

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
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YEAR ENDED DECEMBER 31, 2021

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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, 2021 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, 2021 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
June 16, 2022

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and portfolio investments (note 2)	\$ 5,359,555	\$ 5,072,690
Taxes receivable	653,058	698,468
Accounts receivable	227,187	313,610
Long term receivables (note 3)	<u>61,165</u>	<u>98,671</u>
	<u>6,300,965</u>	<u>6,183,439</u>
LIABILITIES		
Accounts payable and accrued liabilities	727,565	755,000
Landfill closure and post-closure liabilities (note 5)	268,855	256,663
Long term debt (note 6)	297,812	412,674
Deferred revenue - obligatory reserve funds (note 7)	1,065,857	1,011,484
Deferred revenue - other	<u>10,000</u>	<u>75,326</u>
	<u>2,370,089</u>	<u>2,511,147</u>
NET FINANCIAL ASSETS	<u>3,930,876</u>	<u>3,672,292</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	11,602,259	11,023,490
Inventory	40,483	40,483
Prepaid expenses	<u>81,606</u>	<u>70,112</u>
	<u>11,724,348</u>	<u>11,134,085</u>
ACCUMULATED SURPLUS (schedule 3)	<u>\$ 15,655,224</u>	<u>\$ 14,806,377</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 Budget (note 8)	2021 Actual	2020 Actual
REVENUES			
Taxation	\$ 2,776,502	\$ 2,833,485	\$ 2,780,602
User charges	32,670	125,482	143,404
Grants (note 10)	485,728	492,048	453,350
Other income (note 11)	749,295	796,743	790,416
Loss on disposal of tangible capital assets	0	(26,465)	0
Obligatory reserve fund revenue recognized (note 7)	<u>239,000</u>	<u>264,194</u>	<u>136,617</u>
	<u>4,283,195</u>	<u>4,485,487</u>	<u>4,304,389</u>
EXPENSES (schedule 1)			
General government	828,332	662,189	677,375
Protection to persons and property	794,647	692,179	630,874
Transportation services	2,185,120	1,824,671	1,876,848
Environmental services	34,240	31,795	37,250
Recreation and cultural services	207,207	320,160	260,469
Planning and development	<u>118,880</u>	<u>105,646</u>	<u>153,745</u>
	<u>4,168,426</u>	<u>3,636,640</u>	<u>3,636,561</u>
ANNUAL SURPLUS	\$ <u>114,769</u>	\$ <u>848,847</u>	\$ <u>667,828</u>
ACCUMULATED SURPLUS at beginning of year		\$14,806,377	\$14,138,549
Annual surplus		<u>848,847</u>	<u>667,828</u>
ACCUMULATED SURPLUS at end of year		<u>\$15,655,224</u>	<u>\$14,806,377</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 Budget (note 8)	2021 Actual	2020 Actual
ANNUAL SURPLUS	\$ <u>114,769</u>	\$ <u>848,847</u>	\$ <u>667,828</u>
Acquisition of tangible capital assets	(1,190,669)	(1,394,793)	(1,321,956)
Amortization of tangible capital assets	741,206	784,409	741,206
Loss on disposal of tangible capital assets	0	26,465	0
Proceeds on sale of tangible capital assets	0	0	37,681
Consolidated boards opening changes (schedule 2)	<u>0</u>	<u>5,150</u>	<u>1,445</u>
	<u>(449,463)</u>	<u>(578,769)</u>	<u>(541,624)</u>
Use of (additions to) inventories	0	0	4,317
Use of (additions to) prepaid expenses	<u>0</u>	<u>(11,494)</u>	<u>(17,856)</u>
	<u>0</u>	<u>(11,494)</u>	<u>(13,539)</u>
CHANGE IN NET FINANCIAL ASSETS	\$ <u>(334,694)</u>	258,584	112,665
NET FINANCIAL ASSETS at beginning of year		<u>3,672,292</u>	<u>3,559,627</u>
NET FINANCIAL ASSETS at end of year		\$ <u>3,930,876</u>	\$ <u>3,672,292</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual surplus	\$ <u>848,847</u>	\$ <u>667,828</u>
Items not requiring an outlay of cash		
Amortization	784,409	741,206
Loss on disposal of tangible capital assets	26,465	0
Change in landfill closure and post-closure liabilities	<u>12,192</u>	<u>11,639</u>
	<u>823,066</u>	<u>752,845</u>
Net changes in non-cash working capital		
Taxes receivable	45,410	(33,428)
Accounts receivable	86,423	(108,808)
Prepaid expenses	(11,494)	(17,856)
Accounts payable and accrued liabilities	(27,435)	176,627
Inventory	0	4,317
Deferred revenue	<u>(10,953)</u>	<u>178,869</u>
	<u>81,951</u>	<u>199,721</u>
	<u>1,753,864</u>	<u>1,620,394</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,394,793)	(1,321,956)
Consolidated boards opening change in amortization (schedule 2)	5,150	1,445
Proceeds on disposal of tangible capital assets	<u>0</u>	<u>37,681</u>
	<u>(1,389,643)</u>	<u>(1,282,830)</u>
CASH USED IN FINANCING ACTIVITIES		
Net change in long term debt	<u>(114,862)</u>	<u>(85,045)</u>
CASH PROVIDED BY INVESTING ACTIVITIES		
Net change in long term receivables	<u>37,506</u>	<u>10,052</u>
NET INCREASE IN CASH AND PORTFOLIO INVESTMENTS	286,865	262,571
CASH AND PORTFOLIO INVESTMENTS, beginning of year	<u>5,072,690</u>	<u>4,810,119</u>
CASH AND PORTFOLIO INVESTMENTS, end of year	<u>\$ 5,359,555</u>	<u>\$ 5,072,690</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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	15.03% (2020 - 14.71%)
Mulmur-Melancthon Volunteer Fire Department	24.38% operating, 50.00% capital (2020 - 22.09%, 50.00% capital)
North Dufferin Community Centre	50.00% operating (2020 - 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, 2021

