

Consolidated Financial Statements

The Corporation of the Town of New Tecumseth

December 31, 2020

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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 15, 2021

Auditor's Report

The Corporation of the Town of New Tecumseth

Consolidated Statement of Financial Position

December 31	2020	2019
Financial assets		
Cash and cash equivalents (Note 4)	\$ 68,658,395	\$ 72,994,740
Assets held for sale (Note 3(d))	476,488	476,488
Taxes receivable	6,858,591	5,839,730
Water and wastewater billings receivable	2,602,085	1,823,494
Receivables	<u>2,860,658</u>	<u>4,260,569</u>
	<u>81,456,217</u>	<u>85,395,021</u>
Financial liabilities		
Payables and accruals	13,698,238	12,894,046
Employee future benefits and other liabilities (Note 5)	5,900,578	5,684,043
Developer deposits	1,169,316	1,262,238
Deferred revenue - obligatory reserve funds (Note 6)	27,218,285	30,967,568
Deferred revenue - other	469,615	255,100
Capital lease obligations (Note 7)	839,275	1,050,794
Long-term liabilities (Note 8)	<u>65,031,910</u>	<u>69,173,797</u>
	<u>114,327,217</u>	<u>121,287,586</u>
Net financial liabilities (Page 6)	(32,871,000)	(35,892,565)
Non-financial assets		
Tangible capital assets (Schedule 2)	345,107,997	341,568,167
Prepays	<u>905,124</u>	<u>753,014</u>
	<u>346,013,121</u>	<u>342,321,181</u>
Accumulated surplus (Schedule 1)	\$ <u>313,142,121</u>	\$ <u>306,428,616</u>
Commitments and Contingencies (Notes 7, 10 and 11)		

See accompanying notes to the consolidated financial statements

On Behalf of the Town

Mayor

CAO

The Corporation of the Town of New Tecumseth

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31

2020

2019

	<u>Budget (Note 3(q))</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation (Note 9)	\$ 38,291,700	\$ 37,796,143	\$ 36,001,736
User charges	18,784,675	17,070,395	16,550,543
Government grants	5,408,292	4,280,098	2,827,867
Contributions from developers	21,685,454	7,838,019	10,831,832
Investment income	475,000	396,639	761,390
Penalties and interest on taxes	940,000	902,788	878,037
Rentals	67,470	38,979	50,148
Donations and contributed assets	81,785	155,592	658,931
Gain (loss) on sale of tangible capital assets	67,000	111,893	(632,512)
Other	627,875	457,853	511,092
	<u>86,429,251</u>	<u>69,048,399</u>	<u>68,439,064</u>
Expenditures			
General government	8,051,432	7,401,778	6,916,109
Protection to persons and property	11,154,713	11,027,193	10,769,886
Transportation services	12,911,446	11,405,673	12,581,983
Environmental services	21,774,961	19,771,256	18,777,073
Health services	-	-	10,000
Recreation and cultural services	12,663,651	10,208,576	11,231,433
Planning and development	2,954,190	2,520,418	2,681,484
	<u>69,510,393</u>	<u>62,334,894</u>	<u>62,967,968</u>
Annual surplus	16,918,858	6,713,505	5,471,096
Accumulated surplus, beginning of year	<u>306,428,616</u>	<u>306,428,616</u>	<u>300,957,520</u>
Accumulated surplus, end of year	\$ <u>323,347,474</u>	\$ <u>313,142,121</u>	\$ <u>306,428,616</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

2020

2019

Annual surplus	\$ <u>6,713,505</u>	\$ <u>5,471,096</u>
Acquisition of tangible capital assets	(16,851,821)	(14,169,700)
Contributed tangible capital assets	-	(592,285)
Amortization of tangible capital assets	13,182,037	12,782,668
Proceeds on sale of tangible capital assets	241,847	1,035,934
(Gain) loss on sale of tangible capital assets	<u>(111,893)</u>	<u>632,512</u>
	<u>(3,539,830)</u>	<u>(310,871)</u>
(Increase) decrease in prepaids	<u>(152,110)</u>	<u>17,933</u>
Decrease in net financial liabilities	3,021,565	5,178,158
Net financial liabilities, beginning of year	<u>(35,892,565)</u>	<u>(41,070,723)</u>
Net financial liabilities, end of year	\$ <u>(32,871,000)</u>	\$ <u>(35,892,565)</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

