

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 15
Consolidated Schedule of Segmented Disclosure	16
Consolidated Schedule of Tangible Capital Assets	17
Consolidated Schedule of Accumulated Surplus	18
Schedule of Horning's Mills Cemetery Board	19
Schedule of St. Paul's Cemetery Board	20
Schedule of Horning's Mills Community Park	21
Schedule of Horning's Mills Community Hall	22
TRUST FUNDS	
INDEPENDENT AUDITOR'S REPORT	23
FINANCIAL STATEMENTS	
Statement of Financial Position and Continuity	24
Notes to the Financial Statements	25



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Corporation of the Township of Melancthon, which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2018 and the results of its operations and its cash flows 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 Corporation of the Township of Melancthon 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 corporation's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the corporation'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.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities-consolidated. This description forms part of our auditor's report.

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

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	\$ 3,785,811	\$ 2,984,966
Taxes receivable	668,784	668,265
Accounts receivable	165,374	163,790
Long term receivables (note 3)	<u>154,139</u>	<u>93,422</u>
	<u>4,774,108</u>	<u>3,910,443</u>
LIABILITIES		
Accounts payable and accrued liabilities	867,979	892,716
Landfill closure and post-closure liabilities (note 5)	233,914	249,647
Long term debt (note 6)	615,845	625,620
Deferred revenue - obligatory reserve funds (note 7)	664,986	533,135
Deferred revenue - other	<u>40,307</u>	<u>0</u>
	<u>2,423,031</u>	<u>2,301,118</u>
NET FINANCIAL ASSETS	<u>2,351,077</u>	<u>1,609,325</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	10,590,940	10,553,756
Inventory	24,669	10,636
Prepaid expenses	<u>51,954</u>	<u>49,216</u>
	<u>10,667,563</u>	<u>10,613,608</u>
ACCUMULATED SURPLUS (schedule 3)	<u>\$ 13,018,640</u>	<u>\$ 12,222,933</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 Budget (note 8)	2018 Actual	2017 Actual
REVENUES			
Taxation	\$ 2,564,268	\$ 2,594,922	\$ 2,350,171
User charges	25,205	119,250	70,831
Grants (note 10)	359,790	381,389	476,501
Other income (note 11)	748,285	834,273	833,232
Loss on disposal of tangible capital assets	0	(41,671)	0
Obligatory reserve fund revenue recognized (note 7)	<u>60,000</u>	<u>60,000</u>	<u>180,000</u>
	<u>3,757,548</u>	<u>3,948,163</u>	<u>3,910,735</u>
EXPENSES (schedule 1)			
General government	595,319	518,933	482,166
Protection to persons and property	700,920	632,440	659,899
Transportation services	2,274,496	1,633,392	1,731,350
Environmental services	26,118	7,272	37,473
Health services	0	3,049	4,311
Recreation and cultural services	230,878	274,888	180,816
Planning and development	<u>96,880</u>	<u>82,482</u>	<u>110,170</u>
	<u>3,924,611</u>	<u>3,152,456</u>	<u>3,206,185</u>
ANNUAL (DEFICIT) SURPLUS	\$ <u>(167,063)</u>	\$ <u>795,707</u>	\$ <u>704,550</u>
ACCUMULATED SURPLUS at beginning of year		\$12,222,933	\$11,518,383
Annual surplus		<u>795,707</u>	<u>704,550</u>
ACCUMULATED SURPLUS at end of year		<u>\$13,018,640</u>	<u>\$12,222,933</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 Budget (note 8)	2018 Actual	2017 Actual
ANNUAL SURPLUS	\$ <u>(167,063)</u>	\$ <u>795,707</u>	\$ <u>704,550</u>
Acquisition of tangible capital assets	(682,000)	(811,767)	(874,999)
Amortization of tangible capital assets	645,398	729,613	805,678
Loss on disposal of tangible capital assets	0	41,671	0
Consolidated boards opening changes (schedule 2)	<u>0</u>	<u>3,298</u>	<u>(683)</u>
	<u>(36,602)</u>	<u>(37,185)</u>	<u>(70,004)</u>
Use of (additions to) inventories	0	(14,032)	11,775
Use of (additions to) prepaid expenses	<u>0</u>	<u>(2,738)</u>	<u>954</u>
	<u>0</u>	<u>(16,770)</u>	<u>12,729</u>
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	\$ <u>(203,665)</u>	741,752	647,275
NET FINANCIAL ASSETS at beginning of year		<u>1,609,325</u>	<u>962,050</u>
NET FINANCIAL ASSETS at end of year		\$ <u>2,351,077</u>	\$ <u>1,609,325</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual surplus	\$ <u>795,707</u>	\$ <u>704,550</u>
Items not requiring an outlay of cash		
Amortization	729,613	805,678
Loss on disposal of tangible capital assets	41,671	0
Change in landfill closure and post-closure liabilities	<u>(15,733)</u>	<u>11,320</u>
	<u>755,551</u>	<u>816,998</u>
Net changes in non-cash working capital		
Taxes receivable	(519)	93,278
Accounts receivable	(1,584)	58,979
Prepaid expenses	(2,738)	954
Accounts payable and accrued liabilities	(24,737)	330,451
Inventory	(14,032)	11,775
Deferred revenue	<u>172,158</u>	<u>(14,798)</u>
	<u>128,548</u>	<u>480,639</u>
	<u>1,679,806</u>	<u>2,002,187</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(811,767)	(874,999)
Consolidated boards opening change in amortization (schedule 2)	<u>3,298</u>	<u>(683)</u>
	<u>(808,469)</u>	<u>(875,682)</u>
CASH USED IN FINANCING ACTIVITIES		
Net change in temporary borrowing	0	(2,000)
Net change in long term debt	<u>(9,775)</u>	<u>(25,410)</u>
	<u>(9,775)</u>	<u>(27,410)</u>
CASH USED IN INVESTING ACTIVITIES		
Net change in long term receivables	<u>(60,717)</u>	<u>(42,934)</u>
NET INCREASE IN CASH	800,845	1,056,161
CASH, beginning of year	<u>2,984,966</u>	<u>1,928,805</u>
CASH, end of year	<u>\$ 3,785,811</u>	<u>\$ 2,984,966</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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) **ACKNOWLEDGEMENT OF RESPONSIBILITY**

