

THE CORPORATION OF THE TOWNSHIP OF NORWICH

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024



THE CORPORATION OF THE TOWNSHIP OF NORWICH

For the year ended December 31, 2024

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of The Corporation of the Township of Norwich have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based upon management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of The Corporation of the Township of Norwich's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Chief Administrative Officer is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements before they are submitted to Council.

The consolidated financial statements have been audited on behalf of the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of Norwich by Millard, Rouse & Rosebrugh LLP, in accordance with Canadian generally accepted auditing standards.



Matt Smith, Chief Administrative Officer



James Johnson, Treasurer / Deputy CAO

October 14, 2025
Norwich, Ontario



INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants, and Ratepayers of The Corporation of the Township of Norwich

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Norwich (the 'Entity'), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, 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 financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its results of operations, its changes in net financial assets 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 *Auditors' Responsibilities for the Audit of Consolidated Financial Statements* section of our report. We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

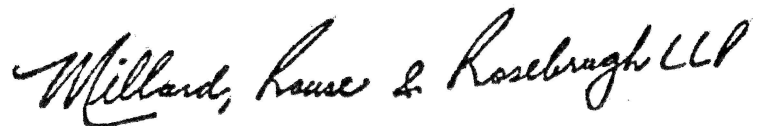
Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group as a basis for forming an opinion on the group 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.



October 14, 2025
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF NORWICH

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As at December 31 | 2024 | 2023 |
|--|-------------------|-------------------|
| FINANCIAL ASSETS | | |
| Cash | 8,296,936 | 9,235,895 |
| Taxes receivable | 1,302,598 | 983,246 |
| Accounts receivable (Note 4) | 846,690 | 542,722 |
| Drainage receivable (Note 5) | 3,108,418 | 2,989,839 |
| Investment in EARTH Corporation (Note 6) | 3,078,510 | 3,078,510 |
| | 16,633,152 | 16,830,212 |
| FINANCIAL LIABILITIES | | |
| Accounts payable | 1,250,034 | 1,534,426 |
| Deposits repayable | 1,358,121 | 1,358,583 |
| Post-employment / retirement benefits (Note 7) | 409,700 | 416,500 |
| Deferred revenue - Obligatory Reserve Funds (Note 8) | 1,027,486 | 1,171,078 |
| Long-term liabilities (Note 10) | 2,651,496 | 3,004,034 |
| Asset retirement obligation (Note 9) | 86,014 | 83,917 |
| | 6,782,851 | 7,568,538 |
| NET FINANCIAL ASSETS | 9,850,301 | 9,261,674 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 11) | 43,766,400 | 40,876,305 |
| Prepaid expenses | 3,646 | 5,767 |
| Inventory | 6,181 | 11,723 |
| | 43,776,227 | 40,893,795 |
| ACCUMULATED SURPLUS (Note 12) | 53,626,528 | 50,155,469 |

THE CORPORATION OF THE TOWNSHIP OF NORWICH

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

| For the year ended December 31 | Budget 2024 <i>(Note 18)</i> | 2024 | 2023 |
|---|------------------------------------|------------|------------|
| REVENUES | | | |
| Taxation | 11,426,300 | 11,402,390 | 10,162,364 |
| Government Transfers - Federal (Note 13) | 366,067 | 392,742 | 696,135 |
| Government Transfers - Provincial (Note 14) | 1,440,026 | 1,529,010 | 1,462,911 |
| User charges | 1,723,000 | 1,817,943 | 1,791,688 |
| Other income (Note 15) | 652,000 | 1,959,306 | 2,174,689 |
| | 15,607,393 | 17,101,391 | 16,287,787 |
| EXPENSES | | | |
| General government | 2,288,488 | 2,251,120 | 1,983,420 |
| Protection services | 3,950,020 | 3,812,372 | 3,865,276 |
| Transportation services | 4,818,984 | 4,361,114 | 4,398,747 |
| Recreation and cultural services | 1,725,591 | 1,748,315 | 1,759,790 |
| Health services | 667,729 | 668,805 | 612,429 |
| Planning and development | 191,500 | 788,606 | 541,805 |
| | 13,642,312 | 13,630,332 | 13,161,467 |
| ANNUAL SURPLUS | | | |
| Accumulated surplus - beginning of year | 1,965,081 | 3,471,059 | 3,126,320 |
| | 50,155,469 | 50,155,469 | 47,029,149 |
| ACCUMULATED SURPLUS - END OF YEAR | | | |
| | 52,120,550 | 53,626,528 | 50,155,469 |