2020

2019

Increase (decrease) in cash and cash equivalents

Operating activities

Annual surplus	\$	6,713,505	\$	5,471,096
Increase (decrease) in employee benefits and other liabilities		216,535		(299,397)
Amortization		13,182,037		12,782,668
Contributed tangible capital assets		-		(592,285)
(Gain) loss on sale of tangible capital assets		(111,893)		632,512
Change in non-operating working capital				
Decrease in assets held for sale		-		5,152
(Increase) decrease in taxes receivable		(1,018,861)		922,518
(Increase) decrease in water and wastewater billings receivable		(778,591)		221,935
Decrease (increase) in receivables		1,399,911		(263,534)
Increase in payables and accruals		804,192		755
Decrease in developer deposits		(92,922)		(211,635)
Decrease in deferred revenue-obligatory reserve funds		(3,749,283)		(3,841,254)
Increase (decrease) in deferred revenue – other		214,515		(2,197)
Decrease in capital lease obligations		(211,519)		(212,151)
(Increase) decrease in prepaids		(152,110)		17,933
Cash provided by operating activities		<u>16,415,516</u>		<u>14,632,116</u>

Investing activities

Acquisition of tangible capital assets		(16,851,821)		(14,169,700)
Proceeds from sale of tangible capital assets		241,847		1,035,934
Cash used by investing activities		<u>(16,609,974)</u>		<u>(13,133,766)</u>

Financing activities

Debt principal repayments		(5,461,887)		(4,924,172)
Debenture proceeds		1,320,000		6,295,000
Cash used by financing activities		<u>(4,141,887)</u>		<u>1,370,828</u>

Net decrease in cash and cash equivalents (4,336,345) 2,869,178

Cash and cash equivalents, beginning of year 72,994,740 70,125,562

Cash and cash equivalents, end of year \$ **68,658,395** \$ 72,994,740

Interest paid \$ **2,777,757** \$ 2,814,274

Interest received \$ **396,639** \$ 761,391

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2020

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. Impact of COVID-19

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 been able to continue operating throughout the pandemic as an essential service provider and has not experience a significant impact in its revenue. The Town has received additional COVID-19 funding in the amount of \$988,347 (2019 - \$Nil) to cover cost associated COVID-19 costs and pressures. As at December 31, 2020 the Town has not suffered any significant impairment of assets.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, 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 the consequences of COVID-19, as well as the impact on the consolidated 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, 2020

3. 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, 2020

3. 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
Machinery and equipment	5 to 25 years
Vehicles	5 to 25 years
Library collection and materials	4 to 7 years
Roads, bridges, underground and other networks	7 to 80 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
Machinery and Equipment	\$ 5,000 to \$20,000
Vehicles	\$ 5,000
Library collection and materials	\$20,000
Roads, bridges, underground and other networks	\$10,000 to \$50,000

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.

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.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2020

3. Summary of significant accounting policies (continued)

(e) Non-financial assets (continued)

4. Write-down of tangible capital assets

The value of a tangible capital asset will be written down when conditions indicate that they no longer contribute to the Town's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

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

The Town follows the practice of allocating surpluses into reserves and reserve funds that are retained for general and specific purposes. These reserve and reserve funds make up a portion of the accumulated surplus as disclosed in Schedule 1 of these consolidated financial statements.

These reserves and reserve funds are established by Council resolution or by-law and are available for future operating and capital purposes. Amounts are only expended in accordance with the terms and policies established by Council. Expenses in respect of operating items for which reserves and reserve funds have been created are reported on the consolidated statement of operations.

(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.

(j) 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.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2020

3. Summary of significant accounting policies (continued)

(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) 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.

(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 Town is a Schedule II employer under the Workplace Safety and Insurance Act and, as such, the Town has elected to self-insure the risks of workplace safety and insurance costs. The cost of the Town's potential liability is actuarially determined, using management's best estimate of future payments on self-insured WSIB claims.

