

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
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YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Melancthon, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Melancthon as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Guelph, Ontario
June 15, 2017

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	\$ 1,928,805	\$ 2,130,659
Taxes receivable	761,543	726,126
Accounts receivable	222,769	254,828
Long term receivables (note 3)	<u>50,488</u>	<u>95,077</u>
	<u>2,963,605</u>	<u>3,206,690</u>
LIABILITIES		
Operating loans (note 4)	2,000	242,000
Accounts payable and accrued liabilities	562,265	564,548
Landfill closure and post-closure liabilities (note 5)	238,327	227,520
Long term debt (note 6)	651,030	761,939
Deferred revenue - obligatory reserve funds (note 7)	547,933	523,718
Deferred revenue - other	<u>0</u>	<u>4,183</u>
	<u>2,001,555</u>	<u>2,323,908</u>
NET FINANCIAL ASSETS	<u>962,050</u>	<u>882,782</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	10,483,752	10,431,958
Inventory	22,411	22,411
Prepaid expenses	<u>50,170</u>	<u>49,634</u>
	<u>10,556,333</u>	<u>10,504,003</u>
ACCUMULATED SURPLUS (schedule 3)	<u>\$ 11,518,383</u>	<u>\$ 11,386,785</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Budget (note 9)	2016 Actual	2015 Actual
REVENUES			
Taxation	\$ 2,124,379	\$ 2,126,960	\$ 1,969,972
User charges	20,505	81,165	47,092
Grants (note 11)	289,868	306,005	567,497
Other income (note 12)	721,586	775,422	768,841
Loss on disposal of tangible capital assets	0	(206,594)	(2,076)
Obligatory reserve fund revenue recognized (note 7)	<u>200,000</u>	<u>113,183</u>	<u>107,920</u>
	<u>3,356,338</u>	<u>3,196,141</u>	<u>3,459,246</u>
EXPENSES (schedule 1)			
General government	499,272	461,813	482,389
Protection to persons and property	642,384	650,908	646,639
Transportation services	1,631,589	1,654,566	1,699,742
Environmental services	27,757	41,045	37,293
Health services	0	2,661	2,865
Recreation and cultural services	109,628	143,131	170,397
Planning and development	<u>130,000</u>	<u>110,419</u>	<u>117,335</u>
	<u>3,040,630</u>	<u>3,064,543</u>	<u>3,156,660</u>
ANNUAL SURPLUS	<u>\$ 315,708</u>	<u>\$ 131,598</u>	<u>\$ 302,586</u>
ACCUMULATED SURPLUS at beginning of year		\$11,386,785	\$11,084,199
Annual surplus		<u>131,598</u>	<u>302,586</u>
ACCUMULATED SURPLUS at end of year		<u>\$11,518,383</u>	<u>\$11,386,785</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Budget (note 9)	2016 Actual	2015 Actual
ANNUAL SURPLUS	\$ <u>315,708</u>	\$ <u>131,598</u>	\$ <u>302,586</u>
Acquisition of tangible capital assets	(915,000)	(909,021)	(1,056,687)
Amortization of tangible capital assets	620,907	645,398	620,907
Loss on disposal of tangible capital assets	0	206,594	2,076
Proceeds on sale of tangible capital assets	0	1,500	0
Consolidated boards opening changes (schedule 2)	<u>0</u>	<u>3,735</u>	<u>7,117</u>
	<u>(294,093)</u>	<u>(51,794)</u>	<u>(426,587)</u>
Use of (additions to) inventories	0	0	(231)
Use of (additions to) prepaid expenses	<u>0</u>	<u>(536)</u>	<u>(122)</u>
	<u>0</u>	<u>(536)</u>	<u>(353)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	\$ <u>21,615</u>	79,268	(124,354)
NET FINANCIAL ASSETS at beginning of year		<u>882,782</u>	<u>1,007,136</u>
NET FINANCIAL ASSETS at end of year		\$ <u>962,050</u>	\$ <u>882,782</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual surplus	\$ <u>131,598</u>	\$ <u>302,586</u>
Items not requiring an outlay of cash		
Amortization	645,398	620,907
Loss on disposal of tangible capital assets	206,594	2,076
Change in landfill closure and post-closure liabilities	<u>10,807</u>	<u>10,318</u>
	<u>862,799</u>	<u>633,301</u>
Net changes in non-cash working capital		
Taxes receivable	(35,417)	(27,272)
Accounts receivable	32,059	38,145
Prepaid expenses	(536)	(122)
Accounts payable and accrued liabilities	(2,283)	48,607
Inventory	0	(231)
Deferred revenue	<u>20,032</u>	<u>77,125</u>
	<u>13,855</u>	<u>136,252</u>
	<u>1,008,252</u>	<u>1,072,139</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(909,021)	(1,056,687)
Consolidated boards opening change in amortization (schedule 2)	3,735	7,117
Proceeds on disposal of tangible capital assets	<u>1,500</u>	<u>0</u>
	<u>(903,786)</u>	<u>(1,049,570)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
(Repayment of) proceeds from temporary borrowing	(240,000)	120,000
(Repayment of) proceeds from long term debt	<u>(110,909)</u>	<u>311,457</u>
	<u>(350,909)</u>	<u>431,457</u>
CASH PROVIDED BY INVESTING ACTIVITIES		
Repayment of long term receivables	<u>44,589</u>	<u>3,575</u>
NET (DECREASE) INCREASE IN CASH	(201,854)	457,601
CASH, beginning of year	<u>2,130,659</u>	<u>1,673,058</u>
CASH, end of year	\$ <u>1,928,805</u>	\$ <u>2,130,659</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of the Township of Melancthon are the representation of management prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board of CPA Canada. Significant accounting policies adopted by The Corporation of the Township of Melancthon are as follows:

