

CORPORATION OF THE TOWNSHIP OF ZORRA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

**CORPORATION OF THE TOWNSHIP OF ZORRA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

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, 2021, and Consolidated Statements of Operations and Accumulated Surplus, Cash Flows and Change in Net Financial Assets 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, 2021 and its financial performance and its cash flows and change in net financial assets 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.

July 6, 2022
London, Canada

Scrimgeour & Company
LICENSED PUBLIC ACCOUNTANT

**CORPORATION OF THE TOWNSHIP OF ZORRA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021**

| | 2021 | 2020 |
|--|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash | \$ 7,690,752 | \$ 4,682,950 |
| Taxes receivable | 1,123,845 | 1,002,855 |
| Drains receivable | 722,435 | 580,351 |
| Accounts receivable | 1,985,329 | 574,866 |
| Inventories for resale | 3,100 | 3,100 |
| Land held for resale (note 13) | 3,428,937 | 4,056,366 |
| Investment in EARTH Corporation (note 9) | 2,580,869 | 2,421,781 |
| | 17,535,267 | 13,322,269 |
| LIABILITIES | | |
| Temporary capital financing (note 15) | 6,675,445 | 2,106,777 |
| Accounts payable and accrued liabilities | 3,389,634 | 1,158,927 |
| Deferred revenue (note 6) | 1,278,803 | 490,519 |
| Net long-term liabilities (note 7) | 4,131,843 | 4,846,770 |
| | 15,475,725 | 8,602,993 |
| NET FINANCIAL ASSETS | 2,059,542 | 4,719,276 |
| NON-FINANCIAL ASSETS (note 1.e) | | |
| Tangible capital assets - Schedule 1 | 36,476,345 | 33,846,445 |
| Capital work in progress | 4,980,656 | 350,760 |
| Prepaid supplies and inventory | 814,580 | 917,417 |
| | 42,271,581 | 35,114,622 |
| ACCUMULATED SURPLUS (note 8) | \$ 44,331,123 | \$ 39,833,898 |

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, 2021**

| | Budget 2021 | Actual 2021 | Actual 2020 |
|---|----------------------|----------------------|----------------------|
| REVENUE | | | |
| Property taxation | \$ 8,984,329 | \$ 9,024,877 | \$ 8,774,036 |
| User charges | 788,636 | 913,556 | 965,748 |
| Government grants | 1,055,961 | 1,684,210 | 1,675,558 |
| Investment income | 135,032 | 164,898 | 180,884 |
| Penalty and interest on taxes | 145,000 | 164,634 | 127,762 |
| Other revenue | 225,000 | 34,371 | 56,179 |
| | 11,333,958 | 11,986,546 | 11,780,167 |
| EXPENDITURES | | | |
| General government | 1,096,850 | 1,195,550 | 1,071,493 |
| Protection to persons and property | 2,352,781 | 2,429,085 | 2,409,770 |
| Transportation services | 2,808,907 | 4,166,457 | 3,866,005 |
| Environmental services | 6,300 | 6,108 | 13,417 |
| Health services | 125,645 | 156,966 | 124,184 |
| Recreation and cultural development | 1,331,380 | 1,597,053 | 1,553,750 |
| Planning and development | 117,718 | 137,688 | 139,874 |
| | 7,839,581 | 9,688,907 | 9,178,493 |
| EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER | 3,494,377 | 2,297,639 | 2,601,674 |
| OTHER | | | |
| Government transfers related to capital | 98,663 | 98,828 | 939,824 |
| Increase in investment in EARTH Corporation (note 9) | - | 159,088 | 131,219 |
| Gain (loss) on disposal of capital assets | - | (87,736) | 485,428 |
| Developer and other contributions related to capital | 260,000 | 2,029,406 | 1,263,013 |
| | 358,663 | 2,199,586 | 2,819,484 |
| EXCESS OF REVENUE OVER EXPENDITURES | 3,853,040 | 4,497,225 | 5,421,158 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 39,833,898 | 39,833,898 | 34,412,740 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 43,686,938 | \$ 44,331,123 | \$ 39,833,898 |

