

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

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
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YEAR ENDED DECEMBER 31, 2023

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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 consolidated financial statements of The Corporation of the Township of Melancthon, which comprise the consolidated statement of financial position as at December 31, 2023 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, 2023 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 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 corporation'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 corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Guelph, Ontario
July 18, 2024

Chartered Professional Accountants
Licensed Public Accountants

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

	2023	2022
FINANCIAL ASSETS		
Cash and portfolio investments (note 2)	\$ 4,964,565	\$ 5,382,309
Taxes receivable	876,439	767,518
Accounts receivable	575,638	235,494
Long term receivables (note 3)	<u>44,487</u>	<u>53,069</u>
	<u>6,461,129</u>	<u>6,438,390</u>
LIABILITIES		
Operating loans (note 4)	310,000	20,000
Accounts payable and accrued liabilities	971,048	833,499
Asset retirement obligation (note 5)	295,002	281,625
Long term debt (note 6)	182,748	239,688
Deferred revenue - obligatory reserve funds (note 7)	1,056,180	1,143,419
Deferred revenue - other	<u>57,161</u>	<u>57,161</u>
	<u>2,872,139</u>	<u>2,575,392</u>
NET FINANCIAL ASSETS	<u>3,588,990</u>	<u>3,862,998</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	13,177,123	12,194,985
Inventories	62,706	40,483
Prepaid expenses	<u>104,968</u>	<u>93,712</u>
	<u>13,344,797</u>	<u>12,329,180</u>
ACCUMULATED SURPLUS (schedule 3)	<u>\$ 16,933,787</u>	<u>\$ 16,192,178</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 Budget (note 8)	2023 Actual	2022 Actual
REVENUES			
Taxation	\$ 3,146,383	\$ 3,141,688	\$ 2,976,569
User charges	60,600	197,601	133,936
Grants (note 10)	411,794	434,974	488,821
Other income (note 11)	820,650	1,263,040	877,309
Loss on disposal of tangible capital assets	0	(61,202)	(68,239)
Obligatory reserve fund revenue recognized (note 7)	<u>383,000</u>	<u>392,065</u>	<u>204,500</u>
	<u>4,822,427</u>	<u>5,368,166</u>	<u>4,612,896</u>
EXPENSES (schedule 1)			
General government	791,524	788,758	745,222
Protection to persons and property	930,848	849,219	777,211
Transportation services	2,282,994	2,450,187	2,102,102
Environmental services	27,865	39,255	32,376
Recreation and cultural services	237,857	441,384	334,416
Planning and development	<u>220,000</u>	<u>57,754</u>	<u>84,615</u>
	<u>4,491,088</u>	<u>4,626,557</u>	<u>4,075,942</u>
ANNUAL SURPLUS	<u>\$ 331,339</u>	<u>\$ 741,609</u>	<u>\$ 536,954</u>
ACCUMULATED SURPLUS at beginning of year		\$ 16,192,178	\$ 15,655,224
Annual surplus		<u>741,609</u>	<u>536,954</u>
ACCUMULATED SURPLUS at end of year		<u>\$ 16,933,787</u>	<u>\$ 16,192,178</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 Budget (note 8)	2023 Actual	2022 Actual
ANNUAL SURPLUS	\$ <u>331,339</u>	\$ <u>741,609</u>	\$ <u>536,954</u>
Acquisition of tangible capital assets	(2,185,000)	(1,964,269)	(1,556,751)
Amortization of tangible capital assets	889,019	918,747	889,019
Loss on disposal of tangible capital assets	0	61,202	68,239
Proceeds on sale of tangible capital assets	0	0	3,277
Consolidated boards opening changes (schedule 2)	<u>0</u>	<u>2,182</u>	<u>3,490</u>
	<u>(1,295,981)</u>	<u>(982,138)</u>	<u>(592,726)</u>
Use of (additions to) inventories	0	(22,223)	0
Use of (additions to) prepaid expenses	<u>0</u>	<u>(11,256)</u>	<u>(12,106)</u>
	<u>0</u>	<u>(33,479)</u>	<u>(12,106)</u>
CHANGE IN NET FINANCIAL ASSETS	\$ <u>(964,642)</u>	(274,008)	(67,878)
NET FINANCIAL ASSETS at beginning of year		<u>3,862,998</u>	<u>3,930,876</u>
NET FINANCIAL ASSETS at end of year		\$ <u>3,588,990</u>	\$ <u>3,862,998</u>

