

2021 Financial Statement Summary & Analysis

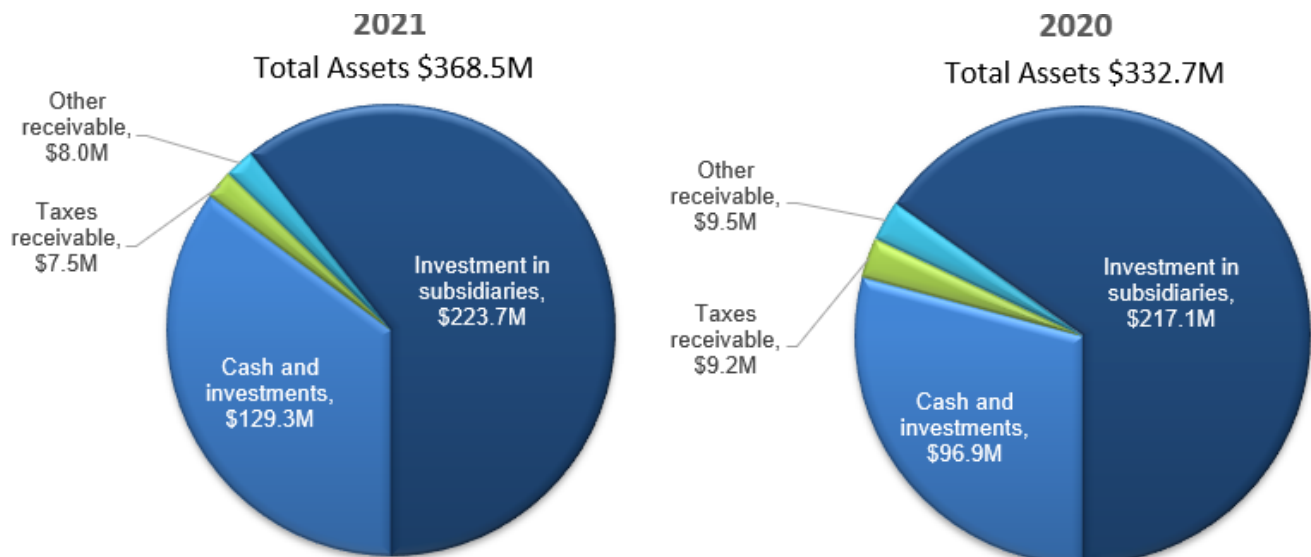
Consolidated Statement of Financial Position (Balance Sheet)

What we own (Assets)

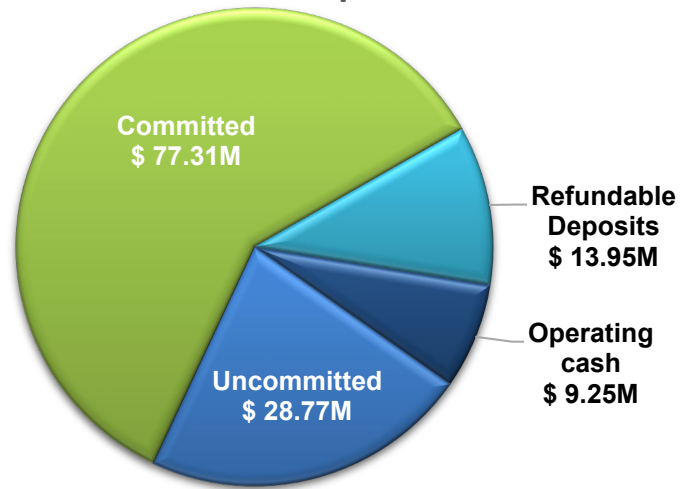
| Assets | 2021 | | 2020 | | Change | |
|----------------------------|-----------------------|----------------|-----------------------|----------------|----------------------|----------|
| Cash and investments | 129,288,841 | 35.08% | 96,889,668 | 29.12% | 32,399,173 | 33.44% |
| Taxes receivable | 7,542,969 | 2.05% | 9,237,185 | 2.78% | (1,694,216) | (18.34%) |
| Other receivable | 8,020,019 | 2.18% | 9,462,016 | 2.84% | (1,441,997) | (15.24%) |
| Investment in subsidiaries | 223,700,121 | 60.70% | 217,135,724 | 65.26% | 6,564,397 | 3.02% |
| | \$ 368,551,950 | 100.00% | \$ 332,724,593 | 100.00% | \$ 35,827,357 | |

