

Consolidated Financial Statements

The Corporation of the Town of New Tecumseth

December 31, 2019

Contents

	Page
Management's Report	1
Independent Auditor's Report	2-3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Changes in Net Financial Liabilities	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8-21
Schedule 1 – Consolidated Schedule of Accumulated Surplus	22
Schedule 2 – Consolidated Schedule of Tangible Capital Assets	23

The Corporation of the Town of New Tecumseth

Management's Report

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of New Tecumseth ("Town") are the responsibility of the Town management and have been prepared in compliance with legislation, and in accordance with Public sector accounting standards for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Town management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by Town management.

The consolidated financial statements have been audited by Grant Thornton LLP, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's financial statements.



Chief Administrative Officer



Treasurer/ Director of Finance

June 22nd, 2020

Grant Thornton LLP

Suite 400
85 Bayfield Street
Barrie, ON
L4M 3A7

T (705) 728-3397
F (705) 728-2728
www.GrantThornton.ca

Independent auditor's report

To the Board of the Corporation of the Town of New Tecumseth:

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of New Tecumseth ("the Town"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net debt and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2019, and the results of operations, its changes in its net debt, and its 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Town 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 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Barrie, Canada
June 22, 2020

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Town of New Tecumseth
Consolidated Statement of Financial Position

Year Ended December 31

2019

2018

Financial assets

Cash and cash equivalents (Note 3)	\$ 72,994,740	\$ 70,125,562
Assets held for sale (Note 2(d))	476,488	481,640
Taxes receivable	5,839,730	6,762,248
Water and wastewater billings receivable	1,823,494	2,045,429
Receivables	<u>4,260,569</u>	<u>3,997,035</u>
	<u>85,395,021</u>	<u>83,411,914</u>

Financial liabilities

Payables and accruals	12,894,046	12,893,291
Employee future benefits and other liabilities (Note 4)	5,684,043	5,983,440
Developer deposits	1,262,238	1,473,873
Deferred revenue - obligatory reserve funds (Note 5)	30,967,568	34,808,822
Deferred revenue - other	255,100	257,297
Capital lease obligations (Note 6)	1,050,794	1,262,945
Long-term liabilities (Note 7)	<u>69,173,797</u>	<u>67,802,969</u>
	<u>121,287,586</u>	<u>124,482,637</u>

Net financial liabilities (Page 6) (35,892,565) (41,070,723)

Non-financial assets

Tangible capital assets (Schedule 2)	341,568,167	341,257,296
Prepays	<u>753,014</u>	<u>770,947</u>
	<u>342,321,181</u>	<u>342,028,243</u>

Accumulated surplus (Schedule 1) \$ 306,428,616 \$ 300,957,520

Commitments and Contingencies (Notes 6, 9 and 10)

See accompanying notes to the consolidated financial statements

On Behalf of the Town



Mayor



CAO

The Corporation of the Town of New Tecumseth

Consolidated Statements of Operations and Accumulated Surplus

Year Ended December 31

2019

2018

	<u>Budget (Note 2(q))</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation (Note 8)	\$ 36,405,972	\$ 36,001,736	\$ 34,887,928
User charges	16,190,280	16,550,543	16,671,413
Government grants	3,175,265	2,827,867	2,039,334
Contributions from developers	21,374,376	10,831,832	8,772,446
Investment income	400,000	761,390	724,521
Penalties and interest on taxes	800,000	878,037	751,289
Rentals	66,870	50,148	76,378
Donations and contributed assets	128,591	658,931	2,513,985
Gain (loss) on sale of tangible capital assets	52,000	(632,512)	323,689
Other	<u>702,369</u>	<u>511,092</u>	<u>686,973</u>
	<u>79,295,723</u>	<u>68,439,064</u>	<u>67,447,956</u>
Expenditures			
General government	7,783,453	6,916,109	7,662,643
Protection to persons and property	10,721,349	10,769,886	10,072,411
Transportation services	12,817,145	12,581,983	11,167,239
Environmental services	20,098,213	18,777,073	19,137,893
Health services	10,000	10,000	10,000
Recreation and cultural services	12,187,497	11,231,433	10,511,978
Planning and development	<u>3,107,273</u>	<u>2,681,484</u>	<u>2,816,022</u>
	<u>66,724,930</u>	<u>62,967,968</u>	<u>61,378,186</u>
Annual surplus	12,570,793	5,471,096	6,069,770
Accumulated surplus, beginning of year	<u>300,957,520</u>	<u>300,957,520</u>	<u>294,887,750</u>
Accumulated surplus, end of year	\$ <u>313,528,313</u>	\$ <u>306,428,616</u>	\$ <u>300,957,520</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of New Tecumseth
Consolidated Statement of Changes in Net Financial Liabilities