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

	2023	2022
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual surplus	\$ <u>741,609</u>	\$ <u>536,954</u>
Items not requiring an outlay of cash		
Amortization	918,747	889,019
Loss on disposal of tangible capital assets	61,202	68,239
Change in asset retirement obligation	<u>13,377</u>	<u>12,770</u>
	<u>993,326</u>	<u>970,028</u>
Net changes in non-cash working capital		
Taxes receivable	(108,921)	(114,460)
Accounts receivable	(340,144)	(8,307)
Prepaid expenses	(11,256)	(12,106)
Inventories	(22,223)	0
Accounts payable and accrued liabilities	137,549	105,934
Deferred revenue - obligatory reserve funds	(87,239)	77,562
Deferred revenue - other	<u>0</u>	<u>47,161</u>
	<u>(432,234)</u>	<u>95,784</u>
	<u>1,302,701</u>	<u>1,602,766</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,964,269)	(1,556,751)
Consolidated boards opening change in amortization (schedule 2)	2,182	3,490
Proceeds on disposal of tangible capital assets	<u>0</u>	<u>3,277</u>
	<u>(1,962,087)</u>	<u>(1,549,984)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Operating loans	290,000	20,000
Net change in long term debt	<u>(56,940)</u>	<u>(58,124)</u>
	<u>233,060</u>	<u>(38,124)</u>
CASH PROVIDED BY INVESTING ACTIVITIES		
Net change in long term receivables	<u>8,582</u>	<u>8,096</u>
NET (DECREASE) INCREASE IN CASH AND PORTFOLIO INVESTMENTS	(417,744)	22,754
CASH AND PORTFOLIO INVESTMENTS, beginning of year	<u>5,382,309</u>	<u>5,359,555</u>
CASH AND PORTFOLIO INVESTMENTS, end of year	<u>\$ 4,964,565</u>	<u>\$ 5,382,309</u>

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

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	14.40% (2022 - 14.55%)
Mulmur-Melancthon Volunteer Fire Department	23.46% operating, 50.00% capital (2022 - 23.68%, 50.00% capital)
North Dufferin Community Centre	50.00% operating (2022 - 50.00% operating)

(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, 2023

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 closure and 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) PORTFOLIO INVESTMENTS

Portfolio 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) INVENTORIES

Inventories are held for consumption and are 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.

User charges are recognized when the related service is provided.

Grants and 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, 2023

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	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.

(l) FINANCIAL INSTRUMENTS

The municipality classifies all of its financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. These financial instruments include cash and portfolio investments, accounts receivable, long term receivables, accounts payable and accrued liabilities, and long term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Writedowns of financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net realizable value with the writedown being recognized in the consolidated statement of operations.

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

2. CASH AND PORTFOLIO INVESTMENTS

	2023	2022
Unrestricted cash	\$ 3,873,428	\$ 4,213,339
Unrestricted portfolio investments	<u>12,889</u>	<u>46,551</u>
	3,886,317	4,259,890
Restricted cash	<u>1,078,248</u>	<u>1,122,419</u>
	<u>\$ 4,964,565</u>	<u>\$ 5,382,309</u>

Unrestricted cash includes \$2,402,766 (2022 - \$2,523,765) held in one account at a chartered bank. Interest is earned on this account at a rate of prime less 2.05% (2022 - prime less 2.05%).

Portfolio investments consist of various GICs with interest rates ranging from 1.50% to 4.50% (2022 - 0.85% to 4.15%) maturing between June 2024 to June 2028 (2022 - June 2023 to June 2027).