(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.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2020

3. Summary of significant accounting policies (continued)

(p) Use of estimates and measurement uncertainty

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates, assumptions and approximations. Included in these consolidated financial statements are estimates for employee future benefits, tangible capital assets, taxation accruals and user charges.

Management uses estimates related to employee future benefits based on assumptions and calculations contained in actuarial reports, modified as necessary for the passage of time. Actual results can differ from the estimates due to uncertainty. The actuarial reports and calculations are reviewed and updated periodically at which time estimates can be adjusted.

Management has made estimates related to tangible capital assets both in determining fair market value of contributed assets and in the amortization rates as set out in these policies.

Management has made estimates related to taxation revenue in determining the balance to accrue relating to supplementary billings and write offs which will be determined in future years.

Management has made estimates related to user charges in determining the balance to accrue relating to water wastewater billings which will be determined in the future year.

(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	\$ 86,429,251	\$ 73,186,563
Less: Tangible capital assets capitalization	-	(16,858,207)
Add: Amortization expense	-	13,182,037
Adjusted budget per consolidated statement of operations	<u>\$ 86,429,251</u>	<u>\$ 69,510,393</u>

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2020

4. Cash and cash equivalents 2020 2019

Cash and cash equivalents are comprised of:

Unrestricted cash held at the bank and on hand	\$ 41,440,110	\$ 42,017,172
Restricted cash held at the bank	<u>27,218,285</u>	<u>30,967,568</u>
	<u>\$ 68,658,395</u>	<u>\$ 72,994,740</u>

5. Employee future benefits and other liabilities 2020 2019

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

Workplace safety and insurance	\$ 3,898,354	\$ 4,046,177
Vacation accrual	593,389	598,560
Retirement accrual	1,184,710	1,172,527
Sick leave entitlements	31,820	29,572
Dental and health future benefits	842,305	792,207
Less: WSIB receivable	<u>(650,000)</u>	<u>(955,000)</u>
	<u>\$ 5,900,578</u>	<u>\$ 5,684,043</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, 2020 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 3.25%, Inflationary rate 1.75%.
- (c) Future dental escalations 3.75%
- (d) Future health costs escalate at 5.75% for 2021 vs 2020 and reduce by 0.333% per year to 3.75% in 2027
- (e) Sick leave utilization 58.5% of annual additions and 10.2% of prior year accumulation.

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

Accrued benefit liability, beginning of year	\$ 792,207	\$ 797,792
Expense for the period	65,014	13,835
Benefits paid by employer	<u>(14,916)</u>	<u>(19,600)</u>
Accrued benefit liability, end of year	<u>\$ 842,305</u>	<u>\$ 792,207</u>

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2020

5. Employee future benefits and other liabilities (continued) 2020 2019

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, 2020 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 \$3,898,354 (2019 – \$4,046,177). This figure was determined utilizing a discount rate of 2.75% and general inflation rate of 1.75%.

Accrued Benefit Obligation

Balance at January 1	\$ 4,046,177	\$ 4,200,032
Add:		
Estimated service cost	247,811	241,281
Interest accrued	108,824	107,577
Change in unamortized actuarial gain/(loss)	(184,707)	(184,707)
Deduct:		
Expected benefits paid	<u>(319,751)</u>	<u>(318,006)</u>
Liability at December 31	\$ <u>3,898,354</u>	\$ <u>4,046,177</u>

A receivable of \$650,000 (2019 – \$955,000) has been established to offset this provision.

6. Deferred revenue – obligatory reserve funds 2020 2019

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	\$ 30,967,568	\$ 34,808,822
Development charges	4,200,837	3,630,202
Interest income	400,173	914,683
Gas tax funding	1,164,588	2,134,275
Parkland funding	68,064	26,660
Utilization of funds	<u>(9,582,945)</u>	<u>(10,547,074)</u>
Deferred revenue – obligatory funds, end of year	\$ <u>27,218,285</u>	\$ <u>30,967,568</u>
Analysed as follows:		
Development charges	\$ 22,776,469	\$ 25,808,071
Developer contributions (Best Efforts)	204,020	203,921
Parkland	1,502,389	1,562,901
Gas tax	<u>2,735,407</u>	<u>3,392,675</u>
Deferred revenue – obligatory funds, end of year	\$ <u>27,218,285</u>	\$ <u>30,967,568</u>