Year Ended December 31

2019

2018

Annual surplus	\$ <u>5,471,096</u>	\$ <u>6,069,770</u>
Acquisition of tangible capital assets	(14,169,700)	(9,728,052)
Contributed tangible capital assets	(592,285)	(2,476,240)
Amortization of tangible capital assets	12,782,668	12,415,921
Proceeds on sale of tangible capital assets	1,035,934	919,721
(Gain)loss on sale of tangible capital assets	<u>632,512</u>	<u>(323,689)</u>
	<u>(310,871)</u>	<u>807,661</u>
Decrease (increase) in prepaids	<u>17,933</u>	<u>(51,417)</u>
Decrease in net financial liabilities	5,178,158	6,826,014
Net financial liabilities, beginning of year	<u>(41,070,723)</u>	<u>(47,896,737)</u>
Net financial liabilities, end of year	\$ <u>(35,892,565)</u>	\$ <u>(41,070,723)</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of New Tecumseth

Consolidated Statement of Cash Flows

Year Ended December 31

2019

2018

Increase (decrease) in cash and cash equivalents

Operating activities

Annual surplus	\$	5,471,096	\$	6,069,770
Decrease in employee benefits and other liabilities		(299,397)		(390,830)
Amortization		12,782,668		12,415,921
Contributed tangible capital assets		(592,285)		(2,476,240)
Loss (gain) on sale of tangible capital assets		632,512		(323,689)
Change in non-operating working capital				
Decrease in assets held for sale		5,152		8,466
Decrease (increase) in taxes receivable		922,518		(1,929,994)
Decrease (increase) in water and sewer billings receivable		221,935		(50,113)
(Increase) decrease in receivables		(263,534)		1,327,798
Increase (decrease) in payables and accruals		755		(1,305,395)
(Decrease) increase in developer deposits		(211,635)		161,994
(Decrease) increase in deferred revenue-obligatory reserve funds		(3,841,254)		776,442
Decrease in deferred revenue – other		(2,197)		(24,712)
Decrease in capital lease obligations		(212,151)		(212,755)
Decrease (increase) in prepaids		17,933		(51,417)
Cash provided by operating activities		<u>14,632,116</u>		<u>13,995,246</u>

Investing activities

Acquisition of tangible capital assets		(14,169,700)		(9,728,052)
Proceeds from sale of tangible capital assets		<u>1,035,934</u>		<u>919,721</u>
Cash used by investing activities		<u>(13,133,766)</u>		<u>(8,808,331)</u>

Financing activities

Debt principal repayments		(4,924,172)		(4,905,479)
Debenture proceeds		<u>6,295,000</u>		<u>1,086,388</u>
Cash used by financing activities		<u>1,370,828</u>		<u>(3,819,091)</u>

Net increase in cash and cash equivalents		2,869,178		1,367,824
Cash and cash equivalents, beginning of year		<u>70,125,562</u>		<u>68,757,738</u>
Cash and cash equivalents, end of year	\$	<u>72,994,740</u>	\$	<u>70,125,562</u>

Interest paid	\$	<u>2,814,274</u>	\$	<u>2,960,773</u>
Interest received	\$	<u>761,391</u>	\$	<u>724,521</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

1. Nature of operations

The Corporation of the Town of New Tecumseth (the “Town”) is a lower-tier municipality located in the County of Simcoe, 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

Basis of presentation

The consolidated financial statements of the Town are prepared by management in accordance with Public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada (“CPA Canada”). Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, surplus and financial position of the Town including all organizations, committees and local boards accountable for the administration of their affairs and resources of the Town and which are owned or controlled by the Town. The financial statements include: Town of New Tecumseth Library Board, Alliston Business Improvement Association and Beeton Tottenham Business Improvement Association

Inter-departmental and organizational transactions and balances are eliminated.

(b) Accounting for County and School Board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School Boards and the County of Simcoe are not reflected in these financial statements.

(c) Accrual accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(d) Inventories

Inventories of land held for sale are valued at the lower of cost and net realizable value.

