

#### (f) 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.

#### (g) 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 balance.

#### (h) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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(i) **Inventory**

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

(j) **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.

(k) **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: allowance for taxes receivable, accounts receivable, impairment of tangible capital assets, employee benefits liability and accrued expenses. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the operations in the year in which they become known.

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

### 3. CONTAMINATED SITES

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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 Town has retained an environmental and geotechnical engineering firm to determine the location and investigate the cost to decommission the well.

The town has recognized an undiscounted contaminated sites liability of \$277,385 as at December 31, 2022 (2021 - \$Nil) for remediation of known contaminated sites where an assessment has been conducted, or where available information on sites is sufficient to estimate costs. The assumptions and basis of measurement used in estimating the liability include past land usage, the nature of the level of contamination, current land use, length of time to remediate the site, engineer cost estimates, environmental site assessments and analysis from staff reports.

### 4. TRUST FUNDS

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Trust funds administered by the Town amounting to \$1,562,592 (2021 - 1,517,346) have not been included in the consolidated statement of financial position, nor have their operations been included in the consolidated statement of operations.

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

### 5. INVESTMENTS

Investments of \$5,195,069 (2021 - \$5,055,671) are recorded at their cost and are short-term in nature. Investments consist of high interest savings accounts which have a market value approximating cost.

### 6. TAXES RECEIVABLE

	2022	2021
Taxes receivable	1,013,161	691,148
Allowance for uncollectibles	-	-
	1,013,161	691,148

### 7. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2022	2021
Government of Canada	1,781,981	828,253
Province of Ontario	1,521,097	27,379
Other municipalities	1,461,932	3,009,044
School boards	-	-
Other receivables	1,066,148	854,911
Allowance for uncollectibles	(103,752)	(30,217)
	5,727,406	4,689,370

### 8. 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 entities as follows:

	2022	2021
Tillsonburg Hydro Inc.	2,490,328	1,257,982
Town of Tillsonburg Waterworks Department	484,846	393,568
Town of Tillsonburg Sanitary Sewer Department	126,987	247,319
	3,102,161	1,898,869

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

### 9. 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:

<b>Statement of Financial Position as at December 31,</b>	<b>2022</b>	<b>2021</b>
Current assets	5,573,561	4,775,424
Property, plant and equipment	19,960,493	18,788,111
Other non-current assets	16,182	473
Regulatory assets	2,263,044	1,560,927
	<b>27,813,280</b>	<b>25,124,935</b>
Current liabilities	4,958,417	3,218,790
Long-term liabilities	10,377,715	9,712,012
Regulatory liabilities	106,410	64,813
Equity	12,370,738	12,129,320
	<b>27,813,280</b>	<b>25,124,935</b>

<b>Statement of Comprehensive Income and Changes in Equity</b>	<b>2022</b>	<b>2021</b>
Revenue	26,313,929	25,161,265
Cost of power	22,586,341	21,502,280
Distribution revenue	3,727,588	3,658,985
Net non-utility activities	19,396	2,717
Expenses	3,875,671	3,706,972
Income before income taxes	(128,687)	(45,270)
Income taxes	328,813	222,831
Net movement in regulatory balances	(898,918)	(763,201)
Comprehensive income for the year, before dividends	441,418	495,100
Dividends	200,000	200,000
Net change in investment in Tillsonburg Hydro Inc.	241,418	295,100

<b>Investment in Tillsonburg Hydro Inc.</b>	<b>2022</b>	<b>2021</b>
Investment in Tillsonburg Hydro Inc. - Opening	12,129,314	11,834,214
Net change in investment in Tillsonburg Hydro Inc.	241,418	295,100
Investment in Tillsonburg Hydro Inc. - Ending	12,370,732	12,129,314

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

### 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	2022	2021
Trade payables	5,201,912	5,467,061
Deposits	53,522	52,591
Payable to the provincial and federal government	(1,160)	2,882
Payable to other municipalities	39,154	6,620
	5,293,428	5,529,154

### 11. POST-EMPLOYMENT / RETIREMENT BENEFITS

The town has obligations for amounts owing to former employees under the Workplace Safety and Insurance Board permanent partial disability pension and for amounts owing under various benefits programs. An actuarial valuation of these future liabilities was completed in June 2023 and forms the basis for the estimated liability reported in these financial statements.