THE CORPORATION OF THE TOWNSHIP OF NORWICH

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

| For the year ended December 31 | Budget 2024 <i>(Note 18)</i> | 2024 | 2023 |
|--|------------------------------------|-------------|-------------|
| Annual surplus | 1,965,081 | 3,471,059 | 3,126,320 |
| Purchase of tangible capital assets | (3,846,800) | (4,493,454) | (3,212,261) |
| Proceeds on disposal of tangible capital assets | - | 71,767 | 439,923 |
| Amortization on tangible capital assets | 2,268,986 | 2,268,986 | 2,061,165 |
| Contributed tangible capital assets | - | (682,548) | (37,971) |
| Loss (gain) on disposal of tangible capital assets | - | (54,846) | (199,842) |
| Decrease (increase) in prepaid expenses | - | 2,121 | (3,787) |
| Decrease (increase) in inventory | - | 5,542 | 2,361 |
| Increase in net financial assets | 387,267 | 588,627 | 2,175,908 |
| Net financial assets - beginning of year | 9,261,674 | 9,261,674 | 7,085,766 |
| NET FINANCIAL ASSETS - END OF YEAR | 9,648,941 | 9,850,301 | 9,261,674 |

THE CORPORATION OF THE TOWNSHIP OF NORWICH

CONSOLIDATED STATEMENT OF CASH FLOWS

| For the year ended December 31 | 2024 | 2023 |
|--|-------------|-------------|
| Cash Flows From Operating Activities | | |
| Annual surplus | 3,471,059 | 3,126,320 |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | 2,268,986 | 2,061,165 |
| Loss (gain) on disposal of tangible capital assets | (54,846) | (199,842) |
| Contributed tangible capital assets | (682,548) | (37,971) |
| Accretion expense | 2,098 | 2,047 |
| Change in equity - ERTH Corporation | - | (166,958) |
| | <hr/> | <hr/> |
| | 5,004,749 | 4,784,761 |
| Changes in non-cash working capital: | | |
| Taxes receivable | (319,352) | (98,531) |
| Accounts receivable | (303,968) | 64,146 |
| Drainage receivable | (118,579) | (1,040,727) |
| Accounts payable | (284,392) | 8,052 |
| Deposits repayable | (463) | (17,223) |
| Deferred revenue | (143,592) | (703,939) |
| Post-employment / retirement benefits | (6,800) | (7,700) |
| Prepaid expenses | 2,121 | (3,787) |
| Inventory | 5,542 | 2,361 |
| | <hr/> | <hr/> |
| | (1,169,483) | (1,797,348) |
| Cash flow from operating activities | <hr/> | <hr/> |
| | 3,835,266 | 2,987,413 |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | (4,493,454) | (3,212,261) |
| Proceeds from sale of tangible capital assets | 71,767 | 439,923 |
| Cash flow used by capital activities | <hr/> | <hr/> |
| | (4,421,687) | (2,772,338) |
| FINANCING ACTIVITIES | | |
| Repayment of long-term debt | (352,538) | (351,363) |
| Cash flow from financing activities | <hr/> | <hr/> |
| | (352,538) | (351,363) |
| INCREASE (DECREASE) IN CASH FLOW | <hr/> | <hr/> |
| Opening Cash and Cash Equivalents | (938,959) | (136,288) |
| | 9,235,895 | 9,372,183 |
| Closing Cash and Cash Equivalents | <hr/> | <hr/> |
| | 8,296,936 | 9,235,895 |

See accompanying notes



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

1. NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of the Township of Norwich are prepared by management in accordance with Canadian Generally Accepted Accounting Principles for Local Governments as recommended by the Public Sector Accounting Board of CPA Canada.

Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Reporting Entity

(i) Consolidated entities

These consolidated financial statements reflect the assets, liabilities, revenues, and expenses of all municipal organizations, committees, and boards which are owned or controlled by the Township. These consolidated financial statements include:

Norwich Business Improvement Area

All inter-department and inter-organizational transactions and balances between these organizations have been eliminated.

