

**CORPORATION OF THE TOWNSHIP OF ZORRA**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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## **INDEPENDENT AUDITOR'S REPORT**

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**To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Zorra**

### **Opinion**

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Zorra (the "Township"), which comprise the Consolidated Statement of Financial Position as at December 31, 2023, and Consolidated Statements of Operations and Accumulated Surplus, Cash Flows and Change in Net Financial Assets (Liabilities) 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 Corporation of the Township of Zorra as at December 31, 2023 and its financial performance and its cash flows and change in net financial assets (liabilities) for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis of 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 Township in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the 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 Township's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the 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 Township'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 Township'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 Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**September 18, 2024**  
**London, Canada**

*Scrimgeour & Company*  
**LICENSED PUBLIC ACCOUNTANT**

**CORPORATION OF THE TOWNSHIP OF ZORRA  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2023**

	2023	2022
		Note 2
<b>FINANCIAL ASSETS</b>		
Cash	\$ 10,110,215	\$ 8,101,584
Taxes receivable	1,630,910	1,617,747
Drains receivable	1,126,463	863,726
Accounts receivable	2,106,863	5,339,588
Inventories for resale	-	3,100
Land held for resale (note 14)	106,380	106,380
Investment in EARTH Corporation (note 10)	2,859,630	2,730,214
	<b>17,940,461</b>	<b>18,762,339</b>
<b>LIABILITIES</b>		
Temporary capital financing (note 15)	-	7,170,764
Accounts payable and accrued liabilities	5,403,666	3,922,664
Deferred revenue (note 7)	1,319,574	1,554,805
Net long-term liabilities (note 8)	11,219,329	3,412,516
Asset retirement obligation (note 2.b)	1,406,620	1,372,312
	<b>19,349,189</b>	<b>17,433,061</b>
<b>NET FINANCIAL ASSETS (LIABILITIES)</b>	<b>(1,408,728)</b>	<b>1,329,278</b>
<b>NON-FINANCIAL ASSETS (note 1.e)</b>		
Tangible capital assets - Schedule 1	51,256,883	38,418,758
Capital work in progress	5,038,895	9,815,848
Prepaid supplies and inventory	1,115,166	1,122,229
	<b>57,410,944</b>	<b>49,356,835</b>
<b>ACCUMULATED SURPLUS (note 9)</b>	<b>\$ 56,002,216</b>	<b>\$ 50,686,113</b>

The accompanying notes are an integral part of the financial statements

**CORPORATION OF THE TOWNSHIP OF ZORRA  
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget 2023	Actual 2023	Actual 2022  Note 2
<b>REVENUE</b>			
Property taxation	\$ 10,408,618	\$ 10,471,855	\$ 9,688,155
User charges	905,050	1,212,792	1,216,354
Government grants	1,687,000	1,660,381	1,574,725
Investment income	52,700	696,081	293,878
Penalty and interest on taxes	185,000	212,236	208,034
Other revenue	177,800	124,673	252,957
	<b>13,416,168</b>	<b>14,378,018</b>	<b>13,234,103</b>
<b>EXPENDITURES</b>			
General government	1,376,793	1,507,425	1,381,670
Protection to persons and property	3,424,514	2,828,905	2,544,905
Transportation services	3,409,730	5,521,254	4,586,500
Environmental services	8,079	10,293	14,443
Health services	136,132	186,620	154,931
Recreation and cultural development	2,106,556	2,016,525	1,779,112
Planning and development	138,492	149,864	128,905
	<b>10,600,296</b>	<b>12,220,886</b>	<b>10,590,466</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER</b>	<b>2,815,872</b>	<b>2,157,132</b>	<b>2,643,637</b>
<b>OTHER</b>			
Government transfers related to capital	457,078	1,048,744	448,162
Increase in investment in EARTH Corporation (note 10)	-	129,416	149,345
Gain (loss) on disposal of capital assets (note 14)	-	827,443	3,506,774
Developer and other contributions related to capital	-	1,153,368	277,368
	<b>457,078</b>	<b>3,158,971</b>	<b>4,381,649</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>3,272,950</b>	<b>5,316,103</b>	<b>7,025,286</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>50,686,113</b>	<b>50,686,113</b>	<b>44,331,123</b>
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	(670,296)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED</b>	<b>50,686,113</b>	<b>50,686,113</b>	<b>43,660,827</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 53,959,063</b>	<b>\$ 56,002,216</b>	<b>\$ 50,686,113</b>