The management of The Corporation of the Township of Melancthon acknowledges its responsibility for the creation and compilation of the consolidated financial statements and the following significant accounting policy decisions and related policy notes.

(b) **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	14.65% (2017 - 15.02%)
Mulmur-Melancthon Volunteer Fire Department	23.32% operating, 50.00% capital (2017 - 23.31%, 50.00% capital)
North Dufferin Community Centre	50.00% (2017 - N/A)

(c) **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.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) INVENTORY

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

(i) 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.

(j) 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. See note 9 for details.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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

	2018	2017
Unrestricted cash	\$ 3,090,979	\$ 2,421,985
Unrestricted temporary investments	<u>50,846</u>	<u>50,846</u>
	3,141,825	2,472,831
Restricted cash	<u>643,986</u>	<u>512,135</u>
	<u>\$ 3,785,811</u>	<u>\$ 2,984,966</u>

Cash includes \$1,944,779 (2017 - \$1,494,133) 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 0.5% to 1.7% (2017 - 0.5% to 2.2%) maturing between June 2019 and June 2022 (2017 - June 2018 to June 2022).

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

3. LONG TERM RECEIVABLES

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

	2018	2017
Three loans are charged interest at a rate of 6% and become due in 2019 - 2028	\$ <u>154,139</u>	\$ <u>93,422</u>

Principal payments for the next five years are as follows:

2019	\$ 17,423
2020	14,066
2021	14,910
2022	15,804
2023	16,753
Thereafter	<u>75,183</u>
	<u>\$ 154,139</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, 2018, the municipality had undrawn credit capacity of \$500,000 (2017 - \$500,000).

