

# Consolidated Financial Statements

The Corporation of the Town of New Tecumseth

December 31, 2021

# 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 Debt	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8-22
Schedule 1 – Consolidated Schedule of Accumulated Surplus	23
Schedule 2 – Consolidated Schedule of Tangible Capital Assets	24

# 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 3 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

July 27, 2022

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## Independent auditor's report

To the Mayor, Members of Council, Inhabitants and Ratepayers 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, 2021, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2021, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Barrie, Canada  
July 26, 2022

Chartered Professional Accountants  
Licensed Public Accountants

# The Corporation of the Town of New Tecumseth

## Consolidated Statement of Financial Position

December 31

2021

2020

**Financial assets**

Cash and cash equivalents (Note 3)	\$	76,077,164	\$	68,658,395
Assets held for sale (Note 2(d))		476,488		476,488
Taxes receivable		5,829,599		6,858,591
Water and wastewater billings receivable		2,184,359		2,602,085
Receivables		<u>5,313,079</u>		<u>2,860,658</u>
		<u>89,880,689</u>		<u>81,456,217</u>

**Liabilities**

Payables and accruals		13,952,018		13,698,238
Developer deposits		1,181,916		1,169,316
Deferred revenue - obligatory reserve funds (Note 5)		28,371,381		27,218,285
Deferred revenue - other		430,295		469,615
Capital lease obligations (Note 6)		628,379		839,275
Short-term liabilities (Note 7)		7,479,636		-
Long-term liabilities (Note 8)		69,220,253		65,031,910
Employee future benefits and other liabilities (Note 4)		<u>5,718,121</u>		<u>5,900,578</u>
		<u>126,981,999</u>		<u>114,327,217</u>

**Net debt** (Page 6) (37,101,310) (32,871,000)

**Non-financial assets**

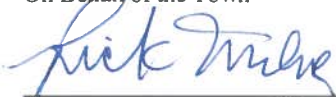
Tangible capital assets (Schedule 2)		361,288,480		345,107,997
Prepays		<u>1,251,228</u>		<u>905,124</u>
		<u>362,539,708</u>		<u>346,013,121</u>

**Accumulated surplus** (Schedule 1) \$ 325,438,398 \$ 313,142,121

Commitments and Contingencies (Notes 11 and 12)

See accompanying notes to the consolidated financial statements

On Behalf of the Town

 \_\_\_\_\_ Mayor

 \_\_\_\_\_ CAO

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## The Corporation of the Town of New Tecumseth

### Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31 2021 2021 2020

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	<u>Budget (Note 2(r))</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenue</b>			
Taxation (Note 9)	\$ 39,550,195	\$ <b>39,275,416</b>	\$ 37,796,143
User charges	18,794,346	<b>18,601,898</b>	17,070,395
Government transfers (Note 10)	5,190,263	<b>4,415,416</b>	4,280,098
Contributions from developers	32,527,319	<b>10,639,467</b>	7,838,019
Investment income	215,500	<b>312,270</b>	396,639
Penalties and interest on taxes	961,175	<b>863,036</b>	902,788
Rentals	16,550	<b>43,838</b>	38,979
Donations and contributed assets	7,000	<b>1,438,152</b>	155,592
Gain (loss) on sale of tangible capital assets	156,380	<b>144,416</b>	111,893
Other	550,986	<b>1,700,849</b>	457,853
	<u>97,969,714</u>	<u><b>77,434,758</b></u>	<u>69,048,399</u>
<b>Expenditures</b>			
General government	8,860,639	<b>8,728,806</b>	7,401,778
Protection to persons and property	11,777,547	<b>11,273,704</b>	11,027,193
Transportation services	12,555,385	<b>11,686,314</b>	11,405,673
Environmental services	20,967,566	<b>20,657,994</b>	19,771,256
Health services	1,586	-	-
Recreation and cultural services	12,819,864	<b>10,328,568</b>	10,208,576
Planning and development	2,983,549	<b>2,463,095</b>	2,520,418
	<u>69,966,136</u>	<u><b>65,138,481</b></u>	<u>62,334,894</u>
<b>Annual surplus</b>	28,003,578	<b>12,296,277</b>	6,713,505
<b>Accumulated surplus, beginning of year</b>	<u>313,142,121</u>	<u><b>313,142,121</b></u>	<u>306,428,616</u>
<b>Accumulated surplus, end of year</b>	\$ <u>341,145,699</u>	\$ <u><b>325,438,398</b></u>	\$ <u>313,142,121</u>

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See accompanying notes to the consolidated financial statements.