The accompanying notes are an integral part of the financial statements

**CORPORATION OF THE TOWNSHIP OF ZORRA  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023	2022
		Note 2
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures (page 4)	\$ 5,316,103	\$ 7,025,286
Non-cash changes to operations		
Amortization	1,740,661	1,630,138
Net disposal of tangible capital assets	55,705	117,029
(Increase) decrease in investment in EARTH Corporation	(129,416)	(149,345)
Net change in working capital other than cash (A)	4,240,004	(3,146,113)
	<b>11,223,057</b>	<b>5,476,995</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of tangible capital assets	(14,634,491)	(3,021,871)
Decrease (increase) in capital work in progress	4,776,953	(4,835,192)
(Acquisition) disposal of land held for resale	-	3,322,557
Decrease (increase) in prepaid supplies and inventory	7,063	(307,649)
	<b>(9,850,475)</b>	<b>(4,842,155)</b>
<b>FINANCING ACTIVITIES</b>		
Temporary capital financing advance (repayment)	(7,170,764)	495,319
Net change in long-term debt	7,806,813	(719,327)
	<b>636,049</b>	<b>(224,008)</b>
Net change in cash and cash equivalents, during the year	<b>2,008,631</b>	<b>410,832</b>
Cash and cash equivalents, beginning of year	<b>8,101,584</b>	<b>7,690,752</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 10,110,215</b>	<b>\$ 8,101,584</b>

(A) Net change in working capital other than cash includes the net change in taxes receivable, drains receivable, accounts receivable, inventories held for resale, accounts payable and accrued liabilities and deferred revenue and asset retirement obligation.

The accompanying notes are an integral part of the financial statements

**CORPORATION OF THE TOWNSHIP OF ZORRA  
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (LIABILITIES)  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Budget</b>	<b>Actual</b>	Actual
	<b>2023</b>	<b>2023</b>	2022
			Note 2
Excess of revenue over expenditures (page 4)	\$ 3,272,950	\$ 5,316,103	\$ 7,025,286
Amortization of tangible capital assets	-	1,740,661	1,630,138
Acquisition of tangible capital assets	(4,788,319)	(14,634,491)	(3,021,871)
Net disposal of tangible capital assets	-	55,705	117,029
Decrease (increase) in capital work in progress	-	4,776,953	(4,835,192)
Decrease (increase) in prepaid supplies and inventory	-	7,063	(307,649)
<b>Change in net financial assets</b>	<b>(1,515,369)</b>	<b>(2,738,006)</b>	<b>607,741</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>1,329,278</b>	<b>1,329,278</b>	<b>2,059,542</b>
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	(1,338,005)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR, AS RESTATED</b>	<b>1,329,278</b>	<b>1,329,278</b>	<b>721,537</b>
<b>NET FINANCIAL ASSETS (LIABILITIES), END OF YEAR</b>	<b>\$ (186,091)</b>	<b>\$ (1,408,728)</b>	<b>\$ 1,329,278</b>

The accompanying notes are an integral part of the financial statements



**CORPORATION OF THE TOWNSHIP OF ZORRA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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The Corporation of the Township of Zorra (the "Township") is a Township in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

**1. Significant accounting policies**

The consolidated financial statements of the Township are prepared by management in accordance with Canadian public sector accounting standards (PS). Significant aspects of the accounting policies adopted by the Township are as follows:

**a. Basis of consolidation**

These consolidated financial statements reflect the assets, liabilities, operating revenue and expenditures and accumulated surpluses and changes in investment in tangible capital assets of the Township.

These consolidated financial statements include the activities of all other committees of Council including the Zorra Recreation Advisory Committee and the Village of Embro Cemetery Board.

The investment in a government business enterprise, ERTH Corporation (ERTH), is accounted for using the modified equity basis of accounting. Under this method, the government business enterprise's accounting policies, which follow International Financial Reporting Standards (IFRS) as modified by regulations and policies set forth in the Ontario Energy Board Accounting Procedures Handbook, are not adjusted to conform with Canadian public sector accounting standards and inter-entity transactions and balances are not eliminated.