(e) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenditures, provides the change in net financial liabilities for the year.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

2. Summary of significant accounting policies (continued)

(e) Non-financial assets (continued)

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	15 to 25 years
Buildings	10 to 80 years
Roads, bridges, underground and other networks	7 to 80 years
Machinery and equipment	5 to 25 years
Vehicles	5 to 25 years
Library collection and materials	4 to 7 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Town has capitalization thresholds so that individual tangible capital assets of lesser value are expensed. Where individual assets are below the threshold value, but their total group value is material, these assets are pooled together and included as tangible capital assets. The capitalization thresholds are as follows:

Land	Capitalize all
Land improvements	\$ 5,000 to \$50,000
Buildings	\$ 5,000 to \$25,000
Roads, bridges, underground and other networks	\$10,000 to \$50,000
Machinery and Equipment	\$ 5,000 to \$20,000
Vehicles	\$ 5,000
Library collection and materials	\$20,000

Betterment is the spending on an asset after its initial acquisition that either increases or improves service capacity, extends the useful life of the asset or lowers the associated operating costs. The capitalization threshold for betterments is the lower of \$10,000 or 10% of the historical cost of the related asset.

1. Capitalization of interest

The Town has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset up to the date the asset goes into use, per PSAB 3150.17.

2. Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Typical examples are roadway, water and wastewater lines installed by a developer as part of a sub-division agreement.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

2. Summary of significant accounting policies (continued)

(e) Non-financial assets (continued)

3. Leases

Leases are classified as capital or operating leases. Leases that transfer substantially the entire benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenditures as incurred.

4. Write-down of tangible capital assets

The value of a tangible capital asset will be written down, or reduced, when there has been a decline in the asset's value. This can arise for a variety of reasons including significant technological developments, physical damage to the asset or removal of the asset from service.

5. Works of art

The Town owns various works of art and historic artifacts displayed at various locations. The historic cost of these items is not included in tangible capital assets.

(f) Reserves and Reserve Funds

Certain amounts, as approved by Town Council, are set aside in reserves and reserve funds for future operating and capital purposes. Further disclosure of the amounts as part of accumulated surplus is included in Schedule 1 of the financial statements.

(g) Government transfers

Government transfers are recognized in the financial statements as revenue in the year in which events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

(h) Deferred revenue – obligatory reserve funds

The Town receives development charge contributions, conditional grants and payments in lieu of parkland under the authority of provincial legislation and Town by-laws. These funds, by their nature, are restricted in their use and, until applied to applicable expenditures, are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal year they are expended.

(i) Deferred revenue - other

Deferred revenue represents user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

2. Summary of significant accounting policies (continued)

(j) Taxation and related revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation (“MPAC”). Tax rates are established annually by Council, incorporating amounts to be raised for local services, the requisition made by the County of Simcoe in respect of County services and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. The legislation limits assessment-related increases in property tax bills to 5% annually for commercial, industrial and multi-residential classes of property until the affected properties are taxed at a level equivalent to the tax otherwise calculated based on their current value assessment. A normal part of the assessment process is the issue of supplementary assessment rolls that update information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Town determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments, as a result of appeals, are recorded when the result of the appeal process is known. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the year the interest and penalties are levied.

(k) Government grants

Grants are recognized as revenue when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

(l) Investment income

Investment income earned on surplus funds (other than obligatory reserve funds) is reported as revenue in the year earned. Investment income earned on development charges, conditional grants and parkland obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue obligatory reserve fund balances.

(m) User charges, rentals, donations and other revenue

User charges, rentals, donations and other revenue are recognized as revenue when the services are provided and there is reasonable assurance of collection.

(n) Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management’s best estimate of retirement ages of employees and expected health care and dental costs. Vacation entitlements are accrued as entitlements are earned. The Town also estimates future benefits relating to accumulated sick credits for Library staff as they are earned.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

2. Summary of significant accounting policies (continued)

(o) Pension Plan

The Town is an employer member of the Ontario Municipal Employee Retirement Fund (“OMERS”), which is a multi-employer, defined benefit pension plan. The OMERS Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of benefits. The Town uses defined contribution plan accounting principles for this plan. The Town records as pension expense the amount paid to OMERS for the year plus any amount owing to OMERS at the end of the year.

(p) Use of estimates

The preparation of financial statements in conformity with Public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. These estimates and assumptions are based on management’s historical experience, best knowledge of current events and actions that the Town may undertake in the future. Significant accounting estimates include allowance for doubtful accounts, estimated useful lives of tangible capital assets and the liability for employee future benefits. Actual results could differ from those estimates.