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**The Corporation of the Town of New Tecumseth**  
**Consolidated Statement of Changes in Net Debt**

Year Ended December 31

2021

2020

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<b>Annual surplus</b>	\$ <u>12,296,277</u>	\$ <u>6,713,505</u>
Acquisition of tangible capital assets	(28,185,612)	(16,851,821)
Contributed tangible capital assets	(1,394,559)	-
Amortization of tangible capital assets	13,368,442	13,182,037
Proceeds on sale of tangible capital assets	175,662	241,847
(Gain) loss on sale of tangible capital assets	<u>(144,416)</u>	<u>(111,893)</u>
	<u>(16,180,484)</u>	<u>(3,539,830)</u>
(Increase) decrease in prepaids	<u>(346,104)</u>	<u>(152,110)</u>
<b>(Increase) decrease in net debt</b>	<b>(4,230,310)</b>	3,021,565
<b>Net debt, beginning of year</b>	<u>(32,871,000)</u>	<u>(35,892,565)</u>
<b>Net debt, end of year</b>	\$ <u>(37,101,310)</u>	\$ <u>(32,871,000)</u>

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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

2021

2020

Increase (decrease) in cash and cash equivalents

### Operating activities

Annual surplus	\$	12,296,277	\$	6,713,505
Increase (decrease) in employee benefits and other liabilities		(182,457)		216,535
Amortization of tangible capital assets		13,368,442		13,182,037
Contributed tangible capital assets		(1,394,559)		-
(Gain) loss on sale of tangible capital assets		(144,416)		(111,893)
Change in non-operating working capital				
(Increase) decrease in taxes receivable		1,028,992		(1,018,861)
(Increase) decrease in water and wastewater billings receivable		417,726		(778,591)
Decrease (increase) in receivables		(2,452,421)		1,399,911
Increase in payables and accruals		253,780		804,192
Increase (decrease) in developer deposits		12,600		(92,922)
Increase (decrease) in deferred revenue-obligatory reserve funds		1,153,096		(3,749,283)
(Decrease) increase in deferred revenue – other		(39,320)		214,515
Decrease in capital lease obligations		(210,896)		(211,519)
Increase in prepaids		(346,104)		(152,110)
Cash provided by operating activities		<u>23,760,740</u>		<u>16,415,516</u>

### Investing activities

Acquisition of tangible capital assets		(28,185,612)		(16,851,821)
Proceeds from sale of tangible capital assets		<u>175,662</u>		<u>241,847</u>
Cash used by investing activities		<u>(28,009,950)</u>		<u>(16,609,974)</u>

### Financing activities

Debt principal repayments		(5,311,657)		(5,461,887)
Short-term loan proceeds		7,479,636		-
Debenture proceeds		<u>9,500,000</u>		<u>1,320,000</u>
Cash used by financing activities		<u>11,667,979</u>		<u>(4,141,887)</u>

Net increase (decrease) in cash and cash equivalents 7,418,769 (4,336,345)

Cash and cash equivalents, beginning of year 68,658,395 72,994,740

Cash and cash equivalents, end of year \$ 76,077,164 \$ 68,658,395

Interest paid \$ 2,630,820 \$ 2,777,757

Interest received \$ 312,270 \$ 396,639

See accompanying notes to the consolidated financial statements.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

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### 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.

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### 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.

During the year, the Town assumed control of the New Tecumseth Improvement Society (the “Society”) for cash consideration of \$10,500,000. The assets and liabilities of the Society are insignificant with the exception of the pipeline infrastructure assets. As a result, the impact of this transaction was an increase to tangible capital assets of \$10,500,000. The Society is expected to be formally dissolved in fiscal 2023.

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) 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.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

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### 2. Summary of significant accounting policies (continued)

#### (e) Non-financial assets (continued)

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.

