

THE CORPORATION OF THE TOWN OF TILLSONBURG

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023



THE CORPORATION OF THE TOWN OF TILLSONBURG

For the year ended December 31, 2023

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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 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



Renato Pullia, Interim Director of Finance / Treasurer

September 4, 2024
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, 2023, 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, 2023, 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.

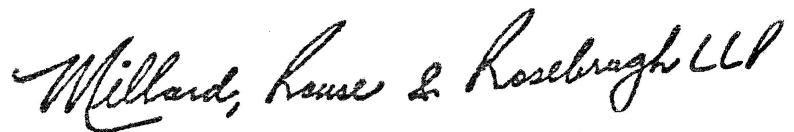
Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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.



September 4, 2024
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

THE CORPORATION OF THE TOWN OF TILLSONBURG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2023	2022
FINANCIAL ASSETS		
Cash	6,125,627	4,063,399
Investments (Note 6)	6,802,513	5,195,069
Taxes receivable (Note 7)	1,327,631	1,013,161
Accounts receivable (Note 8)	4,958,057	5,727,406
Due from unconsolidated entities (Note 9)	1,602,188	3,102,161
Land held for resale	785,559	3,437,567
Investment in Tillsonburg Hydro Inc. (Note 10)	12,626,189	12,370,732
	34,227,764	34,909,495
LIABILITIES		
Accounts payable and accrued liabilities (Note 11)	4,796,955	5,293,428
Customer and security deposits	1,775,628	2,959,082
Post-employment / retirement benefits (Note 12)	607,925	614,368
Deferred revenue (Note 13)	7,915,398	8,742,870
Long-term liabilities (Note 15)	11,169,612	12,397,791
Contaminated sites (Note 4)	277,385	277,385
Asset retirement obligation (Note 14)	602,516	-
	27,145,419	30,284,924
NET FINANCIAL ASSETS	7,082,345	4,624,571
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 16)	74,855,633	70,898,342
Inventories	402,684	346,351
Prepaid expenses	54,504	48,005
	75,312,821	71,292,698
ACCUMULATED SURPLUS (Note 17)	82,395,166	75,917,269

THE CORPORATION OF THE TOWN OF TILLSONBURG

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31	Budget 2023 <i>(Note 24)</i>	2023	2022
REVENUES			
Taxation	19,677,740	20,035,107	18,487,589
User charges	5,123,500	5,878,486	5,145,900
Government transfers - Federal (Note 18)	3,966,200	1,409,049	2,184,672
Government transfers - Provincial (Note 19)	5,090,800	3,195,753	4,065,191
Government transfers - Oxford County (Note 20)	608,300	491,233	248,550
Other income (Note 21)	2,719,540	2,687,940	1,185,745
Income from Tillsonburg Hydro Inc. (Note 10)	-	255,457	241,418
Gain (loss) on disposal of tangible capital assets and land held for sale	-	461,962	210,196
	37,186,080	34,414,987	31,769,261
EXPENSES			
General government	3,257,000	3,553,827	3,654,918
Protection services	7,483,900	7,909,147	7,111,736
Transportation services	5,323,100	7,278,051	6,806,471
Environmental services	445,300	635,884	453,792
Health services	370,300	442,284	301,673
Recreation and cultural services	6,044,820	7,050,883	6,775,348
Planning and development	1,055,738	1,067,014	1,808,798
	23,980,158	27,937,090	26,912,736
ANNUAL SURPLUS	13,205,922	6,477,897	4,856,525
Accumulated surplus - beginning of year	75,917,269	75,917,269	71,060,744
ACCUMULATED SURPLUS - END OF YEAR	89,123,191	82,395,166	75,917,269

THE CORPORATION OF THE TOWN OF TILLSONBURG

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31	Budget 2023 <i>(Note 24)</i>	2023	2022
Annual surplus	13,205,922	6,477,897	4,856,525
Amortization on tangible capital assets	(4,007,037)	4,014,079	3,648,235
Purchase of tangible capital assets	27,069,437	(7,650,674)	(6,860,377)
Transfer of land to land held for resale	-	-	2,611,736
Proceeds on disposal of tangible capital assets	-	81,010	314,062
Loss (gain) on disposal of tangible capital assets	-	186,113	(210,196)
Asset retirement obligation adoption	-	(587,819)	-
Decrease (increase) in inventory	-	(56,333)	(288,641)
Decrease in prepaid expenses	-	(6,499)	15,834
Increase in net financial assets	36,268,322	2,457,774	4,087,178
Net financial assets - beginning of year	-	4,624,571	537,393
NET FINANCIAL ASSETS - END OF YEAR	36,930,522	7,082,345	4,624,571