(q) Budget figures

Town Council approves its operating budget annually. The budget figures shown on the consolidated statement of operations represent the aggregated operating budgets established by the Town, its Library Board, the Alliston Business Improvement Association and the Beeton Tottenham Business Improvement Association. The budget established for capital investment in tangible capital assets is established for individual projects, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year’s actual expenditures. The Town does not budget activity within reserves and reserve funds with the exception being those transactions that affect either operations or capital investments.

Adjustments to the budget approved by Council are reflected to adjust the basis of presentation to the accounting principles applied in preparing the financial statements. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results.

	<u>Revenues</u>	<u>Expenditures</u>
Town Council’s approved budgets	\$ 79,295,723	\$ 68,088,878
Less: Tangible capital assets capitalization	-	(14,146,616)
Add: Amortization expense	<u>-</u>	<u>12,782,668</u>
Adjusted budget per consolidated statement of operations	<u>\$ 79,295,723</u>	<u>\$ 66,724,930</u>

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

3. Cash and cash equivalents 2019 2018

Cash and cash equivalents are comprised of:

Unrestricted cash held at the bank and on hand	\$ 42,017,172	\$ 35,316,740
Restricted cash held at the bank	<u>30,967,568</u>	<u>34,808,822</u>
	<u>\$ 72,994,740</u>	<u>\$ 70,125,562</u>

4. Employee future benefits and other liabilities 2019 2018

The Town provides certain employee benefits that will require funding in future periods:

Workplace safety and insurance	\$ 4,046,177	\$ 4,200,032
Vacation accrual	598,560	705,529
Retirement accrual	1,172,527	1,203,793
Sick leave entitlements	29,572	31,114
Dental and health future benefits	792,207	797,972
Less: WSIB receivable	<u>(955,000)</u>	<u>(955,000)</u>
	<u>\$ 5,684,043</u>	<u>\$ 5,983,440</u>

The Town pays certain health and dental benefits on behalf of eligible retired employees to age 65. The Town also pays sick leave entitlements for members of the Library. The Town recognizes these costs in the period in which the employees rendered the services. The December 31, 2019 liability reported in the Consolidated Statement of Financial Position for future benefits and sick leave entitlements were based on an actuarial valuation. The main assumptions employed for the valuations are as follows:

- (a) Retirement age - All active employees were assumed to retire at an average age of 61.
- (b) Actuary rates: Discount rate 4.0%, Inflationary rate 1.75%.
- (c) Future dental escalations 3.75%
- (d) Future health costs escalate at 6.4167% for 2019 and reduce by 0.333% per year to 3.75% in 2027
- (e) Sick leave utilization 65.8% of annual additions and 7.6% of prior year accumulation.

Information about the Town's defined benefit plan is as follows:

Accrued benefit liability, beginning of year	\$ 797,792	\$ 806,734
Expense for the period	13,835	11,678
Benefits paid by employer	<u>(19,600)</u>	<u>(20,440)</u>
Accrued benefit liability, end of year	<u>\$ 792,207</u>	<u>\$ 797,972</u>

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

4. Employee future benefits and other liabilities (continued) 2019 2018

Workplace safety and insurance

The Town is a Schedule II employer under the Workplace Safety and Insurance Act, and therefore, has elected to self-insure the risks of workplace safety and insurance costs. To protect itself against catastrophic losses, it carries insurance with a deductible of \$500,000 per occurrence. The December 31, 2019 liability reported in the Consolidated Statement of Financial Position was the result of an actuarial valuation that estimated the Town's potential liability, under the Workplace Safety and Insurance Act, to be \$4,046,177 (2018 – \$4,200,032). This figure was determined utilizing a discount rate of 3.75% and general inflation rate of 2%.

Accrued Benefit Obligation

Balance at January 1	\$ 4,200,032	\$ 4,358,101
Add:		
Estimated service cost	241,281	234,940
Interest accrued	107,577	106,519
Change in unamortized actuarial gain/(loss)	(184,707)	(184,707)
Deduct:		
Expected benefits paid	<u>(318,006)</u>	<u>(314,821)</u>
Liability at December 31	\$ <u>4,046,177</u>	\$ <u>4,200,032</u>

A receivable of \$955,000 (2018 – \$955,000) has been established to offset this provision.