The \$35.8M increase in financial assets for the Town is mainly attributed to the following:

- Cash and investments have increased from 2020 due to the timing of capital projects. Various capital projects were delayed due to a number of factors, including COVID, and as a result, funds committed to capital projects remain unspent. Other factors include increased development activity and DC revenues, and an increase in payables due to timing of vendor payments. The cash balance includes investments of \$15M in GICs, Prudent Investor bonds and equity funds of \$26.7M, and ONE Investment high interest savings account of \$60.0M.
- Taxes Receivable have decreased from 2020 to a total of \$7.5M. As a percentage of current year taxes billed, the yearend taxes receivable are 7.1% compared to 9.2% for 2020. Arrears attract a 15% annual interest charge and amounts owing after three years are subject to a legal tax sale process that protects the Town's financial interest in the property. Due to COVID-19, the Town suspended the tax sale process, and waived penalties and interest from March-Dec 2020.
- Other Receivable decrease is due to payment received from Friday Harbour related to the municipal capital facilities agreement, and contractual amounts committed by donors to the Rizzardo Health and Wellness Centre.
- Increase in investment in subsidiaries is due to the equity pick up for InnServices Utilities Inc. of \$4.1M, InnPower Corporation of \$2.6M and Innterprises Inc. of (\$172K)



2021 Cash & Cash Equivalents \$129.3M



Cash at the end of the year is comprised of the following:

- Uncommitted – includes operating stabilization reserves of \$10.1M and capital reserves needed to support future planned capital works.
- Committed - unspent capital reserves for approved capital projects
- Refundable deposits – these are refundable security deposits related to subdivision agreements and lot grading.
- Operating cash – this represents cash on hand for operating purposes. The net operating cash is required to cover obligations such as payables and accrued liabilities.

| Non-Financial Assets | 2021 | | 2020 | | Change | |
|-------------------------|-----------------------|----------------|-----------------------|----------------|-------------------|----------|
| Prepays | 956,273 | 0.28% | 572,638 | 0.17% | 383,635 | 66.99% |
| Other | 248,554 | 0.07% | 393,975 | 0.12% | (145,421) | (36.91%) |
| Tangible capital assets | 345,373,867 | 99.65% | 326,765,841 | 99.71% | 18,608,026 | 5.69% |
| | \$ 346,578,694 | 100.00% | \$ 327,732,454 | 100.00% | 18,846,240 | |

The \$18.8M increase in non-financial assets for the Town is mainly attributed to the following changes in tangible capital assets:

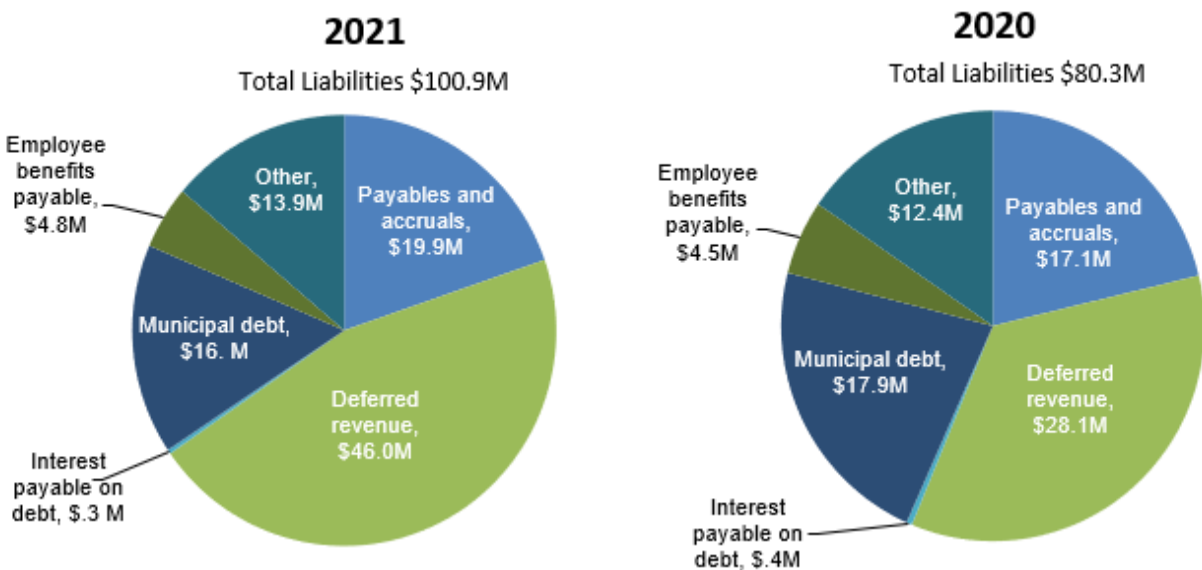
- Capital asset additions and works in progress of \$16.8M include the following significant capital works:
 - Road Rehabilitation Program, \$3.8M
 - Town Square – Alcona, \$3.6M
 - Trail Program - Implement Trials Master Plan, \$1.6M
 - Lockhart Road – 20th Sideroad to Lake Simcoe reconstruction, \$1.5M
 - Storm Pond Cleanout/Retrofit Program, \$0.8M
 - GO Station Integration and Mobility Hub/Smart City Implementation, \$0.5M
- These capital additions are offset by \$13.3M in amortization expensed for 2021

What we owe (Liabilities)

| Liabilities | 2021 | | 2020 | | Change | |
|---------------------------|-----------------------|----------------|----------------------|----------------|-------------------|----------|
| Payables and accruals | 19,876,127 | 19.70% | 17,062,415 | 21.24% | 2,813,712 | 16.49% |
| Deferred revenue | 46,044,620 | 45.63% | 28,128,086 | 35.02% | 17,916,534 | 63.70% |
| Interest payable on debt | 308,027 | 0.31% | 344,265 | 0.43% | (36,238) | (10.53%) |
| Municipal debt | 15,952,500 | 15.81% | 17,895,095 | 22.28% | (1,942,595) | (10.86%) |
| Employee benefits payable | 4,782,829 | 4.74% | 4,505,363 | 5.61% | 277,466 | 6.16% |
| Other | 13,949,543 | 13.82% | 12,392,742 | 15.43% | 1,556,801 | 12.56% |
| | \$ 100,913,646 | 100.00% | \$ 80,327,966 | 100.00% | 20,585,680 | |

The \$20.6M increase in financial liabilities for the Town is primarily attributable to the following:

- \$3M increase in payables and accruals relates to timing of payments for capital works progress payments. The most significant component of the change relates to a 2021 accrual for prepaid development charges due to InnServices.
- Deferred revenue has increased by \$17.9M reflecting an increase in development activity and the resulting collection of development charges, and an increase in funds that have been approved for capital projects, but funds remain unspent at year-end. Spending is planned to occur over future years as growth projects are advanced.
- Reduction in Municipal debt reflects annual debt principal repayments for the Innisfil Recreation Centre, Town Hall, Police and Cookstown Library. Approved debt for the Big Bay Point Fire Station has yet to be issued. Committed debt for future capital project - South Innisfil Drain have also not been issued yet as this project is in progress.
- The increase in other liabilities is primarily due to higher refundable developer security deposits as a result of increased development activity.



Net Worth (Accumulated surplus)

| Accumulated Surplus | 2021 | | 2020 | | Change | |
|---------------------------------------|----------------|---------|----------------|---------|---------------|----------|
| Accumulated surplus - Operating | 345,550 | 0.06% | 182,154 | 0.03% | 163,396 | 89.70% |
| Accumulated surplus - Capital | 39,061,883 | 6.36% | 25,831,928 | 4.45% | 13,229,955 | 51.22% |
| Investment in tangible capital assets | 345,373,867 | 56.23% | 326,765,841 | 56.33% | 18,608,026 | 5.69% |
| Reserve and reserve funds | 26,129,860 | 4.25% | 32,323,246 | 5.57% | (6,193,386) | (19.16%) |
| Investment in subsidiaries | 223,700,121 | 36.42% | 217,135,724 | 37.43% | 6,564,397 | 3.02% |
| Unfunded debt and other | (20,394,283) | (3.32%) | (22,109,812) | (3.81%) | 1,715,529 | (7.76%) |
| | \$ 614,216,998 | | \$ 580,129,081 | | \$ 34,087,917 | |