**b. Revenue recognition**

Revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Government grants and transfers are recognized in the consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

**c. Accounting for County and School Board transactions**

The Township is required to bill, collect and remit provincial education and upper tier taxation in respect of residential and other properties on behalf of the School Boards and County of Oxford. The Township has no jurisdiction or control over the School Board or upper tier's operations or their tax rate. The taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the School Boards, and the County of Oxford are not reflected in these consolidated financial statements.

**d. Trust fund**

The Corporation of the Township of Zorra Trust Fund (the "Trust") and its related operations administered by the Township are not consolidated but are reported separately on the Trust's Statements of Financial Position and Operations.

**CORPORATION OF THE TOWNSHIP OF ZORRA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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**1. Significant accounting policies continued**

**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 consolidated change in financial assets for the year.

The Township's non-financial assets consist of 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 is amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	15 to 30 years
Buildings and fixtures	40 years
Machinery and equipment	10 to 20 years
Automotive	5 to 20 years
Infrastructure - Bridges	60 years
Infrastructure - Roads	10 to 20 years
Infrastructure - Other	25 to 30 years

Tangible capital assets received as contributions are recorded at their fair value at the date of the receipt. The fair value is also recorded as contributed revenue.

**f. Deferred revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services performed, or the tangible capital assets are acquired.

**g. Use of estimates**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

**CORPORATION OF THE TOWNSHIP OF ZORRA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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**1. Significant accounting policies continued**

**h. Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the 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 expense as incurred.

**i. Asset retirement obligations**

An asset retirement obligation is recognized when as at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that the future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

Retirement obligations related to buildings containing asbestos, are estimated and recognized as a liability and an increase in the cost of the asset at the time of acquisition. The liability is discounted annually over the same useful life as the asset's annual amortization expense, calculated in accordance with the Township's amortization policies. In addition, a liability for the post closure costs of a gravel pit owned by the Township has been estimated as of January 1, 2022. The liability is increased each year, due to the passage of time, and is recorded as an accretion expense on Schedule 2 under Rent and Financial Expenses.

**j. Financial instruments**

Financial instruments of the Township consist mainly of cash, accounts receivable and taxes receivable. The carrying values of these financial assets approximate their fair values unless otherwise disclosed.

**k. Prepaid supplies and inventory**

Inventory of supplies for consumption are valued at the lower of cost or replacement cost. Gravel inventory is determined per tonne and includes raw material, extraction and crushing costs.

**2. Change in accounting policies**

On January 1, 2023, the Township adopted accounting policies to conform to new standards issued under Canadian public accounting standards (PS) as follows:

**a. PS 3450 - Financial instruments**

Under PS 3450, all financial instruments are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Township's accounting policy choices (see Note 1 - Significant accounting policies).

**CORPORATION OF THE TOWNSHIP OF ZORRA  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2023**

**2. Change in accounting policies continued**

**b. PS 3280 - Asset retirement obligations (ARO)**

This accounting standard addresses reporting legal obligations associated with retirement of certain tangible capital assets such as asbestos removal in buildings when retired and post-closing costs for its gravel pit. A modified retrospective basis has been used to record this standard with a cumulative adjustment for previous fiscal years' obligations reflected in the new accumulative surplus balance on January 1, 2022. The expected remaining useful lives of the buildings is 10-25 years and the remaining useful life of the gravel pit is 45 years. These estimates were evaluated on the adoption of PS 3280.

In accordance with the provisions of these new standards, the Township reflected the following adjustments to the opening accumulated surplus on January 1, 2022 as follows:

	2022 beginning of year, as restated	2022 end of year, as restated
<b>Liabilities</b>		
Asset retirement obligations	<b>\$ 1,338,005</b>	<b>\$ 1,372,312</b>
<b>Net financial assets</b>	<b>1,338,005</b>	<b>1,372,312</b>
<b>Non financial assets</b>		
Tangible capital asset cost	<b>949,025</b>	<b>949,025</b>
Tangible capital assets accumulated	<b>(281,316)</b>	<b>(302,331)</b>
<b>Tangible capital assets (net)</b>	<b>667,709</b>	<b>646,694</b>
<b>Net change in accumulated surplus</b>	<b>\$ 670,296</b>	<b>\$ 725,618</b>