THE CORPORATION OF THE TOWN OF TILLSONBURG

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31	2023	2022
Cash Flows From Operating Activities		
Annual surplus	6,477,897	4,856,525
Items not affecting cash:		
Amortization of tangible capital assets	4,014,079	3,648,235
(Gain) loss on disposal of tangible capital assets	186,113	(210,196)
Contributed tangible capital assets	(1,027,980)	-
(Gain) loss on disposal of land held for sale	(648,074)	-
Asset retirement obligations accretion	14,697	-
Change in equity - Tillsonburg Hydro Inc.	(255,457)	(241,418)
	8,761,275	8,053,146
Changes in non-cash working capital:		
Taxes receivable	(314,470)	(322,013)
Accounts receivable	769,349	(1,038,036)
Due from unconsolidated entities	1,499,973	(1,203,292)
Land held for resale	-	(1,590,804)
Accounts payable and accrued liabilities	(496,473)	(235,842)
Post-employment/retirement benefits	(6,443)	614,368
Other current liabilities	(1,183,453)	31,332
Contaminated site	-	277,385
Deferred revenue	(827,472)	1,212,096
Inventories	(56,333)	(288,641)
Prepaid expenses	(6,499)	15,834
	(621,821)	(2,527,613)
Cash flow from operating activities	8,139,454	5,525,533
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(6,622,694)	(6,860,377)
Transfer of land to land held for resale	-	2,611,736
Proceeds from sale of tangible capital assets	81,010	314,062
Proceeds from land held for sale	3,300,081	-
Cash flow used by capital activities	(3,241,603)	(3,934,579)
FINANCING ACTIVITIES		
Net change in long term debt	(1,228,179)	(1,524,405)
INCREASE (DECREASE) IN CASH FLOW	3,669,672	66,549
Opening Cash and Cash Equivalents	9,258,468	9,191,919
Closing Cash and Cash Equivalents	12,928,140	9,258,468
Cash and Cash Equivalents Comprised of:		
Cash on hand and balances with banks	6,125,627	4,063,399
Investments	6,802,513	5,195,069
	12,928,140	9,258,468

See accompanying notes



THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 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 \$4,760,807 (2022 - \$4,793,844). The taxation revenue collected and remitted on behalf of Oxford County amounted to \$9,998,225 (2022 - \$9,473,683).

(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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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) 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.

(g) Inventory

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

(h) 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.

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Asset Retirement Obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- i. There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- ii. The past transaction or event giving rise to the liability has occurred;
- iii. It is expected that future economic benefits will be given up;
- iv. A reasonable estimate of the amount can be made.

A liability has been recognized for the estimated future expenses related to asbestos removal in several buildings and the removal and remediation of fuel tanks owned by the Town. The liability is adjusted to reflect changes due to the passage of time, revisions in the timing or amount of the original undiscounted cash flow estimates, and fluctuations in the discount and inflation rates using present value techniques. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets.

The tangible capital assets impacted by the asset retirement obligations are being amortized along with the related asset in accordance with the amortization accounting policies detailed in Note 2(d).

(j) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

All financial assets are assessed for impairment on an annual basis at the end of the fiscal year. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long term debt is recorded at cost.

The Standards require an organization to classify the fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in active markets or market data for substantially the full term of the assets or liabilities; and

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial Instruments (continued)

- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets and liabilities.

(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. CHANGES IN ACCOUNTING POLICIES

(a) PS 3450 - Financial Instruments and PS 2601 - Foreign Currency Translation

On January 1, 2023, the Town adopted Canadian Public Sector Accounting Standards PS 3450 - Financial Instruments and PS 2601 - Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments are included in the statement of financial position and are measured at fair value or amortized cost based on the characteristics of the instrument and the Town's accounting policy choices (See Note 2(j)).

There was no impact upon adoption of the Town on January 1, 2023.

(b) PS 3280 Asset Retirement Obligation

On January 1, 2023, the Town of Tillsonburg adopted Canadian Public Sector Accounting Standard PS 3280 - Asset retirement obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal in buildings when retired. This standard was adopted on a prospective basis at the date of adoption.

In accordance with the provisions of the new standard the Town reflected the following adjustments on January 1, 2023:

- An increase of \$587,819 to the buildings capital asset account; and
- An asset retirement obligation in the amount of \$587,819

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

4. 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 has recognized an undiscounted contaminated sites liability of \$277,385 as at December 31, 2023 (2022 - \$277,385) 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.