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2020

7. 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:

2021	\$ 256,638
2022	264,764
2023	273,132
2024	<u>281,121</u>
Total minimum payments	1,075,655
Less: imputed interest	<u>236,380</u>
	<u>\$ 839,275</u>

8. Long-term liabilities

	<u>2020</u>	<u>2019</u>
Debentures, payable in semi-annual blended instalments of \$431,099, bearing interest at 5.542%, maturing 2036	\$ 9,069,966	\$ 9,415,097
Debentures, payable in semi-annual blended instalments of \$125,467, bearing interest at 3.91%, maturing 2020	-	243,762
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
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	17,992,000	19,886,000
Debentures, payable in semi-annual principal instalments of \$52,500, bearing interest at 2.73%, maturing 2021	105,000	210,000
Debentures, payable in semi-annual principal instalments of \$91,500, bearing interest at 2.61%, maturing 2022	366,000	549,000
Debentures, payable in semi-annual principal instalments of \$86,600, bearing interest at 3.05%, maturing 2023	519,600	692,800
Debentures, payable in semi-annual principal instalments of \$115,250, bearing interest at 3.87%, maturing 2033	2,996,500	3,227,000
Debentures, payable in semi-annual principal instalments of \$113,750, bearing interest at 2.65%, maturing 2024	910,000	1,137,500
Debentures, payable in semi-annual principal instalments of \$99,550, bearing interest at 2.45%, maturing 2025	995,500	1,194,600

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2020

8. Long-term liabilities (continued)	<u>2020</u>	<u>2019</u>
Debentures, payable in semi-annual principal instalments of \$80,000, bearing interest at 3.23%, maturing 2035	2,400,000	2,560,000
Debentures, payable in semi-annual principal instalments ranging from \$171,938 to \$573,924, bearing interest at 4.128%, maturing 2046	18,570,917	18,963,649
Debentures, payable in annual principal instalments ranging from \$169,000 to \$210,000, interest ranging from 1.5% to 3.25%, maturing 2026	1,173,000	1,352,000
Debentures, payable in semi-annual principal instalments \$143,853, bearing interest at 2.81% per annum, maturing 2027	2,013,935	2,301,640
Debentures, payable in semi-annual principal instalments \$54,319, bearing interest at 3.12% per annum, maturing 2028	869,110	977,749
Debentures, payable in semi-annual principal instalments ranging from \$280,639 to \$351,369 bearing interest at 2.38% per annum, maturing 2029	5,730,382	6,295,000
Debentures, payable in semi-annual principal instalments of \$71,353, bearing interest at 1.51% per annum, maturing 2030	<u>1,320,000</u>	<u>-</u>
	\$ <u>65,031,910</u>	\$ <u>69,173,797</u>

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

2021	\$ 5,311,659
2022	5,356,913
2023	5,334,389
2024	5,330,990
2025	5,281,723
2026 – 2046	<u>38,416,236</u>
	\$ <u>65,031,910</u>

The long-term liabilities issued in the Town's name have been approved by by-law as required and the annual principal and interest payments required are within the annual debt repayment limit as 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, 2020

9. Taxation	<u>2020</u>	<u>2019</u>
Real property	\$ 76,064,356	\$ 72,547,426
Payments in lieu of taxes	<u>251,198</u>	<u>213,722</u>
	76,315,554	72,761,148
Less: taxes collected on behalf of School Boards and the County of Simcoe	<u>38,519,411</u>	<u>36,759,412</u>
Net taxes available for Town purposes	<u>\$ 37,796,143</u>	<u>\$ 36,001,736</u>

10. 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, 2020, the Town's total expenditure under the existing OPP contract was \$6,026,337 (2019 - \$5,877,009).