#### 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.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

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### 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 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.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

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### 2. Summary of significant accounting policies (continued)

#### (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.

#### (k) 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.

#### (l) 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.

#### (m) 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.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

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### 2. Summary of significant accounting policies (continued)

#### (n) 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.

#### (o) 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.

#### (p) Liability for contaminated sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

### 2. Summary of significant accounting policies (continued)

#### (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	\$ 97,969,714	\$ 85,073,741
Less: Tangible capital assets capitalization	-	(28,476,047)
Add: Amortization expense	-	13,368,442
Adjusted budget per consolidated statement of operations	<u>\$ 97,969,714</u>	<u>\$ 69,966,136</u>

### 3. Cash

2021

2020

Cash are comprised of:

Unrestricted cash held at the bank and on hand	\$ 47,705,783	\$ 41,440,110
Restricted cash held at the bank	<u>28,371,381</u>	<u>27,218,285</u>
	<u>\$ 76,077,164</u>	<u>\$ 68,658,395</u>

### 4. Employee future benefits and other liabilities

2021

2020

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

Workplace safety and insurance	\$ 3,754,909	\$ 3,898,354
Vacation accrual	528,637	593,389
Retirement accrual	1,121,415	1,184,710
Sick leave entitlements	26,050	31,820
Dental and health future benefits	828,110	842,305
Less: WSIB receivable	<u>(541,000)</u>	<u>(650,000)</u>
	<u>\$ 5,718,121</u>	<u>\$ 5,900,578</u>

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## The Corporation of the Town of New Tecumseth

### Notes to the Consolidated Financial Statements

December 31, 2021

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#### 4. Employee future benefits and other liabilities (continued) 2021 2020

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, 2021 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	\$ 842,305	\$ 792,207
Expense for the period	4,737	65,014
Benefits paid by employer	<u>(18,932)</u>	<u>(14,916)</u>
Accrued benefit liability, end of year	<u>\$ 828,110</u>	<u>\$ 842,305</u>

#### 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, 2021 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 \$3,754,909 (2020 – \$3,878,354). 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	\$ 3,898,354	\$ 4,046,177
Add:		
Estimated service cost	213,735	247,811
Interest accrued	95,395	108,824
Change in unamortized actuarial gain/(loss)	(129,847)	(184,707)
Deduct:		
Expected benefits paid	<u>(322,728)</u>	<u>(319,751)</u>
Liability at December 31	<u>\$ 3,754,909</u>	<u>\$ 3,898,354</u>

A receivable of \$541,000 (2020 – \$650,000) has been established to offset this provision.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

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### 5. Deferred revenue – obligatory reserve funds

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	\$ 27,218,285	\$ 30,967,568
Development charges	9,021,224	4,200,837
Interest income	220,598	400,173
Gas tax funding	2,231,431	1,164,588
Parkland funding	25,000	68,064
Utilization of funds	<u>(10,345,157)</u>	<u>(9,582,945)</u>
Deferred revenue – obligatory funds, end of year	\$ <u>28,371,381</u>	\$ 27,218,285
Analysed as follows:		
Development charges	\$ 22,481,226	\$ 22,776,469
Developer contributions (Best Efforts)	204,082	204,020
Parkland	1,391,181	1,502,389
Gas tax	<u>4,294,892</u>	<u>2,735,407</u>
Deferred revenue – obligatory funds, end of year	\$ <u>28,371,381</u>	\$ <u>27,218,285</u>

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### 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:

2022	\$ 264,764
2023	273,132
2024	<u>281,121</u>
Total minimum payments	819,017
Less: imputed interest	<u>190,638</u>
	\$ <u>628,379</u>

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### 7. Short-term liabilities

In December 2020, the Town was approved for construction financing in the amount of \$21,123,137 relating to the Tottenham Transmission Main. In 2021, the Town made drawdowns on the financing in the amount of \$7,479,636. Once construction is complete, the balance owing will transfer to a long-term debenture.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