(ii) ERTH Corporation

The portfolio investment represents 6.77% interest in the organization that was previously accounted for as a government business enterprise. As of January 1, 2024, the carrying value of the previous investment in the government business enterprise under the modified equity method became the Township's cost of the portfolio investment. The carrying value will be reduced if the accumulated dividends received by the Township in subsequent periods exceeds its share of accumulated earnings for the period. Portfolio investments are recorded at cost and are written down where there has been a loss in value that is other than a temporary decline.

(iii) Accounting for Oxford County and school board transactions

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 the municipal fund balances of these financial statements.

(iv) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet".



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) **Basis of Presentation**

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

(c) **Cash and Cash Equivalents**

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed investment certificates which are cashable or with a maturity date of three months or less and are valued at cost plus accrued interest. The carrying amounts approximate fair value.

(d) **Revenue Recognition**

(i) Taxation

Annually, the Township bills and collects property tax revenue for municipal levy purposes as well as education taxes on behalf of the local school boards and Oxford County. The Township has the authority to levy and collect property taxes under the Municipal Act, 2001.

The amount of the total annual municipal property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class of property, in accordance with legislation and Council-approved policies, in order to raise the revenue needed to meet operating budget requirements.

The Municipal Property Assessment Corporation (MPAC), a not-for-profit corporation funded by all of Ontario's municipalities, is responsible for property assessments. MPAC provides the current value assessment (CVA) of each property in the returned assessment roll in December of each year. The amount of property tax levied on an individual property is the product of the CVA, the municipal tax rate by class, and the education tax rate by class.

Taxation revenue is recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year relating to: newly occupied properties, properties omitted in the December assessment roll, or other MPAC adjustments. Tax revenue can also be reduced if there are reductions in assessment values resulting from property assessment appeals.

(ii) Government transfers

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

(iii) User charges

User charges relate to various municipal programs and fees imposed based on specific activities. Examples of user charges include: licences, permits, and arena ice rentals. Revenue is recognized when the activity is performed or when services are rendered.



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Revenue Recognition (Continued)

(iii) User charges (continued)

Effective January 1, 2024, the Township adopted Public Sector Accounting Standard PS3400 - Revenue, which establishes standards for recognizing revenue from exchange and non-exchange transactions. This standard was applied retrospectively, and no prior period amounts were restated.

Under PS3400, exchange transactions involve the provision of goods or services to a specific payor in return for consideration and include performance obligations. Revenue from these transactions is recognized as the Township satisfies its enforceable promises to deliver goods or services.

Non-exchange transactions are those in which the Township receives economic resources without directly providing goods or services to a specific payor. These are recognized as revenue when the authority to claim or receive the assets exists, the amount can be reasonably estimated, and collectability is reasonably assured.

As a result of this new standard, building permit revenue is now recognized over the period in which related services, such as inspections and application reviews are performed, rather than at the time of payment.

(iv) Other income

Other income is recognized in the year that the events giving rise to the revenue occur and the revenue is earned. Amounts received which relate to revenue that will be earned in a future year are deferred and reported as liabilities on the Consolidated Statement of Financial Position.

(e) Inventory

Inventory of supplies held for consumption is valued at the lower of cost and replacement value.



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees, and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing the year the asset is available for productive use. Half the normal rate of amortization is recorded in the initial year of productive use. Amortization rates are as follows:

| | |
|------------------------------------|----------------|
| Land improvements | 20 years |
| Building and structures | 10 to 50 years |
| Infrastructure | 15 to 60 years |
| Vehicles, machinery, and equipment | 5 to 15 years |

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Tangible capital assets which meet this criteria for financial assets are reclassified as "assets held for sale" on the Statement of Financial Position.

(g) **Interest Capitalization**

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(h) **Deferred Revenue**

The municipality receives funds for specific purposes which are externally restricted by legislation, regulation, or agreement. These restricted funds are not available for general municipal purposes and are recognized as revenue in the fiscal year the funds are used for the specified purpose.

(i) **Employee Future Benefits**

The municipality provides certain benefits which will require funding in future periods. Those benefits include sick leave, life insurance and extended health and dental benefits for early retirees.

The cost of sick leave, life insurance and extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, inflation rates and discount rates.



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Asset Retirement Obligations

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

- i. There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- ii. It is expected that future economic benefits will be given up; and
- iii. A reasonable estimate of the amount can be made.

A liability has been recognized for the estimated future expenses related to asbestos removal in buildings owned by the Township. The liability is adjusted to reflect changes due to the passage of time, revisions in the timing or amount of the original undiscounted cash flow estimates, and fluctuations in the discount and inflation rates using present value techniques. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets.

