

The Corporation Of The Town Of Tillsonburg
Consolidated Financial Statements
December 31, 2019



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December 31, 2019

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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



Sheena Pawliwec, Manager of Finance / Deputy Treasurer

June 11, 2020
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, 2019, and the consolidated statements of operations and accumulated surplus, changes in net financial 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, 2019, 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.

Emphasis of Matter

We draw attention to Note 17 to the consolidated financial statements, which explains that certain comparative information presented for the year ended December 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

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.

The financial statements for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on August 12, 2019.

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 11, 2020
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, 2019

	2019	2018
		<i>(Restated-note 17)</i>
FINANCIAL ASSETS		
Cash	\$ 2,241,437	\$ 2,929,323
Investments <i>(Note 4)</i>	5,054,916	31,955
Taxes receivable	886,711	703,967
Accounts receivable	3,584,395	3,138,651
Due from unconsolidated entities <i>(Note 5)</i>	496,068	2,548,492
Land held for resale	1,914,211	1,867,925
Investment in Tillsonburg Hydro Inc. <i>(Note 6)</i>	11,611,935	11,284,538
	25,789,673	22,504,851
LIABILITIES		
Accounts payable	4,340,323	6,364,359
Customer and security deposits	3,272,829	1,752,364
Deferred revenue <i>(Note 7)</i>	4,281,588	2,388,898
Long term debt <i>(Note 8)</i>	14,032,495	13,384,081
	25,927,235	23,889,702
NET FINANCIAL DEBT	(137,562)	(1,384,851)
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 9)</i>	63,148,886	62,527,786
Inventory	53,238	57,117
Prepaid expenses	179,263	11,241
	63,381,387	62,596,144
ACCUMULATED SURPLUS <i>(Note 10)</i>	\$ 63,243,825	\$ 61,211,293

See accompanying notes

The Corporation of the Town of Tillsonburg
Consolidated Statement of Operations and Accumulated Surplus
Year ended December 31, 2019

	Budget 2019	2019	2018
	<i>(Note 18)</i>		<i>(Restated-note 17)</i>
REVENUE			
Taxation	\$ 15,942,200	\$ 16,266,541	\$ 15,386,522
User charges	4,722,100	5,030,432	4,512,493
Government transfers - Federal <i>(Note 11)</i>	663,600	513,363	867,345
Government transfers - Provincial <i>(Note 12)</i>	851,600	1,652,476	2,119,229
Government transfers - Oxford County <i>(Note 13)</i>	559,500	236,910	292,455
Other income <i>(Note 14)</i>	2,829,000	1,789,277	1,067,962
Income from Tillsonburg Hydro Inc. <i>(Note 6)</i>	-	327,397	304,741
Loss on disposal of tangible capital assets	-	(1,383,216)	(855,094)
	25,568,000	24,433,180	23,695,653
Expenses			
General government	2,889,678	3,234,306	2,971,229
Protection services	6,022,845	6,441,049	5,800,205
Transportation services	5,296,383	5,484,495	5,095,464
Environmental services	583,519	576,800	729,997
Health services	260,091	300,057	266,795
Recreation and cultural services	5,482,378	5,571,435	5,339,500
Planning and development	606,626	792,506	739,073
	21,141,520	22,400,648	20,942,263
ANNUAL SURPLUS	\$ 4,426,480	2,032,532	2,753,390
Accumulated surplus - beginning of year	61,211,293	61,211,293	58,457,903
ACCUMULATED SURPLUS - END OF YEAR	\$ 65,637,773	\$ 63,243,825	\$ 61,211,293

See accompanying notes

The Corporation of the Town of Tillsonburg
Consolidated Statement of Changes in Net Financial Debt
Year ended December 31, 2019

	Budget 2019	2019	2018
	<i>(Note 18)</i>		<i>(Restated-note 17)</i>
ANNUAL SURPLUS	\$ 4,426,480	\$ 2,032,532	\$ 2,753,390
Amortization of tangible capital assets	2,733,420	2,733,420	2,601,784
Purchase of tangible capital assets	(11,457,200)	(4,846,793)	(11,754,541)
Proceeds on disposal of tangible capital assets	-	109,057	119,229
Loss on disposal of tangible capital assets	-	1,383,216	855,094
Decrease in inventory	-	3,880	21,234
Decrease (increase) in prepaid expenses	-	(168,023)	430,968
	(8,723,780)	(785,243)	(7,726,232)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(4,297,300)	1,247,289	(4,972,842)
Net financial assets (debt) - beginning of year	(1,384,851)	(1,384,851)	3,587,991
NET FINANCIAL DEBT - END OF YEAR	\$ (5,682,151)	\$ (137,562)	\$ (1,384,851)

