

The Corporation Of The Town Of Tillsonburg

Consolidated Financial Statements

December 31, 2021



The Corporation of the Town of Tillsonburg
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December 31, 2021

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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



Renato Pullia, Interim Director of Finance /
Treasurer

July 11, 2022
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 Corporation), which comprise the consolidated statement of financial position as at December 31, 2021, 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, 2021, 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.

July 11, 2022
Tillsonburg, Ontario

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, 2021

	2021	2020
FINANCIAL ASSETS		
Cash	\$ 4,136,248	\$ 4,676,274
Investments (Note 4)	5,055,671	5,007,935
Taxes receivable	691,148	465,932
Accounts receivable	4,689,370	3,433,050
Due from unconsolidated entities (Note 5)	1,898,869	1,633,192
Land held for resale	1,846,763	1,846,763
Investment in Tillsonburg Hydro Inc. (Note 6)	12,129,314	11,834,214
	30,447,383	28,897,360
LIABILITIES		
Accounts payable	5,529,270	4,658,502
Customer and security deposits	2,927,750	5,852,459
Deferred revenue (Note 7)	7,530,774	4,186,113
Long term debt (Note 8)	13,922,196	14,604,574
	29,909,990	29,301,648
NET FINANCIAL ASSETS (DEBT)	537,393	(404,288)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	70,401,800	65,218,533
Inventory	57,710	36,263
Prepaid expenses	63,839	47,377
	70,523,349	65,302,173
ACCUMULATED SURPLUS (Note 10)	\$ 71,060,744	\$ 64,897,879

See accompanying notes

The Corporation of the Town of Tillsonburg
Consolidated Statement of Operations and Accumulated Surplus
Year Ended December 31, 2021

	Budget 2021	2021	2020
	<i>(Note 17)</i>		
REVENUE			
Taxation	\$ 17,570,900	\$ 17,325,959	\$ 16,921,913
User charges	4,622,500	4,959,253	4,104,974
Government transfers - Federal <i>(Note 11)</i>	4,490,400	753,418	577,606
Government transfers - Provincial <i>(Note 12)</i>	6,062,800	3,143,633	3,273,606
Government transfers - Oxford County <i>(Note 13)</i>	582,300	564,376	279,612
Other income <i>(Note 14)</i>	1,505,000	781,469	1,690,667
Income from Tillsonburg Hydro Inc. <i>(Note 6)</i>	-	295,100	222,279
Gain (loss) on disposal of tangible capital assets	-	2,557,937	(1,567,289)
	34,833,900	30,381,145	25,503,368
Expenses			
General government	2,617,400	3,463,322	2,966,849
Protection services	6,731,800	7,310,080	6,756,587
Transportation services	4,533,400	6,003,569	5,961,534
Environmental services	568,500	603,792	641,355
Health services	321,600	262,656	339,734
Recreation and cultural services	5,608,900	5,673,674	5,332,814
Planning and development	414,400	901,187	1,850,471
	20,796,000	24,218,280	23,849,344
ANNUAL SURPLUS	\$ 14,037,900	6,162,865	1,654,024
Accumulated surplus - beginning of year	64,897,879	64,897,879	63,243,855
ACCUMULATED SURPLUS - END OF YEAR	\$ 78,935,779	\$ 71,060,744	\$ 64,897,879

See accompanying notes

The Corporation of the Town of Tillsonburg
Consolidated Statement of Changes in Net Financial Assets (Debt)
Year Ended December 31, 2021

	Budget 2021	2021	2020
<i>(Note 17)</i>			
ANNUAL SURPLUS	\$ 14,037,900	\$ 6,162,865	\$ 1,654,024
Amortization of tangible capital assets	5,101,900	3,301,613	3,033,398
Purchase of tangible capital assets	(24,083,500)	(8,538,442)	(6,854,065)
Proceeds on disposal of tangible capital assets	-	2,611,498	183,731
Loss (gain) on disposal of assets	-	(2,557,944)	1,567,286
Decrease (increase) in inventory	-	(21,447)	16,975
Decrease (increase) in prepaid expenses	-	(16,462)	131,886
	(18,981,600)	(5,221,184)	(1,920,789)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(4,943,700)	941,681	(266,765)
Net financial assets (debt) - beginning of year	-	(404,288)	(137,523)
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ (4,943,700)	\$ 537,393	\$ (404,288)