**CORPORATION OF THE TOWNSHIP OF ZORRA  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2023**

**2. Change in accounting policies continued**

Statements of Operations and Accumulated Surplus

	2022 end of year, as restated
Expenses	
Rent and financial expense	\$ 34,307
Amortization	21,015
<hr/>	
Expenses (net)	55,322
<hr/>	
Accumulated operating surplus	
Accumulated operating surplus, beginning of year, restated	670,296
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<b>CHANGE IN ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 725,618</b>

**3. Tax revenue**

Property tax billings are prepared by the Township based on an assessment roll prepared by the Municipal Property Assessment Corporation. All assessed property values in the Township were reviewed and new values established based on a common valuation date which was used by the Township in computing the 2023 property tax bills. Property tax revenue and tax receivables are subject to appeals which may not have been heard yet. Any supplementary billing adjustments made necessary by the determination of such appeals will be recognized in the fiscal year they are determined and the effect shared with the County of Oxford and the appropriate school boards.

**4. Trust fund**

Trust fund administered by the Township amounting to \$135,234 (2022 - \$127,976) has not been included in these consolidated financial statements.

**5. Operations of School Boards and the County of Oxford**

Further to note 1.c, the taxation revenue of the school boards and County of Oxford are comprised of the following:

	School Boards	County
Taxation and user charges	\$ 3,801,741	\$ 7,572,936
Requisitions	\$ 3,801,741	\$ 7,572,936

**CORPORATION OF THE TOWNSHIP OF ZORRA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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**6. Pension agreements**

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

The amount contributed to OMERS for 2023 was \$268,247 (2022 - \$244,397) for current service and is included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus. The Township has no obligation, as of December 31, 2023, under the past service provisions. The OMERS funding ratio for 2023 is 97% (2022 - 95%).

**7. Deferred revenue - obligatory reserve funds**

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

	2023	2022
Development charges	\$ 808,669	\$ 669,415
Federal gas tax	131,940	672,496
Recreational land	76,012	58,012
Other	302,953	154,882
	<b>\$ 1,319,574</b>	<b>\$ 1,554,805</b>

**CORPORATION OF THE TOWNSHIP OF ZORRA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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**8. Long-term liabilities**

**a. Composition of long-term liabilities**

The balance of long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	2023	2022
Total long-term liabilities incurred by the Township including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	\$ 11,258,407	\$ 3,427,963
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drain loan has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	(39,078)	(15,447)
	<b>\$ 11,219,329</b>	<b>\$ 3,412,516</b>

**b. Debt retirement**

Debt to be retired over the next five years will be recovered from general taxation and user charges and is as follows:

2024	\$ 1,006,073
2025	\$ 891,487
2026	\$ 870,760
2027	\$ 646,999
2028	\$ 489,670

**c. Approval**

Approval of the Ontario Municipal Board has been obtained for those pending issues of long-term liabilities and commitments to be financed by revenue beyond the term of Council and approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The principal and interest payments required to service these pending issues and commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs.

**CORPORATION OF THE TOWNSHIP OF ZORRA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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**8. Long-term liabilities continued**

**d. Contingent liability**

The Township is contingently liable for long-term liabilities with respect to tile drainage loans, and for those for which the principal and interest have been assumed by other municipalities, school board and unconsolidated local boards, municipal enterprises, and utilities. The total amount outstanding as at December 31, 2023 is \$39,078 (2022 - \$15,447) and is not recorded on the Consolidated Statement of Financial Position.

**e. Interest**

Interest paid on long-term liabilities for the year ending December 31, 2023 is \$361,365 (2022 - \$196,841).

**9. Accumulated surplus**

The accumulated surplus on the Consolidated Statement of Financial Position at the end of the year is comprised of the following:

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	2023	2022
		Note 2
<b>Reserves set aside for specific purpose:</b>		
for working capital	\$ 520,209	\$ 541,209
for general purposes	2,095,925	1,309,658
for capital replacement	4,938,699	7,889,186
for tax rate stabilization	780,563	630,888
for insurance	39,679	39,679
<b>Total reserves</b>	<b>8,375,075</b>	<b>10,410,620</b>
<b>Current surplus - cemetery</b>	<b>35,720</b>	<b>26,936</b>
<b>Asset retirement obligation</b>	<b>(1,406,620)</b>	<b>(1,372,312)</b>
<b>Investment in tangible capital assets</b>	<b>46,138,411</b>	<b>38,890,655</b>
<b>Investment in government business enterprise</b>	<b>2,859,630</b>	<b>2,730,214</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 56,002,216</b>	<b>\$ 50,686,113</b>