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, 2021**

| | 2021 | 2020 |
|--|---------------------|---------------------|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenditures (page 4) | \$ 4,497,225 | \$ 5,421,158 |
| Non-cash changes to operations | | |
| Amortization | 1,474,565 | 1,330,376 |
| Net disposal of tangible capital assets | 135,044 | 90,930 |
| (Increase) decrease in investment in EARTH Corporation | (159,088) | (131,219) |
| Net change in working capital other than cash (A) | 1,345,454 | (656,139) |
| | 7,293,200 | 6,055,106 |
| INVESTING ACTIVITIES | | |
| Acquisition of tangible capital assets | (4,239,509) | (5,795,334) |
| Decrease (increase) in capital work in progress | (4,629,896) | 1,474,865 |
| Acquisition (disposal) of land held for resale | 627,429 | 2,109,211 |
| Decrease (increase) in prepaid supplies and inventory | 102,837 | (237,662) |
| | (8,139,139) | (2,448,920) |
| FINANCING ACTIVITIES | | |
| Temporary capital financing advance (repayment) | 4,568,668 | (3,853,223) |
| Net change in long-term debt | (714,927) | (679,669) |
| | 3,853,741 | (4,532,892) |
| Net change in cash and cash equivalents, during the year | 3,007,802 | (926,706) |
| Cash and cash equivalents, beginning of year | 4,682,950 | 5,609,656 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 7,690,752 | \$ 4,682,950 |

(A) Net change in working capital other than cash includes the net change in taxes receivable, drains receivable, accounts receivable, accounts payable and accrued liabilities and deferred revenue.

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
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Excess of revenue over expenditures (page 4) | \$ 4,497,225 | \$ 5,421,158 |
| Amortization of tangible capital assets | 1,474,565 | 1,330,376 |
| Acquisition of tangible capital assets | (4,239,509) | (5,795,334) |
| Net disposal of tangible capital assets | 135,044 | 90,930 |
| Decrease (increase) in capital work in progress | (4,629,896) | 1,474,865 |
| Decrease (increase) in prepaid supplies and inventory | 102,837 | (237,662) |
| Increase in net financial assets | (2,659,734) | 2,284,333 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 4,719,276 | 2,434,943 |
| NET FINANCIAL ASSETS, END OF YEAR | \$ 2,059,542 | \$ 4,719,276 |

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, 2021**

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. 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, 2021**

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.

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.

**CORPORATION OF THE TOWNSHIP OF ZORRA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. Significant accounting policies continued

i. Financial instruments

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

j. 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. 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 2021 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.

3. Trust fund

Trust fund administered by the Township amounting to \$124,190 (2020 - \$122,151) has not been included in these consolidated financial statements.

4. 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 | \$ 3,720,366 | \$ 6,948,275 |
| Requisitions | \$ 3,720,366 | \$ 6,948,275 |

**CORPORATION OF THE TOWNSHIP OF ZORRA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

5. 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 2021 was \$211,447 (2020 - \$213,837) 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, 2021, under the past service provisions. The OMERS funding ratio for 2021 is 97% (2020 - 97%), with the goal of being fully funded by 2025.

6. 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:

| | 2021 | 2020 |
|---------------------|---------------------|------------|
| Development charges | \$ 204,331 | \$ 75,036 |
| Federal gas tax | 659,742 | 151,303 |
| Recreational land | 52,463 | 48,213 |
| Other | 362,267 | 215,967 |
| | \$ 1,278,803 | \$ 490,519 |

**CORPORATION OF THE TOWNSHIP OF ZORRA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

7. 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:

| | 2021 | 2020 |
|---|--------------|--------------|
| 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 | \$ 4,170,833 | \$ 4,928,047 |
| 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 | (38,990) | (81,277) |
| | \$ 4,131,843 | \$ 4,846,770 |

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:

| | |
|------|------------|
| 2022 | \$ 719,327 |
| 2023 | \$ 661,942 |
| 2024 | \$ 654,683 |
| 2025 | \$ 541,193 |
| 2026 | \$ 520,189 |

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.

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, 2021 is \$38,990 (2020 - \$81,277) and is not recorded on the Consolidated Statement of Financial Position.

**CORPORATION OF THE TOWNSHIP OF ZORRA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

7. Long-term liabilities continued

e. Interest

Interest paid on long-term liabilities for the year ending December 31, 2021 is \$192,355 (2020 - \$220,930).