- Accumulated surplus – Operating: consists of the Town of \$320K and the Library \$25K
- Accumulated surplus – Capital: This surplus is represented by projects where funding sources have been applied (excluding development charges) but expenditures have not yet occurred. As the project proceeds and costs are incurred, the expenditures will form part of the tangible capital assets reported on the balance sheet.
- The balance in the reserve and reserve funds represents cash that the Town has set aside for future operating and capital needs.
- “Unfunded debt and other” largely represents debt to be funded from future revenues.

Consolidated Statement of Operations and Accumulated Surplus (Income Statement)

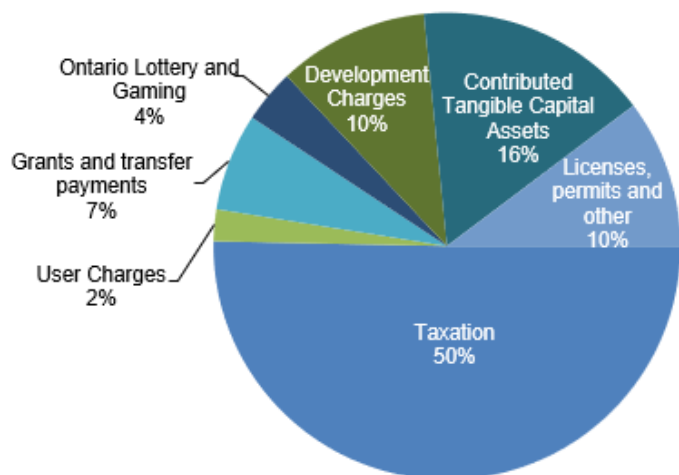
Where the money came from (Revenue)

| Revenue | Budget | 2021 | | Variance | |
|-------------------------------------|---------------|---------------|---------|---------------|----------|
| Taxation | 52,096,557 | 50,910,442 | 50.33% | (1,186,115) | (2.28%) |
| User Charges | 3,409,242 | 2,234,136 | 2.21% | (1,175,106) | (34.47%) |
| Grants and transfer payments | 8,149,364 | 6,825,601 | 6.75% | (1,323,763) | (16.24%) |
| Ontario Lottery and Gaming | 1,550,000 | 3,738,293 | 3.70% | 2,188,293 | 141.18% |
| Development Charges | 24,876,814 | 10,559,162 | 10.44% | (14,317,652) | (57.55%) |
| Contributed Tangible Capital Assets | - | 16,497,438 | 16.31% | 16,497,438 | 100.00% |
| Licenses, permits and other | 13,925,806 | 10,392,294 | 10.27% | (3,533,512) | (25.37%) |
| | \$104,007,783 | \$101,157,366 | 100.00% | (\$2,850,417) | |

The \$2.9M less than budgeted revenue for the Town is primarily due to:

- User charges are lower than budgeted with the largest contributors being registration & facility fees, ice rental, programming, and admission fees being lower than budgeted as a result of COVID-19 closures.
- Grants are lower than budgeted due to transfers of unspent federal gas tax dollars to deferred revenue.
- A conservative budget estimate was established for 2021, as it was difficult to predict how COVID would continue to impact this revenue stream. Ontario Lottery and Gaming revenues of \$3.7M in 2021 are significantly less than annual pre-COVID revenues of \$6.2M. The casino was temporarily closed for the first half of 2021 due to COVID-19 restrictions.
- The development charges budget reflects capital projects approved in 2021; however, revenue is recognized when the works are completed. While the 2021 approved capital projects are budgeted in 2021, many projects are planned to occur over a 2-3 year time frame. As such, revenue recognized is less than budgeted due to capital works being carried forward into 2022. The development charge revenue will be recognized in future years when the works are completed.
- Contributed tangible capital assets of \$16.5M from developers is an unbudgeted revenue recorded when the works in the subdivision agreements are completed.
- The decrease in licenses, permits and other is mainly a result of external contributions budgeted for in capital projects that did not materialize as projects were delayed and carried forward into 2022.