3. LONG TERM RECEIVABLES

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

	2023	2022
Two loans are charged interest at a rate of 6% and become due in 2027 - 2028	\$ <u>44,487</u>	\$ <u>53,069</u>

Principal payments for the next five years are as follows:

2024	\$ 9,097
2025	9,643
2026	10,221
2027	10,835
2028	<u>4,691</u>
	<u>\$ 44,487</u>

4. OPERATING LOANS

The operating loans are due on demand and bear interest at a rate of prime less 0.75%, calculated and payable monthly. At December 31, 2023, the municipality had undrawn credit capacity of \$190,000 (2022 - \$480,000).

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

5. ASSET RETIREMENT OBLIGATION

Asset retirement obligation 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 \$295,002 (2022 - \$281,625) 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 \$479,232 (2022 - \$457,500) leaving an amount to be recognized in future periods of \$184,230 (2022 - \$175,875). The estimated remaining capacity of the site's opened cells is approximately 140,700 tonnes, which was expected to be filled in 4 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, 2023, there was \$168,431 available in the reserve fund.

6. LONG TERM DEBT

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

	2023	2022
Loan payable, 3.18%, repayable in monthly instalments of \$3,409 principal and interest, due December 2025, unsecured	\$ 79,048	\$ 116,789
Tile drainage loans, 6%, annual payments of principal and interest ranging from \$4,973 - \$6,793, due between 2027 - 2028	44,487	53,069
Loan payable, 3.63%, repayable in semi-annual instalments of \$6,528 principal and interest, due December 2028, unsecured	<u>59,213</u>	<u>69,830</u>
	<u>\$ 182,748</u>	<u>\$ 239,688</u>

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

2024	\$ 59,062
2025	61,142
2026	22,048
2027	23,095
2028	<u>17,401</u>
	<u>\$ 182,748</u>

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

7. DEFERRED REVENUE

	2023 Opening	Contributions Received	Investment Income	Revenue Recognized	2023 Ending
Obligatory Reserve Funds					
Development charges	\$ 1,059,367	\$ 148,089	\$ 52,563	\$ (230,828)	\$ 1,029,191
Recreational land	27,716	0	1,365	(26,237)	2,844
Subdivider - park levies	21,000	0	0	0	21,000
Federal Gas Tax	<u>35,336</u>	<u>99,547</u>	<u>3,262</u>	<u>(135,000)</u>	<u>3,145</u>
	<u>\$ 1,143,419</u>	<u>\$ 247,636</u>	<u>\$ 57,190</u>	<u>\$ (392,065)</u>	<u>\$ 1,056,180</u>

8. BUDGET AMOUNTS

The budget figures are presented for comparison purposes as prepared and approved by council, reclassified to conform to the current financial statement presentation. The budgeted figures are prepared on the cash basis of accounting and have been restated to conform to the accrual basis of accounting on which the actual figures are reported. The following chart reconciles the approved budget with the budget figures as presented in these consolidated financial statements:

Revenue

Approved budget	\$ 5,835,427
Transfer from reserve funds, net	<u>(1,013,000)</u>
Total revenues	<u>4,822,427</u>

Expenses

Approved budget	5,835,427
Acquisition of tangible capital assets	(2,185,000)
Debt principal repayments	(48,358)
Amortization	<u>889,019</u>
Total expenses	<u>4,491,088</u>

ANNUAL SURPLUS	<u>\$ 331,339</u>
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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:

	2023	2022
School boards	\$ 1,280,021	\$ 1,233,577
County of Dufferin	<u>2,353,032</u>	<u>2,223,986</u>
	<u>\$ 3,633,053</u>	<u>\$ 3,457,563</u>