8. Accumulated surplus

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

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Reserves set aside for specific purpose: | | |
| for working capital | \$ 541,209 | \$ 541,209 |
| for general purposes | 2,531,979 | 2,513,891 |
| for capital replacement | 2,046,974 | 3,402,305 |
| for tax rate stabilization | 647,633 | 622,544 |
| for insurance | 39,679 | 39,679 |
| Total reserves | 5,807,474 | 7,119,628 |
| Current surplus - cemetery | 16,273 | 20,200 |
| Current surplus - operating | 186,479 | - |
| Investment in tangible capital assets | 35,740,028 | 30,272,289 |
| Investment in government business enterprise | 2,580,869 | 2,421,781 |
| ACCUMULATED SURPLUS | \$ 44,331,123 | \$ 39,833,898 |

9. Investment in EARTH Corporation

As at December 31, 2021, the Township owns 5.41% (2020 - 5.41%) of EARTH Corporation and is comprised of the following:

| | 2021 | 2020 |
|----------------------------|---------------------|---------------------|
| Promissory note receivable | \$ 815,000 | \$ 815,000 |
| Equity | 1,765,869 | 1,606,781 |
| | \$ 2,580,869 | \$ 2,421,781 |

**CORPORATION OF THE TOWNSHIP OF ZORRA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

9. Investment in EARTH Corporation continued

The promissory note receivable from EARTH Corporation is unsecured and bears interest at 7.25% (2020 - 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 (2020 -\$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 EARTH. The following table provides condensed supplementary financial information for the EARTH for the years ended December 31, 2021 and 2020 from their audited financial statements which are prepared in accordance with International Financial Reporting Standards.

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Financial Position | | |
| Total Net Assets | \$ 32,646,092 | \$ 29,704,994 |
| Results from Operations | | |
| Total revenue | \$ 96,543,343 | \$ 99,075,397 |
| Total operating and other expenditures | 92,622,245 | 96,129,514 |
| Total comprehensive income | \$ 3,921,098 | \$ 2,945,883 |

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

EARTH Corporation declared a dividend of \$980,000 in 2021 (2020 - \$520,000) of which the Township's portion is \$53,009 (2020 - \$28,127).

10. Budget figures

The Township's Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2021 is reflected on the Consolidated Statement of Operations and Accumulated Surplus.

11. Public sector salary disclosure

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

**CORPORATION OF THE TOWNSHIP OF ZORRA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

12. 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.

13. 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. In addition, an additional agreement to sell 112 acres to another developer, including buildings for \$6,350,001, was signed in 2019 with closing dates from September 2020 to 2022. \$2,700,000 of this sale agreement closed by December 31, 2021. The remaining parcels of land, as of December 31, 2021 of \$3,428,937, including additional costs in 2021, are reflected on the Statement of Financial Position as land held for resale. The Township will retain approximately one acre, which includes structures.

14. Contaminated sites

The Canadian public sector accounting standard 3510 requires municipalities to evaluate sites owned by the municipality for potential contamination. This standard requires the municipality to disclose the liability, if any, related to remediation of such sites. The Township is of the opinion they do not own such sites and therefore, no liability exists.

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. As of December 31, 2021, \$3,960,000 was repaid. The original agreement has been extended to January 31, 2022, when the remaining amount is due with interest at 2.18% per annum. \$152,955 of interest has been accrued to December 31, 2021, leaving a balance owing at December 31, 2021 of \$2,152,955. The Township has signed a letter of security with their financial institution for \$500,000 relating to this temporary financing.

b. The Township has 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. As at December 31, 2021, \$4,522,490 has been advanced against this financing. The Township has been approved for financing to a limit of \$8,641,600. It is anticipated this financing will be converted to long-term debt in September 2022, when the project is completed. The remaining costs will be funded through reserves.

**CORPORATION OF THE TOWNSHIP OF ZORRA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

16. Significant event

In March 2020, the Province of Ontario declared a state of emergency in response to the COVID-19 virus. The Township has followed the Provincial orders regarding essential services and as a result, has had to close some its services. It is unclear the total financial impact the COVID-19 virus will have on the Township.

17. Comparative balances

Certain comparative balances have been reclassified to conform with the current year's financial statement presentation.