5. TRUST FUNDS

Trust funds administered by the Town amounting to \$1,795,576 (2022 - 1,562,592) have not been included in the consolidated statement of financial position, nor have their operations been included in the consolidated statement of operations.

6. INVESTMENTS

Investments of \$6,802,513 (2022 - \$5,195,069) are recorded at their cost and are short-term in nature. Investments consist of high interest savings accounts and GICs which have a market value approximating cost.

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

7. TAXES RECEIVABLE

	2023	2022
Taxes receivable	1,327,631	1,013,161
Allowance for uncollectibles	-	-
	1,327,631	1,013,161

8. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2023	2022
Government of Canada	1,472,639	1,781,981
Province of Ontario	947,180	1,521,097
Other municipalities	1,327,266	1,461,932
Other receivables	1,277,636	1,066,148
Allowance for uncollectibles	(66,664)	(103,752)
	4,958,057	5,727,406

9. 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:

	2023	2022
Tillsonburg Hydro Inc.	817,749	2,490,328
Town of Tillsonburg Waterworks Department	563,390	484,846
Town of Tillsonburg Sanitary Sewer Department	221,049	126,987
	1,602,188	3,102,161

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

10. 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:

Statement of Financial Position as at December 31,	2023	2022
Current assets	5,796,170	5,573,561
Property, plant and equipment	21,713,848	19,960,493
Other non-current assets	12,656	16,182
Regulatory assets	2,921,327	2,325,800
	30,444,001	27,876,036
Current liabilities	3,518,478	4,958,417
Long-term liabilities	13,944,284	10,377,715
Regulatory liabilities	355,044	169,166
Equity	12,626,195	12,370,738
	30,444,001	27,876,036

Statement of Comprehensive Income and Changes in Equity	2023	2022
Revenue	25,511,003	25,891,807
Cost of power	20,951,930	21,925,821
Distribution revenue	4,559,073	3,965,986
Net non-utility activities	19,554	19,396
Expenses	4,247,709	3,875,671
Income before income taxes	330,918	109,711
Income taxes	210,110	328,813
Net movement in regulatory balances	(409,649)	(660,520)
Comprehensive income for the year, before dividends	530,457	441,418
Dividends	275,000	200,000
Net change in investment in Tillsonburg Hydro Inc.	255,457	241,418

Investment in Tillsonburg Hydro Inc.	2023	2022
Investment in Tillsonburg Hydro Inc. - Opening	12,370,732	12,129,314
Net change in investment in Tillsonburg Hydro Inc.	255,457	241,418
Investment in Tillsonburg Hydro Inc. - Ending	12,626,189	12,370,732

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	2023	2022
Trade payables	4,725,967	5,201,912
Deposits	55,555	53,522
Payable to the provincial and federal government	7,941	(1,160)
Payable to other municipalities	7,492	39,154
	4,796,955	5,293,428

12. 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	2023	2022
Opening balance	614,368	-
Results of actuarial valuation study	-	626,086
Current period benefit cost	22,233	21,480
Interest accrued	27,253	27,675
Estimated benefit payment	(55,929)	(60,873)
Liability as at December 31	607,925	614,368

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

13. 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:

2023	Opening balance	Contributions received	Investment income	Revenue recognized	Ending balance
Development charges	5,362,096	425,805	222,906	(374,305)	5,636,502
Building permits	1,593,617	473,898	-	(1,020,457)	1,047,058
Federal gas tax	796,936	525,269	44,889	(523,361)	843,733
Other	990,221	388,105	-	(990,221)	388,105
	8,742,870	1,813,077	267,795	(2,908,344)	7,915,398

2022	Opening balance	Contributions received	Investment income	Revenue recognized	Ending balance
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
	7,530,774	3,880,079	125,478	(2,793,461)	8,742,870

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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

14. ASSET RETIREMENT OBLIGATIONS

The Town's asset retirement obligations consist of the following:

a) Asbestos obligations:

The Town owns and operates various buildings that are known to contain asbestos. There is a legal obligation to remediate asbestos from these buildings when asbestos-containing material is disturbed or removed. In accordance with the adoption of PS 3280 - Asset Retirement Obligations, the Town recognized an obligation relegated to the removal of asbestos. Remaining useful lives are determined on an individual basis ranging from 30 to 70 years. The related asset retirement costs were discounted to December 31, 2023 using a discount rate of 2.5% per annum.