(a) BASIS OF CONSOLIDATION

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

All interfund assets, liabilities, revenues and expenses have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Horning's Mills Cemetery Board
St. Paul's Cemetery Board
Horning's Mills Community Park
Horning's Mills Community Hall

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnerships are reflected in the consolidated financial statements:

Shelburne and District Fire Department	14.95% (2015 - 15.35%)
Mulmur-Melancthon Volunteer Fire Department	20.86% (2015 - 20.98%)

(b) BASIS OF ACCOUNTING

(i) Sources of financing and expenditures are reported on the accrual basis of accounting. The interest charges are not accrued for the periods from the dates of the latest instalment payments to the end of the financial year.

(ii) The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future. Significant areas requiring management's estimates include amortization of tangible capital assets and landfill post-closure liabilities.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CREDIT RISK MANAGEMENT

The municipality is exposed to credit risk on the taxes receivable from its ratepayers.

The municipality does not have a significant exposure to any individual customer or counterpart.

(e) TRUST FUNDS

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds' statement of continuity and statement of financial position.

(f) TEMPORARY INVESTMENTS

Temporary investments are recorded at amortized cost unless there has been a decline in the market value, which is other than temporary in nature, in which case the investments are written down to market.

(g) INVENTORY

Inventory held for consumption is recorded at the lower of cost and replacement cost.

(h) REVENUE RECOGNITION

Revenues are recognized as follows:

Taxation revenue is recognized in the period in which the tax is levied.

Fees and user charges are recognized when the related service is provided.

Obligatory reserve fund revenues are recognized based on the terms of the grant or in the year that the related expenses occur.

Other income is recognized when receivable and collection is reasonably assured.

(i) COUNTY AND SCHOOL BOARDS

The municipality collects taxation revenue on behalf of the school boards and the County of Dufferin. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Dufferin are not reflected in these financial statements.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) **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 revenues over expenses, provides the change in net financial assets for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital asset is amortized on a straight-line basis over their estimated useful life as follows:

Land improvements	10 to 50 years
Facilities	15 to 100 years
Vehicles and machinery	5 to 50 years
Equipment	5 to 75 years
Infrastructure - Environmental	3 to 75 years
Infrastructure - Transportation	3 to 75 years

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

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

(iii) 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 expenses as incurred.