The weighted average assumptions used in the valuation were as follows:

Discount rate	5.00%
Healthcare cost increases	
Initial rate	5.75%
Ultimate rate	4.00%
Dental care cost increase	4.00%

Future Employee Benefits	2022
Results of Actuarial Valuation Study	626,086
Current Period Benefit Cost	21,480
Interest accrued	27,675
Estimated Benefit Payment	(60,873)
Liability as at December 31	614,368



# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

### 12. DEFERRED REVENUES - OBLIGATORY RESERVE FUNDS

A requirement of Canadian public sector accounting standards 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 reserves funds of the Town are as follows:

<b>2022</b>	<b>Opening balance</b>	<b>Contributions received</b>	<b>Investment income</b>	<b>Revenue recognized</b>	<b>Ending balance</b>
Development charges	4,377,342	1,309,811	99,524	(424,581)	5,362,096
Building permits	1,543,929	1,076,664	-	(1,026,976)	1,593,617
Federal gas tax	1,206,711	503,383	25,954	(939,112)	796,936
Other	402,792	990,221	-	(402,792)	990,221
	<b>7,530,774</b>	<b>3,880,079</b>	<b>125,478</b>	<b>(2,793,461)</b>	<b>8,742,870</b>

<b>2021</b>	<b>Opening balance</b>	<b>Contributions received</b>	<b>Investment income</b>	<b>Revenue recognized</b>	<b>Ending balance</b>
Development charges	2,573,367	1,887,457	25,421	(108,903)	4,377,342
Building permits	861,066	682,863	-	-	1,543,929
Federal gas tax	602,473	987,299	6,763	(389,824)	1,206,711
Other	149,207	402,792	-	(149,207)	402,792
	<b>4,186,113</b>	<b>3,960,411</b>	<b>32,184</b>	<b>(647,934)</b>	<b>7,530,774</b>

Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

**THE CORPORATION OF THE TOWN OF TILLSONBURG**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2022**

**13. NET LONG TERM LIABILITIES**

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

	<b>2022</b>	<b>2021</b>
Total long term liabilities issued or assumed by the municipality and outstanding at the end of the year amounts to:	12,397,791	13,922,196

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

2023	1,503,501
2024	1,208,560
2025	1,184,098
2026	1,091,614
2027	968,053
Thereafter	6,441,965
	<u>12,397,791</u>

The above long term liabilities have maturity dates ranging from 2023 to 2039 with interest rates varying between 1.03% and 5.77%

(c) Interest expense paid on long term liabilities for the year was \$463,346 (2021 - \$494,081).

(d) 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.

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

### 14. TANGIBLE CAPITAL ASSETS

	Land	Building and Fixtures	Transportation Equipment	Roads and Bridges	Other Equipment	Construction in Progress	Total 2022	Total 2021
<b>Cost</b>								
Balance, beginning of year	3,093,135	28,492,486	9,127,529	63,376,404	7,233,413	8,610,832	119,933,799	111,924,978
Additions during the year	785,559	1,248,725	723,614	6,046,042	405,692	6,548,403	15,758,035	14,607,469
Disposals and transfers during the year	(2,611,733)	(8,808)	(1,046,965)	(1,003,303)	-	-	(4,670,809)	(529,620)
Transfer to capital assets	-	-	-	-	-	(8,897,658)	(8,897,658)	(6,069,028)
Balance, end of year	1,266,961	29,732,403	8,804,178	68,419,143	7,639,105	6,261,577	122,123,367	119,933,799
<b>Accumulated Amortization</b>								
Balance, beginning of year	-	11,003,664	4,444,589	29,253,197	4,830,549	-	49,531,999	46,706,445
Amortization during the year	-	965,421	744,273	1,692,092	246,449	-	3,648,235	3,301,613
Accumulated amortization on disposal	-	(8,602)	(1,038,948)	(907,659)	-	-	(1,955,209)	(476,059)
Balance, end of year	-	11,960,483	4,149,914	30,037,630	5,076,998	-	51,225,025	49,531,999
Net Book Value of Tangible Capital Assets	1,266,961	17,771,920	4,654,264	38,381,513	2,562,107	6,261,577	70,898,342	70,401,800

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

### 15. ACCUMULATED SURPLUS

The Town segregates its accumulated surplus into the following categories:

	2022	2021
Investment in tangible capital assets	70,898,342	70,401,800
Long term liabilities	(12,397,791)	(13,922,196)
Unfinanced capital	(5,226,678)	(6,913,664)
Net investment in tangible capital assets	53,273,873	49,565,940
Operating surplus	1,199,172	1,006,934
Unfunded Liability - Post Retirement Benefit	556,525	-
Unfunded Liability - Contaminated Sites	277,385	-
Tillsonburg BIA surplus	86,219	146,682
Reserves		
Council	3,646	3,609
Election	11,374	38,963
Physician recruitment	91,606	114,346
Tax rate stabilization	958,497	767,589
Insurance	83,995	27,096
IT equipment	130,571	115,818
Asset management funding	1,038,988	937,899
Fleet and equipment	1,054,940	585,648
Fire department equipment	149,381	102,237
Police	55,098	79,827
Police service board	32,388	32,868
Engineering	455,660	298,121
Development remediation	23,741	23,002
Linear infrastructure	1,333,297	1,485,341
Airport	37,207	31,428
Waste management	1,935	1,915
Recreation, culture and parks	446,849	545,157
Facility infrastructure	1,139,542	1,061,920
Cemetery	70,909	92,878
Downtown parking	386,894	352,108
Economic development	646,845	1,514,104
	8,153,363	8,211,874
Invested in Tillsonburg Hydro Inc.	12,370,732	12,129,314
	75,917,269	71,060,744

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

### 16. GOVERNMENT TRANSFERS - FEDERAL

	Budget (Note 22)	2022	2021
Operating			
Conditional	3,200	3,360	153,675
Capital			
Infrastructure funding	3,856,300	1,242,200	209,919
Federal gas tax revenue	1,310,900	939,112	389,824
	5,170,400	2,184,672	753,418

### 17. GOVERNMENT TRANSFERS - PROVINCIAL

	Budget (Note 22)	2022	2021
Operating			
Ontario Municipal Partnership Fund	653,600	653,600	617,900
Conditional	1,032,700	1,262,759	1,316,436
Capital			
Infrastructure funding	5,465,700	2,148,832	1,209,297
	7,152,000	4,065,191	3,143,633

### 18. GOVERNMENT TRANSFERS - COUNTY OF OXFORD

	Budget (Note 22)	2022	2021
Operating			
Conditional	253,900	202,829	261,849
Other	16,000	45,721	20,360
Capital			
Infrastructure funding	15,000	-	282,167
	284,900	248,550	564,376

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

### 19. OTHER INCOME

Other revenues are comprised of the following:

	2022 Budget	2022 Actual	2021 Actual
Penalties and interest on taxes	230,000	187,775	171,296
Investment income	218,500	387,398	327,664
Developer contributions	860,900	424,581	108,903
Donations	609,800	185,991	173,606
	1,919,200	1,185,745	781,469

### 20. 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 2022 was \$3,522,159 (2021 - \$3,475,596).

### 21. PENSION AGREEMENTS

The Town makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent full-time members of its staff. OMERS 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 rate of pay. The OMERS pension plan has a deficit. If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

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 2022 was \$767,484 (2021 - \$749,684). Since any surpluses or deficits are a joining responsibility of all Ontario municipalities and their employers, 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 THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

### 22. BUDGET FIGURES

The operating budgets adopted by the 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 use 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:

	2022	2021
Operating budget surplus for the year adopted by Council	-	-
Add:		
Budgeted transfers to the capital fund for tangible capital asset purchase	28,054,235	27,385,113
Budgeted transfer to reserves	257,600	421,000
Principal payments on debt	1,513,050	1,398,100
Less:		
Amortization	(3,648,235)	(3,301,613)
New debenture debt	(5,887,800)	(8,448,900)
Budgeted transfer from reserves and reserve funds	(5,238,200)	(3,415,800)
Budgeted surplus per Consolidated Statement of Operations	15,050,650	14,037,900

### 23. EXTRAORDINARY EVENT

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 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.

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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### 24. COMPARATIVE FIGURES

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Certain of the prior year's figures, provided for purposes of comparison, have been reclassified to conform with the current year's presentation.