See accompanying notes

The Corporation of the Town of Tillsonburg
Consolidated Statement of Cash Flow
Year ended December 31, 2019

	2019	2018
		<i>(Restated-note 17)</i>
OPERATING ACTIVITIES		
Annual surplus	\$ 2,032,532	\$ 2,753,390
Items not affecting cash:		
Amortization of tangible capital assets	2,733,420	2,601,784
Loss on disposal of tangible capital assets	1,383,216	855,094
Change in equity - Tillsonburg Hydro Inc.	(327,397)	(304,741)
	5,821,771	5,905,527
Changes in non-cash working capital:		
Taxes receivable	(182,744)	24,299
Accounts receivable	(445,744)	(274,611)
Due from unconsolidated entities	2,052,424	(1,708,275)
Land held for resale	(46,286)	(9,552)
Accounts payable	(2,024,035)	1,533,918
Other current liabilities	1,520,465	(18,865)
Deferred revenue	1,892,690	36,546
Inventory	3,879	21,234
Prepaid expenses	(168,023)	430,968
	2,602,626	35,662
Cash flow from operating activities	8,424,397	5,941,189
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(4,846,793)	(11,754,541)
Proceeds from sale of tangible capital assets	109,057	119,229
Cash flow used by capital activities	(4,737,736)	(11,635,312)
FINANCING ACTIVITIES		
Net change in long term debt	648,414	3,326,105
Cash flow from financing activities	648,414	3,326,105
INCREASE (DECREASE) IN CASH FLOW	4,335,075	(2,368,018)
Cash - beginning of year	2,961,278	5,329,296
CASH - END OF YEAR	\$ 7,296,353	\$ 2,961,278
CASH CONSISTS OF:		
Cash	\$ 2,241,437	\$ 2,929,323
Investments	5,054,916	31,955
	\$ 7,296,353	\$ 2,961,278

See accompanying notes

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2019

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 \$5,219,854 (2018 - \$5,329,090). The taxation revenue collected and remitted on behalf of Oxford County amounted to \$8,195,153 (2018 - \$7,997,029).

(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, 2019

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, 2019

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, 2019

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, 2019 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 \$5,054,916 (2018 - \$31,955) 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, 2019

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:

	2019	2018
Tillsonburg Hydro Inc.	\$ (52,643)	\$ 2,039,735
Town of Tillsonburg Waterworks Department	312,918	315,233
Town of Tillsonburg Sanitary Sewer Department	235,793	193,524
	\$ 496,068	\$ 2,548,492

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, 2019

6. INVESTMENT IN TILLSONBURG HYDRO INC. (continued)

Statement of Financial Position as at December 31

	2019	2018 (as restated)
Current assets	\$ 4,885,924	\$ 6,036,677
Property, plant and equipment	15,694,150	12,732,132
Other non-current assets	30,018	213,038
	\$ 20,610,092	\$ 18,981,847
Current liabilities	\$ 1,794,983	\$ 3,673,146
Long-term liabilities	6,901,368	3,625,475
Regulatory liabilities	301,806	398,688
Equity	11,611,935	11,284,538
	\$ 20,610,092	\$ 18,981,847

Statement of Comprehensive Income and Changes in Equity

	2019	2018 (as restated)
Revenue	\$ 24,211,739	\$ 25,137,766
Cost of power	20,201,303	21,090,705
Distribution revenue	4,010,436	4,047,061
Net non-utility activities	35,842	101,908
Expenses	3,503,804	3,439,357
Income before income taxes	542,474	709,612
Income taxes	111,959	536,095
Net movement in regulatory balances	(96,882)	(331,224)
Comprehensive income for the year, before dividends	527,397	504,741
Dividends	200,000	200,000
Net change in investment in Tillsonburg Hydro Inc.	\$ 327,397	\$ 304,741
Investment in Tillsonburg Hydro Inc. - Opening	\$ 11,284,538	\$ 10,979,797
Net change in investment in Tillsonburg Hydro Inc.	327,397	304,741
Investment in Tillsonburg Hydro Inc. - Ending	\$ 11,611,935	\$ 11,284,538

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2019

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	1,976,884	927,821	25,398	(532,315)	2,397,788
Building permits	271,258	755,138	-	(528,092)	498,304
Federal gas tax	91,687	977,924	11,695	(499,996)	581,310
Other	49,069	949,280	-	(194,163)	804,186
	\$ 2,388,898	\$ 3,610,163	\$ 37,093	\$ (1,754,566)	\$ 4,281,588

The Corporation of the Town of Tillsonburg
Notes to Consolidated Financial Statements
Year ended December 31, 2019