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

10. GRANTS

	2023 Budget (note 8)	2023 Actual	2022 Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 175,300	\$ 175,300	\$ 176,500
Conditional - roads	115,000	97,967	118,882
Conditional - other	<u>115,052</u>	<u>128,479</u>	<u>150,090</u>
	<u>405,352</u>	<u>401,746</u>	<u>445,472</u>
Other municipalities - recreation	0	33,228	37,322
Other municipalities - roads	<u>6,442</u>	<u>0</u>	<u>6,027</u>
	<u>6,442</u>	<u>33,228</u>	<u>43,349</u>
	<u>\$ 411,794</u>	<u>\$ 434,974</u>	<u>\$ 488,821</u>

11. OTHER INCOME

	2023 Budget (note 8)	2023 Actual	2022 Actual
Penalties and interest on taxation	\$ 105,000	\$ 116,680	\$ 107,398
Other fines and penalties	45,730	61,825	45,151
Investment income	45,000	229,977	79,182
Licenses, permits and rents	16,920	32,639	22,042
Sale of publications, equipment, etc.	0	4,399	0
Plateau community contributions	35,000	36,763	34,673
Dufferin Wind community contributions	264,000	285,460	279,863
CHD community contributions	309,000	309,000	309,000
Drainage works	<u>0</u>	<u>186,297</u>	<u>0</u>
	<u>\$ 820,650</u>	<u>\$ 1,263,040</u>	<u>\$ 877,309</u>

12. PENSION AGREEMENTS

The municipality joined Ontario Municipal Employees Retirement Systems (OMERS), which is a multi-employer plan, in 2016. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2023 was \$70,224 (2022 - \$71,236) on behalf of 11 members (2022 - 11 members) of its staff. Amounts paid for current services have been included as an expenditure on the Consolidated Statement of Operations. There are no past service contribution obligations.

The OMERS financial statements reported \$128.8 billion in net assets available for benefits (2022 - \$124.4 billion), \$134.6 billion as the defined benefit accrued pension obligation (2022 - \$128.8 billion) and a defined benefit funding deficit of \$4.2 billion (2022 - \$6.7 billion).

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

13. TRUST FUNDS

The trust funds administered by the municipality amounting to \$46,884 (2022 - \$44,998) have not been included in the consolidated statement of financial position, nor have the operations been included in the consolidated statement of operations.

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, 2023 amount to \$1,907,783.

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.

16. FINANCIAL INSTRUMENT RISK MANAGEMENT

Credit Risk

The municipality is exposed to credit risk through the possibility of non-collection of accounts receivable. The majority of its receivables are from ratepayers and government entities. For accounts receivable, the municipality measures impairment based on how long the amounts have been outstanding. For amounts outstanding greater than 91 days, an impairment allowance may be set up. The amounts outstanding at year end, which is the municipality's maximum exposure to credit risk related to accounts receivable, were as follows:

	0 - 30 days	31 - 90 days	91 - 365 days	1 - 2 years	3 - 5 years
Taxes receivable	\$ 0	\$ 0	\$ 552,409	\$ 246,700	\$ 77,330
Accounts receivable	166,416	51,178	348,490	0	9,554
Long term receivable	<u>0</u>	<u>0</u>	<u>9,097</u>	<u>19,864</u>	<u>15,526</u>
Total	<u>\$ 166,416</u>	<u>\$ 51,178</u>	<u>\$ 909,996</u>	<u>\$ 266,564</u>	<u>\$ 102,410</u>

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

16. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. The municipality undertakes a planning and budgeting process to help determine the funds required to support the municipality's normal operating requirements on an ongoing basis. The municipality ensures that there are sufficient funds to meet its short term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and portfolio investments. To achieve this aim, it seeks to maintain an available line of credit balance as approved by the appropriate borrowing bylaw to meet, at a minimum, expected requirements for a period of at least 90 days. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	0 - 30 days	31 - 90 days	91 - 365 days	1 - 2 years	3 - 5 years
Operating loans	\$ 310,000	\$ 0	\$ 0	\$ 0	0
Accounts payable and accrued liabilities	324,065	64,522	58,266	9,638	514,557
Long term debt	<u>0</u>	<u>0</u>	<u>59,062</u>	<u>83,190</u>	<u>40,496</u>
Total	<u>\$ 634,065</u>	<u>\$ 64,522</u>	<u>\$ 117,328</u>	<u>\$ 92,828</u>	<u>\$ 555,053</u>

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The municipality is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of certain long term liabilities.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

17. 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.