See accompanying notes

The Corporation of the Town of Tillsonburg

Consolidated Statement of Cash Flow

Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Annual surplus	\$ 6,162,865	\$ 1,654,024
Items not affecting cash:		
Amortization of tangible capital assets	3,301,613	3,033,398
(Gain) loss on disposal of tangible capital assets	(2,557,944)	1,567,289
Change in equity - Tillsonburg Hydro Inc.	(295,100)	(222,279)
	6,611,434	6,032,432
Changes in non-cash working capital:		
Taxes receivable	(225,216)	420,052
Accounts receivable	(1,256,320)	152,108
Due from unconsolidated entities	(265,677)	(1,137,124)
Land held for resale	-	67,448
Accounts payable	870,768	318,179
Other current liabilities	(2,924,709)	2,579,630
Deferred revenue	3,344,661	(95,475)
Inventory	(21,447)	16,975
Prepaid expenses	(16,462)	131,886
	(494,402)	2,453,679
Cash flow from operating activities	6,117,032	8,486,111
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(8,538,442)	(6,854,065)
Proceeds from sale of tangible capital assets	2,611,498	183,731
Cash flow used by capital activities	(5,926,944)	(6,670,334)
FINANCING ACTIVITIES		
Net change in long term debt	(682,378)	572,079
Cash flow from (used by) financing activities	(682,378)	572,079
INCREASE (DECREASE) IN CASH FLOW	(492,290)	2,387,856
Cash - beginning of year	9,684,209	7,296,353
CASH - END OF YEAR	\$ 9,191,919	\$ 9,684,209
CASH CONSISTS OF:		
Cash	\$ 4,136,248	\$ 4,676,274
Investments	5,055,671	5,007,935
	\$ 9,191,919	\$ 9,684,209

See accompanying notes

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2021

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 \$4,496,206 (2020 - \$5,097,446). The taxation revenue collected and remitted on behalf of Oxford County amounted to \$8,745,822 (2020 - \$8,505,170).

(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, 2021

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, 2021

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, 2021

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 Town has retained an environmental and geotechnical engineering firm to determine the location and investigate the cost to decommission the well. The Town is not aware of any other contaminated sites.

As at December 31, 2021 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 \$5,055,671 (2020 - \$5,007,935) 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.

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2021

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:

	2021	2020
Tillsonburg Hydro Inc.	\$ 1,257,982	\$ 988,726
Town of Tillsonburg Waterworks Department	393,568	352,969
Town of Tillsonburg Sanitary Sewer Department	247,319	291,497
	\$ 1,898,869	\$ 1,633,192

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:

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The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2021

6. INVESTMENT IN TILLSONBURG HYDRO INC. (continued)

Statement of Financial Position as at December 31

	2021	2020
Current assets	\$ 4,775,424	\$ 4,547,621
Property, plant and equipment	18,788,111	17,493,263
Other non-current assets	473	15,246
Regulatory assets	1,560,927	978,238
	\$ 25,124,935	\$ 23,034,368
Current liabilities	\$ 3,218,790	\$ 3,172,488
Long-term liabilities	9,712,012	7,995,763
Regulatory liabilities	64,813	31,903
Equity	12,129,320	11,834,214
	\$ 25,124,935	\$ 23,034,368

Statement of Comprehensive Income and Changes in Equity

	2021	2020
Revenue	\$ 25,161,265	\$ 27,225,060
Cost of power	21,502,280	24,099,510
Distribution revenue	3,658,985	3,125,550
Net non-utility activities	2,717	(7,567)
Expenses	3,706,972	3,589,865
Income before income taxes	(45,270)	(471,882)
Income taxes	222,831	353,980
Net movement in regulatory balances	(763,201)	(1,248,141)
Comprehensive income for the year, before dividends	495,100	422,279
Dividends	200,000	200,000
Net change in investment in Tillsonburg Hydro Inc.	\$ 295,100	\$ 222,279
Investment in Tillsonburg Hydro Inc. - Opening	\$ 11,834,214	\$ 11,611,935
Net change in investment in Tillsonburg Hydro Inc.	295,100	222,279
Investment in Tillsonburg Hydro Inc. - Ending	\$ 12,129,314	\$ 11,834,214