### 25. CONTINGENT LIABILITIES

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As at December 31, 2022, there are legal claims commenced against the Town that remain outstanding. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are undeterminable. For the claims against the Town, the amount and nature of the possible outcome is not determinable at this time and, as a result, no provision has been made in the financial statements.

### 26. CONTRACTUAL RIGHTS

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Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Town's contractual rights consist of contracts entered into for operating leases.



# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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### 27. SEGMENTED INFORMATION

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The Corporation of the 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 four departments that consume the greatest amount of the Township'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 includes fire, police, protection inspection and control, building permit, and transportation 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 services**

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.

# THE CORPORATION OF THE TOWN OF TILLSONBURG

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

Year ended December 31, 2022	General Government	Protection Services	Transportation	Recreation and Cultural Services	Other Services	Consolidated 2022
<b>Revenue</b>						
Government transfers	1,175,053	435,077	3,731,714	72,999	1,083,570	6,498,413
User charges	415,174	2,256,039	745,809	1,230,391	498,487	5,145,900
Other income (Note 1)	1,045,851	2,431	67,379	80,163	441,535	1,637,359
	<u>2,636,078</u>	<u>2,693,547</u>	<u>4,544,902</u>	<u>1,383,553</u>	<u>2,023,592</u>	<u>13,281,672</u>
<b>Expenses</b>						
Salaries, wages, and benefits	3,114,519	2,310,882	2,053,929	3,204,653	458,668	11,142,651
Materials	89,461	415,081	1,362,483	1,625,773	1,276,050	4,768,848
Contracted Services	761,769	3,744,977	1,113,194	529,148	493,139	6,642,227
External transfers	28,900	-	-	-	-	28,900
Inter-functional adjustments	(1,390,233)	464,859	339,540	372,138	213,696	-
Financial expenses	169,238	15,000	34,292	-	-	218,530
Interest on long-term liabilities	94,029	9,753	174,841	159,594	25,128	463,345
Amortization	787,235	151,184	1,728,192	884,042	97,582	3,648,235
	<u>3,654,918</u>	<u>7,111,736</u>	<u>6,806,471</u>	<u>6,775,348</u>	<u>2,564,263</u>	<u>26,912,736</u>
<b>Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy</b>	(1,018,840)	(4,418,189)	(2,261,569)	(5,391,795)	(540,671)	(13,631,064)
<b>Taxation revenue</b>						<u>18,487,589</u>
<b>Annual surplus</b>						<u>4,856,525</u>

[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 THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

Year ended December 31, 2021	General Government	Protection Services	Transportation	Recreation and Cultural Services	Other Services	Consolidated 2021
<b>Revenue</b>						
Government transfers	1,416,025	138,641	2,027,725	506,977	372,059	4,461,427
User charges	624,495	2,440,737	694,408	730,883	468,730	4,959,253
Other income (Note 1)	923,213	1,000	26,435	5,536	2,678,322	3,634,506
	<u>2,963,733</u>	<u>2,580,378</u>	<u>2,748,568</u>	<u>1,243,396</u>	<u>3,519,111</u>	<u>13,055,186</u>
<b>Expenses</b>						
Salaries, wages, and benefits	2,656,263	1,988,360	1,903,151	2,809,982	453,222	9,810,978
Materials	240,676	1,008,062	1,047,204	1,157,072	723,565	4,176,579
Contracted Services	731,723	3,747,787	924,205	495,820	245,290	6,144,825
External transfers	42,300	-	-	-	-	42,300
Inter-functional adjustments	(1,279,692)	414,354	285,352	360,096	219,890	-
Financial expenses	220,938	15,000	11,966	-	-	247,904
Interest on long-term liabilities	96,488	7,283	189,327	173,830	27,153	494,081
Amortization	754,626	129,234	1,644,399	676,874	96,480	3,301,613
	<u>3,463,322</u>	<u>7,310,080</u>	<u>6,005,604</u>	<u>5,673,674</u>	<u>1,765,600</u>	<u>24,218,280</u>
<b>Surplus (deficiency) of revenue over expenses for the year</b>						
<b>financed by net municipal levy</b>	(499,589)	(4,729,702)	(3,257,036)	(4,430,278)	1,753,511	(11,163,094)
<b>Taxation revenue</b>						<u>17,325,959</u>
<b>Annual surplus</b>						<u>6,162,865</u>

[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.