

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON**  
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**YEAR ENDED DECEMBER 31, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2022 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, 2022 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 15, 2023

Chartered Professional Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2022**

	<b>2022</b>	<b>2021</b>
<b>FINANCIAL ASSETS</b>		
Cash and portfolio investments (note 2)	\$ 5,382,309	\$ 5,359,555
Taxes receivable	767,518	653,058
Accounts receivable	235,494	227,187
Long term receivables (note 3)	<u>53,069</u>	<u>61,165</u>
	<u>6,438,390</u>	<u>6,300,965</u>
<b>LIABILITIES</b>		
Operating loans (note 4)	20,000	0
Accounts payable and accrued liabilities	833,499	727,565
Landfill closure and post-closure liabilities (note 5)	281,625	268,855
Long term debt (note 6)	239,688	297,812
Deferred revenue - obligatory reserve funds (note 7)	1,143,419	1,065,857
Deferred revenue - other	<u>57,161</u>	<u>10,000</u>
	<u>2,575,392</u>	<u>2,370,089</u>
<b>NET FINANCIAL ASSETS</b>	<u>3,862,998</u>	<u>3,930,876</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (schedule 2)	12,194,985	11,602,259
Inventory	40,483	40,483
Prepaid expenses	<u>93,712</u>	<u>81,606</u>
	<u>12,329,180</u>	<u>11,724,348</u>
<b>ACCUMULATED SURPLUS</b> (schedule 3)	<u>\$ 16,192,178</u>	<u>\$ 15,655,224</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>2022 Budget (note 8)</b>	<b>2022 Actual</b>	<b>2021 Actual</b>
<b>REVENUES</b>			
Taxation	\$ 2,924,711	\$ 2,976,569	\$ 2,833,485
User charges	35,970	133,936	125,482
Grants (note 10)	519,219	488,821	492,048
Other income (note 11)	739,420	877,309	796,743
Loss on disposal of tangible capital assets	0	(68,239)	(26,465)
Obligatory reserve fund revenue recognized (note 7)	<u>379,500</u>	<u>204,500</u>	<u>264,194</u>
	<u>4,598,820</u>	<u>4,612,896</u>	<u>4,485,487</u>
<b>EXPENSES (schedule 1)</b>			
General government	773,714	745,222	662,189
Protection to persons and property	818,695	777,211	692,179
Transportation services	2,230,270	2,102,102	1,824,671
Environmental services	32,547	32,376	31,795
Recreation and cultural services	250,661	334,416	320,160
Planning and development	<u>135,380</u>	<u>84,615</u>	<u>105,646</u>
	<u>4,241,267</u>	<u>4,075,942</u>	<u>3,636,640</u>
<b>ANNUAL SURPLUS</b>	<u>\$ 357,553</u>	<u>\$ 536,954</u>	<u>\$ 848,847</u>
<b>ACCUMULATED SURPLUS at beginning of year</b>		\$ 15,655,224	\$ 14,806,377
Annual surplus		<u>536,954</u>	<u>848,847</u>
<b>ACCUMULATED SURPLUS at end of year</b>		<u>\$ 16,192,178</u>	<u>\$ 15,655,224</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>2022 Budget (note 8)</b>	<b>2022 Actual</b>	<b>2021 Actual</b>
<b>ANNUAL SURPLUS</b>	\$ <u>357,553</u>	\$ <u>536,954</u>	\$ <u>848,847</u>
Acquisition of tangible capital assets	(1,822,068)	(1,556,751)	(1,394,793)
Amortization of tangible capital assets	784,410	889,019	784,409
Loss on disposal of tangible capital assets	0	68,239	26,465
Proceeds on sale of tangible capital assets	0	3,277	0
Consolidated boards opening changes (schedule 2)	<u>0</u>	<u>3,490</u>	<u>5,150</u>
	<u>(1,037,658)</u>	<u>(592,726)</u>	<u>(578,769)</u>
Use of (additions to) prepaid expenses	<u>0</u>	<u>(12,106)</u>	<u>(11,494)</u>
<b>CHANGE IN NET FINANCIAL ASSETS</b>	\$ <u>(680,105)</u>	(67,878)	258,584
<b>NET FINANCIAL ASSETS at beginning of year</b>		<u>3,930,876</u>	<u>3,672,292</u>
<b>NET FINANCIAL ASSETS at end of year</b>		\$ <u>3,862,998</u>	\$ <u>3,930,876</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>2022</b>	<b>2021</b>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Annual surplus	\$ <u>536,954</u>	\$ <u>848,847</u>
Items not requiring an outlay of cash		
Amortization	889,019	784,409
Loss on disposal of tangible capital assets	68,239	26,465
Change in landfill closure and post-closure liabilities	<u>12,770</u>	<u>12,192</u>
	<u>970,028</u>	<u>823,066</u>
Net changes in non-cash working capital		
Taxes receivable	(114,460)	45,410
Accounts receivable	(8,307)	86,423
Prepaid expenses	(12,106)	(11,494)
Accounts payable and accrued liabilities	105,934	(27,435)
Deferred revenue - obligatory reserve funds	77,562	54,373
Deferred revenue - other	<u>47,161</u>	<u>(65,326)</u>
	<u>95,784</u>	<u>81,951</u>
	<u>1,602,766</u>	<u>1,753,864</u>
<b>CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(1,556,751)	(1,394,793)
Consolidated boards opening change in amortization (schedule 2)	3,490	5,150
Proceeds on disposal of tangible capital assets	<u>3,277</u>	<u>0</u>
	<u>(1,549,984)</u>	<u>(1,389,643)</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Operating loans	20,000	0
Net change in long term debt	<u>(58,124)</u>	<u>(114,862)</u>
	<u>(38,124)</u>	<u>(114,862)</u>
<b>CASH PROVIDED BY INVESTING ACTIVITIES</b>		
Net change in long term receivables	<u>8,096</u>	<u>37,506</u>
<b>NET INCREASE IN CASH AND PORTFOLIO INVESTMENTS</b>	22,754	286,865
<b>CASH AND PORTFOLIO INVESTMENTS, beginning of year</b>	<u>5,359,555</u>	<u>5,072,690</u>
<b>CASH AND PORTFOLIO INVESTMENTS, end of year</b>	\$ <u>5,382,309</u>	\$ <u>5,359,555</u>