8. LONG TERM LIABILITIES

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

	<u>2019</u>	<u>2018</u>
Total long term liabilities issued or assumed by the municipality and outstanding at the end of the year amounts to:	\$ 14,032,495	\$ 13,384,081

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

2020	\$ 1,458,192
2021	1,288,076
2022	1,285,109
2023	1,264,200
2024	969,259
Thereafter	<u>7,767,659</u>
	<u>\$ 14,032,495</u>

The above long term liabilities have maturity dates ranging from 2020 to 2043 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, 2019

9. TANGIBLE CAPITAL ASSETS

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

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The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2019

9. TANGIBLE CAPITAL ASSETS (continued)

	Land	Buildings and Fixtures	Transportation Equipment	Roads and Bridges	Other Equipment	Assets Under Construction	2018
Cost, beginning of year	\$ 1,266,961	\$ 23,305,660	\$ 6,723,822	\$ 58,221,263	\$ 6,063,241	\$ 968,012	\$ 96,548,959
Additions	-	642,894	762,876	3,157,829	540,278	11,754,541	16,858,418
Disposals	-	(34,931)	(195,595)	(1,581,756)	(133,850)	-	(1,946,132)
Transfer to capital assets	-	-	-	-	-	(5,103,877)	(5,103,877)
Cost, end of year	1,266,961	23,913,623	7,291,103	59,797,336	6,469,669	7,618,676	106,357,368
Accumulated amortization, beginning of year	-	8,644,430	3,843,175	25,565,253	4,146,749	-	42,199,607
Amortization	-	534,250	433,346	1,327,879	306,309	-	2,601,784
Disposals	-	(34,931)	(195,595)	(607,589)	(133,694)	-	(971,809)
Accumulated amortization, end of year	-	9,143,749	4,080,926	26,285,543	4,319,364	-	43,829,582
Net carrying amount, end of year	\$ 1,266,961	\$ 14,769,874	\$ 3,210,177	\$ 33,511,793	\$ 2,150,305	\$ 7,618,676	\$ 62,527,786

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2019

10. ACCUMULATED SURPLUS

The Town segregates its accumulated surplus into the following categories:

	2019	2018
Investment in tangible capital assets	\$ 63,148,886	\$ 62,527,786
Long term liabilities	(14,032,495)	(13,384,081)
Unfinanced capital	(2,415,276)	(3,575,310)
Net investment in tangible capital assets	46,701,115	45,568,395
Operating surplus	90,310	54,451
Tillsonburg BIA surplus	169,265	214,744
Reserves		
Council	3,556	3,499
Election	18,568	16,288
Physician recruitment	58,660	36,563
Tax rate stabilization	723,134	887,571
IT equipment	87,827	150,126
Asset management funding	974,091	413,997
Fleet and equipment	390,401	339,743
Fire department equipment	153,253	81,568
Police	78,682	139,841
Police services board	18,005	10,476
Engineering	75,144	47,867
Development remediation	18,168	170,071
Linear infrastructure	309,863	455,370
Airport	6,144	6,043
Waste management	1,888	1,857
Recreation, culture and parks	527,704	324,383
Facility infrastructure	555,935	402,518
Cemetery	66,897	46,164
Downtown parking	265,969	270,768
Economic development	337,311	284,452
	4,671,200	4,089,165
Investment in Tillsonburg Hydro Inc.	11,611,935	11,284,538
	\$ 63,243,825	\$ 61,211,293

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2019

11. GOVERNMENT TRANSFERS - FEDERAL

	Budget (note 18)	2019	2018
Operating			
Conditional	\$ 14,800	\$ 13,367	\$ 1,977
Capital			
Infrastructure funding	-	-	50,000
Federal gas tax revenue	648,800	499,996	815,368
	\$ 663,600	\$ 513,363	\$ 867,345

12. GOVERNMENT TRANSFERS - PROVINCIAL

	Budget (note 18)	2019	2018
Operating			
Ontario Municipal Partnership Fund	\$ 336,000	\$ 430,900	\$ 335,700
Conditional	234,700	1,169,837	443,071
Capital			
Infrastructure funding	280,900	51,739	1,340,458
	\$ 851,600	\$ 1,652,476	\$ 2,119,229

13. GOVERNMENT TRANSFERS - COUNTY OF OXFORD

	Budget (note 18)	2019	2018
Operating			
Conditional	\$ 244,500	\$ 236,910	288,690
Capital			
Infrastructure funding	315,000	-	3,765
	\$ 559,500	\$ 236,910	\$ 292,455

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2019

14. OTHER INCOME

	Budget (note 18)	2019	2018
Penalties and interest on taxes	\$ 175,000	\$ 159,872	\$ 139,944
Investment income	229,500	391,988	326,545
Developer contributions	1,797,900	532,314	146,222
Donations	626,600	705,103	455,251
	\$ 2,829,000	\$ 1,789,277	\$ 1,067,962

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 2019 was \$3,228,460 (2018 - \$3,078,480).