The tangible capital assets impacted by the asset retirement obligations are being amortized along with the related asset in accordance with the amortization accounting policy outlined in note 2(f).

(k) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

All financial assets are assessed for impairment on an annual basis at the end of the fiscal year. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and adjusted through the statement of remeasurement gains and losses

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long term debt is recorded at cost.



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

The Standards require an organization to classify the fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets and liabilities.

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period.

(l) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period.

Actual results could differ from management's best estimates as additional information becomes available in the future. Key components of the financial statements requiring management to make estimates include allowance for doubtful debts, impairment of tangible capital assets, obsolescence of inventory, deferred revenue and accrued expenses.

3. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$180,490 (2023 - \$174,264) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

| | 2024 | 2023 |
|----------------------|----------------|----------------|
| Government of Canada | 234,090 | 260,252 |
| Province of Ontario | 36,519 | 32,705 |
| Other municipalities | 422,756 | 61,636 |
| Other receivables | 153,325 | 188,129 |
| | 846,690 | 542,722 |



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

5. DRAINAGE RECEIVABLE

The Township incurs costs to maintain and construct municipal drains which are recoverable from the benefiting landowners. In accordance with the Drainage Act, these costs can accumulate for a five year period prior to being invoiced. Drainage costs receivable represents accumulated drainage costs, which have not yet been invoiced to the benefiting landowners, and before Ministry grants and Municipal portions. The receivable also includes amounts that have been billed to the benefiting landowners, financed on taxes.

6. INVESTMENT IN EARTH CORPORATION

The Corporation of the Township of Norwich accounts for its 6.77% (2023 - 6.77%) equity position in EARTH Corporation at cost, as a portfolio investment. EARTH Corporation is incorporated under the laws of the Province of Ontario.

Upon review of the agreement and corporate structure effective January 1, 2024 it was determined that the Township's interest in EARTH Corporation no longer represents a government business enterprise. As a result, the Township has discontinued the modified equity method as of January 1, 2024 and began accounting for the investment as a portfolio investment. The carrying value of the investment at that date became the Township's cost of its portfolio investment in EARTH Corporation. Accumulated dividends received by the Township in subsequent periods that exceed its share of accumulated earnings for the period will be applied as a reduction of the carrying value of the investment.

The promissory note receivable from EARTH Corporation is unsecured and bears interest at 7.25%. The term of the note is undefined but no principal repayments are expected within the next twelve months.

EARTH Corporation prepares their financial statements in accordance with International Financial Reporting Standards (IFRS). The following summarizes the investment in EARTH Corporation:

| | 2024 | 2023 |
|---|------------------|------------------|
| Investment in common share of EARTH Corporation | 2,058,510 | 2,058,510 |
| Loan receivable from EARTH Corporation | 1,020,000 | 1,020,000 |
| Total investment in EARTH Corporation | <u>3,078,510</u> | <u>3,078,510</u> |



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

7. POST-EMPLOYMENT / RETIREMENT BENEFITS

The Township has obligations for amounts owing under various benefits programs. An actuarial valuation of these future liabilities was completed in April 2023 and forms the basis for the estimated liability reported in these financial statements.

The weighted average assumptions used in the valuation were as follows:

| | |
|---------------------------|----------------------|
| Discount rate | 4.60% |
| Healthcare cost increases | |
| Initial rate | 6.66% (2023 - 6.80%) |
| Ultimate rate | 4.00% |
| Dental care cost increase | 4.00% |

| Future Employee Benefits | 2024 | 2023 |
|---------------------------------|-------------|-------------|
| Opening liability | 416,500 | 424,200 |
| Interest cost | 19,100 | 19,400 |
| Current period benefit expense | 22,100 | 21,100 |
| Benefit payments | (48,000) | (48,200) |
| Liability as at December 31 | 409,700 | 416,500 |

8. DEFERRED REVENUES - OBLIGATORY RESERVE FUNDS

A requirement of 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 deferred revenue including obligatory reserves (consisting of Recreational Land - Planning Act, Development Charges, and Federal Gas Tax) of the Township are as follows:

| 2024 | Opening balance | Contributions received | Investment income | Revenue recognized | Ending balance |
|----------------------------------|------------------------|-------------------------------|--------------------------|---------------------------|-----------------------|
| Recreational land - Planning Act | 186,786 | 4,000 | 9,641 | - | 200,427 |
| Building | 71,650 | - | 3,655 | - | 75,305 |
| Development charges | 828,147 | 200,262 | 45,979 | 390,429 | 683,959 |
| Canada community building fund | 79,080 | 362,815 | 7,388 | 391,182 | 58,101 |
| Other | 5,415 | 9,694 | - | 5,415 | 9,694 |
| | 1,171,078 | 576,771 | 66,663 | 787,026 | 1,027,486 |