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 \$233,914 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 \$379,993 leaving an amount to be recognized in future periods of \$146,079. The estimated remaining capacity of the site's opened cells is approximately 140,700 tonnes, which was expected to be filled in 9 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, 2018, there was \$105,004 available in the reserve.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6. LONG TERM DEBT

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

	2018	2017
Loan payable, 3.18%, repayable in monthly instalments of \$3,409 principal and interest, due December 2025	\$ 256,317	\$ 288,516
Tile drainage loans, 6%, annual payments of principal and interest ranging from \$4,402 - \$6,793, due between 2019 - 2027	154,139	93,422
Loan payable, 2.862%, repayable in monthly instalments of \$2,720 principal and interest, due January 2022	96,711	126,135
Loan payable, 3.63%, repayable in semi-annual instalments of \$6,528 principal and interest, due December 2028	<u>108,678</u>	<u>117,547</u>
	<u>\$ 615,845</u>	<u>\$ 625,620</u>

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

2019	\$ 84,670
2020	83,268
2021	86,128
2022	59,326
2023	<u>58,214</u>
	371,606
Thereafter	<u>244,239</u>
	<u>\$ 615,845</u>

7. DEFERRED REVENUE

	2018 Opening	Contributions Received	Investment Income	Revenue Recognized	2018 Ending
Obligatory Reserve Funds					
Development charges	\$ 444,134	\$ 89,557	\$ 8,020	\$ 0	\$ 541,711
Recreational land	24,448	2,500	370	0	27,318
Subdivider - park levies	21,000	0	0	0	21,000
Federal Gas Tax	<u>43,553</u>	<u>90,425</u>	<u>979</u>	<u>(60,000)</u>	<u>74,957</u>
	<u>\$ 533,135</u>	<u>\$ 182,482</u>	<u>\$ 9,369</u>	<u>\$ (60,000)</u>	<u>\$ 664,986</u>

8. 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.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

9. 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:

	2018	2017
School boards	\$ 1,209,675	\$ 1,178,336
County of Dufferin	<u>1,884,141</u>	<u>1,797,270</u>
	<u>\$ 3,093,816</u>	<u>\$ 2,975,606</u>

10. GRANTS

	2018 Budget (note 8)	2018 Actual	2017 Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 174,500	\$ 174,500	\$ 162,000
Conditional - roads	50,000	57,347	51,986
Conditional - other	<u>130,190</u>	<u>121,636</u>	<u>257,371</u>
	<u>354,690</u>	<u>353,483</u>	<u>471,357</u>
Other municipalities - recreation	0	22,639	0
Other municipalities - roads	<u>5,100</u>	<u>5,267</u>	<u>5,144</u>
	<u>5,100</u>	<u>27,906</u>	<u>5,144</u>
	<u>\$ 359,790</u>	<u>\$ 381,389</u>	<u>\$ 476,501</u>

11. OTHER INCOME

	2018 Budget (note 8)	2018 Actual	2017 Actual
Penalties and interest on taxation	\$ 100,000	\$ 96,672	\$ 106,961
Other fines and penalties	27,070	39,176	30,815
Investment income	10,000	43,876	17,130
Licenses, permits and rents	20,650	34,096	30,621
Donations and fundraising	0	13,818	3,198
Sale of publications, equipment, etc.	500	20	48,041
Dufferin County Emergency Readiness Fund	0	6,000	0
Plateau community contributions	33,065	33,065	33,985
Dufferin Wind community contributions	248,000	258,550	253,481
CHD community contributions	<u>309,000</u>	<u>309,000</u>	<u>309,000</u>
	<u>\$ 748,285</u>	<u>\$ 834,273</u>	<u>\$ 833,232</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

12. TRUST FUNDS

The trust funds administered by the municipality amounting to \$40,673 (2017 - \$39,014) 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:

	2018	2017
Cemetery care and maintenance funds	\$ 38,672	\$ 37,013
Subdividers' deposits	<u>2,001</u>	<u>2,001</u>
	<u>\$ 40,673</u>	<u>\$ 39,014</u>

13. PENSION AGREEMENTS

The municipality joined Ontario Municipal Employees Retirement Systems (OMERS), which is a multi-employer plan, in 2016 on behalf of 11 members (2017 - 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 2018 was \$49,158 (2017 - \$45,030). Amounts paid for current service have been included as an expenditure on the Consolidated Statement of Operations.