<b>8. Long-term liabilities</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Debentures, payable in semi-annual blended instalments of \$431,099, bearing interest at 5.542%, maturing 2036	\$ 8,705,444	\$ 9,069,966
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	<b>16,013,000</b>	17,992,000
Debentures, payable in semi-annual principal instalments of \$52,500, bearing interest at 2.73%, matured 2021	-	105,000
Debentures, payable in semi-annual principal instalments of \$91,500, bearing interest at 2.61%, maturing 2022	<b>183,000</b>	366,000
Debentures, payable in semi-annual principal instalments of \$86,600, bearing interest at 3.05%, maturing 2023	<b>346,400</b>	519,600
Debentures, payable in semi-annual principal instalments of \$115,250, bearing interest at 3.87%, maturing 2033	<b>2,766,000</b>	2,996,500
Debentures, payable in semi-annual principal instalments of \$113,750, bearing interest at 2.65%, maturing 2024	<b>682,500</b>	910,000
Debentures, payable in semi-annual principal instalments of \$99,550, bearing interest at 2.45%, maturing 2025	<b>796,400</b>	995,500
Debentures, payable in semi-annual principal instalments of \$80,000, bearing interest at 3.23%, maturing 2035	<b>2,240,000</b>	2,400,000
Debentures, payable in semi-annual principal instalments ranging from \$171,938 to \$573,924, bearing interest at 4.128%, maturing 2046	<b>18,161,808</b>	18,570,917
Debentures, payable in annual principal instalments ranging from \$169,000 to \$210,000, interest ranging from 1.5% to 3.25%, maturing 2026	<b>990,000</b>	1,173,000

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

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### 8. Long-term liabilities (continued)

Debtures, payable in semi-annual principal instalments \$143,853, bearing interest at 2.81% per annum, maturing 2027	<b>1,726,230</b>	2,013,935
Debtures, payable in semi-annual principal instalments \$54,319, bearing interest at 3.12% per annum, maturing 2028	<b>760,472</b>	869,110
Debtures, payable in semi-annual principal instalments ranging from \$280,639 to \$351,369 bearing interest at 2.38% per annum, maturing 2029	<b>5,152,245</b>	5,730,382
Debtures, payable in semi-annual principal instalments of \$71,353, bearing interest at 1.51% per annum, maturing 2030	<b>1,196,755</b>	1,320,000
Debtures, payable in semi-annual principal instalments ranging from \$185,469 to \$298,191 bearing interest at 2.45% per annum, maturing 2041	<u><b>9,500,000</b></u>	<u>-</u>
	<b>\$ 69,220,253</b>	<b>\$ 65,031,910</b>

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

2022	\$	5,730,123
2023		5,716,798
2024		5,722,825
2025		5,683,217
2026		5,682,793
2027 – 2046		<u>40,684,497</u>
	<b>\$</b>	<u><b>69,220,253</b></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.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

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<b>9. Taxation</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Real property	\$ 75,392,593	\$ 76,064,356
Payments in lieu of taxes	<u>288,841</u>	<u>251,198</u>
	<b>75,681,434</b>	<b>76,315,554</b>
Less: taxes collected on behalf of School Boards and the County of Simcoe	<u>36,406,018</u>	<u>38,519,411</u>
Net taxes available for Town purposes	<b><u>\$ 39,275,416</u></b>	<b><u>\$ 37,796,143</u></b>

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<b>10. Government transfers</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Federal	\$ 1,286,477	\$ 1,858,394
Provincial	<u>3,128,939</u>	<u>2,421,704</u>
	<b><u>\$ 4,415,416</u></b>	<b><u>\$ 4,280,098</u></b>

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### **11. 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. The terms of this contract were extended to December 31, 2023. During the year ended December 31, 2021, the Town's total expenditure under the existing OPP contract was \$6,075,875 (2020 - \$6,026,337).

#### **(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.

#### **(c) Other**

During the year, the Town entered into contracts for capital projects. Approximately \$19,752,344 has not been expended as at December 31, 2021 (2020 - \$13,254,475).

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

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### 12. Contingencies

The Town, in the course of its operations, is subject to claims, lawsuits and contingencies. For claims that remain unsettled at December 31, 2021, the Town has made provision in its accounts for actions that are likely to succeed and for which the loss can be estimated.

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### 13. 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 \$119,342 million in respect of benefits accrued for service with actuarial assets at that date of \$119,273 million indicating an actuarial deficit of \$3,131 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 2021 were \$1,579,250 (2020 - \$1,504,087).