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

8. DEFERRED REVENUES - OBLIGATORY RESERVE FUNDS (Continued)

| 2023 | Opening balance | Contributions received | Investment income | Revenue recognized | Ending balance |
|----------------------------------|-----------------|------------------------|-------------------|--------------------|----------------|
| Recreational land - Planning Act | 176,390 | - | 10,396 | - | 186,786 |
| Building | 96,160 | - | 5,104 | 29,614 | 71,650 |
| Development charges | 1,215,253 | 370,363 | 77,668 | 835,137 | 828,147 |
| Canada community building fund | 380,069 | 364,068 | 29,578 | 694,635 | 79,080 |
| Other | 7,145 | 5,415 | - | 7,145 | 5,415 |
| | 1,875,017 | 739,846 | 122,746 | 1,566,531 | 1,171,078 |

Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

9. ASSET RETIREMENT OBLIGATIONS

The Township's asset retirement obligations consist of the following:

a) Asbestos obligations

The Township owns and operates various buildings known to contain asbestos. There is a legal obligation to remediate asbestos from these buildings when asbestos - containing material is disturbed or removed. In accordance with the adoption of PS 3280 - Asset Retirement Obligations, the Township recognized an obligation related to the removal of asbestos. Remaining useful lives are determined on an individual basis ranging from 24 to 50 years. The related asset retirement costs are discounted using a discount rate of 2.5% per annum.

Changes to the asset retirement obligation in 2024 and 2023 are as follows:

| | 2024 | 2023 |
|--|--------|--------|
| Balance, beginning of year | 83,917 | 81,870 |
| Increase in liability due to accretion expense | 2,097 | 2,047 |
| Balance, end of year | 86,014 | 83,917 |



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

10. NET LONG TERM LIABILITIES

(a) The balance of net long term liabilities reported on the consolidated statement of financial position is comprised of:

| | 2024 | 2023 |
|--|-----------|-----------|
| Long term liabilities incurred by the County of Oxford for which the Township has assumed responsibility for repayment | 2,651,496 | 3,004,034 |

(b) Of the long term liabilities reported above, principal payments are recoverable from general municipal revenues and are repayable as follows:

| | |
|------------|------------------|
| 2025 | 353,746 |
| 2026 | 284,988 |
| 2027 | 216,266 |
| 2028 | 217,580 |
| 2029 | 183,931 |
| Thereafter | 1,394,985 |
| | <u>2,651,496</u> |

The above long term liabilities have maturity dates ranging from 2026 to 2041 with interest rates varying between 1.99% and 4.91%.

(c) Interest expense paid on long term liabilities for the year was \$87,126 (2023 - \$100,074).

(d) The long term liabilities in part (a) have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayments and limits prescribed by the Ministry of Municipal Affairs and Housing.



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended December 31, 2024

11. TANGIBLE CAPITAL ASSETS

| | Land Improvements | Building and Structures | Infrastructure | Vehicles, Machinery and Equipment | Construction in Progress | Total 2024 |
|----------------------------|----------------------|----------------------------|----------------|--|-----------------------------|-------------|
| Cost | | | | | | |
| Balance, beginning of year | 4,433,973 | 23,724,380 | 41,307,584 | 9,474,743 | 716,183 | 79,656,863 |
| Additions during the year | 309,095 | 267,703 | 3,722,281 | 1,015,709 | 932,625 | 6,247,413 |
| Disposals during the year | (38,213) | (24,875) | (24,873) | (316,012) | (1,071,411) | (1,475,384) |
| Balance, end of year | 4,704,855 | 23,967,208 | 45,004,992 | 10,174,440 | 577,397 | 84,428,892 |