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
Unrestricted cash	\$ 1,351,026	\$ 1,577,156
Unrestricted temporary investments	<u>50,846</u>	<u>50,785</u>
	1,401,872	1,627,941
Restricted cash	<u>526,933</u>	<u>502,718</u>
	<u>\$ 1,928,805</u>	<u>\$ 2,130,659</u>

Cash includes \$732,365 (2015 - \$1,109,133) held in one account at a chartered bank. Interest is earned on this account at a rate of 0.10% if the balance is between \$100,000 and \$249,999 and 0.25% if the balance is between \$250,000 and \$400,000.

Temporary investments consist of various GICs with interest rates ranging from 0.50% to 2.20%.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. LONG TERM RECEIVABLES

The responsibility for payment of principal and interest charges of the tile drainage loans has been assumed by individuals.

Three loans are charged interest at a rate of 6% and become due in 2019 - 2025

2016	2015
\$ <u>50,488</u>	\$ <u>95,077</u>

Principal payments for the next five years are as follows:

2017	\$ 7,066
2018	7,490
2019	7,939
2020	4,013
2021	4,254
Thereafter	<u>19,726</u>
	<u>\$ 50,488</u>

4. OPERATING LOANS

The operating loans are due on demand and bear interest at the bank's prime rate, calculated and payable monthly. At December 31, 2016, the municipality had undrawn credit capacity of \$498,000 (2015 - \$8,000).

5. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

Effective June 1, 2013, the County of Dufferin assumed the landfill from the municipality and the landfill site ceased active operations and stopped accepting solid waste from ratepayers. No estimate of the existing liability based on the landfill capacity used up until the assumption date is available. Therefore, the estimates in the report dated 2008 will be used until an updated report is available. The liability for the landfill site is recorded at \$238,327 and represents the present value of closure and post-closure costs for 62% of the current site's opened cells, using an average long term borrowing rate of 4.75%. The liability is recorded based on the capacity of the landfill used to date. The total estimated future expenses for closure and post-closure care are \$387,162 leaving an amount to be recognized in future periods of \$148,835. The estimated remaining capacity of the site's opened cells is approximately 140,700 tonnes, which was expected to be filled in 11 years. Post-closure care is estimated to continue for a period of 25 years.

The municipality has established a reserve fund to assist in financing the future costs of closure and post-closure liabilities. At December 31, 2016, there was \$82,851 available in the reserve.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

6. LONG TERM DEBT

The balance of long term liabilities reported on the consolidated statement of financial position is made up of the following:

	2016	2015
Loan payable, 3.180%, repayable in monthly instalments of \$3,409 principal and interest, due December 2025	\$ 319,709	\$ 350,000
Tile drainage loans, 6%, annual payments of principal and interest ranging from \$4,402 - \$6,793, due between 2019 - 2025	50,488	95,077
Loan payable, 2.862%, repayable in monthly instalments of \$2,720 principal and interest, due January 2017	154,729	182,505
Loan payable, 3.63%, repayable in semi-annual instalments of \$6,528 principal and interest, due December 2028	<u>126,104</u>	<u>134,357</u>
	<u>\$ 651,030</u>	<u>\$ 761,939</u>

Principal payments required on the loans payable for the next five years are as follows:

2017	\$ 75,410
2018	77,983
2019	80,649
2020	79,005
2021	<u>81,610</u>
	394,657
Thereafter	<u>256,373</u>
	<u>\$ 651,030</u>

7. DEFERRED REVENUE

	2016 Opening	Contributions Received	Investment Income	Revenue Recognized	2016 Ending
Obligatory Reserve Funds					
Development charges	\$ 449,916	\$ 47,372	\$ 3,228	\$ (13,183)	\$ 487,333
Recreational land	4,373	0	31	0	4,404
Subdivider - park levies	21,000	0	0	0	21,000
Federal Gas Tax	<u>48,429</u>	<u>86,315</u>	<u>452</u>	<u>(100,000)</u>	<u>35,196</u>
	<u>\$ 523,718</u>	<u>\$ 133,687</u>	<u>\$ 3,711</u>	<u>\$ (113,183)</u>	<u>\$ 547,933</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