5. Deferred revenue – obligatory reserve funds 2019 2018

A requirement of the accounting recommendations of the Public Sector Accounting Board of CPA Canada 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 what certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Town are summarized below:

Balance, beginning of year	\$ 34,808,822	\$ 34,032,380
Development charges	3,630,202	7,424,367
Interest income	914,683	695,721
Gas tax funding	2,134,275	962,982
Parkland funding	26,660	576,840
Utilization of funds	<u>(10,547,074)</u>	<u>(8,883,468)</u>
Deferred revenue – obligatory funds, end of year	\$ <u>30,967,568</u>	\$ <u>34,808,822</u>

Analysed as follows:

Development charges	\$ 25,808,071	\$ 31,429,473
Developer contributions (Best Efforts)	203,921	203,711
Parkland	1,562,901	1,744,314
Gas tax	<u>3,392,675</u>	<u>1,431,324</u>
Deferred revenue – obligatory funds, end of year	\$ <u>30,967,568</u>	\$ <u>34,808,822</u>

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

6. Capital lease obligations

In 2015, the Town entered in to a multiple-year contract for the delivery of energy management retrofit services and associated capital investments. Associated costs are planned to be recovered over time through energy and operational savings generated. The contractual obligation became a liability in 2016 when the terms of the contracts were met. The payments required for the remaining contract are as follows:

2020	\$ 248,748
2021	256,638
2022	264,764
2023	273,132
2024	<u>281,121</u>
Total minimum payments	1,324,403
Less: imputed interest	<u>273,609</u>
	<u>\$ 1,050,794</u>

7. Long-term liabilities

	<u>2019</u>	<u>2018</u>
Debentures, payable in semi-annual blended instalments of \$431,099, bearing interest at 5.542%, maturing 2036	\$ 9,415,097	\$ 9,741,867
Debentures, payable in semi-annual blended instalments of \$81,815, bearing interest at 3.66%, maturing 2019	-	159,245
Debentures, payable in semi-annual blended instalments of \$125,467, bearing interest at 3.91%, maturing 2020	243,762	478,266
Debentures, payable in semi-annual principal instalments ranging from \$157,000 to \$168,000, interest ranging from 3.65% to 4.15% per annum, maturing 2020	168,000	330,000
Debentures, payable in semi-annual principal instalments ranging from \$1,743,000 to \$2,360,000, interest ranging from 3.25% to 4.90% per annum, maturing 2028	19,886,000	21,701,000
Debentures, payable in semi-annual principal instalments of \$52,500, bearing interest at 2.73%, maturing 2021	210,000	315,000
Debentures, payable in semi-annual principal instalments of \$91,500, bearing interest at 2.61%, maturing 2022	549,000	732,000
Debentures, payable in semi-annual principal instalments of \$86,600, bearing interest at 3.05%, maturing 2023	692,800	866,000

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

7. Long-term liabilities (continued)	<u>2019</u>	<u>2018</u>
Debentures, payable in semi-annual principal instalments of \$115,250, bearing interest at 3.87%, maturing 2033	3,227,000	3,457,500
Debentures, payable in semi-annual principal instalments of \$113,750, bearing interest at 2.65%, maturing 2024	1,137,500	1,365,000
Debentures, payable in semi-annual principal instalments of \$99,550, bearing interest at 2.45%, maturing 2025	1,194,600	1,393,700
Debentures, payable in semi-annual principal instalments of \$80,000, bearing interest at 3.23%, maturing 2035	2,560,000	2,720,000
Debentures, payable in semi-annual principal instalments ranging from \$171,938 to \$573,924, bearing interest at 4.128%, maturing 2046	18,963,649	19,340,658
Debentures, payable in annual principal instalments ranging from \$169,000 to \$210,000, interest ranging from 1.5% to 3.25%, maturing 2026	1,352,000	1,527,000
Debentures, payable in semi-annual principal instalments \$143,853, bearing interest at 2.81% per annum, maturing 2027	2,301,640	2,589,345
Debentures, payable in semi-annual principal instalments \$54,319, bearing interest at 3.12% per annum, maturing 2028	977,749	1,086,388
Debentures, payable in semi-annual principal instalments ranging from \$280,639 to \$351,369 bearing interest at 2.38% per annum, maturing 2029	<u>6,295,000</u>	-
	<u>\$ 69,173,797</u>	<u>\$ 67,802,969</u>

Annual principal payments over the next five years and thereafter are as follows:

2020	\$ 5,461,887
2021	5,188,414
2022	5,231,800
2023	5,207,380
2024	5,202,055
2025 – 2046	<u>42,882,261</u>
	<u>\$ 69,173,797</u>

The long-term liabilities have received approval of the Ontario Municipal Board (or approval by private legislation for those approved on or before December 31, 1996). Those approved after January 1997 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit parameters prescribed by the Ministry of Municipal Affairs and Housing.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

8. Taxation	<u>2019</u>	<u>2018</u>
Real property	\$ 72,547,426	\$ 71,827,780
Payments in lieu of taxes	<u>213,722</u>	<u>189,679</u>
	72,761,148	72,017,459
Less: taxes collected on behalf of School Boards and the County of Simcoe	<u>36,759,412</u>	<u>37,129,531</u>
Net taxes available for Town purposes	<u>\$ 36,001,736</u>	<u>\$ 34,887,928</u>

9. Commitments

(a) Policing services

Effective December 31, 2014, the MCSCS terminated all contracts throughout the province and implemented a new billing model effective January 1, 2015. The Town, along with two neighbouring townships, finalized a five-year renewal of a joint policing contract with the Minister of Community Safety and Correctional Services of Ontario (MCSCS) for the provision of police services by the Ontario Provincial Police (OPP). The term of this contract is from July 1, 2015 until June 30, 2020 with the cost determined annually through a budget process. Either party to the agreement may terminate the contract upon one year's written notice. During the year ended December 31, 2019, the Town's total expenditure under the existing OPP contract was \$5,877,009 (2018 - \$5,523,990).

(b) Water supply and related agreements

The Town has entered into a water supply agreement with the Public Utilities Commission of the Town of Collingwood for a portion of its fresh water supply. The agreement requires the Town to purchase specified minimum levels of water in each year of the agreement, which extends to the year 2019 with renewal options. The pipeline is owned by the New Tecumseth Improvement Society, a corporation without share capital organized to benefit the residents of the Town of New Tecumseth. The Town has provided the New Tecumseth Improvement Society with a 99-year lease covering the easements necessary for the pipeline.

(c) Other

During the year, the Town entered into contracts for capital projects. Approximately \$6,774,733 has not been expended as at December 31, 2019 (2018 - \$4,972,914).

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

10. Contingencies

The Town, in the course of its operations, is subject to claims, lawsuits and contingencies. For claims that remain unsettled at December 31, 2019, the Town has made provision in its accounts for actions that are likely to succeed and for which the loss can be estimated.

11. Pension agreement

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates range from 9.0% to 15.8% (2018 – 9.0% to 15.8%) depending on the proposed retirement age and the level of earnings. As a result, \$1,490,017 (2018 - \$1,425,803) was contributed to OMERS during the year.

12. Financial Instruments

The Town's financial instruments consist of cash and cash equivalents, taxes receivable, water and wastewater billings receivable, receivables, payables and accruals, developer deposits and long-term liabilities. Unless otherwise noted, it is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

13. Subsequent Events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Town has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Town for future periods

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

14. Segmented reporting

In accordance with Section 2700 of the Public-Sector Accounting Handbook of the Canadian Institute of Chartered Accountants, the Town has prepared segmented financial information.

The Town is a diversified municipal government entity that provides a wide range of services to its citizens, including General Government, Protection, Transportation, Environmental, Health, Recreation and Cultural, Planning and Development.

The revenues and expenditures for each service area have been separately disclosed in the segmented information, and include the following activities:

- General Government – Finance, Administration, Council and Human Resources
- Protection – Police, Fire and Rescue, Building Construction, By-law Enforcement and Conservation Authorities
- Transportation – Roadways, Winter Control, Street-lighting, Parking and Transit
- Environmental – Water, Wastewater, Storm Sewer and Environmental Programs
- Health – Physician Recruitment
- Recreation and Cultural – Arenas, Libraries, Parks, Recreation Programs and Museum
- Planning and Development – Planning and Zoning, Economic Development and Business Improvement Areas

In the preparation of segmented financial information, it is necessary to use reasonable allocation methods. For each reported segment, revenues represent both amounts that are directly attributable to the segment and amounts that are allocated. Property taxation and other revenue are apportioned based on percentage of operating expenditures (excluding Environmental). The remaining revenue sources and all expenditures are directly attributable to each segment.

