Chartered Professional Accountants

November 9, 2026

The Corporation of the Township of Melancthon
157101 Highway 10
Shelburne, Ontario
L9V 2E6

Attention: Denise Holmes, CAO/Clerk

Dear Denise:

Thank you for re-appointing RLB LLP as auditors of The Corporation of the Township of Melancthon for the year ended December 31, 2026. The purpose of this letter is to confirm our mutual understanding of the terms of our engagement to audit the consolidated financial statements of The Corporation of the Township of Melancthon. Our statutory function as auditor of The Corporation of the Township of Melancthon is to report to the Members of Council, Inhabitants and Ratepayers by expressing an opinion on The Corporation of the Township of Melancthon's annual consolidated financial statements. Therefore, our audit will be conducted with the objective of our expressing an opinion on these consolidated financial statements.

Our Objective, Scope and Limitations of the Audit

We will audit the consolidated statement of financial position at December 31, 2026 and the related consolidated statements of operations, changes in net financial assets and cash flows, and a summary of significant accounting policies and other explanatory information for the year then ended prepared in accordance with Canadian public sector accounting standards. Upon completion of our audit, we will provide The Corporation of the Township of Melancthon with our audit report on those consolidated financial statements in accordance with Canadian public sector accounting standards.

We will be responsible for performing the audit of The Corporation of the Township of Melancthon in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements, plan and perform the audit to attain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to fraud or error.

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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and, where appropriate, those charged with governance, as well as evaluating the overall presentation of the consolidated financial statements.

It is important to recognize that an auditor cannot obtain absolute assurance that material misstatements in the consolidated financial statements will be detected because of:

a) Factors such as use of judgment, and the use of testing of the data underlying the consolidated financial statements;
b) Inherent limitations of internal control; and
c) The fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.

Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit that is designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Further, while effective internal control reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot guarantee that fraud, error and illegal acts, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making our risk assessments, we consider internal control relevant to the entity's preparation 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. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the consolidated financial statements that we have identified during the audit.

Unless unanticipated difficulties are encountered, our report will be substantially in the form as set out in Appendix A.

The form and content of our report may require amendment in light of our audit findings.

Any specific restrictions on the use or intended users of the auditor's report, and statement(s) (if appropriate) about the specific restriction(s), will be set out in the auditor's report.

If our opinion on the consolidated financial statements is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form, or have not formed, an opinion, we may decline to express an opinion as a result of this engagement.

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Our Responsibilities

We will perform the audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. Accordingly, we will plan and perform our audit to provide reasonable, but not absolute, assurance of detecting fraud and errors that have a material effect on the consolidated financial statements taken as a whole, including illegal acts whose consequences have a material effect on the consolidated financial statements.

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Accordingly, except for information that is in, or enters, the public domain, we will not provide any third party with confidential information concerning the affairs of The Corporation of the Township of Melancthon without The Corporation of the Township of Melancthon's prior consent, unless required to do so by legal authority, or the Rules of Professional Conduct/Code of Ethics of the Chartered Professional Accountants of Ontario.

The objective of our audit is to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. However, if we identify any of the following matters, they will be communicated to the appropriate level of management (and the audit committee or equivalent):

a) Misstatements, resulting from error, other than trivial errors;
b) Fraud or any information obtained that indicates that a fraud may exist;
c) Any evidence obtained that indicates that an illegal or possibly illegal act, other than one considered inconsequential, has occurred;
d) Significant deficiencies in the design or implementation of internal controls to prevent and detect fraud or error; and
e) Related-party transactions identified by us that are not in the normal course of operations and that involve significant judgments made by management and, where appropriate, those charged with governance concerning measurement or disclosure.

The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management and those charged with governance in discharging their responsibilities. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed.

Use and Distribution of our Report

The examination of the consolidated financial statements and the issuance of our audit opinion are solely for the use of The Corporation of the Township of Melancthon and those to whom our report is specifically addressed by us. We make no representations of any kind to any third party in respect of these consolidated financial statements and we accept no responsibility for their use by any third party. The audit will not be planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

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Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements

Our audit will be conducted on the basis that management and, where appropriate, those charged with governance, acknowledge and understand that they have responsibility for:

Consolidated Financial Statements

a) The preparation and fair presentation of The Corporation of the Township of Melancthon's consolidated financial statements in accordance with Canadian public sector accounting standards.