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**CORPORATION OF THE TOWNSHIP OF ZORRA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**10. Investment in ERTH Corporation**

As at December 31, 2023, the Township owns 5.41% (2022 - 5.41%) of ERTH Corporation and is comprised of the following:

	2023	2022
Promissory note receivable	\$ 815,000	\$ 815,000
Equity	2,044,630	1,915,214
	<b>\$ 2,859,630</b>	<b>\$ 2,730,214</b>

The promissory note receivable from ERTH Corporation is unsecured and bears interest at 7.25% (2022 - 7.25%). The term of the note is undefined but no principal repayments are expected within the next twelve months. Interest received during the year and included in other income is \$59,088 (2022 - \$59,088).

As a business enterprise of the Township, it is accounted for on a Modified Equity basis in these consolidated financial statements and the investment is shown at the Township's proportionate share of the equity of ERTH. The following table provides condensed supplementary financial information for the ERTH for the years ended December 31, 2023 and 2022 from their audited financial statements which are prepared in accordance with International Financial Reporting Standards.

	2023	2022
<b>Financial Position</b>		
Total Net Assets	\$ 37,799,637	\$ 35,407,087
<b>Results from Operations</b>		
Total revenue	\$ 99,128,198	\$ 98,335,547
Total operating and other expenditures	95,945,648	94,654,552
<b>Total comprehensive income</b>	<b>\$ 3,182,550</b>	<b>\$ 3,680,995</b>

ERTH Corporation's financial statements are prepared in accordance with International Financial Reporting Standards.

ERTH Corporation declared a dividend of \$790,000 in 2023 (2022 - \$920,000) of which the Township's portion is \$42,732 (2022 - \$49,764).

**CORPORATION OF THE TOWNSHIP OF ZORRA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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**11. Budget figures**

The Township's Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2023 is reflected on the Consolidated Statement of Operations and Accumulated Surplus.

**12. Public sector salary disclosure**

There are eight employees paid a salary, as defined in the Public Sector Disclosure Act, 1996 of \$100,000 or more.

**13. Segmented Information**

Segmented information is presented on Schedule 2. The Township is a diversified municipality and provides a wide range of services to its citizens including police through contracted services, fire, protective services, transportation, environmental, including water, wastewater, waste disposal and storm management joint projects with the County of Oxford, community services, including recreation, library and planning, including economic development and municipal drains. The general government segment includes such functions as finance and information services, council and administrative offices.

**14. Land held for resale**

During the year ended December 31, 2019, the Township purchased a 121-acre parcel of land for total costs as of December 31, 2019 of \$6,165,577. Two parcels of this land were sold during the year ended December 31, 2020. During 2022, the final parcels of this land held for resale were sold and the net gain on sale has been recognized and transferred to a reserve. In addition, the Township retained a parcel of land, valued at \$450,000, to construct a new administration building, which is recorded in capital work in progress. The new administration building was completed in 2024.

**15. Temporary capital financing**

The temporary capital financing consists of the following:

- a. In 2019, the Township entered into a temporary borrowing agreement with the County of Oxford to finance the land held for resale of \$5,960,000. The entire amount plus accrued interest was repaid in 2022.
- b. The Township entered into an agreement with Ontario Infrastructure and Lands Corporation for financing of the construction of the Township's new maintenance facility which is estimated at \$10,084,600 during construction in 2022 and 2023. The building was completed in 2023 and \$8,641,600 has been converted to long term debt.
- c. The Township has committed to the construction of a new administration building with an estimated cost of \$6,400,000. The building was completed in 2024 subsequent to year end. The project will be financed by the sale of lands per note 13 and other internal funding.

**CORPORATION OF THE TOWNSHIP OF ZORRA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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**16. Comparative balances**

Certain comparative balances have been reclassified to conform with the current year's financial statement presentation. In addition, prior period adjustments have been made to conform with the change in accounting policies described in Note 2.