| | | | | | | |
|---|-----------|------------|------------|-----------|---------|------------|
| Accumulated Amortization | | | | | | |
| Balance, beginning of year | 1,048,017 | 5,948,961 | 27,419,152 | 4,364,428 | - | 38,780,558 |
| Amortization during the year | 82,234 | 488,711 | 1,081,465 | 616,576 | - | 2,268,986 |
| Accumulated amortization on disposal | (34,361) | (12,117) | (24,562) | (316,012) | - | (387,052) |
| Balance, end of year | 1,095,890 | 6,425,555 | 28,476,055 | 4,664,992 | - | 40,662,492 |
| Net Book Value of Tangible Capital Assets | 3,608,965 | 17,541,653 | 16,528,937 | 5,509,448 | 577,397 | 43,766,400 |

| | Land Improvements | Building and Structures | Infrastructure | Vehicles, Machinery and Equipment | Construction in Progress | Total 2023 |
|----------------------------|----------------------|----------------------------|----------------|--|-----------------------------|-------------|
| Cost | | | | | | |
| Balance, beginning of year | 4,369,414 | 21,203,464 | 40,189,298 | 9,751,224 | 2,800,945 | 78,314,345 |
| Additions during the year | 125,957 | 2,852,692 | 1,492,175 | 864,170 | 704,816 | 6,039,810 |
| Disposals during the year | (61,398) | (331,776) | (373,889) | (1,140,651) | (2,789,578) | (4,697,292) |
| Balance, end of year | 4,433,973 | 23,724,380 | 41,307,584 | 9,474,743 | 716,183 | 79,656,863 |

| | | | | | | |
|---|-----------|------------|------------|-------------|---------|-------------|
| Accumulated Amortization | | | | | | |
| Balance, beginning of year | 975,019 | 5,784,598 | 26,699,703 | 4,927,706 | - | 38,387,026 |
| Amortization during the year | 76,737 | 463,724 | 946,144 | 574,560 | - | 2,061,165 |
| Accumulated amortization on disposal | (3,739) | (299,361) | (226,695) | (1,137,838) | - | (1,667,633) |
| Balance, end of year | 1,048,017 | 5,948,961 | 27,419,152 | 4,364,428 | - | 38,780,558 |
| Net Book Value of Tangible Capital Assets | 3,385,956 | 17,775,419 | 13,888,432 | 5,110,315 | 716,183 | 40,876,305 |

a) Construction in progress:

Assets under construction in progress, having a value of \$577,397 (2023 - \$ 716,183), have not been amortized. Amortization of these assets will commence when the assets are put into service.

b) Contributed tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair market value at the date of contribution. The value of contributed assets received during the year is \$682,548 (2023 - \$37,971) and is comprised of infrastructure valued at \$682,548.

c) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$Nil (2023 - \$Nil).



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

12. ACCUMULATED SURPLUS

The Corporation of the Township of Norwich segregates its accumulated surplus into the following categories:

| | 2024 | 2023 |
|---|-------------------|-------------------|
| Investment in tangible capital assets | 43,766,400 | 40,876,305 |
| Long term liabilities | (2,651,496) | (3,004,034) |
| Net investment in tangible capital assets | 41,114,904 | 37,872,271 |
| Current funds | (438,031) | (501,177) |
| Reserve and reserve funds | | |
| Working funds | 202,300 | 202,300 |
| Operating purposes | 1,277,888 | 1,531,469 |
| Capital purposes | 8,390,565 | 7,971,724 |
| Specific purposes | 392 | 372 |
| Invested in EARTH Corporation (Note 6) | 3,078,510 | 3,078,510 |
| | 53,626,528 | 50,155,469 |

THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

13. GOVERNMENT TRANSFERS - FEDERAL

| | Budget 2024 <i>(Note 18)</i> | 2024 | 2023 |
|-----------|--|----------------|----------------|
| Operating | 2,000 | 1,560 | 1,500 |
| Capital | 364,067 | 391,182 | 694,635 |
| | 366,067 | 392,742 | 696,135 |

14. GOVERNMENT TRANSFERS - PROVINCIAL

| | Budget 2024 <i>(Note 18)</i> | 2024 | 2023 |
|-----------|--|------------------|------------------|
| Operating | 1,095,800 | 1,119,110 | 1,100,760 |
| Capital | 344,226 | 409,900 | 362,151 |
| | 1,440,026 | 1,529,010 | 1,462,911 |