8. TANGIBLE CAPITAL ASSETS

	Net 2016	Net 2015
General		
Land	\$ 418,357	\$ 418,357
Land improvements	36,060	36,449
Facilities	473,082	452,033
Vehicles	1,062,340	1,117,747
Equipment	168,501	150,385
Infrastructure		
Transportation	8,229,007	8,158,839
Environmental	<u>96,405</u>	<u>98,148</u>
	<u>\$10,483,752</u>	<u>\$10,431,958</u>

9. BUDGET AMOUNTS

The budgeted figures are presented for comparison purposes as prepared and approved by council, reclassified to conform to the current financial statement presentation. The budget figures were prepared on a cash basis of accounting and have been restated to conform to the accrual basis of accounting on which the actual figures have been reported.

10. OPERATIONS OF THE SCHOOL BOARDS AND THE COUNTY OF DUFFERIN

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Dufferin:

	2016	2015
School boards	\$ 1,159,262	\$ 1,154,297
County of Dufferin	<u>1,732,664</u>	<u>1,697,610</u>
	<u>\$ 2,891,926</u>	<u>\$ 2,851,907</u>

11. GRANTS

	2016 Budget (note 9)	2016 Actual	2015 Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership			
Fund (OMPF)	\$ 176,300	\$ 176,300	\$ 207,300
Conditional - roads	38,000	52,557	46,447
Conditional - other	<u>70,568</u>	<u>72,075</u>	<u>308,697</u>
	<u>284,868</u>	<u>300,932</u>	<u>562,444</u>
Other municipalities - roads	<u>5,000</u>	<u>5,073</u>	<u>5,053</u>
	<u>\$ 289,868</u>	<u>\$ 306,005</u>	<u>\$ 567,497</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

12. OTHER INCOME

	2016 Budget (note 9)	2016 Actual	2015 Actual
Penalties and interest on taxation	\$ 100,000	\$ 102,845	\$ 106,230
Other fines and penalties	21,300	29,720	32,249
Investment income	8,000	15,310	16,086
Licenses, permits and rents	8,050	24,188	8,130
Donations	0	14,839	1,835
Sale of publications, equipment, etc.	1,000	411	2,164
Plateau community contributions	30,598	30,598	28,946
Dufferin Wind community contributions	243,638	248,511	264,201
CHD community contributions	<u>309,000</u>	<u>309,000</u>	<u>309,000</u>
	<u>\$ 721,586</u>	<u>\$ 775,422</u>	<u>\$ 768,841</u>

13. TRUST FUNDS

The trust funds administered by the municipality amounting to \$36,789 (2015 - \$34,437) have not been included in the consolidated statement of financial position, nor have the operations been included in the consolidated statement of operations. The trust fund balances are as follows:

	2016	2015
Cemetery care and maintenance funds	\$ 34,788	\$ 32,436
Subdividers' deposits	<u>2,001</u>	<u>2,001</u>
	<u>\$ 36,789</u>	<u>\$ 34,437</u>

14. PENSION AGREEMENTS

The municipality joined Ontario Municipal Employees Retirement Systems (OMERS) during the year, which is a multi-employer plan, on behalf of 7 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 2016 was \$20,143. Amounts paid for current service have been included as an expenditure on the Consolidated Statement of Operations.

There are no past service contribution obligations.

15. DEVELOPER AGREEMENTS

As part of various developer agreements, the municipality has received Letters of Credit to cover developers' responsibilities in completing the projects as well as covering unpaid municipal levies. Letters of Credit held by the municipality at December 31, 2016 amount to \$3,598,000.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

16. SEGMENTED INFORMATION

The Corporation of the Township of Melancthon is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, sewer, water, waste collection, disposal and recycling, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This item relates to the revenues and expenses that relate to the governance and operations of the municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection, conservation authority, emergency measures, animal control and building and structural inspection. The police services ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

Transportation

Transportation is responsible for construction and maintenance of the municipality's roadways, bridges, parking areas and streetlights.

Environmental

Environmental services consist of providing waste collection, disposal and recycling to its citizens.

Health

Health services includes contributions to the operations of local cemeteries.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains parks and arenas. The municipality also provides library services and recreational programs.