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

17. SEGMENTED INFORMATION (continued)

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.

18. CONTINGENT LIABILITIES

In the normal course of its operations, the municipality is subject to various litigations and claims. The ultimate outcome of these claims cannot be determined at this time. However, the municipality's management believes that the ultimate disposition of these matters will not have a material adverse effect on its financial position.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 1

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation Services	Planning and Development	2023	2022
EXPENSES								
Salaries and benefits	\$ 513,360	\$ 93,836	\$ 573,421	\$ 0	\$ 39,507	\$ 0	\$1,220,124	\$1,107,929
Materials	182,812	103,208	1,023,403	11	115,973	2,450	1,427,857	1,117,666
Contracted services	65,534	473,246	23,682	29,694	0	52,120	644,276	644,862
Rents and financial expenses	1,475	0	2,288	0	0	0	3,763	1,079
Interest on long term debt	2,439	0	3,167	5,777	0	3,184	14,567	10,841
Amortization	22,388	64,691	824,226	3,773	3,669	0	918,747	889,019
Transfers	<u>750</u>	<u>114,238</u>	<u>0</u>	<u>0</u>	<u>282,235</u>	<u>0</u>	<u>397,223</u>	<u>304,546</u>
	<u>\$ 788,758</u>	<u>\$ 849,219</u>	<u>\$2,450,187</u>	<u>\$ 39,255</u>	<u>\$ 441,384</u>	<u>\$ 57,754</u>	<u>\$4,626,557</u>	<u>\$4,075,942</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 2

	Land	Land Improvements	Facilities	Vehicles	Equipment	Infrastructure: Transportation	Infrastructure: Environmental	2023	2022
COST									
Balance, beginning of year	\$ 441,857	\$ 108,359	\$ 994,720	\$ 2,928,459	\$ 620,167	\$ 18,635,958	\$ 117,426	\$ 23,846,946	\$ 23,088,812
Additions during the year	0	7,056	0	524,846	31,826	1,400,541	0	1,964,269	1,556,751
Consolidated boards opening changes	0	0	0	(1,701)	(481)	0	0	(2,182)	(3,490)
Disposals during the year	0	0	0	0	0	(636,895)	0	(636,895)	(795,127)
Balance, end of year	<u>441,857</u>	<u>115,415</u>	<u>994,720</u>	<u>3,451,604</u>	<u>651,512</u>	<u>19,399,604</u>	<u>117,426</u>	<u>25,172,138</u>	<u>23,846,946</u>
ACCUMULATED AMORTIZATION									
Balance, beginning of year	0	33,402	362,255	1,881,874	400,116	8,943,360	30,954	11,651,961	11,486,553
Amortization	0	3,792	18,266	103,054	34,941	757,229	1,465	918,747	889,019
Accumulated amortization on disposals	0	0	0	0	0	(575,693)	0	(575,693)	(723,611)
Balance, end of year	<u>0</u>	<u>37,194</u>	<u>380,521</u>	<u>1,984,928</u>	<u>435,057</u>	<u>9,124,896</u>	<u>32,419</u>	<u>11,995,015</u>	<u>11,651,961</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	<u>\$ 441,857</u>	<u>\$ 78,221</u>	<u>\$ 614,199</u>	<u>\$ 1,466,676</u>	<u>\$ 216,455</u>	<u>\$ 10,274,708</u>	<u>\$ 85,007</u>	<u>\$ 13,177,123</u>	<u>\$ 12,194,985</u>

