

THE CORPORATION OF THE TOWN OF TILLSONBURG

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025



THE CORPORATION OF THE TOWN OF TILLSONBURG

For the year ended December 31, 2025

INDEX

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITORS' REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 26

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

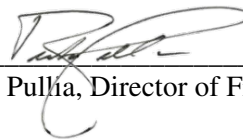
The consolidated financial statements of The Corporation of the Town of Tillsonburg have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements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

July 24, 2026
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, 2025, 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, 2025, 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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.

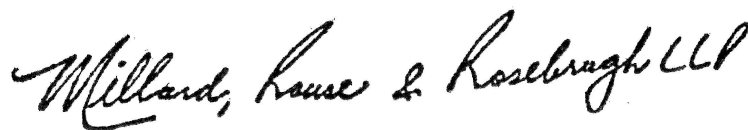
Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



July 24, 2026
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

THE CORPORATION OF THE TOWN OF TILLSONBURG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2025	2024
FINANCIAL ASSETS		
Cash	10,591,336	8,973,305
Investments (Note 5)	672,826	1,274,135
Taxes receivable (Note 6)	2,016,038	1,545,409
Accounts receivable (Note 7)	7,322,308	2,914,575
Due from unconsolidated entities (Note 8)	930,317	2,657,597
Investment in Tillsonburg Hydro Inc. (Note 9)	13,569,103	12,701,994
	35,101,928	30,067,015
LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	5,667,987	5,672,203
Due from unconsolidated entities (Note 8)	1,881,044	-
Customer and security deposits	2,408,572	2,153,589
Post-employment / retirement benefits (Note 11)	607,925	607,925
Deferred revenue (Note 12)	9,079,927	10,519,345
Long-term liabilities (Note 14)	9,867,267	11,234,918
Contaminated sites (Note 3)	277,385	277,385
Asset retirement obligation (Note 13)	633,018	617,579
	30,423,125	31,082,944
NET FINANCIAL ASSETS (DEBT)	4,678,803	(1,015,929)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 15)	91,838,146	85,313,996
Inventories	4,555,685	4,512,922
Prepaid expenses	284,834	247,017
	96,678,665	90,073,935
ACCUMULATED SURPLUS (Note 16)	101,357,468	89,058,006

See accompanying notes



THE CORPORATION OF THE TOWN OF TILLSONBURG

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31	Budget 2025 (Note 23)	2025	2024
REVENUES			
Taxation	22,771,143	23,167,155	21,597,959
User charges	7,382,451	7,221,987	6,594,648
Government transfers - Federal (Note 17)	3,885,800	1,325,587	-
Government transfers - Provincial (Note 18)	4,836,744	5,247,453	4,182,950
Government transfers - Oxford County (Note 19)	342,531	416,557	369,493
Other income (Note 20)	4,126,500	5,503,592	1,735,197
Income from Tillsonburg Hydro Inc. (Note 9)	-	867,109	75,805
Gain (loss) on disposal of tangible capital assets and land held for sale	-	(40,390)	864,907
	43,345,169	43,709,050	35,420,959
EXPENSES			
General government	4,402,222	3,968,719	3,554,755
Protection services	8,683,955	9,461,350	8,444,983
Transportation services	5,995,449	7,666,864	7,493,315
Environmental services	419,307	467,018	471,242
Health services	397,858	391,745	348,589
Recreation and cultural services	7,426,645	8,422,050	7,244,692
Planning and development	481,472	1,031,842	1,200,543
	27,806,908	31,409,588	28,758,119
ANNUAL SURPLUS			
Accumulated surplus - beginning of year	15,538,261	12,299,462	6,662,840
	89,058,006	89,058,006	82,395,166
ACCUMULATED SURPLUS - END OF YEAR	104,596,267	101,357,468	89,058,006