All Environmental revenues and expenses are directly attributable to the segment. The majority of Environmental service expenses are Water and Wastewater, which are funded primarily by user fees.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2019

14. Segmented reporting December 31, 2019

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
Revenues								
Property taxation	\$5,634,172	\$8,773,632	\$10,249,846	\$ -	\$10,000	\$9,149,628	\$2,184,457	\$36,001,736
User charges	110,381	1,089,586	32,490	12,771,234	-	2,227,679	319,173	16,550,543
Government grants	623,881	-	1,317,808	662,439	-	206,479	17,260	2,827,867
Contribution from developers	65,500	236,042	1,675,778	7,246,187	-	1,483,161	125,164	10,831,832
Contributed Assets & Donations	-	-	209,871	308,889	-	140,171	-	658,931
Other Revenue	(331,484)	451,859	393,228	488,956	-	462,585	103,012	1,568,155
Total Revenue	6,102,450	10,551,119	13,879,021	21,477,705	10,000	13,669,703	2,749,066	68,439,064
Expenditures								
Salaries and Benefits	4,535,204	3,107,740	3,600,529	4,170,025	-	6,169,937	1,987,635	23,571,070
Interest	-	21,258	259,679	1,980,842	-	552,495	-	2,814,274
Materials	1,620,508	1,071,151	2,319,092	4,918,752	10,000	2,231,313	387,354	12,558,170
Contracted Services	497,228	6,155,866	2,735,983	1,059,297	-	473,170	281,495	11,203,039
Rents	-	-	38,747	-	-	-	-	38,747
Amortization	263,169	413,871	3,627,953	6,648,157	-	1,804,518	25,000	12,782,668
Total Expenditures	6,916,109	10,769,886	12,581,983	18,777,073	10,000	11,231,433	2,681,484	62,967,968
Net revenue (deficit)	\$(813,659)	\$(218,767)	\$1,297,038	\$2,700,632	\$ -	\$2,438,270	\$67,582	\$5,471,096

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2018

14. Segmented reporting December 31, 2018

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
Revenues								
Property taxation	\$6,328,564	\$8,318,787	\$9,223,004	\$ -	\$10,000	\$8,681,825	\$2,325,748	\$34,887,928
User charges	101,482	1,255,062	180,899	12,358,780	-	2,379,430	395,760	16,671,413
Government grants	52,000	21,684	1,265,307	405,516	-	282,327	12,500	2,039,334
Contribution from developers	36,784	543,649	826,046	5,337,204	-	2,028,763	-	8,772,446
Contributed Assets & Donations	10,848	-	2,074,582	390,810	-	37,745	-	2,513,985
Other Revenue	802,659	312,808	284,023	460,237	-	527,952	175,171	2,562,850
Total Revenue	7,332,337	10,451,990	13,853,861	18,952,547	10,000	13,938,042	2,909,179	67,447,956
Expenditures								
Salaries and Benefits	4,307,683	2,785,628	3,255,044	4,252,361	-	5,692,415	2,126,142	22,419,273
Interest	-	27,898	273,592	2,080,331	-	578,953	-	2,960,774
Materials	2,737,222	1,003,445	2,323,583	5,231,259	10,000	2,131,737	440,748	13,877,994
Contracted Services	403,817	5,864,825	1,844,142	959,743	-	381,883	215,163	9,669,573
Rents	-	-	34,651	-	-	-	-	34,651
Amortization	213,921	390,615	3,436,227	6,614,199	-	1,726,990	33,969	12,415,921
Total Expenditures	7,662,643	10,072,411	11,167,239	19,137,893	10,000	10,511,978	2,816,022	61,378,186
Net revenue (deficit)	\$(330,306)	\$379,579	\$2,686,622	\$(185,346)	\$ -	\$3,426,064	\$93,157	\$6,069,770