Planning and Development

This department is responsible for planning and zoning, including the Official Plan. This service area also includes tourist information and promotion, business improvement area, weed control and drainage.

17. COMMITMENTS

The municipality entered into a contribution agreement with a company that provides commercial generation of electricity in the Township of Melancthon.

- i) Phase I of the project consists of 45 wind turbine generators. The company will pay the sum of \$45,000 to the Township of Melancthon on or before March 31 for each year from 2007 through and including 2026.
- ii) Phase II of the project consists of 66 wind turbine generators. The company will pay the sum of \$264,000 to the Township of Melancthon on or before November for each year from 2009 through and including 2028.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 1

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Services	Planning and Development	2016	2015
EXPENSES									
Salaries and benefits	\$ 337,975	\$ 65,634	\$ 419,130	\$ 0	\$ 0	\$ 0	\$ 0	\$ 822,739	\$ 787,631
Materials	78,773	75,530	630,058	393	2,661	4,369	2,512	794,296	946,645
Contracted services	27,092	428,132	1,266	32,889	0	0	103,717	593,096	587,292
Rents and financial expenses	450	0	0	0	0	0	0	450	(1,029)
Interest on long term debt	4,803	0	15,491	6,020	0	0	4,190	30,504	27,770
Amortization	11,270	41,613	588,621	1,743	0	2,151	0	645,398	620,907
Transfers	<u>1,450</u>	<u>39,999</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>136,611</u>	<u>0</u>	<u>178,060</u>	<u>187,444</u>
	<u>\$ 461,813</u>	<u>\$ 650,908</u>	<u>\$1,654,566</u>	<u>\$ 41,045</u>	<u>\$ 2,661</u>	<u>\$ 143,131</u>	<u>\$ 110,419</u>	<u>\$3,064,543</u>	<u>\$3,156,660</u>

See notes to the consolidated financial statements

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 2

	Land	Land Improvements	Facilities	Vehicles	Equipment	Infrastructure: Transportation	Infrastructure: Environmental	2016	2015
COST									
Balance, beginning of year	\$ 418,357	\$ 57,557	\$ 773,531	\$ 2,441,473	\$ 304,949	\$15,058,992	\$ 117,426	\$19,172,285	\$18,350,252
Additions during the year	0	865	17,288	55,626	49,207	769,815	0	892,801	1,056,687
Disposals during the year	0	0	(14,532)	(31,216)	(51,484)	(941,719)	0	(1,038,951)	(234,654)
Assets under construction	0	0	16,220	0	0	0	0	16,220	0
Balance, end of year	<u>418,357</u>	<u>58,422</u>	<u>792,507</u>	<u>2,465,883</u>	<u>302,672</u>	<u>14,887,088</u>	<u>117,426</u>	<u>19,042,355</u>	<u>19,172,285</u>
ACCUMULATED AMORTIZATION									
Balance, beginning of year	0	21,108	321,498	1,323,726	154,564	6,900,153	19,278	8,740,327	8,344,881
Amortization	0	1,254	12,459	111,033	27,356	491,553	1,743	645,398	620,907
Consolidated boards opening changes	0	0	0	0	3,735	0	0	3,735	7,117
Accumulated amortization on disposals	0	0	(14,532)	(31,216)	(51,484)	(733,625)	0	(830,857)	(232,578)
Balance, end of year	<u>0</u>	<u>22,362</u>	<u>319,425</u>	<u>1,403,543</u>	<u>134,171</u>	<u>6,658,081</u>	<u>21,021</u>	<u>8,558,603</u>	<u>8,740,327</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	<u>\$ 418,357</u>	<u>\$ 36,060</u>	<u>\$ 473,082</u>	<u>\$ 1,062,340</u>	<u>\$ 168,501</u>	<u>\$ 8,229,007</u>	<u>\$ 96,405</u>	<u>\$10,483,752</u>	<u>\$10,431,958</u>