There are no past service contribution obligations.

14. 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, 2018 amount to \$3,921,617.

15. 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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 ratepayers 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 ratepayers 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 ratepayers.

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 residents. 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.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 1

	General Government	Protection Services	Transpor- tation Services	Environ- mental Services	Health Services	Recreation Services	Planning and Development	2018	2017
EXPENSES									
Salaries and benefits	\$ 358,571	\$ 71,144	\$ 439,211	\$ 0	\$ 0	\$ 29,784	\$ 0	\$ 898,710	\$ 852,968
Materials	112,352	94,095	517,327	0	3,049	80,371	0	807,194	720,786
Contracted services	31,431	373,973	516	3,325	0	0	76,877	486,122	615,498
Rents and financial expenses	1,093	0	0	0	0	0	0	1,093	351
Interest on long term debt	4,187	0	11,934	0	0	0	5,605	21,726	21,299
Amortization	9,749	49,333	664,404	3,947	0	2,180	0	729,613	805,678
Transfers	<u>1,550</u>	<u>43,895</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>162,553</u>	<u>0</u>	<u>207,998</u>	<u>189,605</u>
	<u>\$ 518,933</u>	<u>\$ 632,440</u>	<u>\$ 1,633,392</u>	<u>\$ 7,272</u>	<u>\$ 3,049</u>	<u>\$ 274,888</u>	<u>\$ 82,482</u>	<u>\$ 3,152,456</u>	<u>\$ 3,206,185</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, 2018

Schedule 2

	Land	Land Improvements	Facilities	Vehicles	Equipment	Infrastructure: Transportation	Infrastructure: Environmental	2018	2017
COST									
Balance, beginning of year	\$ 441,857	\$ 58,421	\$ 908,014	\$ 2,394,273	\$ 460,975	\$ 15,816,980	\$ 117,426	\$ 20,197,946	\$ 19,379,090
Additions during the year	0	10,612	8,393	55,108	48,357	689,297	0	811,767	874,999
Consolidated boards opening changes	0	0	0	(5,761)	(1,862)	0	0	(7,623)	1,415
Disposals during the year	0	0	0	0	(17,281)	(210,806)	0	(228,087)	(57,558)
Balance, end of year	<u>441,857</u>	<u>69,033</u>	<u>916,407</u>	<u>2,443,620</u>	<u>490,189</u>	<u>16,295,471</u>	<u>117,426</u>	<u>20,774,003</u>	<u>20,197,946</u>
ACCUMULATED AMORTIZATION									
Balance, beginning of year	0	24,297	332,171	1,533,987	168,705	7,562,266	22,764	9,644,190	8,895,338
Amortization	0	1,608	14,011	42,245	109,390	560,724	1,635	729,613	805,678
Consolidated boards opening changes	0	0	0	(3,460)	(865)	0	0	(4,325)	732
Accumulated amortization on disposals	0	0	0	0	(13,332)	(173,083)	0	(186,415)	(57,558)
Balance, end of year	<u>0</u>	<u>25,905</u>	<u>346,182</u>	<u>1,572,772</u>	<u>263,898</u>	<u>7,949,907</u>	<u>24,399</u>	<u>10,183,063</u>	<u>9,644,190</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 441,857</u>	<u>\$ 43,128</u>	<u>\$ 570,225</u>	<u>\$ 870,848</u>	<u>\$ 226,291</u>	<u>\$ 8,345,564</u>	<u>\$ 93,027</u>	<u>\$ 10,590,940</u>	<u>\$ 10,553,756</u>