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2021

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	2,573,367	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
	\$ 4,186,113	\$ 3,960,411	\$ 32,184	\$ (647,934)	\$ 7,530,774

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2021

8. LONG TERM LIABILITIES

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

	2021	2020
Total long term liabilities issued or assumed by the municipality and outstanding at the end of the year amounts to:	\$ 13,922,196	\$ 14,604,574

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

2022	\$ 1,524,410
2023	1,503,501
2024	1,208,560
2025	1,184,125
2026	1,091,614
Thereafter	<u>7,409,986</u>
	<u>\$ 13,922,196</u>

The above long term liabilities have maturity dates ranging from 2022 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.

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2021

9. TANGIBLE CAPITAL ASSETS

	Land	Buildings and Fixtures	Transportation Equipment	Roads and Bridges	Other Equipment	Assets Under Construction	2021
Cost, beginning of year	\$1,266,961	\$ 25,465,566	\$ 9,078,586	\$ 62,928,056	\$ 7,044,390	\$ 6,141,419	\$111,924,978
Additions	1,826,174	3,050,037	227,563	643,772	321,482	8,538,441	14,607,469
Disposals	-	(23,117)	(178,620)	(195,424)	(132,459)	-	(529,620)
Transfer to capital assets	-	-	-	-	-	(6,069,028)	(6,069,028)
Cost, end of year	3,093,135	28,492,486	9,127,529	63,376,404	7,233,413	8,610,832	119,933,799
Accumulated amortization, beginning of year	-	10,278,437	3,918,662	27,801,927	4,707,419	-	46,706,445
Amortization	-	747,163	603,434	1,610,756	340,260	-	3,301,613
Disposals	-	(21,936)	(77,507)	(159,486)	(217,130)	-	(476,059)
Accumulated amortization, end of year	-	11,003,664	4,444,589	29,253,197	4,830,549	-	49,531,999
Net carrying amount, end of year	\$3,093,135	\$ 17,488,822	\$ 4,682,940	\$ 34,123,207	\$ 2,402,864	\$ 8,610,832	\$ 70,401,800

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The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2021

9. TANGIBLE CAPITAL ASSETS (continued)

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

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2021

10. ACCUMULATED SURPLUS

The Town segregates its accumulated surplus into the following categories:

	2021	2020
Investment in tangible capital assets	\$ 70,401,800	\$ 65,218,533
Long term liabilities	(13,922,196)	(14,604,574)
Unfinanced capital	(6,913,664)	(3,025,810)
Net investment in tangible capital assets	49,565,940	47,588,149
Operating surplus	1,006,934	195,418
Tillsonburg BIA surplus	146,682	123,168
Reserves		
Council	3,609	3,587
Election	38,963	28,760
Physician recruitment	114,346	124,647
Tax rate stabilization	767,589	630,981
Insurance	27,096	1,298
IT equipment	115,818	137,823
Asset management funding	937,899	972,386
Fleet and equipment	585,648	437,167
Fire department equipment	102,237	74,168
Police	79,827	79,354
Police services board	32,868	32,670
Engineering	298,121	242,975
Development remediation	23,002	18,489
Linear infrastructure	1,485,341	214,386
Airport	31,428	31,238
Waste management	1,915	1,904
Recreation, culture and parks	545,157	536,178
Facility infrastructure	1,061,920	1,110,545
Cemetery	92,878	67,469
Downtown parking	352,108	275,859
Economic development	1,514,104	135,046
	8,211,874	5,156,930
Investment in Tillsonburg Hydro Inc.	12,129,314	11,834,214
	\$ 71,060,744	\$ 64,897,879