Changes to the asset retirement obligation in the year are as follows:

	2023
Balance, upon adoption	587,819
Increase in liability due to accretion expense	14,697
Balance, end of year	602,516

15. NET LONG TERM LIABILITIES

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

	2023	2022
Total long term liabilities issued or assumed by the municipality and outstanding at the end of the year amounts to:	11,169,612	12,397,791

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

2024	1,228,297
2025	1,204,350
2026	1,106,942
2027	978,053
2028	996,792
Thereafter	5,655,178
	<u>11,169,612</u>

The above long term liabilities have maturity dates ranging from 2024 to 2048 with interest rates varying between 1.03% and 5.77%

(c) Interest expense paid on long term liabilities for the year was \$414,236 (2022 - \$463,346).

(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, 2023

16. TANGIBLE CAPITAL ASSETS

	Land	Building and Fixtures	Transportation Equipment	Roads and Bridges	Other Equipment	Construction in Progress	Total 2023	Total 2022
Cost								
Balance, beginning of year	1,266,963	27,938,897	10,542,794	70,266,238	5,846,898	6,261,577	122,123,367	119,933,799
Asset retirement obligation	-	587,819	-	-	-	-	587,819	-
Adjusted balance, beginning of year	1,266,963	28,526,716	10,542,794	70,266,238	5,846,898	6,261,577	122,711,186	119,933,799
Additions during the year	-	1,751,767	788,254	7,007,711	1,038,573	3,334,499	13,920,804	15,758,035
Disposals and transfers during the year	-	(56,471)	(1,302,480)	(616,984)	(1,679,763)	-	(3,655,698)	(4,670,809)
Transfer to capital assets	-	-	-	-	-	(6,270,130)	(6,270,130)	(8,897,658)
Balance, end of year	1,266,963	30,222,012	10,028,568	76,656,965	5,205,708	3,325,946	126,706,162	122,123,367
Accumulated Amortization								
Balance, beginning of year	-	11,068,074	5,772,817	30,935,713	3,448,421	-	51,225,025	49,531,999
Amortization during the year	-	999,358	673,755	1,900,079	440,887	-	4,014,079	3,648,235
Accumulated amortization on disposal	-	(56,471)	(1,253,755)	(455,281)	(1,623,068)	-	(3,388,575)	(1,955,209)
Balance, end of year	-	12,010,961	5,192,817	32,380,511	2,266,240	-	51,850,529	51,225,025
Net Book Value of Tangible Capital Assets	1,266,963	18,211,051	4,835,751	44,276,454	2,939,468	3,325,946	74,855,633	70,898,342

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

17. ACCUMULATED SURPLUS

The Town segregates its accumulated surplus into the following categories:

	2023	2022
Investment in tangible capital assets	74,855,633	70,898,342
Long term liabilities	(11,169,612)	(12,397,791)
Unfinanced capital	(6,335,877)	(5,226,678)
Net investment in tangible capital assets	57,350,144	53,273,873
Operating surplus	1,680,286	1,199,172
Unfunded Liability - Post Retirement Benefit	607,925	556,525
Unfunded Liability - Contaminated Sites	277,385	277,385
Tillsonburg BIA surplus	42,412	86,219
Reserves		
Council	3,424	3,646
Election	24,471	11,374
Physician recruitment	49,236	91,606
Tax rate stabilization	1,131,368	958,497
Insurance	128,027	83,995
IT equipment	207,572	130,571
Asset management funding	822,197	1,038,988
Fleet and equipment	1,035,112	1,054,940
Fire department equipment	160,181	149,381
Police	56,182	55,098
Police service board	38,617	32,388
Engineering	311,132	455,660
Development remediation	29,089	23,741
Linear infrastructure	1,371,289	1,333,297
Airport	37,936	37,207
Waste management	1,972	1,935
Recreation, culture and parks	734,108	446,849
Facility infrastructure	1,989,723	1,139,542
Cemetery	6,562	70,909
Downtown parking	453,221	386,894
Economic development	1,219,406	646,845
	9,810,825	8,153,363
Invested in Tillsonburg Hydro Inc.	12,626,189	12,370,732
	82,395,166	75,917,269

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

18. GOVERNMENT TRANSFERS - FEDERAL

	Budget <i>(Note 24)</i>	2023	2022
Operating			
Conditional	38,900	35,688	3,360
Capital			
Infrastructure funding	2,849,800	850,000	1,242,200
Federal gas tax revenue	1,077,500	523,361	939,112
	3,966,200	1,409,049	2,184,672

19. GOVERNMENT TRANSFERS - PROVINCIAL

	Budget <i>(Note 24)</i>	2023	2022
Operating			
Ontario Municipal Partnership Fund	662,200	662,200	653,600
Conditional	773,600	1,182,841	1,262,759
Capital			
Infrastructure funding	3,655,000	1,350,712	2,148,832
	5,090,800	3,195,753	4,065,191