15. OTHER INCOME

Other revenues are comprised of the following:

| | Budget 2024 <i>(Note 18)</i> | 2024 | 2023 |
|--|--|------------------|------------------|
| Penalties and interest on taxation | 130,000 | 159,250 | 145,609 |
| Investment income | 374,000 | 453,882 | 462,361 |
| Annexation adjustments | 138,000 | 140,222 | 140,399 |
| Gain (loss) on disposal of tangible capital assets | - | 54,846 | 199,842 |
| Interest and other income from EARTH Corporation | - | 48,742 | 229,239 |
| Deferred revenue earned | - | 390,429 | 835,136 |
| Donations | 10,000 | 29,387 | 124,132 |
| Contributed assets | - | 682,548 | 37,971 |
| | 652,000 | 1,959,306 | 2,174,689 |



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

16. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF OXFORD

Further to Note 2(d)(i), the taxation revenue collected and remitted on behalf of the school boards and the County of Oxford totalled:

| | 2024 | 2023 |
|------------------|-------------------|-------------------|
| School boards | 3,450,101 | 3,403,703 |
| County of Oxford | 8,728,460 | 7,521,588 |
| | 12,178,561 | 10,925,291 |

17. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent full-time members of its staff. OMERS 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 rate of pay. The OMERS pension plan has a deficit. If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

Municipality service payments for 2024 totalled \$347,460 (2023 - \$327,521), which are reflected in expenditures on the Consolidated Statement of Operations. As at December 31, 2024, the municipality had no past service obligations to the plan.



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

18. BUDGET FIGURES

The budget by-law adopted by Council on February 22, 2024, was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis to be used. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the Consolidated Statements of Operations represent the budget adopted by Council on February 22, 2024 with adjustments as follows:

| | 2024 | 2023 |
|---|-------------|-------------|
| Budget by-law surplus for the year | - | - |
| Add: | | |
| Budgeted capital expenditures for tangible capital asset purchase | 4,714,751 | 3,846,800 |
| Budgeted transfer to reserves and reserve funds | 3,388,825 | 2,668,110 |
| Principal payments | 352,538 | 351,363 |
| Less: | | |
| Budgeted transfer from reserves and reserve funds | (4,222,047) | (3,386,954) |
| Amortization | (2,268,986) | (2,061,165) |
| Budgeted surplus per Consolidated Statement of Operations | 1,965,081 | 1,418,154 |

19. LIABILITY FOR CONTAMINATED SITES

The Township is responsible for a vacant lot in the Town of Norwich where a site assessment has confirmed that contamination exists that exceeds an environmental standard. The site is not likely to affect public health and safety, cause damage, or otherwise impair the quality of the surrounding environment. There is an indication that the site may naturally rehabilitate itself over time. Due to these factors, the Township does not expect to remediate the site. The site will continue to be monitored as part of the Township's ongoing environmental protection program.

20. CONTRACTUAL OBLIGATIONS

The Township has entered into an agreement with the Ontario Provincial Police (OPP) to provide policing services, which expires on December 31, 2025, policing costs are determined annually. In 2024 the OPP contract approximated \$1,584,840 (2023 - \$1,548,120).



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

21. CONTINGENT LIABILITIES

As at December 31, 2024, there are legal claims commenced against the Township that remain outstanding. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are undeterminable. For the claims against the Township, the amount and nature of the possible outcome is not determinable at this time and, as a result, no provision has been made in the financial statements.

22. CONTRACTUAL RIGHTS

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Township's contractual rights consist of contracts entered into for operating leases.

Effective January 1, 2018 the Township entered into an annexation agreement with a neighbouring municipality. The agreement allows for compensation as a percentage of annual levied taxes on annexed properties with the potential for additional compensation as expansion on those properties occurs.

23. COMPARATIVE INFORMATION

Certain of the prior year's figures, provided for purposes of comparison, have been reclassified to conform with the current year's presentation.

THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

24. SEGMENTED INFORMATION

The Corporation of the Township of Norwich is a municipality that provides a wide range of services to its residents. The major services chosen for segmented disclosure are the four departments that consume the greatest amount of the Township's total operating expenses. The revenue and expenses reported for each segment includes directly attributable amounts as well as internal charges and recoveries allocated on a reasonable basis.

A description of each major service and the activities each provide are as follows:

General government

The general government includes council and corporate management.

Protection services

The protection services includes fire, police, protection inspection and control, animal control, and emergency measures.

Transportation services

The transportation services department is responsible for the safe and efficient movement of people and goods within the Township of Norwich. Responsibilities include road construction and maintenance, traffic signals and signs, winter control, developing parking and traffic by-laws, and implementation and maintenance of street lighting.