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2021

11. GOVERNMENT TRANSFERS - FEDERAL

	Budget (note 17)	2021	2020
Operating			
Conditional	\$ 3,200	\$ 153,675	\$ -
Capital			
Infrastructure funding	3,470,300	209,919	101,331
Federal gas tax revenue	1,016,900	389,824	476,275
	\$ 4,490,400	\$ 753,418	\$ 577,606

12. GOVERNMENT TRANSFERS - PROVINCIAL

	Budget (note 17)	2021	2020
Operating			
Ontario Municipal Partnership Fund	\$ 617,900	\$ 617,900	\$ 570,600
Conditional	923,100	1,316,436	1,283,982
Capital			
Infrastructure funding	4,521,800	1,209,297	1,419,024
	\$ 6,062,800	\$ 3,143,633	\$ 3,273,606

13. GOVERNMENT TRANSFERS - COUNTY OF OXFORD

	Budget (note 17)	2021	2020
Operating			
Conditional	\$ 278,300	\$ 261,849	279,612
Other	\$ 34,000	\$ 20,360	-
Capital			
Infrastructure funding	270,000	282,167	-
	\$ 582,300	\$ 564,376	\$ 279,612

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2021

14. OTHER INCOME

	Budget (note 17)	2021	2020
Penalties and interest on taxes	\$ 160,000	\$ 171,296	\$ 168,443
Investment income	278,500	327,664	318,753
Developer contributions	871,200	108,903	1,010,538
Donations	195,300	173,606	192,933
	\$ 1,505,000	\$ 781,469	\$ 1,690,667

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 2021 was \$3,475,596 (2020 - \$3,356,445).

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 2021 was \$749,684 (2020 - \$761,333). 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, 2021

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:

	2021
Operating budget surplus for the year adopted by Council	\$ -
Add:	
Budgeted transfers to the capital fund for tangible capital asset purchases	27,385,113
Budgeted transfers to reserves	421,000
Principal payments on debt	1,398,100
Less:	
Amortization	(3,301,613)
Proceeds on debt issue	(8,448,900)
Budgeted transfers from reserves	(3,415,800)
Budget surplus per Consolidated Statement of Operations	\$ 14,037,900

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.

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2021

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, 2021

19. SEGMENTED INFORMATION (continued)

	General Government	Protection Services	Transportation Services	Recreation and Cultural Services	Other Services	Consolidated 2021
Revenue						
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 revenue [1]	923,213	1,000	26,435	5,536	2,678,322	3,634,506
	2,963,733	2,580,378	2,748,568	1,243,396	3,519,111	13,055,186
Expenses						
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	187,292	173,830	29,188	494,081
Amortization	754,626	129,234	1,644,399	676,874	96,480	3,301,613
	3,463,322	7,310,080	6,003,569	5,673,674	1,767,635	24,218,280
Deficiency of revenue over expenses for the year financed by net municipal levy	\$ (499,589)	\$ (4,729,702)	\$ (3,255,001)	\$ (4,430,278)	\$ 1,751,476	\$ (11,163,094)
Taxation revenue						17,325,959
Annual surplus						\$ 6,162,865

[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, 2021

19. SEGMENTED INFORMATION (continued)

	General Government	Protection Services	Transportation Services	Recreation and Cultural Services	Other Services	Consolidated 2020
Revenue						
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
	<u>2,797,714</u>	<u>1,981,890</u>	<u>1,810,938</u>	<u>1,210,376</u>	<u>780,537</u>	<u>8,581,455</u>
Expenses						
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	15,000.00	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
	<u>2,966,849</u>	<u>6,756,587</u>	<u>5,961,534</u>	<u>5,332,814</u>	<u>2,831,560</u>	<u>23,849,344</u>
Deficiency of revenue over expenses for the year financed by net municipal levy	\$ (169,135)	\$ (4,774,697)	\$ (4,150,596)	\$ (4,122,438)	\$ (2,051,023)	\$ (15,267,889)
Taxation revenue						<u>16,921,913</u>
Annual surplus						<u>\$ 1,654,024</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.