See notes to the consolidated financial statements

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS
AS AT DECEMBER 31, 2023**

Schedule 3

	2023	2022
SURPLUSES		
Invested in tangible capital assets	\$ 13,038,862	\$ 12,008,366
General surplus	1,149,153	1,149,153
Unfunded asset retirement obligation	(295,002)	(281,625)
Recreation, community centres and arenas	89,195	120,414
Cemeteries	90,326	88,297
Fire boards	8,453	13,888
Other	<u>966</u>	<u>966</u>
	<u>14,081,953</u>	<u>13,099,459</u>
RESERVE FUNDS		
Capital purposes	58,255	246,267
Quarry	124,573	118,724
Working funds	182,146	171,387
Replacement of equipment	595,602	680,194
Landfill closure	168,431	151,129
Shelburne & district fire board	28,671	77,242
Mulmur-Melancthon volunteer fire board	217,308	155,355
Insurance, sick leave, WSIB	23,200	22,110
Special emergency relief	<u>32,408</u>	<u>30,954</u>
	<u>1,430,594</u>	<u>1,653,362</u>
RESERVES		
Working funds	1,255,044	1,214,296
NDCC operating	20,000	20,000
NDCC facility development	2,724	2,589
Capital purposes	<u>143,472</u>	<u>202,472</u>
	<u>1,421,240</u>	<u>1,439,357</u>
	<u>\$ 16,933,787</u>	<u>\$ 16,192,178</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF HORNING'S MILLS CEMETERY BOARD
 FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 4

	2023	2022
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 29,702	\$ 28,882
Due from Cemetery Care and Maintenance Fund	9,058	8,918
Portfolio investments	2,637	2,637
Accrued interest receivable	<u>381</u>	<u>163</u>
ACCUMULATED SURPLUS	<u>\$ 41,778</u>	<u>\$ 40,600</u>

STATEMENT OF OPERATIONS		
REVENUE		
Sale of plots and markers	\$ 1,095	\$ 1,500
Interest	<u>608</u>	<u>461</u>
	<u>1,703</u>	<u>1,961</u>
EXPENSES		
Supplies	<u>525</u>	<u>0</u>
ANNUAL SURPLUS	1,178	1,961
ACCUMULATED SURPLUS, beginning of year	<u>40,600</u>	<u>38,639</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 41,778</u>	<u>\$ 40,600</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF ST. PAUL'S CEMETERY BOARD
 FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 5

	2023	2022
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 38,229	\$ 3,435
Accrued interest receivable	67	348
Portfolio investments	<u>10,252</u>	<u>43,914</u>
ACCUMULATED SURPLUS	\$ <u>48,548</u>	\$ <u>47,697</u>

STATEMENT OF OPERATIONS		
REVENUE		
Interest	\$ <u>858</u>	\$ <u>100</u>
EXPENSES		
Administration	<u>7</u>	<u>9</u>
ANNUAL SURPLUS	851	91
ACCUMULATED SURPLUS, beginning of year	<u>47,697</u>	<u>47,606</u>
ACCUMULATED SURPLUS, end of year	\$ <u>48,548</u>	\$ <u>47,697</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF HORNING'S MILLS COMMUNITY PARK
 FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 6

	2023	2022
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 9,133	\$ 3,664
Receivables	<u>2,671</u>	<u>2,671</u>
NET FINANCIAL ASSETS	<u>11,804</u>	<u>6,335</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>32,664</u>	<u>32,664</u>
ACCUMULATED SURPLUS	<u>\$ 44,468</u>	<u>\$ 38,999</u>

STATEMENT OF OPERATIONS		
REVENUE		
Grant - Township of Melancthon	\$ 2,500	\$ 2,500
Interest	330	77
Other income	<u>4,217</u>	<u>892</u>
	<u>7,047</u>	<u>3,469</u>
EXPENSES		
Administration	1,090	2,617
Hydro	<u>488</u>	<u>430</u>
	<u>1,578</u>	<u>3,047</u>
ANNUAL SURPLUS	5,469	422
ACCUMULATED SURPLUS, beginning of year	<u>38,999</u>	<u>38,577</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 44,468</u>	<u>\$ 38,999</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
SCHEDULE OF HORNING'S MILLS COMMUNITY HALL
FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 7