The Corporation of the Town of New Tecumseth

Schedule 1 - Consolidated Schedule of Accumulated Surplus

Year Ended December 31 2019 2018

	2019	2018
Reserve funds set aside by Council		
General administration	\$ 7,374,023	\$ 6,055,421
Roads	1,059,813	669,891
Sanitary and storm sewers	336,641	329,323
Water	3,311	3,239
Recreation and cultural services	111,165	91,979
Planning and development	<u>37,404</u>	<u>36,591</u>
Total reserve funds	<u>8,922,357</u>	<u>7,186,444</u>
Reserves set aside by Council		
Tax rate stabilization	3,171,494	2,532,650
Building Code Bill 124	1,723,923	1,969,895
General administration	6,605,588	5,697,494
Protective services	735,883	612,071
Roads	2,042,708	1,952,313
Sanitary and storm sewers	5,347,741	4,266,553
Water	4,299,155	3,850,527
Library	596,154	548,682
Recreation and cultural services	2,440,808	291,270
Planning and development	213,477	207,308
Debt repayment reserve	<u>4,282,694</u>	<u>5,307,610</u>
Total reserves	<u>31,459,625</u>	<u>27,236,373</u>
Total reserve funds and reserves	<u>40,381,982</u>	<u>34,422,817</u>
Surpluses (deficits)		
Invested in tangible capital assets	341,568,167	341,257,296
Transfer of assets held for sale	476,488	481,640
Operations surplus	300,000	300,000
Alliston Business Improvement Area	122,018	93,205
Beeton Tottenham Business Improvement Area	18,567	11,148
Unfunded		
Employee benefits and post-employment liabilities	(5,684,043)	(5,983,440)
Debt associated with tangible capital assets	(70,224,591)	(69,065,914)
Debenture interest accrual	<u>(529,972)</u>	<u>(559,232)</u>
Total surpluses	<u>266,046,634</u>	<u>266,534,703</u>
Accumulated surplus	\$ <u>306,428,616</u>	\$ <u>300,957,520</u>

The Corporation of the Town of New Tecumseth
Schedule 2 - Consolidated Schedule of Tangible Capital Assets

December 31, 2019

Cost	<u>2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>2019</u>
Land	\$ 48,276,696	\$ -	\$ (547,090)	\$ 47,729,606
Land improvements	17,195,332	784,124	-	17,979,456
Buildings	167,100,489	1,135,880	(1,323,422)	166,912,947
Machinery and equipment	7,696,483	601,981	(394,371)	7,904,093
Vehicles	15,174,712	722,380	(410,264)	15,486,828
Library collection and materials	671,575	146,394	(96,836)	721,133
Roads, bridges, underground and other networks	<u>211,818,461</u>	<u>4,065,005</u>	<u>-</u>	<u>215,883,466</u>
	467,933,748	7,455,764	(2,771,983)	472,617,529
Assets under construction	<u>7,790,712</u>	<u>7,590,002</u>	<u>(773,928)</u>	<u>14,606,786</u>
	\$ <u>475,724,460</u>	\$ <u>15,045,766</u>	\$ <u>(3,545,911)</u>	\$ <u>487,224,315</u>

Accumulated amortization	<u>2018</u>	<u>Amortization</u>	<u>Disposals</u>	<u>2019</u>
Land improvements	\$ 5,404,897	\$ 723,097	\$ -	\$ 6,127,994
Buildings	61,562,551	5,567,851	(692,219)	66,438,183
Machinery and equipment	4,000,464	669,057	(394,365)	4,275,156
Vehicles	7,314,950	1,118,252	(410,264)	8,022,938
Library collection and materials	357,777	125,783	(96,836)	386,724
Roads, bridges, underground and other networks	<u>55,826,525</u>	<u>4,578,628</u>	<u>-</u>	<u>60,405,153</u>
	\$ <u>134,467,164</u>	\$ <u>12,782,668</u>	\$ <u>(1,593,684)</u>	\$ <u>\$145,656,148</u>

Net book value	<u>2018</u>	<u>2019</u> <u>Cost</u>	<u>2019</u> <u>Accumulated</u> <u>amortization</u>	<u>2019</u>
Land	\$ 48,276,696	\$ 47,729,606	\$ -	\$ 47,729,606
Land improvements	11,790,435	17,979,456	6,127,994	11,851,462
Buildings	105,537,938	166,912,947	66,438,183	100,474,764
Machinery and equipment	3,696,019	7,904,093	4,275,156	3,628,937
Vehicles	7,859,762	15,486,828	8,022,938	7,463,890
Library collection and materials	313,798	721,133	386,724	334,409
Roads, bridges, underground and other networks	<u>155,991,936</u>	<u>215,883,466</u>	<u>60,405,153</u>	<u>155,478,313</u>
	333,466,584	472,617,529	145,656,148	326,961,381
Assets under construction	<u>7,790,712</u>	<u>14,606,786</u>	<u>-</u>	<u>14,606,786</u>
	\$ <u>341,257,296</u>	\$ <u>487,224,315</u>	\$ <u>145,656,148</u>	\$ <u>341,568,167</u>