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) 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.

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, 2021

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, 2021

2. CASH AND PORTFOLIO INVESTMENTS

	2021	2020
Unrestricted cash	\$ 4,263,852	\$ 4,031,360
Unrestricted portfolio investments	<u>50,846</u>	<u>50,846</u>
	4,314,698	4,082,206
Restricted cash	<u>1,044,857</u>	<u>990,484</u>
	<u>\$ 5,359,555</u>	<u>\$ 5,072,690</u>

Unrestricted cash includes \$2,394,849 (2020 - \$2,306,696) held in one account at a chartered bank. Interest is earned on this account at a rate of prime less 2.05% (2020 - prime less 2%).

Portfolio investments consist of various GICs with interest rates ranging from 0.10% to 0.85% (2020 - 0.60% to 2.05%) maturing between June 2022 and September 2025 (2020 - June 2021 to September 2025).

3. LONG TERM RECEIVABLES

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

	2021	2020
Two loans (2020 - three) are charged interest at a rate of 6% and become due in 2027 - 2028	\$ <u>61,165</u>	\$ <u>98,671</u>

Principal payments for the next five years are as follows:

2022	\$ 8,096
2023	8,582
2024	9,097
2025	9,643
2026	10,221
Thereafter	<u>15,526</u>
	<u>\$ 61,165</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, 2021, the municipality had undrawn credit capacity of \$500,000 (2020 - \$500,000).

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 \$268,855 (2020 - \$256,663) 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 \$416,949 leaving an amount to be recognized in future periods of \$148,094. The estimated remaining capacity of the site's opened cells is approximately 140,700 tonnes, which was expected to be filled in 6 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, 2021, there was \$138,674 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:

	2021	2020
Loan payable, 3.18%, repayable in monthly instalments of \$3,409 principal and interest, due December 2025	\$ 153,350	\$ 188,767
Tile drainage loans, 6%, annual payments of principal and interest ranging from \$4,973 - \$6,793, due between 2027 - 2028	61,165	98,671
Loan payable, 2.862%, repayable in monthly instalments of \$2,720 principal and interest, due January 2022	3,225	35,283
Loan payable, 3.63%, repayable in semi-annual instalments of \$6,528 principal and interest, due December 2028	<u>80,072</u>	<u>89,953</u>
	<u>\$ 297,812</u>	<u>\$ 412,674</u>

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

2022	\$ 58,124
2023	56,940
2024	59,061
2025	61,142
2026	<u>22,048</u>
	257,315
Thereafter	<u>40,497</u>
	<u>\$ 297,812</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

7. DEFERRED REVENUE

	2021 Opening	Contributions Received	Investment Income	Revenue Recognized	2021 Ending
Obligatory Reserve Funds					
Development charges	\$ 790,831	\$ 126,862	\$ 3,527	\$ (45,251)	\$ 875,969
Recreational land	46,017	0	160	(18,943)	27,234
Subdivider - park levies	21,000	0	0	0	21,000
Federal Gas Tax	<u>153,636</u>	<u>187,109</u>	<u>909</u>	<u>(200,000)</u>	<u>141,654</u>
	<u>\$1,011,484</u>	<u>\$ 313,971</u>	<u>\$ 4,596</u>	<u>\$ (264,194)</u>	<u>\$1,065,857</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 \$ 4,283,195