	2023	2022
STATEMENT OF FINANCIAL POSITION		
FINANCIAL ASSETS		
Cash	\$ 40,018	\$ 43,220
Accounts receivable	<u>1,254</u>	<u>0</u>
	<u>41,272</u>	<u>43,220</u>
LIABILITIES		
HST payable	1,619	0
Deferred revenue	<u>200</u>	<u>565</u>
	<u>1,819</u>	<u>565</u>
NET FINANCIAL ASSETS	<u>39,453</u>	<u>42,655</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>27,910</u>	<u>34,773</u>
ACCUMULATED SURPLUS	<u>\$ 67,363</u>	<u>\$ 77,428</u>

STATEMENT OF OPERATIONS		
REVENUE		
Fundraising and user charges	\$ 12,621	\$ 6,045
Rental	6,279	2,605
Interest	<u>2,180</u>	<u>775</u>
	<u>21,080</u>	<u>9,425</u>
EXPENSES		
Amortization	6,863	6,863
Supplies and maintenance	9,229	1,835
Office	1,542	0
Other	147	8,299
Fundraising	<u>13,364</u>	<u>0</u>
	<u>31,145</u>	<u>16,997</u>
ANNUAL DEFICIT	(10,065)	(7,572)
ACCUMULATED SURPLUS, beginning of year	<u>77,428</u>	<u>85,000</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 67,363</u>	<u>\$ 77,428</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 statements of financial position as at December 31, 2023 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, 2023 and the results of their 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 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 funds' 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 funds' 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 trust funds' 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 trust funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the trust funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Guelph, Ontario
July 18, 2024

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, 2023

	Horning's Mills Cemetery	St. Paul's Cemetery	Subdividers' Deposits
STATEMENT OF FINANCIAL POSITION - 2023			
Cash	\$ 33,514	\$ 0	\$ 0
Investments	10,303	9,678	0
Due from the Township of Melancthon	0	0	2,001
Due to cemetery general funds	<u>(8,614)</u>	<u>0</u>	<u>0</u>
FUND BALANCE	<u>\$ 35,203</u>	<u>\$ 9,678</u>	<u>\$ 2,001</u>

STATEMENT OF CONTINUITY - 2023			
BALANCE, BEGINNING OF YEAR	<u>\$ 33,435</u>	<u>\$ 9,562</u>	<u>\$ 2,001</u>
RECEIPTS			
Interest earned	242	116	0
Plot sales	1,030	0	0
Donations	<u>525</u>	<u>0</u>	<u>0</u>
	<u>1,797</u>	<u>116</u>	<u>0</u>
EXPENDITURES	<u>29</u>	<u>0</u>	<u>0</u>
BALANCE, END OF YEAR	<u>\$ 35,203</u>	<u>\$ 9,678</u>	<u>\$ 2,001</u>

STATEMENT OF FINANCIAL POSITION - 2022			
Cash	\$ 11,434	\$ 0	\$ 0
Investments	30,920	9,562	0
Due from the Township of Melancthon	0	0	2,001
Due to cemetery general funds	<u>(8,919)</u>	<u>0</u>	<u>0</u>
FUND BALANCE	<u>\$ 33,435</u>	<u>\$ 9,562</u>	<u>\$ 2,001</u>

STATEMENT OF CONTINUITY - 2022			
BALANCE, BEGINNING OF YEAR	<u>\$ 31,368</u>	<u>\$ 9,447</u>	<u>\$ 2,001</u>
RECEIPTS			
Interest earned	226	115	0
Plot sales	1,700	0	0
Donations	<u>150</u>	<u>0</u>	<u>0</u>
	<u>2,076</u>	<u>115</u>	<u>0</u>
EXPENDITURES	<u>9</u>	<u>0</u>	<u>0</u>
BALANCE, END OF YEAR	<u>\$ 33,435</u>	<u>\$ 9,562</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, 2023

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.