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 2019 was \$799,082 (2018 - \$738,311). 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.

17. PRIOR PERIOD ADJUSTMENT

Due to a restatement of the prior year financial statements of Tillsonburg Hydro Inc., the investment in Tillsonburg Hydro Inc. for 2018 has been restated. To reflect this prior period adjustment, the comparative financial statement figures have been restated as follows:

	As previously reported	As restated
Consolidated Statement of Financial Position:		
Investment in Tillsonburg Hydro Inc.	11,594,875	11,284,538
Accumulated surplus	61,521,630	61,211,293
Consolidated Statement of Operations:		
Income from Tillsonburg Hydro Inc.	356,464	304,741
Annual surplus (deficit)	2,805,113	2,753,390

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2019

18. 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:

	2019
Operating budget surplus for the year adopted by Council	\$ -
Add:	
Budgeted transfers to the capital fund for tangible capital asset purchases	16,689,800
Budgeted transfers to reserves	395,500
Principal payments on debt	1,370,500
Less:	
Amortization	(2,733,420)
Proceeds on debt issue	(8,155,100)
Budgeted transfers from reserves	(3,140,800)
Budget surplus per Consolidated Statement of Operations	\$ 4,426,480

19. COMPARATIVE FIGURES

Certain prior year figures have been adjusted to conform with the 2019 financial statement presentation.

20. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and Municipal governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses in Ontario resulting in an economic slowdown. The Federal and Provincial Governments, as well as the Bank of Canada, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital and debt requirements, which may also have a direct impact on the Town's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.

The Corporation of the Town of Tillsonburg

Notes to Consolidated Financial Statements

Year ended December 31, 2019

21. 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, 2019

21. SEGMENTED INFORMATION (continued)

	General Government	Protection Services	Transportation Services	Recreation and Cultural Services	Other Services	Consolidated 2019
Revenue						
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
	<u>3,280,060</u>	<u>1,668,194</u>	<u>83,779</u>	<u>2,228,016</u>	<u>906,590</u>	<u>8,166,639</u>
Expenses						
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
	<u>3,234,306</u>	<u>6,441,049</u>	<u>5,484,495</u>	<u>5,571,435</u>	<u>1,669,363</u>	<u>22,400,648</u>
Deficiency of revenue over expenses for the year financed by net municipal levy	\$ 45,754	\$ (4,772,855)	\$ (5,400,716)	\$ (3,343,419)	\$ (762,773)	\$ (14,234,009)
Taxation revenue						<u>16,266,541</u>
Annual surplus						<u>\$ 2,032,532</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 Consolidated Financial Statements

Year ended December 31, 2019

21. SEGMENTED INFORMATION (continued)

	General Government	Protection Services	Transportation Services	Recreation and Cultural Services	Other Services	Consolidated 2018
Revenue						
Government transfers	\$ 480,671	\$ 69,585	\$ 2,132,891	\$ 218,634	\$ 377,248	\$ 3,279,029
User charges	691,831	1,413,384	464,975	1,452,837	489,466	4,512,493
Other revenue [1]	882,656	1,000	(936,307)	143,919	426,341	517,609
	2,055,158	1,483,969	1,661,559	1,815,390	1,293,055	8,309,131
Expenses						
Salaries, wages and benefits	2,317,488	1,802,489	1,547,280	2,740,460	522,939	8,930,656
Materials	238,417	430,307	1,185,485	1,327,757	528,241	3,710,207
Contracted services	592,758	3,223,708	408,621	459,786	325,233	5,010,106
External transfers	85,500	-	-	-	-	85,500
Inter-functional adjustments	(1,131,281)	266,560	433,921	209,328	221,472	-
Financial expenses	193,446	-	-	-	-	193,446
Interest on long term liabilities	67,743	1,708	156,692	148,263	36,158	410,564
Amortization	607,158	75,433	1,363,465	453,906	101,822	2,601,784
	2,971,229	5,800,205	5,095,464	5,339,500	1,735,865	20,942,263
Deficiency of revenue over expenses for the year financed by net municipal levy	\$ (916,071)	\$ (4,316,236)	\$ (3,433,905)	\$ (3,524,110)	\$ (442,810)	\$ (12,633,132)
Taxation revenue						15,386,522
Annual surplus						\$ 2,753,390

[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.