THE CORPORATION OF THE TOWN OF TILLSONBURG

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31	Budget 2025 (Note 23)	2025	2024
Annual surplus	15,538,261	12,299,462	6,662,840
Amortization on tangible capital assets	(4,665,737)	4,678,920	4,176,233
Purchase of tangible capital assets	47,875,148	(11,857,591)	(14,642,445)
Proceeds on disposal of tangible capital assets	-	695,750	12,550
Loss (gain) on disposal of tangible capital assets	-	(41,229)	(4,701)
Decrease (increase) in inventory	-	(42,763)	(4,110,238)
Decrease in prepaid expenses	-	(37,817)	(192,513)
Increase in net financial assets	58,747,672	5,694,732	(8,098,274)
Net financial assets - beginning of year	-	(1,015,929)	7,082,345
NET FINANCIAL ASSETS - END OF YEAR	59,463,172	4,678,803	(1,015,929)

See accompanying notes



THE CORPORATION OF THE TOWN OF TILLSONBURG

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31	2025	2024
Cash Flows From Operating Activities		
Annual surplus	12,299,462	6,662,840
Items not affecting cash:		
Amortization of tangible capital assets	4,678,920	4,176,233
(Gain) loss on disposal of tangible capital assets	(41,229)	(4,701)
(Gain) loss on disposal of land held for sale	-	(860,205)
Asset retirement obligations accretion	15,439	15,063
Change in equity - Tillsonburg Hydro Inc.	(867,109)	(75,805)
	16,085,483	9,913,425
Changes in non-cash working capital:		
Taxes receivable	(470,629)	(217,778)
Accounts receivable	(4,407,733)	2,043,482
Due from unconsolidated entities	3,608,324	(1,055,409)
Land held for resale	-	785,559
Accounts payable and accrued liabilities	(4,216)	875,249
Other current liabilities	254,983	377,960
Deferred revenue	(1,439,418)	2,603,947
Inventories	(42,763)	(4,110,238)
Prepaid expenses	(37,817)	(192,513)
	(2,539,269)	1,110,259
Cash flow from operating activities	13,546,214	11,023,684
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(11,857,591)	(14,642,445)
Transfer of land to land held for resale	-	(785,559)
Proceeds from sale of tangible capital assets	695,750	12,550
Proceeds from land held for sale	-	1,645,764
Cash flow used by capital activities	(11,161,841)	(13,769,690)
FINANCING ACTIVITIES		
Net change in long term debt	(1,367,651)	65,306
INCREASE (DECREASE) IN CASH FLOW	1,016,722	(2,680,700)
Opening Cash and Cash Equivalents	10,247,440	12,928,140
Closing Cash and Cash Equivalents	11,264,162	10,247,440
Cash and Cash Equivalents Comprised of:		
Cash on hand and balances with banks	10,591,336	8,973,305
Investments	672,826	1,274,135
	11,264,162	10,247,440

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

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 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, 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 \$5,252,365 (2024 - \$5,094,649). The taxation revenue collected and remitted on behalf of Oxford County amounted to \$13,134,452 (2024 - \$12,000,730).

(iii) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statements of Continuity and Financial Position".

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

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 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. 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, 2025

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, 2025

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
- 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.

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Contaminated Sites

Contaminated sites are defined as the result of contamination being introduced that exceeds an environmental standard. A liability for remediation is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the organization is directly responsible or accepts responsibility for the liability;
- future economic benefits will be given up; and
- a reasonable estimate of the liability can be made.

(l) 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, asset retirement obligations, contaminated sites 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.

(m) Revenue Recognition

Effective January 1, 2024, the Town adopted *Public Sector Accounting Standard PS 3400 - Revenue*, which establishes standards for recognizing revenue from exchange and non-exchange transactions. This standard was applied prospectively.

Under PS3400, exchange transactions involve the provision of goods or services to a specific payor in return for consideration and include performance obligations. Revenue from these transactions is recognized as the Town satisfies its enforceable promises to deliver goods or services.

Non-exchange transactions are those in which the Town receives economic resources without directly providing goods or services to a specific payor. These are recognized as revenue when the authority to claim or receive the asset exists, the amount can be reasonably estimated, and collectability is reasonably assured.