Completeness of Information

a) Providing us with and making available complete financial records and related data, and copies of all minutes of meetings of Members of Council, Inhabitants and Ratepayers and committees of directors and other matters;
b) Providing us with information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements;
c) Providing us with information relating to any illegal or possibly illegal acts, and all facts related thereto;
d) Providing us with information regarding all related parties and related-party transactions;
e) Any additional information that we may request from management and, where appropriate, those charged with governance for the purpose of this audit; and
f) Providing us with unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

Fraud and Error

a) Internal control that management and, where appropriate, those charged with governance determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
b) An assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud;
c) Providing us with information relating to fraud or suspected fraud affecting the entity involving:
    i) management and, where appropriate, those charged with governance,
    ii) employees who have significant roles in internal control, or
    iii) others, where the fraud could have a non-trivial effect on the consolidated financial statements;
d) Providing us with information relating to any allegations of fraud or suspected fraud affecting the entity's consolidated financial statements communicated by employees, former employees, analysts, regulators or others; and
e) Communicating its belief that the effects of any uncorrected consolidated financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Recognition, Measurement and Disclosure

a) Providing us with its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the consolidated financial statements;
b) Providing us with any plans or intentions that may affect the carrying value or classification of assets or liabilities;
c) Providing us with information relating to the measurement and disclosure of transactions with related parties;

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d) Providing us with an assessment of all areas of measurement uncertainty known to management and, where appropriate, those charged with governance that are required to be disclosed in accordance with Measurement Uncertainty, CPA Canada Handbook – Accounting, Section 1508;
e) Providing us with information relating to claims and possible claims, whether or not they have been discussed with The Corporation of the Township of Melancthon's legal counsel;
f) Providing us with information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which The Corporation of the Township of Melancthon is contingently liable;
g) Providing us with information on whether The Corporation of the Township of Melancthon has satisfactory title to assets, liens or encumbrances on existing assets, or assets that are pledged as collateral;
h) Providing us with information relating to compliance with aspects of contractual agreements that may affect the consolidated financial statements;
i) Providing us with information concerning subsequent events; and
j) Providing us with written representations on specific matters communicated to us during the engagement.

Written Confirmation of Significant Representations

a) Providing us with written confirmation of significant representations provided to us during the engagement on matters that are:
    i) Directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements,
    ii) Not directly related to items that are material to the consolidated financial statements but are significant, either individually or in the aggregate, to the engagement, and
    iii) Relevant to your judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements.

We ask that our name be used only with our consent and that any information to which we have attached a communication be issued with that communication unless otherwise agreed to by us.

Reproduction of Audit Report

If reproduction or publication of our audit report (or reference to our report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review before the publication or posting process begins.

Management and, where appropriate, those charged with governance are responsible for the accurate reproduction of the consolidated financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either the full or summarized consolidated financial statements that we have audited.

We are not required to read the information contained in your website, or to consider the consistency of other information in the electronic site with the original document.

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Use of Information

It is acknowledged that we will have access to all personal information in your custody that we require to complete our engagement. Our services are provided on the basis that:

a) You represent to us that management and, where appropriate, those charged with governance has obtained any required consents for collection, use and disclosure to us of personal information required under applicable privacy legislation; and
b) We will hold all personal information confidential in compliance with our Firm's Privacy Statement.

Use of Engagement Experts, Specialists and Others

In some circumstances, the Firm may choose to use experts, specialists and others, including third-party service providers, in order to facilitate the performance of the engagement. These service providers may process, transfer and store client information, including personal information. The duty of confidentiality extends to all experts, specialists and others which may be used in order to facilitate the performance of the engagement.

You hereby authorize us to disclose information to experts, specialists and others, including third-party service provider(s) for the purpose of this engagement.

Communications

In performing our services, we will send messages and documents electronically. As such communications can be intercepted, misdirected, infected by a virus, or otherwise used or communicated by an unintended third party, we cannot guarantee or warrant that communications from us will be properly delivered only to the addressee. Therefore, we specifically disclaim, and you release us from, any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from such communications, including any that are a result of incorrect information provided by you, are consequential, incidental, direct, indirect, punitive, exemplary or special damages (such as loss of data, data breaches, revenues or anticipated profits).

If you do not consent to our use of electronic communications, please notify us in writing.

Terms and Conditions Supporting the Fee

Our fees will be determined on the basis of the time spent at our standard billing rates, plus any out-of-pocket disbursements incurred. Each billing is due for payment when received. Our fee estimates take into account that the corporation will provide clerical assistance to the extent practicable, including the preparation of various schedules in advance of the year end audit. If, for any reason, The Corporation of the Township of Melancthon is unable to provide such schedules, information and help, RLB LLP and The Corporation of the Township of Melancthon will mutually revise the fee to reflect additional services, if any, required of us to achieve these objectives.

Interest will be charged on overdue balances at the rate of 1.17%, compounded monthly. Overdue balances are defined as those balances which remain outstanding 60 days from the date of the invoice.

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In providing our services, we will consult with The Corporation of the Township of Melancthon about matters of accounting, financial reporting or other significant business issues. Accordingly, our fee reflects the time necessary for a reasonable amount of such consultation. However, should a matter require research, consultation or audit work beyond that amount, RLB LLP and The Corporation of the Township of Melancthon will agree to an appropriate revision in services and fee.

Limitation of Liability

The liability of RLB LLP to The Corporation of the Township of Melancthon for a claim related to professional services provided pursuant to this agreement in either contract or tort is limited to the extent that such liability is covered by errors and omissions insurance in effect from time to time including the deductible therein, which is available to indemnify the chartered professional accountant at the time the claim is made.