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### 14. Subsequent Events

#### *Energy Management Retrofit Capital Lease*

In 2022 budget deliberations, Council authorized the pay-out of the contractual obligation for the energy management retrofit project. The lease was repaid in full in January 2022, in the amount of \$819,017.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

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### 16. 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 to persons and property – Police, Fire and Rescue, Building Construction, By-law Enforcement and Conservation Authorities
- Transportation services – Roadways, Winter Control, Street-lighting, Parking and Transit
- Environmental services – Water, Wastewater, Storm Sewer and Environmental Programs
- Health services – Physician Recruitment
- Recreation and Cultural services – 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, 2021

### 16. Segmented reporting December 31, 2021

	General Government	Protection to person and property	Transportation services	Environmental services	Health services	Recreation and Cultural services	Planning and Development	Consolidated
<b>Revenues</b>								
Property taxation	\$7,707,369	\$9,954,464	\$10,318,790	\$ -	\$ -	\$9,119,927	\$2,174,866	\$39,275,416
User charges	231,719	2,236,913	31,626	13,900,579	-	1,185,594	1,015,467	18,601,898
Government grants	1,950,697	13,806	1,162,811	-	-	1,288,102	-	4,415,416
Contribution from developers	459,906	31,092	2,637,468	5,540,820	-	1,862,493	107,688	10,639,467
Contributed Assets & Donations	-	-	1,394,559	-	-	43,593	-	1,438,152
Other Revenue	383,107	206,638	217,802	1,933,097	-	255,123	68,642	3,064,409
<b>Total Revenue</b>	<b>10,732,798</b>	<b>12,442,913</b>	<b>15,763,056</b>	<b>21,374,496</b>	<b>-</b>	<b>13,754,832</b>	<b>3,366,663</b>	<b>77,434,758</b>
<b>Expenditures</b>								
Salaries and Benefits	6,135,645	3,357,358	4,066,696	4,577,361	-	5,691,924	1,900,237	25,729,221
Interest	-	9,578	233,299	1,795,027	-	592,916	-	2,630,820
Materials	1,820,103	1,045,679	2,037,647	5,019,035	-	1,846,384	265,020	12,033,868
Contracted Services	487,708	6,426,438	1,581,270	2,347,124	-	205,875	280,890	11,329,305
Rents	-	-	46,825	-	-	-	-	46,825
Amortization	285,350	434,651	3,720,577	6,919,447	-	1,991,469	16,948	13,368,442
<b>Total Expenditures</b>	<b>8,728,806</b>	<b>11,273,704</b>	<b>11,686,314</b>	<b>20,657,994</b>	<b>-</b>	<b>10,328,568</b>	<b>2,463,095</b>	<b>65,138,481</b>
<b>Net revenue (deficit)</b>	<b>\$2,003,992</b>	<b>\$1,169,209</b>	<b>\$4,076,742</b>	<b>\$716,502</b>	<b>\$ -</b>	<b>\$3,426,264</b>	<b>\$903,568</b>	<b>\$12,296,277</b>

# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2021

### 16. Segmented reporting December 31, 2020

	General Government	Protection to person and property	Transportation services	Environmental services	Health services	Recreation and Cultural services	Planning and Development	Consolidated
<b>Revenues</b>								
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
<b>Total Revenue</b>	<b>9,429,657</b>	<b>11,392,790</b>	<b>13,635,751</b>	<b>19,177,375</b>	<b>-</b>	<b>12,419,666</b>	<b>2,993,161</b>	<b>69,048,399</b>
<b>Expenditures</b>								
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
<b>Total Expenditures</b>	<b>7,401,778</b>	<b>11,027,193</b>	<b>11,405,673</b>	<b>19,771,256</b>	<b>-</b>	<b>10,208,576</b>	<b>2,520,418</b>	<b>62,334,894</b>
<b>Net revenue (deficit)</b>	<b>\$2,027,879</b>	<b>\$365,597</b>	<b>\$2,230,078</b>	<b>(\$593,881)</b>	<b>\$ -</b>	<b>\$2,211,090</b>	<b>\$472,743</b>	<b>\$6,713,505</b>