As a result of this new standard, building permit revenue is now recognized over the period in which related services, such as inspections and application reviews, are performed, rather than at the time of payment. This change better aligns revenue recognition with the satisfaction of performance obligations associated with permit issuance.

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended December 31, 2025

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 has recognized an undiscounted contaminated sites liability of \$277,385 as at December 31, 2025 (2024 - \$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.

4. TRUST FUNDS

Trust funds administered by the Town amounting to \$1,946,442 (2024 - \$1,897,199) have not been included in the consolidated statement of financial position, nor have their operations been included in the consolidated statement of operations.

5. INVESTMENTS

Investments of \$672,826 (2024 - \$1,274,135) are recorded at their cost and are short-term in nature. Investments consist of high interest savings accounts which have a market value approximating cost.

6. TAXES RECEIVABLE	2025	2024
Taxes receivable	2,016,038	1,545,409
Allowance for uncollectibles	-	-
	2,016,038	1,545,409

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

7. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2025	2024
Government of Canada	719,618	482,736
Province of Ontario	4,158,845	222,064
Other municipalities	1,584,664	934,901
Other receivables	975,668	1,384,593
Allowance for uncollectibles	(116,487)	(109,719)
	7,322,308	2,914,575

8. DUE TO / 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:

	2025	2024
Amounts Due from Unconsolidated Entities:		
Tillsonburg Hydro Inc.	-	1,708,274
Town of Tillsonburg Waterworks Department	576,312	607,161
Town of Tillsonburg Sanitary Sewer Department	354,005	342,162
	930,317	2,657,597

	2025	2024
Amounts Due to Unconsolidated Entities:		
Tillsonburg Hydro Inc.	(1,881,044)	-

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

9. INVESTMENT IN TILLSONBURG HYDRO INC.

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

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

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

Statement of Financial Position as at December 31,	2025	2024
Current assets	9,387,224	6,253,356
Property, plant and equipment	24,915,937	22,861,036
Other non-current assets	519,826	639,911
Regulatory assets	2,477,047	3,673,919
	37,300,034	33,428,222
Current liabilities	3,904,410	4,483,983
Long-term liabilities	19,512,541	16,032,629
Regulatory liabilities	313,974	209,610
Equity	13,569,109	12,702,000
	37,300,034	33,428,222

Statement of Comprehensive Income and Changes in Equity	2025	2024
Revenue	31,772,044	27,818,832
Cost of power	24,688,943	23,371,026
Distribution revenue	7,083,101	4,447,806
Net non-utility activities	6,946	-
Expenses	4,687,723	4,839,988
Income before income taxes	2,402,324	(392,182)
Income taxes	(56,021)	230,039
Net movement in regulatory balances	1,301,236	(898,026)
Comprehensive income for the year, before dividends	1,157,109	275,805
Dividends	(290,000)	(200,000)
Net change in investment in Tillsonburg Hydro Inc.	867,109	75,805

Investment in Tillsonburg Hydro Inc.	2025	2024
Investment in Tillsonburg Hydro Inc. - Opening	12,701,994	12,626,189
Net change in investment in Tillsonburg Hydro Inc.	867,109	75,805
Investment in Tillsonburg Hydro Inc. - Ending	13,569,103	12,701,994

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	2025	2024
Trade payables	5,553,105	5,489,523
Deposits	78,895	68,462
Payable to the provincial and federal government	5,479	107,248
Payable to other municipalities	30,508	6,970
	5,667,987	5,672,203

11. POST-EMPLOYMENT / RETIREMENT BENEFITS

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

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

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

Future Employee Benefits	2025	2024
Opening balance	607,925	607,925
Current period benefit cost	25,620	23,870
Interest accrued	27,148	27,140
Estimated benefit payment	(52,768)	(51,010)
Liability as at December 31	607,925	607,925