See notes to the consolidated financial statements

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Schedule 3

	2016	2015
SURPLUSES		
Invested in tangible capital assets	\$ 9,832,722	\$ 9,765,097
Unfunded solid waste closure and post-closure costs	(238,327)	(227,513)
General surplus	719,115	746,601
Police Services Board	1,954	2,239
Other	966	966
Cemeteries	76,748	70,814
Recreation, community centres and arenas	123,632	105,603
Fire boards	<u>9,042</u>	<u>8,201</u>
	<u>10,525,852</u>	<u>10,472,008</u>
RESERVE FUNDS		
Working funds	101,217	75,558
Insurance, sick leave, WSIB	35,833	31,455
Replacement of equipment	99,587	98,890
Quarry	110,244	109,465
Capital purposes	<u>259,687</u>	<u>221,341</u>
	<u>606,568</u>	<u>536,709</u>
RESERVES		
Working funds	221,328	213,433
Capital purposes	<u>164,635</u>	<u>164,635</u>
	<u>385,963</u>	<u>378,068</u>
	<u>\$ 11,518,383</u>	<u>\$ 11,386,785</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON

SCHEDULE OF HORNING'S MILLS CEMETERY BOARD

Schedule 4

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 14,533	\$ 9,093
Due from Cemetery Care and Maintenance Fund	9,200	9,172
Accrued interest receivable	440	427
HST receivable	202	375
Temporary investments	<u>6,933</u>	<u>6,933</u>
ACCUMULATED SURPLUS	\$ <u>31,308</u>	\$ <u>26,000</u>

STATEMENT OF OPERATIONS		
REVENUE		
Grant - Township of Melancthon	\$ 2,500	\$ 2,500
Donations	400	25
Interest	44	63
Sale of plots and markers	<u>4,450</u>	<u>600</u>
	<u>7,394</u>	<u>3,188</u>
EXPENSES		
Maintenance	1,485	3,163
Supplies	<u>601</u>	<u>1,130</u>
	<u>2,086</u>	<u>4,293</u>
ANNUAL SURPLUS (DEFICIT)	5,308	(1,105)
ACCUMULATED SURPLUS, beginning of year	<u>26,000</u>	<u>27,105</u>
ACCUMULATED SURPLUS, end of year	\$ <u>31,308</u>	\$ <u>26,000</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON

SCHEDULE OF ST. PAUL'S CEMETERY BOARD

Schedule 5

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 1,344	\$ 778
Accrued interest receivable	182	184
Temporary investments	<u>43,914</u>	<u>43,852</u>
ACCUMULATED SURPLUS	<u>\$ 45,440</u>	<u>\$ 44,814</u>

STATEMENT OF OPERATIONS		
REVENUE		
Interest	\$ <u>632</u>	\$ <u>1,094</u>
EXPENSES		
Administration	<u>6</u>	<u>5</u>
ANNUAL SURPLUS	626	1,089
ACCUMULATED SURPLUS, beginning of year	<u>44,814</u>	<u>43,725</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 45,440</u>	<u>\$ 44,814</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF HORNING'S MILLS COMMUNITY PARK
 FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 6

	2016	2015
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 2,307	\$ 2,236
HST receivable	<u>837</u>	<u>872</u>
NET FINANCIAL ASSETS	<u>3,144</u>	<u>3,108</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>13,610</u>	
ACCUMULATED SURPLUS	<u>\$ 16,754</u>	<u>\$ 16,718</u>

STATEMENT OF OPERATIONS		
REVENUE		
Donations	\$ 40	\$ 604
Grant - Township of Melancthon	3,250	2,500
Other income	<u>110</u>	<u>0</u>
	<u>3,400</u>	<u>3,104</u>
EXPENSES		
Administration	2,969	3,198
Hydro	<u>395</u>	<u>428</u>
	<u>3,364</u>	<u>3,626</u>
ANNUAL SURPLUS (DEFICIT)	36	(522)
ACCUMULATED SURPLUS, beginning of year	<u>16,718</u>	<u>17,240</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 16,754</u>	<u>\$ 16,718</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
SCHEDULE OF HORNING'S MILLS COMMUNITY HALL
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 7