# The Corporation of the Town of New Tecumseth

## Schedule 1 - Consolidated Schedule of Accumulated Surplus

Year Ended December 31 2021 2020

	2021	2020
<b>Reserve funds set aside by Council</b>		
Sustainability	\$ 10,175,011	\$ 10,371,076
Developer commitments	<u>77,500</u>	<u>77,500</u>
Total reserve funds	<u>10,252,511</u>	<u>10,448,576</u>
<b>Reserves set aside by Council</b>		
General	5,358,440	2,925,720
Legislative	2,720,593	2,044,307
Financing proceeds	3,829,621	4,336,045
Grant funding	3,528,064	2,367,192
Committees	400,739	274,534
Bequest agreements	184,766	173,597
Developer commitments	893,052	904,252
Library	594,883	601,035
Asset replacement	<u>25,561,674</u>	<u>21,507,470</u>
Total reserves	<u>43,071,832</u>	<u>35,134,152</u>
<b>Total reserve funds and reserves</b>	<u>53,324,343</u>	<u>45,582,728</u>
<b>Surpluses (deficits)</b>		
Invested in tangible capital assets	361,288,480	345,107,997
Transfer of assets held for sale	476,488	476,488
Operations surplus	300,000	300,000
Alliston Business Improvement Area	191,107	146,352
Beeton Tottenham Business Improvement Area	24,256	34,878
Unfunded		
Employee benefits and post-employment liabilities	(5,718,121)	(5,900,578)
Debt associated with tangible capital assets	(77,328,268)	(65,871,185)
Unfunded short-term debt	(6,599,551)	(6,245,221)
Debenture interest accrual	<u>(520,336)</u>	<u>(489,338)</u>
Total surpluses	<u>272,114,055</u>	<u>267,559,393</u>
<b>Accumulated surplus</b>	<u>\$ 325,438,398</u>	<u>\$ 313,142,121</u>

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

December 31, 2021

<b>Cost</b>	<u>2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>2021</u>
Land	\$ 47,701,002	\$ 86,899	\$ -	\$ 47,787,900
Land improvements	17,979,456	668,552	(99,470)	18,548,538
Buildings	175,632,642	1,308,870	-	176,941,513
Machinery and equipment	8,208,021	470,457	(361,498)	8,316,980
Vehicles	15,906,471	908,818	(493,319)	16,321,970
Library collection and materials	735,751	91,068	(103,881)	722,938
Roads, bridges, underground and other networks	<u>220,789,424</u>	<u>15,095,036</u>	<u>(84,448)</u>	<u>235,800,012</u>
	486,952,767	18,629,700	(1,142,616)	504,439,851
Assets under construction	<u>15,899,117</u>	<u>13,236,824</u>	<u>(2,290,128)</u>	<u>26,845,813</u>
	\$ <u>502,851,884</u>	\$ <u>31,866,524</u>	\$ <u>(3,432,744)</u>	\$ <u>531,285,664</u>

<b>Accumulated amortization</b>	<u>2020</u>	<u>Amortization</u>	<u>Disposals</u>	<u>2021</u>
Land improvements	\$ 6,908,807	\$ 722,680	\$ 99,469	\$ 7,532,018
Buildings	72,160,569	5,973,000	-	78,133,569
Machinery and equipment	4,631,615	684,609	(361,512)	4,954,712
Vehicles	8,652,464	1,135,423	(465,827)	9,322,060
Library collection and materials	422,399	125,466	(103,878)	443,986
Roads, bridges, underground and other networks	<u>64,968,033</u>	<u>4,727,265</u>	<u>(84,459)</u>	<u>69,610,839</u>
	\$ <u>157,743,887</u>	\$ <u>13,368,442</u>	\$ <u>(1,115,145)</u>	\$ <u>169,997,184</u>

<b>Net book value</b>	<u>2020</u>	<u>2021 Cost</u>	<u>2021 Accumulated amortization</u>	<u>2021</u>
Land	\$ 47,701,002	\$ 47,787,900	\$ -	\$ 47,787,900
Land improvements	11,070,649	18,548,538	7,532,018	11,016,520
Buildings	103,472,073	176,941,513	78,133,569	98,807,945
Machinery and equipment	3,576,406	8,316,980	4,954,712	3,362,268
Vehicles	7,254,007	16,321,970	9,322,060	6,999,910
Library collection and materials	313,352	722,938	443,986	278,952
Roads, bridges, underground and other networks	<u>155,821,391</u>	<u>235,800,012</u>	<u>69,610,839</u>	<u>166,189,173</u>
	329,208,880	504,439,851	169,997,184	334,442,667
Assets under construction	<u>15,899,117</u>	<u>26,845,813</u>	<u>-</u>	<u>26,845,813</u>
	\$ <u>345,107,997</u>	\$ <u>531,285,664</u>	\$ <u>169,997,184</u>	\$ <u>361,288,480</u>