**CORPORATION OF THE TOWNSHIP OF ZORRA
SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Land | Land Improvements | Buildings and Fixtures | Machinery and Equipment | Automotive | Infrastructure | 2021 Total | 2020 Total |
|--|---------------------|---------------------|------------------------|-------------------------|---------------------|----------------------|----------------------|----------------------|
| COST | | | | | | | | |
| Balance, beginning of year | \$ 1,978,888 | \$ 1,746,021 | \$ 8,021,266 | \$ 4,930,006 | \$ 4,929,066 | \$ 30,349,895 | \$ 51,955,142 | \$ 46,908,133 |
| Add: | | | | | | | | |
| Additions during the year | 16,168 | 21,905 | 137,805 | 908,042 | - | 3,155,589 | 4,239,509 | 5,795,334 |
| Less: | | | | | | | | |
| Disposals during the year | - | - | - | (94,303) | (319,769) | (466,704) | (880,776) | (748,325) |
| Balance, end of year | 1,995,056 | 1,767,926 | 8,159,071 | 5,743,745 | 4,609,297 | 33,038,780 | 55,313,875 | 51,955,142 |
| ACCUMULATED AMORTIZATION | | | | | | | | |
| Balance, beginning of year | - | 494,771 | 3,851,687 | 2,634,702 | 2,562,579 | 8,564,958 | 18,108,697 | 17,435,716 |
| Add: | | | | | | | | |
| Amortization during the year | - | 66,738 | 133,013 | 263,062 | 288,329 | 723,423 | 1,474,565 | 1,330,376 |
| Less: | | | | | | | | |
| Disposals during the year | - | - | - | (60,052) | (319,769) | (365,911) | (745,732) | (657,395) |
| Balance, end of year | - | 561,509 | 3,984,700 | 2,837,712 | 2,531,139 | 8,922,470 | 18,837,530 | 18,108,697 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 1,995,056 | \$ 1,206,417 | \$ 4,174,371 | \$ 2,906,033 | \$ 2,078,158 | \$ 24,116,310 | \$ 36,476,345 | \$ 33,846,445 |

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, 2021**

| | General Government | Protective Services | Transportation | Environmental | Health | Recreation and Culture | Planning and Development | Total |
|---|-----------------------|------------------------|-----------------------|------------------|---------------------|---------------------------|-----------------------------|---------------------|
| REVENUE | | | | | | | | |
| Taxation | \$ 9,024,877 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 9,024,877 |
| User fees | 115,679 | 248,202 | 12,593 | 17,597 | 22,157 | 417,467 | 79,861 | 913,556 |
| Government grants - operating | 955,961 | 34,601 | 599,647 | - | - | 54,051 | 39,950 | 1,684,210 |
| Investment income | 161,613 | - | - | - | - | (848) | 4,133 | 164,898 |
| Penalty and interest on taxes | 164,634 | - | - | - | - | - | - | 164,634 |
| Other | - | - | - | - | 24,479 | 9,892 | - | 34,371 |
| | 10,422,764 | 282,803 | 612,240 | 17,597 | 46,636 | 480,562 | 123,944 | 11,986,546 |
| EXPENDITURES | | | | | | | | |
| Salaries and benefits | 825,344 | 591,924 | 1,161,216 | 2,693 | 76,082 | 758,153 | 43,267 | 3,458,679 |
| Materials, goods and services | 358,341 | 1,658,038 | 1,908,680 | 3,415 | 80,884 | 651,884 | 94,421 | 4,755,663 |
| Amortization | 11,865 | 179,123 | 1,096,561 | - | - | 187,016 | - | 1,474,565 |
| | 1,195,550 | 2,429,085 | 4,166,457 | 6,108 | 156,966 | 1,597,053 | 137,688 | 9,688,907 |
| EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE OTHER | 9,227,214 | (2,146,282) | (3,554,217) | 11,489 | (110,330) | (1,116,491) | (13,744) | 2,297,639 |
| OTHER | | | | | | | | |
| Government transfers related to capital | - | - | 98,828 | - | - | - | - | 98,828 |
| Increase in investment in EARTH Corporation | 159,088 | - | - | - | - | - | - | 159,088 |
| Gain (loss) on disposal | - | - | (53,485) | - | - | (34,251) | - | (87,736) |
| Developer contributions related to capital | - | - | 2,029,406 | - | - | - | - | 2,029,406 |
| | 159,088 | - | 2,074,749 | - | - | (34,251) | - | 2,199,586 |
| EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) | \$ 9,386,302 | \$ (2,146,282) | \$ (1,479,468) | \$ 11,489 | \$ (110,330) | \$ (1,150,742) | \$ (13,744) | \$ 4,497,225 |

This schedule is provided for information purposes only.