(b) Water supply and related agreements

The Town is currently in negotiations to update its water supply agreement with the Town of Collingwood for a portion of its fresh water supply. The agreement will entitle the Town to purchase levels of water specific to the conditions of the agreement. Until that time, both parties are continuing with the current arrangement. The pipeline is 81.5% owned by New Tecumseth Improvement Society, a corporation without share capital initially organized to benefit the residents of the Town of New Tecumseth, and 18.5% owned by the Town of Collingwood. However, discussions are underway to investigate and determine the best future ownership structure for the pipeline.

(c) Other

During the year, the Town entered into contracts for capital projects. Approximately \$13,254,475 has not been expended as at December 31, 2020 (2019 - \$6,774,733).

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2020

11. Contingencies

The Town, in the course of its operations, is subject to claims, lawsuits and contingencies. For claims that remain unsettled at December 31, 2020, the Town has made provision in its accounts for actions that are likely to succeed and for which the loss can be estimated.

12. Pension agreement

OMERS provides pension services to almost half a million active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2020. The results of this valuation disclosed total actuarial liabilities of \$111,820 million in respect of benefits accrued for service with actuarial assets at that date of \$108,165 million indicating an actuarial deficit of \$3,211 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit. Contributions made to OMERS for 2020 were \$1,504,087 (2019 - \$1,490,017).

13. Subsequent Events

Construction financing

In December 2020, the Town was approved for construction financing in the amount of \$21,123,137 relating to the Tottenham Transmission Main. Subsequent to year end, the town made a drawdown of the financing in the amount of \$6,245,221.

New Tecumseth Improvement Society

Subsequent to year end, the Society, the Town and OCWA entered into minutes of settlement to address the outstanding debt (referred to as the "OCWA Loan") of the Society. The Town will retire the OCWA Loan in the amount of \$11,429,000 by the end of the 2021. In consideration for the foregoing, OCWA releases all interests it may have in the pipeline, including all residual rights it may have in easements, lease, or sub-lease rights.

14. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2020

15. 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, 2020

15. Segmented reporting December 31, 2020

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
Revenues								
Property taxation	\$6,572,715	\$9,792,052	\$10,128,140	\$ -	\$ -	\$9,065,127	\$2,238,109	\$37,796,143
User charges	212,165	1,310,553	46,793	13,571,873	-	1,390,106	538,905	17,070,395
Government grants	2,256,870	30	1,928,026	-	-	95,172	-	4,280,098
Contribution from developers	73,090	36,847	1,277,878	4,847,054	-	1,443,502	159,648	7,838,019
Contributed Assets & Donations	-	-	-	-	-	155,592	-	155,592
Other Revenue	314,817	253,308	254,914	758,448	-	270,167	56,499	1,908,152
Total Revenue	9,429,657	11,392,790	13,635,751	19,177,375	-	12,419,666	2,993,161	69,048,399
Expenditures								
Salaries and Benefits	5,016,772	3,120,936	3,566,883	4,187,302	-	5,669,695	2,033,838	23,595,426
Interest	-	14,832	259,024	1,874,597	-	629,304	-	2,777,757
Materials	1,697,958	1,079,378	2,012,328	5,165,165	-	1,641,463	232,288	11,828,580
Contracted Services	416,806	6,385,276	1,885,660	1,669,063	-	320,696	232,453	10,909,954
Rents	-	-	41,140	-	-	-	-	41,140
Amortization	270,242	426,771	3,640,638	6,875,129	-	1,947,418	21,839	13,182,037
Total Expenditures	7,401,778	11,027,193	11,405,673	19,771,256	-	10,208,576	2,520,418	62,334,894
Net revenue (deficit)	\$2,027,879	\$365,597	\$2,230,078	(\$593,881)	\$ -	\$2,211,090	\$472,743	\$6,713,505