Expenses

Approved budget 4,705,087
 Acquisition of tangible capital assets (1,190,669)
 Debt principal repayments (87,198)
 Amortization 741,206
Total expenses 4,168,426

ANNUAL SURPLUS \$ 114,769

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:

	2021	2020
School boards	\$ 1,210,010	\$ 1,254,013
County of Dufferin	<u>2,131,278</u>	<u>2,051,601</u>
	<u>\$ 3,341,288</u>	<u>\$ 3,305,614</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

10. GRANTS

	2021 Budget (note 8)	2021 Actual	2020 Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 174,900	\$ 174,900	\$ 173,500
Conditional - roads	100,000	90,832	122,993
Conditional - other	<u>205,428</u>	<u>143,581</u>	<u>124,242</u>
	<u>480,328</u>	<u>409,313</u>	<u>420,735</u>
Other municipalities - recreation	0	26,674	27,205
Other municipalities - roads	<u>5,400</u>	<u>5,648</u>	<u>5,410</u>
	<u>103,170</u>	<u>32,322</u>	<u>32,615</u>
	<u>\$ 583,498</u>	<u>\$ 441,635</u>	<u>\$ 453,350</u>

11. OTHER INCOME

	2021 Budget (note 8)	2021 Actual	2020 Actual
Penalties and interest on taxation	\$ 95,000	\$ 97,041	\$ 105,841
Other fines and penalties	11,500	3,384	9,649
Investment income	15,000	19,363	36,803
Licenses, permits and rents	20,695	36,905	26,688
Donations and fundraising	100	2,510	0
Plateau community contributions	33,000	32,964	33,439
Dufferin Wind community contributions	265,000	274,376	268,996
CHD community contributions	<u>309,000</u>	<u>330,200</u>	<u>309,000</u>
	<u>\$ 749,295</u>	<u>\$ 796,743</u>	<u>\$ 790,416</u>

12. TRUST FUNDS

The trust funds administered by the municipality amounting to \$42,816 (2020 - \$41,118) have not been included in the consolidated statement of financial position, nor have the operations been included in the consolidated statement of operations.

13. 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 2021 was \$63,701 (2020 - \$62,578) on behalf of 9 members (2020 - 9 members) of its staff. Amounts paid for current service have been included as an expenditure on the Consolidated Statement of Operations.

There are no past service contribution obligations.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021 amount to \$4,287,783.

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.

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.

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.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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.

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.

19. MATERIAL UNCERTAINTY DUE TO NOVEL CORONAVIRUS (COVID-19)

During the year and subsequent to year end, the Novel Coronavirus (COVID-19) significantly impacted the economy in Canada and globally. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the municipality's assets and its future ability to deliver all services.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 1

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation Services	Planning and Development	2021	2020
EXPENSES								
Salaries and benefits	\$ 480,763	\$ 73,238	\$ 488,430	\$ 0	\$ 38,755	\$ 0	\$1,081,186	\$1,016,654
Materials	127,710	71,755	589,279	0	78,523	12,944	880,211	1,037,153
Contracted services	34,101	417,593	29,396	27,848	0	87,168	596,106	589,726
Rents and financial expenses	1,057	0	1,534	0	0	0	2,591	4,933
Interest on long term debt	3,176	0	6,080	0	0	5,534	14,790	16,783
Amortization	12,882	55,875	709,952	3,947	1,753	0	784,409	741,206
Transfers	<u>2,500</u>	<u>73,718</u>	<u>0</u>	<u>0</u>	<u>201,129</u>	<u>0</u>	<u>277,347</u>	<u>230,106</u>
	<u>\$ 662,189</u>	<u>\$ 692,179</u>	<u>\$1,824,671</u>	<u>\$ 31,795</u>	<u>\$ 320,160</u>	<u>\$ 105,646</u>	<u>\$3,636,640</u>	<u>\$3,636,561</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, 2021