See notes to the consolidated financial statements

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS
AS AT DECEMBER 31, 2018

Schedule 3

	2018	2017
SURPLUSES		
Invested in tangible capital assets	\$ 10,129,234	\$ 9,928,136
General surplus	1,149,152	719,115
Unfunded solid waste closure and post-closure costs	(233,914)	(249,647)
Recreation, community centres and arenas	93,202	104,547
Cemeteries	84,541	81,993
Fire boards	10,083	13,717
Police Services Board	2,003	1,972
Other	<u>966</u>	<u>966</u>
	<u>11,235,267</u>	<u>10,600,799</u>
RESERVE FUNDS		
Capital purposes	287,785	326,403
Quarry	112,914	111,190
Working funds	103,668	102,086
Replacement of equipment	251,998	100,441
Landfill closure	105,004	93,558
Insurance, sick leave, WSIB	48,575	42,355
Special emergency relief	<u>10,075</u>	<u>5,000</u>
	<u>920,019</u>	<u>781,033</u>
RESERVES		
Working funds	688,629	668,629
Capital purposes	<u>174,725</u>	<u>172,472</u>
	<u>863,354</u>	<u>841,101</u>
	<u>\$ 13,018,640</u>	<u>\$ 12,222,933</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF HORNING'S MILLS CEMETERY BOARD
 FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 4

	2018	2017
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 21,574	\$ 19,080
Due from Cemetery Care and Maintenance Fund	9,250	9,228
Temporary investments	6,933	6,933
Accrued interest receivable	617	514
HST receivable	<u>0</u>	<u>162</u>
ACCUMULATED SURPLUS	<u>\$ 38,374</u>	<u>\$ 35,917</u>

STATEMENT OF OPERATIONS		
REVENUE		
Grant - Township of Melancthon	\$ 0	\$ 2,500
Donations	1,279	0
Interest	318	293
Sale of plots and markers	<u>3,257</u>	<u>3,203</u>
	<u>4,854</u>	<u>5,996</u>
EXPENSES		
Maintenance	2,397	1,178
Supplies	<u>0</u>	<u>209</u>
	<u>2,397</u>	<u>1,387</u>
ANNUAL SURPLUS	2,457	4,609
ACCUMULATED SURPLUS, beginning of year	<u>35,917</u>	<u>31,308</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 38,374</u>	<u>\$ 35,917</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF ST. PAUL'S CEMETERY BOARD
 FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 5

	2018	2017
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 2,057	\$ 1,962
Accrued interest receivable	190	200
Temporary investments	<u>43,914</u>	<u>43,914</u>
ACCUMULATED SURPLUS	<u>\$ 46,161</u>	<u>\$ 46,076</u>

STATEMENT OF OPERATIONS		
REVENUE		
Interest	\$ <u>737</u>	\$ <u>642</u>
EXPENSES		
Administration	<u>652</u>	<u>6</u>
ANNUAL SURPLUS	85	636
ACCUMULATED SURPLUS, beginning of year	<u>46,076</u>	<u>45,440</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 46,161</u>	<u>\$ 46,076</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF HORNING'S MILLS COMMUNITY PARK
 FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 6

	2018	2017
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 7,478	\$ 4,855
HST receivable	<u>818</u>	<u>686</u>
NET FINANCIAL ASSETS	<u>8,296</u>	<u>5,541</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>13,610</u>	<u>13,610</u>
ACCUMULATED SURPLUS	<u>\$ 21,906</u>	<u>\$ 19,151</u>

STATEMENT OF OPERATIONS		
REVENUE		
Donations	\$ 50	\$ 1,661
Grant - Township of Melancthon	4,000	4,500
Other income	2,588	12
Rent	<u>0</u>	<u>210</u>
	<u>6,638</u>	<u>6,383</u>
EXPENSES		
Administration	3,541	3,606
Hydro	<u>342</u>	<u>380</u>
	<u>3,883</u>	<u>3,986</u>
ANNUAL SURPLUS	2,755	2,397
ACCUMULATED SURPLUS, beginning of year	<u>19,151</u>	<u>16,754</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 21,906</u>	<u>\$ 19,151</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF HORNING'S MILLS COMMUNITY HALL
 FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 7