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

12. DEFERRED REVENUES - OBLIGATORY RESERVE FUNDS

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

	Opening balance	Contributions received	Investment income	Revenue recognized	Ending balance
2025					
Development charges	7,092,296	910,022	143,133	(1,681,222)	6,464,229
Building permits	1,091,524	696,230	40,471	(1,031,574)	796,651
Federal gas tax	1,470,670	591,042	26,151	(1,162,519)	925,344
Other	864,855	893,703	-	(864,855)	893,703
	10,519,345	3,090,997	209,755	(4,740,170)	9,079,927
2024					
Development charges	5,636,502	1,732,833	237,463	(514,502)	7,092,296
Building permits	1,047,058	969,468	72,468	(997,470)	1,091,524
Federal gas tax	843,733	575,242	51,695	-	1,470,670
Other	388,105	864,855	-	(388,105)	864,855
	7,915,398	4,142,398	361,626	(1,900,077)	10,519,345

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

Other deferred revenue includes deferred building permit revenue which represents applications where performance obligations remain outstanding at year end.

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

13. 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, 2025 using a discount rate of 2.5% per annum.

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

	2025	2024
Balance, beginning of year / upon adoption	617,579	602,516
Increase in liability due to accretion expense	15,439	15,063
Balance, end of year	633,018	617,579

14. NET LONG TERM LIABILITIES

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

	2025	2024
Total long term liabilities issued or assumed by the municipality and outstanding at the end of the year amounts to:	9,867,267	11,234,918

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

2026	1,275,142
2027	1,146,655
2028	1,160,068
2029	846,898
2030	767,395
Thereafter	4,671,109
	<u>9,867,267</u>

The above long term liabilities have maturity dates ranging from 2026 to 2048 with interest rates varying between 1.47% and 5.77%.

(c) Interest expense paid on long term liabilities for the year was \$374,853 (2024 - \$381,211).

(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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

15. TANGIBLE CAPITAL ASSETS

	Land	Building and Fixtures	Transportation Equipment	Roads and Bridges	Other Equipment	Construction in Progress	Total 2025	Total 2024
Cost								
Balance, beginning of year	1,266,963	30,384,075	11,022,405	77,975,848	5,346,606	14,354,672	140,350,569	126,706,162
Asset retirement obligation	-	587,819	-	-	-	-	587,819	-
Adjusted balance, beginning of year	1,266,963	30,971,894	11,022,405	77,975,848	5,346,606	14,354,672	140,938,388	126,706,162
Additions during the year	-	7,161,173	291,026	5,984,144	523,882	11,266,744	25,226,969	18,365,227
Disposals and transfers during the year	-	(368,069)	(1,907,097)	(390,015)	(219,276)	-	(2,884,457)	(410,219)
Transfer to capital assets	-	-	-	-	-	(13,369,378)	(13,369,378)	(3,722,782)
Balance, end of year	1,266,963	37,764,998	9,406,334	83,569,977	5,651,212	12,252,038	149,911,522	140,938,388
Accumulated Amortization								
Balance, beginning of year	-	13,055,367	5,756,821	34,250,891	2,561,313	-	55,624,392	51,850,529
Amortization during the year	-	1,172,262	730,028	2,248,369	528,261	-	4,678,920	4,176,233
Accumulated amortization on disposal	-	(264,937)	(1,618,863)	(223,638)	(122,498)	-	(2,229,936)	(402,370)
Balance, end of year	-	13,962,692	4,867,986	36,275,622	2,967,076	-	58,073,376	55,624,392
Net Book Value of Tangible Capital Assets	1,266,963	23,802,306	4,538,348	47,294,355	2,684,136	12,252,038	91,838,146	85,313,996



THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

16. ACCUMULATED SURPLUS

The Town segregates its accumulated surplus into the following categories:

	2025	2024
Investment in tangible capital assets	91,838,146	85,313,996
Long term liabilities	(9,867,267)	(11,234,918)
Unfinanced capital	(16,723,433)	(15,832,451)
Net investment in tangible capital assets	65,247,446	58,246,627
Operating surplus	1,739,446	2,248,391
Unfunded Liability - Post Retirement Benefit	607,925	607,925
Unfunded Liability - Asset Retirement Obligation	633,018	617,579
Unfunded Liability - Contaminated Sites	277,385	277,385
Tillsonburg BIA surplus	40,990	69,222
Reserves		
Council	3,512	3,479
Election	57,840	39,959
Physician recruitment	100,800	157,973
Tax rate stabilization	2,573,858	1,679,570
Insurance	172,887	162,138
IT equipment	197,657	248,700
Asset management funding	1,777,042	1,123,665
Fleet and equipment	892,217	952,178
Fire department equipment	627,503	550,620
Fire department labour reserve	8,020	7,944
Police	90,143	84,708
Police service board	39,840	39,463
Engineering	270,604	305,716
Development remediation	32,032	30,739
Linear infrastructure	3,623,488	2,336,938
Airport	90,733	95,942
Waste management	2,036	2,003
Recreation, culture and parks	1,185,045	800,773
Facility infrastructure	2,390,824	2,665,526
Cemetery	187,056	94,849
Downtown parking	567,418	505,577
Town hall reserve	2,618,429	-
Employment reserve	994,741	-
Economic development	738,430	2,400,423
	19,242,155	14,288,883
Invested in Tillsonburg Hydro Inc.	13,569,103	12,701,994
	101,357,468	89,058,006

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

17. GOVERNMENT TRANSFERS - FEDERAL

	Budget (Note 23)	2025	2024
Operating			
Conditional	-	9,632	-
Capital			
Infrastructure funding	2,202,900	153,436	-
Federal gas tax revenue	1,682,900	1,162,519	-
	3,885,800	1,325,587	-

18. GOVERNMENT TRANSFERS - PROVINCIAL

	Budget (Note 23)	2025	2024
Operating			
Ontario Municipal Partnership Fund	715,500	715,500	715,500
Conditional	1,001,844	1,069,167	1,164,631
Capital			
Infrastructure funding	3,119,400	3,462,786	2,302,819
	4,836,744	5,247,453	4,182,950

19. GOVERNMENT TRANSFERS - COUNTY OF OXFORD

	Budget (Note 23)	2025	2024
Operating			
Conditional	327,531	296,706	295,269
Other	15,000	12,888	35,576
Capital			
Infrastructure funding	-	106,963	38,648
	342,531	416,557	369,493

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

20. OTHER INCOME

Other revenues are comprised of the following:

	2025 Budget	2025 Actual	2024 Actual
Penalties and interest on taxes	185,000	336,406	261,273
Investment income	450,000	814,295	716,600
Developer contributions	3,396,000	1,681,222	514,502
Donations and miscellaneous income	95,500	2,671,669	242,822
	4,126,500	5,503,592	1,735,197

21. 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 expired in December 2025, the new agreement review is currently ongoing. The annual cost of this contract for 2025 was \$3,852,072 (2024 - \$3,694,038).

Capital Project contracts

The Town of Tillsonburg has outstanding contractual obligations of approximately \$5,469,205 (2024 - \$4,690,057) at December 31, 2025 for capital works projects.

22. 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 2025 was \$1,116,024 (2024 - \$960,527). Since any surpluses or deficits are a joint 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, 2025

23. 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:

	2025	2024
Operating budget surplus for the year adopted by Council	-	-
Add:		
Budgeted transfers to the capital fund for tangible capital asset purchase	47,875,148	42,322,692
Budget for BIA consolidation	26,038	39,212
Budgeted transfer to reserves	796,109	887,170
Principal payments on debt	1,383,344	1,234,104
Less:		
Amortization	(4,665,737)	(4,160,692)
New debenture debt	(10,505,700)	(10,675,100)
Sale of assets	(10,657,800)	(9,157,901)
Budgeted transfer from reserves and reserve funds	(8,713,141)	(5,986,268)
Budgeted surplus per Consolidated Statement of Operations	15,538,261	14,503,217

24. 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.

25. CONTINGENT LIABILITIES

As at December 31, 2025, there are legal claims commenced against the Town that remain outstanding. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are undeterminable. For the claims against the Town, the amount and nature of the possible outcome is not determinable at this time and, as a result, no provision has been made in the financial statements.