20. GOVERNMENT TRANSFERS - COUNTY OF OXFORD

	Budget <i>(Note 24)</i>	2023	2022
Operating			
Conditional	342,100	313,258	202,829
Other	36,200	22,411	45,721
Capital			
Infrastructure funding	230,000	155,564	-
	608,300	491,233	248,550

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

21. OTHER INCOME

Other revenues are comprised of the following:

	2023 Budget	2023 Actual	2022 Actual
Penalties and interest on taxes	160,000	213,155	187,775
Investment income	312,900	916,761	387,398
Developer contributions	1,409,700	374,305	424,581
Donations and miscellaneous income	836,940	1,183,719	185,991
	2,719,540	2,687,940	1,185,745

22. 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 2023 was \$3,576,547 (2022 - \$3,522,159).

Capital Project contracts

The Town of Tillsonburg has outstanding contractual obligations of approximately \$3,470,629 at December 31, 2023 for capital works projects.

23. 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 2023 was \$909,748 (2022 - \$767,484). 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

24. 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:

	2023	2022
Operating budget surplus for the year adopted by Council	-	-
Add:		
Budgeted transfers to the capital fund for tangible capital asset purchase	27,069,437	28,054,235
Budget for BIA consolidation	13,222	-
Budgeted transfer to reserves	538,700	257,600
Principal payments on debt	1,482,400	1,513,050
Less:		
Amortization	(4,007,037)	(3,648,235)
New debenture debt	(5,753,400)	(5,887,800)
Budgeted transfer from reserves and reserve funds	(6,137,400)	(5,238,200)
Budgeted surplus per Consolidated Statement of Operations	13,205,922	15,050,650

25. 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

26. COMPARATIVE FIGURES

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

27. CONTINGENT LIABILITIES

As at December 31, 2023, 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.

28. CONTRACTUAL RIGHTS

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.

29. SUBSEQUENT EVENTS

During the year the Town entered into an agreement to acquire approximately 140 acres from Redling Farms Limited on the south end of the Town along Highway 3 adjacent to the Town's current Industrial Park, known as Van Norman Innovation Park (VIP). These lands will allow continuous servicing and expansion of the Industrial Park, which will increase the industrial land inventory. This agreement closed on April 16, 2024.

During the year the Town entered into an agreement to purchase lands situated in Norfolk County. These lands are planned to be utilized for recreational services. The agreement closed on April 28, 2024.

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

30. SEGMENTED INFORMATION

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, 2023

30. SEGMENTED INFORMATION (Continued)

Year ended December 31, 2023	General Government	Protection Services	Transportation	Recreation and Cultural Services	Other Services	Consolidated 2023
Revenue						
Government transfers	1,040,534	1,370,697	1,178,317	1,090,807	415,680	5,096,035
User charges	594,441	2,538,753	723,493	1,525,582	496,217	5,878,486
Other income (Note 1)	1,324,950	49,219	869,526	175,211	986,453	3,405,359
	2,959,925	3,958,669	2,771,336	2,791,600	1,898,350	14,379,880
Expenses						
Salaries, wages, and benefits	2,721,563	2,570,112	2,237,922	3,495,300	525,864	11,550,761
Materials	147,559	805,702	1,551,093	1,514,502	980,710	4,999,566
Contracted Services	1,006,842	3,823,945	1,123,115	518,431	286,624	6,758,957
External transfers	44,056	-	-	-	-	44,056
Inter-functional adjustments	(1,410,407)	424,666	359,078	404,171	222,492	-
Financial expenses	141,591	16,149	(13,229)	10,924	-	155,435
Interest on long-term liabilities	82,248	7,945	160,566	139,616	23,861	414,236
Amortization	820,375	260,628	1,859,506	967,939	105,631	4,014,079
	3,553,827	7,909,147	7,278,051	7,050,883	2,145,182	27,937,090
Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy	(593,902)	(3,950,478)	(4,506,715)	(4,259,283)	(246,832)	(13,557,210)
Taxation revenue						20,035,107
Annual surplus						6,477,897

[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, 2023

30. SEGMENTED INFORMATION (Continued)

Year ended December 31, 2022	General Government	Protection Services	Transportation	Recreation and Cultural Services	Other Services	Consolidated 2022
Revenue						
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
	2,636,078	2,693,547	4,544,902	1,383,553	2,023,592	13,281,672
Expenses						
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
	3,654,918	7,111,736	6,806,471	6,775,348	2,564,263	26,912,736
Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy						
	(1,018,840)	(4,418,189)	(2,261,569)	(5,391,795)	(540,671)	(13,631,064)
Taxation revenue						18,487,589
Annual surplus						4,856,525

[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.