	2018	2017
STATEMENT OF FINANCIAL POSITION		
FINANCIAL ASSETS		
Cash	\$ 41,931	\$ 34,348
Accounts receivable	<u>1,263</u>	<u>476</u>
	<u>43,194</u>	<u>34,824</u>
LIABILITIES		
Deferred revenue	<u>200</u>	<u>0</u>
NET FINANCIAL ASSETS	<u>42,994</u>	<u>34,824</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>62,226</u>	<u>69,089</u>
ACCUMULATED SURPLUS	<u>\$ 105,220</u>	<u>\$ 103,913</u>

STATEMENT OF OPERATIONS		
REVENUE		
Fundraising and user charges	\$ 12,829	\$ 9,331
Grant - Township of Melancthon	5,000	5,000
Interest	753	115
Donations	<u>100</u>	<u>3,198</u>
	<u>18,682</u>	<u>17,644</u>
EXPENSES		
Supplies and maintenance	3,650	8,082
Hydro and fuel	3,507	3,259
Telephone	462	838
Fundraising	1,063	1,056
Amortization	6,863	6,863
Other	<u>1,830</u>	<u>511</u>
	<u>17,375</u>	<u>20,609</u>
ANNUAL SURPLUS (DEFICIT)	1,307	(2,965)
ACCUMULATED SURPLUS, beginning of year	<u>103,913</u>	<u>106,878</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 105,220</u>	<u>\$ 103,913</u>



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the trust funds of The Corporation of the Township of Melancthon, which comprise the statement of financial position as at December 31, 2018 and the statements of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2018 and the results of its operations 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 The Corporation of the Township of Melancthon 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is responsible for assessing the trust fund's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the trust funds or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities. This description forms part of our auditor's report.

Guelph, Ontario
June 20, 2019

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, 2018

	Horning's Mills Cemetery	St. Paul's Cemetery	Subdividers' Deposits
STATEMENT OF FINANCIAL POSITION - 2018			
Cash	\$ 18,308	\$ 0	\$ 0
Investments	19,346	10,268	0
Due from the Township of Melancthon	0	0	2,001
Due to cemetery general funds	<u>(9,250)</u>	<u>0</u>	<u>0</u>
FUND BALANCE	<u>\$ 28,404</u>	<u>\$ 10,268</u>	<u>\$ 2,001</u>

STATEMENT OF CONTINUITY - 2018			
BALANCE, BEGINNING OF YEAR	<u>\$ 28,059</u>	<u>\$ 8,954</u>	<u>\$ 2,001</u>
RECEIPTS			
Interest earned	<u>345</u>	<u>1,314</u>	<u>0</u>
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
BALANCE, END OF YEAR	<u>\$ 28,404</u>	<u>\$ 10,268</u>	<u>\$ 2,001</u>

STATEMENT OF FINANCIAL POSITION - 2017			
Cash	\$ 17,941	\$ 0	\$ 0
Investments	19,346	8,954	0
Due from the Township of Melancthon	0	0	2,001
Due to cemetery general funds	<u>(9,228)</u>	<u>0</u>	<u>0</u>
FUND BALANCE	<u>\$ 28,059</u>	<u>\$ 8,954</u>	<u>\$ 2,001</u>

STATEMENT OF CONTINUITY - 2017			
BALANCE, BEGINNING OF YEAR	<u>\$ 25,955</u>	<u>\$ 8,833</u>	<u>\$ 2,001</u>
RECEIPTS			
Interest earned	48	121	0
Plot sales	<u>2,056</u>	<u>0</u>	<u>0</u>
	<u>2,104</u>	<u>121</u>	<u>0</u>
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
BALANCE, END OF YEAR	<u>\$ 28,059</u>	<u>\$ 8,954</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, 2018

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.