26. CONTRACTUAL RIGHTS

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

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

27. SUBSEQUENT EVENTS

Subsequent to year end, Town Council approved a strategic collaboration between Tillsonburg Hydro Inc., a wholly owned subsidiary of the Town and EARTH Power Corporation, owned by EARTH Corporation. Under the transaction, the Town will acquire shares in EARTH Corporation and Tillsonburg Hydro will join EARTH Power Corporation. The transaction remains subject to approval by the Ontario Energy Board and, as the transaction has not yet been completed as of December 31, 2025, no amounts have been recognized in these consolidated financial statements.

During the year the Town of Tillsonburg approved the application for debt in the amount of \$10,900,000. Subsequent to year end the Town of Tillsonburg has obtained total debt in the amount of \$4,119,800 to finance capital projects.

28. 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 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 includes fire, police, protection inspection and control and building permits.

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 includes environment services, health services and planning and development.

THE CORPORATION OF THE TOWN OF TILLSONBURG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

28. SEGMENTED INFORMATION (Continued)

Year ended December 31, 2025	General Government	Protection Services	Transportation Services	Recreation and Cultural Services	Other Services	Consolidated 2025
Revenue						
Government transfers	1,158,457	30,441	1,856,351	3,755,616	188,732	6,989,597
User charges	881,807	2,884,990	806,739	2,134,419	514,032	7,221,987
Other income (Note 1)	1,999,503	10,000	723,222	1,574,266	2,023,320	6,330,311
	4,039,767	2,925,431	3,386,312	7,464,301	2,726,084	20,541,895
Expenses						
Salaries, wages, and benefits	3,538,833	3,378,448	2,539,807	4,417,300	564,608	14,438,996
Materials	257,228	974,482	1,197,101	1,828,297	779,365	5,036,473
Contracted Services	902,929	4,219,365	998,101	472,059	158,494	6,750,948
External transfers	18,564	-	-	-	-	18,564
Inter-functional adjustments	(1,826,317)	532,668	625,885	413,112	254,652	-
Financial expenses	82,740	16,207	410	11,477	-	110,834
Interest on long-term liabilities	93,709	4,784	134,046	121,722	20,593	374,854
Amortization	901,033	335,396	2,171,514	1,158,083	112,893	4,678,919
	3,968,719	9,461,350	7,666,864	8,422,050	1,890,605	31,409,588
Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy	71,048	(6,535,919)	(4,280,552)	(957,749)	835,479	(10,867,693)
Taxation revenue						23,167,155
Annual surplus						12,299,462

[1] Other income - 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

28. SEGMENTED INFORMATION (Continued)

Year ended December 31, 2024	General Government	Protection Services	Transportation Services	Recreation and Cultural Services	Other Services	Consolidated 2024
Revenue						
Government transfers	1,141,140	2,433,262	682,000	92,245	203,796	4,552,443
User charges	707,739	2,685,413	923,322	1,696,959	581,215	6,594,648
Other income (Note 1)	817,588	-	333,176	272,148	1,252,997	2,675,909
	2,666,467	5,118,675	1,938,498	2,061,352	2,038,008	13,823,000
Expenses						
Salaries, wages, and benefits	3,125,484	2,829,054	2,260,302	3,588,782	603,132	12,406,754
Materials	130,129	678,367	1,451,886	1,580,610	901,409	4,742,401
Contracted Services	849,452	4,081,035	1,253,750	564,379	138,973	6,887,589
External transfers	51,800	-	-	-	-	51,800
Inter-functional adjustments	(1,612,916)	498,999	528,193	346,144	239,580	-
Financial expenses	83,368	16,177	1,389	11,197	-	112,131
Interest on long-term liabilities	70,632	6,251	147,631	134,241	22,456	381,211
Amortization	856,805	335,100	1,850,164	1,019,340	114,824	4,176,233
	3,554,754	8,444,983	7,493,315	7,244,693	2,020,374	28,758,119
Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy	(888,287)	(3,326,308)	(5,554,817)	(5,183,341)	17,634	(14,935,119)
Taxation revenue						21,597,959
Annual surplus						6,662,840

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