Schedule 2

	Land	Land Improvements	Facilities	Vehicles	Equipment	Infrastructure: Transportation	Infrastructure: Environmental	2021	2020
COST									
Balance, beginning of year	\$ 441,857	\$ 69,033	\$ 916,407	\$ 2,580,709	\$ 521,003	\$ 17,518,026	\$ 117,426	\$ 22,164,461	\$ 21,175,083
Additions during the year	0	39,326	0	153,556	92,762	1,109,149	0	1,394,793	1,321,956
Consolidated boards opening changes	0	0	0	0	(5,150)	0	0	(5,150)	(1,445)
Disposals during the year	0	0	0	0	(4,551)	(460,741)	0	(465,292)	(331,133)
Balance, end of year	<u>441,857</u>	<u>108,359</u>	<u>916,407</u>	<u>2,734,265</u>	<u>604,064</u>	<u>18,166,434</u>	<u>117,426</u>	<u>23,088,812</u>	<u>22,164,461</u>
ACCUMULATED AMORTIZATION									
Balance, beginning of year	0	28,696	374,657	1,747,512	305,113	8,657,317	27,676	11,140,971	10,693,217
Amortization	0	1,395	14,351	66,211	65,266	635,547	1,639	784,409	741,206
Accumulated amortization on disposals	0	0	0	0	(3,641)	(435,186)	0	(438,827)	(293,452)
Balance, end of year	<u>0</u>	<u>30,091</u>	<u>389,008</u>	<u>1,813,723</u>	<u>366,738</u>	<u>8,857,678</u>	<u>29,315</u>	<u>11,486,553</u>	<u>11,140,971</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	<u>\$ 441,857</u>	<u>\$ 78,268</u>	<u>\$ 527,399</u>	<u>\$ 920,542</u>	<u>\$ 237,326</u>	<u>\$ 9,308,756</u>	<u>\$ 88,111</u>	<u>\$ 11,602,259</u>	<u>\$ 11,023,490</u>

See notes to the consolidated financial statements

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS
AS AT DECEMBER 31, 2021**

Schedule 3

	2021	2020
SURPLUSES		
Invested in tangible capital assets	\$ 11,365,612	\$ 10,709,487
General surplus	1,149,153	1,149,152
Unfunded solid waste closure and post-closure costs	(268,855)	(256,663)
Recreation, community centres and arenas	100,915	121,422
Cemeteries	86,245	84,674
Fire boards	27,122	29,325
Other	<u>966</u>	<u>966</u>
	<u>12,461,158</u>	<u>11,838,363</u>
RESERVE FUNDS		
Capital purposes	232,157	221,189
Quarry	116,658	116,169
Working funds	327,099	347,502
Replacement of equipment	663,177	560,582
Landfill closure	138,674	128,118
Shelburne & district fire board	135,194	100,775
Mulmur-Melancthon volunteer fire board	97,770	50,413
Insurance, sick leave, WSIB	21,726	21,629
Special emergency relief	<u>25,503</u>	<u>20,409</u>
	<u>1,757,958</u>	<u>1,566,786</u>
RESERVES		
Working funds	1,241,099	1,206,293
NDCC operating	20,000	20,000
NDCC facility development	2,537	2,463
Capital purposes	<u>172,472</u>	<u>172,472</u>
	<u>1,436,108</u>	<u>1,401,228</u>
	<u>\$ 15,655,224</u>	<u>\$ 14,806,377</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF HORNING'S MILLS CEMETERY BOARD
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 4

	2021	2020
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 22,415	\$ 20,966
Due from Cemetery Care and Maintenance Fund	9,096	9,204
Portfolio investments	6,933	6,933
Accrued interest receivable	<u>195</u>	<u>175</u>
ACCUMULATED SURPLUS	<u>\$ 38,639</u>	<u>\$ 37,278</u>

STATEMENT OF OPERATIONS		
REVENUE		
Sale of plots and markers	\$ 875	\$ 725
Interest	313	165
HST refund	<u>173</u>	<u>0</u>
	<u>1,361</u>	<u>890</u>
EXPENSES		
Maintenance	<u>0</u>	<u>1,958</u>
ANNUAL SURPLUS (DEFICIT)	1,361	(1,068)
ACCUMULATED SURPLUS, beginning of year	<u>37,278</u>	<u>38,346</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 38,639</u>	<u>\$ 37,278</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF ST. PAUL'S CEMETERY BOARD
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 5

	2021	2020
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 3,397	\$ 3,344
Accrued interest receivable	295	97
Portfolio investments	<u>43,914</u>	<u>43,914</u>
ACCUMULATED SURPLUS	<u>\$ 47,606</u>	<u>\$ 47,355</u>

STATEMENT OF OPERATIONS		
REVENUE		
Interest	\$ <u>260</u>	\$ <u>542</u>
EXPENSES		
Administration	<u>9</u>	<u>9</u>
ANNUAL SURPLUS	251	533
ACCUMULATED SURPLUS, beginning of year	<u>47,355</u>	<u>46,822</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 47,606</u>	<u>\$ 47,355</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF HORNING'S MILLS COMMUNITY PARK
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 6