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**CORPORATION OF THE TOWNSHIP OF ZORRA  
 SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2023**

	Land	Land Improvements	Buildings and Fixtures	Machinery and Equipment	Automotive	Infrastructure	2023 Total	2022 Total
<b>COST</b>								
Balance, beginning of year	\$ 1,995,056	\$ 3,247,178	\$ 8,268,173	\$ 5,349,400	\$ 5,136,436	\$ 34,571,782	\$ 58,568,025	\$ 55,313,875
Asset Retirement Obligations, restated (note 2)	-	-	-	-	-	-	-	949,025
Add: Additions during the year	-	16,815	10,381,611	310,671	1,675,991	2,249,403	14,634,491	3,021,871
Less: Disposals during the year	(800)	-	(3,950)	(352,800)	(228,601)	(109,805)	(695,956)	(716,746)
Balance, end of year	1,994,256	3,263,993	18,645,834	5,307,271	6,583,826	36,711,380	72,506,560	58,568,025
<b>ACCUMULATED AMORTIZATION</b>								
Balance, beginning of year	-	910,358	4,131,170	2,722,497	2,820,232	9,565,010	20,149,267	18,837,530
Asset Retirement Obligations, restated (note 2)	-	-	-	-	-	-	-	281,316
Add: Amortization during the year	-	117,529	138,212	287,145	341,016	856,759	1,740,661	1,630,138
Less: Disposals during the year	-	-	(3,251)	(339,843)	(228,601)	(68,556)	(640,251)	(599,717)
Balance, end of year	-	1,027,887	4,266,131	2,669,799	2,932,647	10,353,213	21,249,677	20,149,267
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	\$ 1,994,256	\$ 2,236,106	\$ 14,379,703	\$ 2,637,472	\$ 3,651,179	\$ 26,358,167	\$ 51,256,883	\$ 38,418,758

This schedule is provided for information purposes only.

**CORPORATION OF THE TOWNSHIP OF ZORRA  
 SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION  
 FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Government	Protective Services	Transportation	Environmental	Health	Recreation and Culture	Planning and Development	Total
<b>REVENUE</b>								
Taxation	\$ 10,471,855	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,471,855
User fees	45,545	408,626	15,730	15,704	27,155	601,954	98,078	1,212,792
Government grants - operating	859,090	109,762	654,833	-	-	3,500	33,196	1,660,381
Investment income	695,016	-	-	-	-	1,065	-	696,081
Penalty and interest on taxes	212,236	-	-	-	-	-	-	212,236
Other	-	61,620	-	-	29,122	33,931	-	124,673
	<b>12,283,742</b>	<b>580,008</b>	<b>670,563</b>	<b>15,704</b>	<b>56,277</b>	<b>640,450</b>	<b>131,274</b>	<b>14,378,018</b>
<b>EXPENDITURES</b>								
Salaries and benefits	1,097,356	777,928	1,344,338	2,907	95,268	966,586	50,890	4,335,273
Materials, goods and services	384,168	1,801,748	2,569,904	7,386	91,352	817,954	98,345	5,770,857
Rents and financial expenses	11,720	35,310	325,425	-	-	1,011	629	374,095
Amortization	14,181	213,919	1,281,587	-	-	230,974	-	1,740,661
	<b>1,507,425</b>	<b>2,828,905</b>	<b>5,521,254</b>	<b>10,293</b>	<b>186,620</b>	<b>2,016,525</b>	<b>149,864</b>	<b>12,220,886</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE OTHER</b>	<b>10,776,317</b>	<b>(2,248,897)</b>	<b>(4,850,691)</b>	<b>5,411</b>	<b>(130,343)</b>	<b>(1,376,075)</b>	<b>(18,590)</b>	<b>2,157,132</b>
<b>OTHER</b>								
Government transfers related to capital	-	-	1,048,744	-	-	-	-	1,048,744
Increase in investment in EARTH Corporation	129,416	-	-	-	-	-	-	129,416
Gain (loss) on disposal	803,431	94,305	(76,501)	-	-	6,208	-	827,443
Developer contributions related to capital	16,846	-	1,136,522	-	-	-	-	1,153,368
	<b>949,693</b>	<b>94,305</b>	<b>2,108,765</b>	<b>-</b>	<b>-</b>	<b>6,208</b>	<b>-</b>	<b>3,158,971</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)</b>	<b>\$ 11,726,010</b>	<b>\$ (2,154,592)</b>	<b>\$ (2,741,926)</b>	<b>\$ 5,411</b>	<b>\$ (130,343)</b>	<b>\$ (1,369,867)</b>	<b>\$ (18,590)</b>	<b>\$ 5,316,103</b>

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