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2020

15. 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

Schedule 1 - Consolidated Schedule of Accumulated Surplus

Year Ended December 31 2020 2019

Reserve funds set aside by Council		
Sustainability	\$ 10,371,076	\$ 9,741,766
Developer commitments	<u>77,500</u>	<u>77,500</u>
Total reserve funds	<u>10,448,576</u>	<u>9,819,266</u>
 Reserves set aside by Council		
General	2,925,720	2,279,063
Legislative	2,044,307	1,962,600
Financing proceeds	4,336,045	6,417,758
Grant funding	2,367,192	1,712,121
Committees	274,534	159,119
Bequest agreements	173,597	162,142
Developer commitments	904,252	921,566
Library	601,035	596,154
Asset replacement	<u>21,507,470</u>	<u>16,352,193</u>
Total reserves	<u>35,134,152</u>	<u>30,562,716</u>
 Total reserve funds and reserves	 <u>45,582,728</u>	 <u>40,381,982</u>
 Surpluses (deficits)		
Invested in tangible capital assets	345,107,997	341,568,167
Transfer of assets held for sale	476,488	476,488
Operations surplus	300,000	300,000
Alliston Business Improvement Area	146,352	122,018
Beeton Tottenham Business Improvement Area	34,878	18,567
Unfunded		
Employee benefits and post-employment liabilities	(5,900,578)	(5,684,043)
Debt associated with tangible capital assets	(65,871,185)	(70,224,591)
Unfunded short-term debt	(6,245,221)	-
Debenture interest accrual	<u>(489,338)</u>	<u>(529,972)</u>
Total surpluses	<u>267,559,393</u>	<u>266,046,634</u>
 Accumulated surplus	 \$ <u>313,142,121</u>	 \$ <u>306,428,616</u>

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

December 31, 2020

Cost	<u>2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>2020</u>
Land	\$ 47,729,606	\$ 73,064	\$ (101,668)	\$ 47,701,002
Land improvements	17,979,456	-	-	17,979,456
Buildings	166,912,947	8,824,763	(105,068)	175,632,642
Machinery and equipment	7,904,093	599,754	(295,826)	8,208,021
Vehicles	15,486,828	965,697	(546,054)	15,906,471
Library collection and materials	721,133	110,805	(96,187)	735,751
Roads, bridges, underground and other networks	<u>215,883,466</u>	<u>4,985,407</u>	<u>(79,449)</u>	<u>220,789,424</u>
	472,617,529	15,559,490	(1,224,252)	486,952,767
Assets under construction	<u>14,606,786</u>	<u>8,107,321</u>	<u>(6,814,990)</u>	<u>15,899,117</u>
	\$ <u>487,224,315</u>	\$ <u>23,666,811</u>	\$ <u>(8,039,242)</u>	\$ <u>502,851,884</u>

Accumulated amortization	<u>2019</u>	<u>Amortization</u>	<u>Disposals</u>	<u>2020</u>
Land improvements	\$ 6,127,994	\$ 780,813	\$ -	\$ 6,908,807
Buildings	66,438,183	5,799,172	(76,786)	72,160,569
Machinery and equipment	4,275,156	652,281	(295,822)	4,631,615
Vehicles	8,022,938	1,175,580	(546,054)	8,652,464
Library collection and materials	386,724	131,862	(96,187)	422,399
Roads, bridges, underground and other networks	<u>60,405,153</u>	<u>4,642,329</u>	<u>(79,449)</u>	<u>64,968,033</u>
	\$ <u>145,656,148</u>	\$ <u>13,182,037</u>	\$ <u>(1,094,298)</u>	\$ <u>157,743,887</u>

Net book value	<u>2019</u>	<u>2020</u> Cost	<u>2020</u> Accumulated amortization	<u>2020</u>
Land	\$ 47,729,606	\$ 47,701,002	\$ -	\$ 47,701,002
Land improvements	11,851,462	17,979,456	6,908,807	11,070,649
Buildings	100,474,764	175,632,642	72,160,569	103,472,073
Machinery and equipment	3,628,937	8,208,021	4,631,615	3,576,406
Vehicles	7,463,890	15,906,471	8,652,464	7,254,007
Library collection and materials	334,409	735,751	422,399	313,352
Roads, bridges, underground and other networks	<u>155,478,313</u>	<u>220,789,424</u>	<u>64,968,033</u>	<u>155,821,391</u>
	326,961,381	486,952,797	157,743,887	329,208,880
Assets under construction	<u>14,606,786</u>	<u>15,899,117</u>	<u>-</u>	<u>15,899,117</u>
	\$ <u>341,568,167</u>	\$ <u>502,851,884</u>	\$ <u>157,743,887</u>	\$ <u>345,107,997</u>