	2021	2020
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash	\$ 5,742	\$ 11,369
Receivables	<u>171</u>	<u>2,801</u>
NET FINANCIAL ASSETS	<u>5,913</u>	<u>14,170</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>32,664</u>	<u>13,610</u>
ACCUMULATED SURPLUS	<u>\$ 38,577</u>	<u>\$ 27,780</u>

STATEMENT OF OPERATIONS		
REVENUE		
Grant - Township of Melancthon	\$ 2,500	\$ 2,500
Interest	44	28
Other income	<u>10,298</u>	<u>0</u>
	<u>12,842</u>	<u>2,528</u>
EXPENSES		
Administration	1,709	897
Hydro	<u>336</u>	<u>344</u>
	<u>2,045</u>	<u>1,241</u>
ANNUAL SURPLUS	10,797	1,287
ACCUMULATED SURPLUS, beginning of year	<u>27,780</u>	<u>26,493</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 38,577</u>	<u>\$ 27,780</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON
 SCHEDULE OF HORNING'S MILLS COMMUNITY HALL
 FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 7

	2021	2020
STATEMENT OF FINANCIAL POSITION		
FINANCIAL ASSETS		
Cash	\$ 43,928	\$ 43,498
Accounts receivable	<u>0</u>	<u>373</u>
	<u>43,928</u>	<u>43,871</u>
LIABILITIES		
Deferred revenue	<u>565</u>	<u>200</u>
NET FINANCIAL ASSETS	<u>43,363</u>	<u>43,671</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>41,637</u>	<u>48,500</u>
ACCUMULATED SURPLUS	<u>\$ 85,000</u>	<u>\$ 92,171</u>

STATEMENT OF OPERATIONS		
REVENUE		
Grant - Township of Melancthon	\$ 2,208	\$ 6,452
Fundraising and user charges	877	1,705
Interest	<u>192</u>	<u>398</u>
	<u>3,277</u>	<u>8,555</u>
EXPENSES		
Amortization	6,863	6,863
Supplies and maintenance	1,865	4,909
Hydro and fuel	1,495	2,982
Telephone	225	537
Other	<u>0</u>	<u>328</u>
	<u>10,448</u>	<u>15,619</u>
ANNUAL DEFICIT	(7,171)	(7,064)
ACCUMULATED SURPLUS, beginning of year	<u>92,171</u>	<u>99,235</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 85,000</u>	<u>\$ 92,171</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, 2021 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, 2021 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
June 16, 2022

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, 2021

	Horning's Mills Cemetery	St. Paul's Cemetery	Subdividers' Deposits
STATEMENT OF FINANCIAL POSITION - 2021			
Cash	\$ 9,552	\$ 0	\$ 0
Investments	30,912	9,447	0
Due from the Township of Melancthon	0	0	2,001
Due to cemetery general funds	<u>(9,096)</u>	<u>0</u>	<u>0</u>
FUND BALANCE	<u>\$ 31,368</u>	<u>\$ 9,447</u>	<u>\$ 2,001</u>

STATEMENT OF CONTINUITY - 2021			
BALANCE, BEGINNING OF YEAR	<u>\$ 29,786</u>	<u>\$ 9,331</u>	<u>\$ 2,001</u>
RECEIPTS			
Interest earned	732	116	0
Plot sales	<u>850</u>	<u>0</u>	<u>0</u>
	<u>1,582</u>	<u>116</u>	<u>0</u>
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
BALANCE, END OF YEAR	<u>\$ 31,368</u>	<u>\$ 9,447</u>	<u>\$ 2,001</u>

STATEMENT OF FINANCIAL POSITION - 2020			
Cash	\$ 8,730	\$ 0	\$ 0
Investments	30,260	9,331	0
Due from the Township of Melancthon	0	0	2,001
Due to cemetery general funds	<u>(9,204)</u>	<u>0</u>	<u>0</u>
FUND BALANCE	<u>\$ 29,786</u>	<u>\$ 9,331</u>	<u>\$ 2,001</u>

STATEMENT OF CONTINUITY - 2020			
BALANCE, BEGINNING OF YEAR	<u>\$ 29,226</u>	<u>\$ 10,261</u>	<u>\$ 2,001</u>
RECEIPTS			
Interest earned	160	118	0
Plot sales	<u>400</u>	<u>0</u>	<u>0</u>
	<u>560</u>	<u>118</u>	<u>0</u>
EXPENDITURES	<u>0</u>	<u>1,048</u>	<u>0</u>
BALANCE, END OF YEAR	<u>\$ 29,786</u>	<u>\$ 9,331</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, 2021

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.