	2016	2015
STATEMENT OF FINANCIAL POSITION		
FINANCIAL ASSETS		
Cash	\$ 30,035	\$ 22,375
Accounts receivable	890	1,486
HST receivable	<u>0</u>	<u>3</u>
	<u>30,925</u>	<u>23,864</u>
LIABILITIES		
Deferred revenue	<u>0</u>	<u>4,183</u>
NET FINANCIAL ASSETS	<u>30,925</u>	<u>19,681</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>75,953</u>	<u>82,817</u>
ACCUMULATED SURPLUS	<u>\$ 106,878</u>	<u>\$ 102,498</u>

STATEMENT OF OPERATIONS		
REVENUE		
Fundraising and user charges	\$ 17,981	\$ 8,126
Grant - Township of Melancthon	700	5,000
Grant - Trillium	4,183	0
Interest	104	131
Donations	<u>14,439</u>	<u>1,810</u>
	<u>37,407</u>	<u>15,067</u>
EXPENSES		
Supplies and maintenance	16,045	7,384
Hydro and fuel	3,410	3,408
Telephone	462	451
Fundraising	5,489	1,796
Amortization	6,863	6,863
Other	<u>758</u>	<u>1,072</u>
	<u>33,027</u>	<u>20,974</u>
ANNUAL SURPLUS (DEFICIT)	4,380	(5,907)
ACCUMULATED SURPLUS, beginning of year	<u>102,498</u>	<u>108,405</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 106,878</u>	<u>\$ 102,498</u>



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position and continuity of the trust funds of The Corporation of the Township of Melancthon as at December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the Township of Melancthon as at December 31, 2016 and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'RLB LLP'.

Guelph, Ontario
June 15, 2017

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON - TRUST FUNDS

STATEMENT OF FINANCIAL POSITION AND CONTINUITY

AS AT DECEMBER 31, 2016

	Horning's Mills Cemetery	St. Paul's Cemetery	Subdividers' Deposits
STATEMENT OF FINANCIAL POSITION - 2016			
Cash	\$ 15,809	\$ 0	\$ 0
Investments	19,346	8,833	0
Due from the Township of Melancthon	0	0	2,001
Due to cemetery general funds	<u>(9,200)</u>	<u>0</u>	<u>0</u>
FUND BALANCE	<u>\$ 25,955</u>	<u>\$ 8,833</u>	<u>\$ 2,001</u>

STATEMENT OF CONTINUITY - 2016			
BALANCE, BEGINNING OF YEAR	<u>\$ 23,793</u>	<u>\$ 8,643</u>	<u>\$ 2,001</u>
RECEIPTS			
Interest earned	262	190	0
Plot sales	<u>1,900</u>	<u>0</u>	<u>0</u>
	<u>2,162</u>	<u>190</u>	<u>0</u>
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
BALANCE, END OF YEAR	<u>\$ 25,955</u>	<u>\$ 8,833</u>	<u>\$ 2,001</u>

STATEMENT OF FINANCIAL POSITION - 2015			
Cash	\$ 13,724	\$ 0	\$ 0
Investments	19,241	8,643	0
Due from the Township of Melancthon	0	0	2,001
Due to cemetery general funds	<u>(9,172)</u>	<u>0</u>	<u>0</u>
FUND BALANCE	<u>\$ 23,793</u>	<u>\$ 8,643</u>	<u>\$ 2,001</u>

STATEMENT OF CONTINUITY - 2015			
BALANCE, BEGINNING OF YEAR	<u>\$ 23,421</u>	<u>\$ 7,960</u>	<u>\$ 2,001</u>
RECEIPTS			
Interest earned	<u>393</u>	<u>683</u>	<u>0</u>
EXPENDITURES			
Bank charges	<u>21</u>	<u>0</u>	<u>0</u>
BALANCE, END OF YEAR	<u>\$ 23,793</u>	<u>\$ 8,643</u>	<u>\$ 2,001</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON - TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the trust funds of The Corporation of the Township of Melancthon are the representation of management prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board of CPA Canada. Significant accounting policies adopted by The Corporation of the Township of Melancthon are as follows:

(a) BASIS OF ACCOUNTING

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.