Percentage of Revenue



Breakdown of Licenses, permits and other:

| | |
|---------------------------------|---------------|
| Licenses and permits | 2.11% |
| External Recoveries | 4.25% |
| Provincial Offences Act (POA) | 0.02% |
| Penalties and Interest on Taxes | 1.34% |
| Investment Income | 0.80% |
| Reserve Fund Interest | 0.65% |
| Donations | 0.14% |
| Other | 0.96% |
| Total | 10.27% |

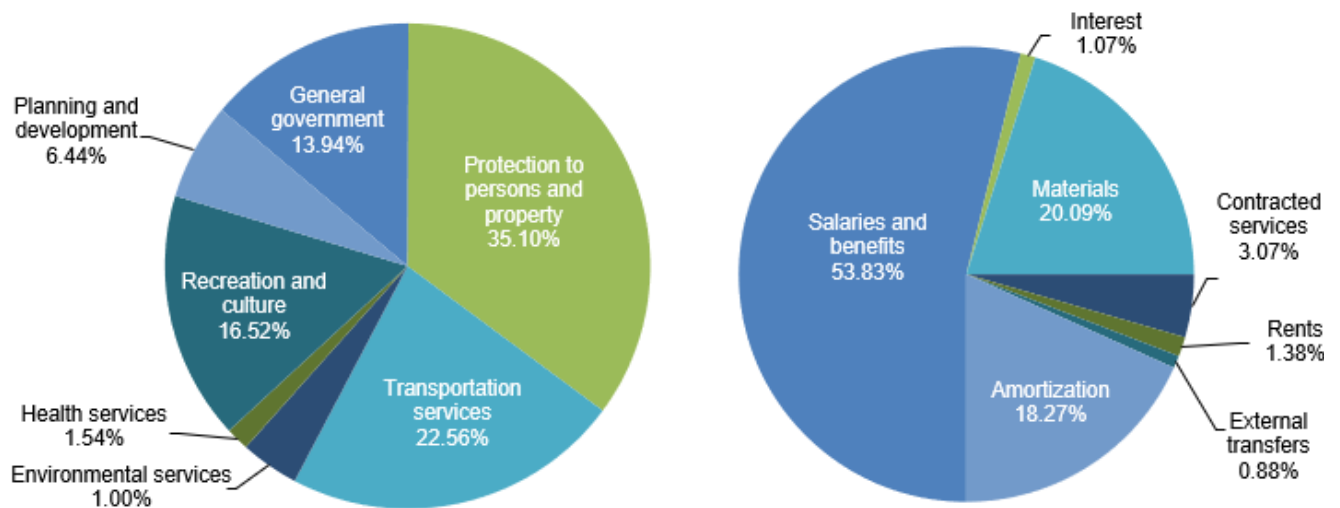
What the money was used for (Expenditures)

| Expenditures | Budget | 2021 | | Variance | |
|------------------------------------|---------------------|---------------------|----------------|--------------------|----------|
| General government | 10,891,122 | 10,112,861 | 13.94% | 778,261 | 7.15% |
| Protection to persons and property | 25,516,901 | 25,503,081 | 35.10% | 13,820 | 0.05% |
| Transportation services | 21,022,225 | 16,392,057 | 22.56% | 4,630,168 | 22.03% |
| Environmental services | 2,455,461 | 2,847,950 | 3.91% | (392,489) | (15.98%) |
| Health services | 1,127,131 | 1,119,151 | 1.54% | 7,980 | 0.71% |
| Recreation and culture | 13,871,760 | 12,000,976 | 16.52% | 1,870,784 | 13.49% |
| Planning and development | 5,472,604 | 4,680,041 | 6.44% | 792,563 | 14.48% |
| | \$80,357,204 | \$72,656,117 | 100.01% | \$7,701,087 | |

The \$7.7M less than budgeted expenditure for the Town is mainly attributable to:

- General government expenses are lower than budgeted due to capital project activities deferred in favour of COVID-19 priorities.
- In Transportation, the variance is largely a result of drainage works that has been delayed for South Innisfil Drain(\$3.5M) and Carson Creek Improvements(\$1.6M). Until cancelled or completed any unexpended capital budget is brought forward to the following year to be reported against expenditures incurred in that year.
- Recreation and Culture expenses are lower than budgeted primarily due to \$912K for parks and library capital studies that have been delayed or were planned to occur over future years. Additionally, there was significantly fewer seasonal staff seen in parks, facilities, and summer camps during 2021 due to COVID-19.
- Planning and Development expenses are lower than budgeted primarily due to various planning studies that will occur in future years.