In any action, claim, loss or damage arising out of the engagement, The Corporation of the Township of Melancthon agrees and understands that RLB LLP's liability will be several, and not joint and several, and The Corporation of the Township of Melancthon may only claim payment from RLB LLP's proportionate share of the total liability based on degree of fault.

In no event shall RLB LLP be liable to The Corporation of the Township of Melancthon whether the claim be in tort, contract or otherwise, for an amount in excess of the professional fees paid by The Corporation of the Township of Melancthon for the engagement to RLB LLP during the twelve month period commencing from the date of this letter.

Indemnification for Misrepresentation

The Corporation of the Township of Melancthon hereby agrees to release and indemnify RLB LLP and its partners and employees, and hold them harmless from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of The Corporation of the Township of Melancthon's management, regardless of whether such person was acting in The Corporation of the Township of Melancthon's interest. This release and indemnification will survive termination of this engagement letter.

Working Papers

All working papers and files, other materials, reports and work created, developed or performed by RLB LLP during the course of the audit are the property of RLB LLP, constitute confidential information and will be retained by us in accordance with our Firm's policies and procedures.

File Inspections

In accordance with professional regulations (and by our Firm’s policy), our client files may periodically be reviewed by practice inspectors, [including the Canadian Public Accountability Board (CPAB)] and by other file quality reviewers to ensure that we are adhering to professional and our Firm’s standards. File reviewers are required to maintain the confidentiality of client information.

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Costs of Responding to Government or Legal Processes

In the event we are requested or authorized by The Corporation of the Township of Melancthon or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for The Corporation of the Township of Melancthon, The Corporation of the Township of Melancthon will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such a request.

Governing Law

This engagement letter is subject to and governed by the laws of the Province of Ontario, Canada. The Province of Ontario, Canada will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate forum, or to claim that those courts do not have jurisdiction.

Timely Performance

RLB LLP will use all reasonable efforts to complete within any agreed upon time frame the performance of the services described in this engagement letter. However, RLB LLP shall not be liable for failures or delays in performance that arise from causes beyond its control, including the untimely performance by The Corporation of the Township of Melancthon of its obligations.

Termination

Management and, where appropriate, those charged with governance acknowledges and understands that failure to fulfill its obligations as set out in this engagement letter will result, upon written notice, in the termination of the engagement. Either party may terminate this agreement for any reason upon providing written notice to the other party [not less than 30 calendar days before the effective date of termination]. If early termination takes place, The Corporation of the Township of Melancthon shall be responsible for all time and expenses incurred up to the termination date.

If we are unable to complete the engagement or are unable to form an opinion on the consolidated financial statements, we may withdraw from the engagement before issuing the audit report, or we may issue a denial of opinion on the consolidated financial statements. If this occurs, we will communicate the reasons and provide details.

Other Matters

The foregoing comments deal only with our engagement as your corporation's auditor. In the fields of taxation, management accounting and other financial matters, we would be pleased to be of further service.

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Normally, our work in the area of HST and other commodity taxes is limited to that appropriate to ensure the consolidated financial statements are not materially misstated. Accordingly, the audit process may not detect situations where you are incorrectly collecting HST or incorrectly claiming input tax credits, unless material. As you are aware, failure to properly account for the HST could result in you or your corporation becoming liable for tax, interest or penalties. These situations may also arise for provincial sales taxes, custom duties and excise taxes. Accordingly, only upon your written request, will we undertake a special engagement to perform detailed work in the area of HST and other commodity taxes, as allowed by the Rules of Professional Conduct/Code of Ethics.

Our engagement cannot be relied on to uncover errors or irregularities in the underlying information incorporated in the income tax returns, should any exist. However, we will inform you of any such matters that come to our attention.

We look forward to being of service to you. The arrangements outlined in this letter will be reviewed with you annually but will continue in effect from year to year unless changed by either party in writing. If these arrangements are in accordance with your understandings, please sign the letter in the space provided and return one copy to us. If you have any questions about these or other matters relating to any of our professional services, we would be pleased to discuss them further with you.

Yours truly,

RLB LLP

M. D. P. Short, MBA, CPA, CA, C. Dir., is responsible for the engagement and its performance, and for the report that is issued on behalf of RLB LLP, and who, where required, has the appropriate authority, from a professional, legal or regulatory body.

I agree with your understanding of the terms of your engagement as auditors of The Corporation of the Township of Melancthon as set out in this letter.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
Per:

Denise Holmes _____ Date: 2026/11/13

Denise Holmes
Signer ID: OUWWD0DV16...
13 Nov 2026, 10:37:30, EST

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APPENDIX A

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 statement of financial position as at December 31, 2026 and the statements of operations, changes 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, 2026 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.

Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of 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.

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Auditor's Responsibility 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 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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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

Chartered Professional Accountants
Licensed Public Accountants

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