Recreation and cultural services

The recreation and cultural services department is responsible for the development and upkeep of community parks and community halls and recreation facilities.

THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

| Year ended December 31, 2024 | General Government | Protection Services | Transportation Services | Recreation and Cultural Services | Other Services [1] | Total 2024 |
|--|-----------------------|------------------------|----------------------------|--|-----------------------|---------------|
| Revenue | | | | | | |
| Government transfers - Federal | - | - | 391,182 | 1,560 | - | 392,742 |
| Government transfers - Provincial | - | 43,291 | 404,805 | - | 1,080,914 | 1,529,010 |
| User charges | 22,263 | 284,947 | 38,485 | 340,978 | 1,131,270 | 1,817,943 |
| Other income (Note 15) | 164,297 | - | - | - | 1,795,009 | 1,959,306 |
| | 186,560 | 328,238 | 834,472 | 342,538 | 4,007,193 | 5,699,001 |
| Expenses | | | | | | |
| Salaries, wages, and benefits | 1,267,061 | 1,245,540 | 1,237,437 | 865,872 | 728,220 | 5,344,130 |
| Materials | 754,192 | 424,533 | 1,078,052 | 454,689 | 611,125 | 3,322,591 |
| Contractor Services | 138,651 | 1,703,499 | 555,987 | 44,378 | 101,437 | 2,543,952 |
| External transfers | - | - | - | 58,750 | - | 58,750 |
| Financial expenses | 8,028 | 377 | - | 7,912 | - | 16,317 |
| Interest on long-term liabilities | - | 40,231 | 23,321 | 12,054 | - | 75,606 |
| Amortization | 83,188 | 398,192 | 1,466,317 | 304,660 | 16,629 | 2,268,986 |
| | 2,251,120 | 3,812,372 | 4,361,114 | 1,748,315 | 1,457,411 | 13,630,332 |
| Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy | (2,064,560) | (3,484,134) | (3,526,642) | (1,405,777) | 2,549,782 | (7,931,331) |
| Taxation revenue | | | | | | 11,402,390 |
| Annual surplus | | | | | | 3,471,059 |

[1] Other services - Revenue includes amounts not allocated to specific segments.
Expenses include health services and planning and development.



THE CORPORATION OF THE TOWNSHIP OF NORWICH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

| Year ended December 31, 2023 | General Government | Protection Services | Transportation Services | Recreation and Cultural Services | Other Services [1] | Total 2023 |
|--|-----------------------|------------------------|----------------------------|--|-----------------------|---------------|
| Revenue | | | | | | |
| Government transfers - Federal | - | - | 694,635 | 1,500 | - | 696,135 |
| Government transfers - Provincial | - | 42,955 | 357,152 | - | 1,062,804 | 1,462,911 |
| User charges | 31,179 | 303,857 | 34,740 | 305,067 | 1,116,845 | 1,791,688 |
| Other income (Note 15) | 140,399 | - | - | - | 2,034,290 | 2,174,689 |
| | 171,578 | 346,812 | 1,086,527 | 306,567 | 4,213,939 | 6,125,423 |
| Expenses | | | | | | |
| Salaries, wages, and benefits | 1,182,222 | 1,274,610 | 1,143,136 | 827,952 | 639,915 | 5,067,835 |
| Materials | 532,010 | 454,057 | 1,228,354 | 502,111 | 456,254 | 3,172,786 |
| Contractor Services | 180,562 | 1,720,372 | 692,497 | 47,671 | 41,964 | 2,683,066 |
| External transfers | - | - | - | 61,237 | - | 61,237 |
| Financial expenses | 7,187 | 368 | - | 7,748 | - | 15,303 |
| Interest on long-term liabilities | - | 49,759 | 28,735 | 21,581 | - | 100,075 |
| Amortization | 81,439 | 366,110 | 1,306,025 | 291,490 | 16,101 | 2,061,165 |
| | 1,983,420 | 3,865,276 | 4,398,747 | 1,759,790 | 1,154,234 | 13,161,467 |
| Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy | (1,811,842) | (3,518,464) | (3,312,220) | (1,453,223) | 3,059,705 | (7,036,044) |
| Taxation revenue | | | | | | 10,162,364 |
| Annual surplus | | | | | | 3,126,320 |

[1] Other services - Revenue includes amounts not allocated to specific segments.
Expenses include health services and planning and development.