Percentage of Expenditures



Financial Indicators

| | 2021 BMA Survey Average** | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------------------------|------------|------------|------------|------------|----------|
| Sustainability | | | | | | |
| Financial Assets to Liabilities | N/A | 1.74 * | 1.79 * | 3.77 * | 1.55 * | 1.23 * |
| Financial Position per Capita | \$ 848 | \$ 1,717 * | \$ 1,457 * | \$ 1,512 * | \$ 1,261 * | \$ 587 * |
| Flexibility | | | | | | |
| Tax Discretionary Reserves as a % of Taxation | 89% | 51% | 65% | 76% | 93% | 71% |
| Debt to Reserve Ratio | 0.7 | 0.6 | 0.6 | 0.5 | 0.5 | 0.8 |
| Vulnerability | | | | | | |
| Taxes receivable as a % of Taxes Levied | 8.5% | 7.1% | 9.2% | 9.3% | 8.2% | 8.1% |
| Tax Debt interest as a % of own source revenue | 1.1% | 1.0% | 1.5% | 1.3% | 1.4% | 1.9% |

* The Town's investment in InnServices has been removed in the calculation to enable a better comparison to the BMA results.

** The 2021 BMA survey results are based on 2020 financial information

Sustainability

Sustainability measures the Town's ability to maintain its existing service and financial commitments without increasing debt or tax burden on its residents.

The Financial Asset to Liabilities ratio measures the Town's ability to pay short and long-term obligations. To have a ratio greater than one demonstrates the Town's ability to pay off liabilities without burdening the taxpayer.

The Financial Position per Capita ratio is the net Financial Assets on a per capita basis. A positive balance indicates the Town's ability to cover its debt obligations and funds have been set aside for future sustainability. These ratios are greater than in 2020 due to a variety of factors resulting in an increase in net financial position. Factors include funds unspent for approved capital projects and an increase in investment in subsidiaries.

Flexibility

Flexibility measures the degree to which the Town uses debt instead of increasing taxation to meet its operating and capital commitments.

The Tax Discretionary Reserve as a Percent of Taxation measures the Town's flexibility in meeting operating needs & temporary internal borrowing for capital. The adequacies of reserves to meet future requirements are an integral indicator of long-term financial stability. The decrease in 2021 reflects the enhanced capital replacement plan for road rehab and other asset renewal projects undertaken, along with a decrease in OLG gaming revenues and a 0% increase the 2021 capital levy. The capital levy is essential funding utilized to address asset management programs to achieve maximum life cycle and to replace aging or end of life assets.

The Debt to Reserve Ratio indicates the relationship of reserves available to the amount of debt issued. It is ideal to have a ratio less than 1 as this means that the debt outstanding does not exceed the reserve balance. Once debt is issued for the Big Bay Point Fire Station and South Innisfil Drain, the Debt to Reserve Ratio will increase.

Vulnerability

Vulnerability measures the Town's dependence on external sources that it cannot always control and its exposure to risk.

The Taxes Receivable as a Percent of Taxes Levied is an indication of the local economy and the ability of the community to pay their annual tax billings.

Tax Debt Interest as a Percent of Own Source Revenue indicates the percentage of debt interest compared to own revenues from taxation, user fees, permits, fines etc. (excluding development charges and government funding). The Town relies on OLG and DC revenue to pay for a significant portion of the debt (principal and interest) and this measure indicates vulnerability to the municipality if those revenues sources are not available. The Town's ratio decreased as own source revenues such as penalties and interest, donations, and contributed tangible capital assets increased. However, debt continues to be paid off, incurring less interest without the addition of new debt.