**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**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	14.55% (2021 - 15.03%)
Mulmur-Melancthon Volunteer Fire Department	23.68% operating, 50.00% capital (2021 - 24.38%, 50.00% capital)
North Dufferin Community Centre	50.00% operating (2021 - 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, 2022**

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**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, 2022**

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**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, 2022**

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**2. CASH AND PORTFOLIO INVESTMENTS**

	<b>2022</b>	<b>2021</b>
Unrestricted cash	\$ 4,213,339	\$ 4,263,852
Unrestricted portfolio investments	<u>46,551</u>	<u>50,846</u>
	4,259,890	4,314,698
Restricted cash	<u>1,122,419</u>	<u>1,044,857</u>
	<u>\$ 5,382,309</u>	<u>\$ 5,359,555</u>

Unrestricted cash includes \$2,523,765 (2021 - \$2,394,849) held in one account at a chartered bank. Interest is earned on this account at a rate of prime less 2.05% (2021 - prime less 2.05%).

Portfolio investments consist of various GICs with interest rates ranging from 0.85% to 4.15% (2021 - 0.10% to 0.85%) maturing between June 2023 to June 2027 (2021 - June 2022 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.

	<b>2022</b>	<b>2021</b>
Two loans are charged interest at a rate of 6% and become due in 2027 - 2028	<u>\$ 53,069</u>	<u>\$ 61,165</u>

Principal payments for the next five years are as follows:

2023	\$ 8,582
2024	9,097
2025	9,643
2026	10,221
2027	10,835
Thereafter	<u>4,691</u>
	<u>\$ 53,069</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, 2022, the municipality had undrawn credit capacity of \$480,000 (2021 - \$500,000).

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**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 \$281,625 (2021 - \$268,855) 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 \$457,500 leaving an amount to be recognized in future periods of \$175,875. The estimated remaining capacity of the site's opened cells is approximately 140,700 tonnes, which was expected to be filled in 5 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, 2022, there was \$151,129 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:

	<b>2022</b>	<b>2021</b>
Loan payable, 3.18%, repayable in monthly instalments of \$3,409 principal and interest, due December 2025, unsecured	\$ 116,789	\$ 153,350
Tile drainage loans, 6%, annual payments of principal and interest ranging from \$4,973 - \$6,793, due between 2027 - 2028	53,069	61,165
Loan payable, 2.862%, repayable in monthly instalments of \$2,720 principal and interest, repaid January 2022	0	3,225
Loan payable, 3.63%, repayable in semi-annual instalments of \$6,528 principal and interest, due December 2028, unsecured	<u>69,830</u>	<u>80,072</u>
	<u>\$ 239,688</u>	<u>\$ 297,812</u>

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

2022	\$ 56,940
2023	59,061
2024	61,142
2025	22,048
2026	<u>23,095</u>
	222,286
Thereafter	<u>17,402</u>
	<u>\$ 239,688</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

7. DEFERRED REVENUE

	2022 Opening	Contributions Received	Investment Income	Revenue Recognized	2022 Ending
<b>Obligatory Reserve Funds</b>					
Development charges	\$ 875,969	\$ 166,695	\$ 16,703	\$ 0	\$ 1,059,367
Recreational land	27,234	0	482	0	27,716
Subdivider - park levies	21,000	0	0	0	21,000
Federal Gas Tax	<u>141,654</u>	<u>95,399</u>	<u>2,783</u>	<u>(204,500)</u>	<u>35,336</u>
	<u>\$1,065,857</u>	<u>\$ 262,094</u>	<u>\$ 19,968</u>	<u>\$ (204,500)</u>	<u>\$1,143,419</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:

<b>Revenue</b>	
Approved budget	\$ <u>4,598,820</u>
<b>Expenses</b>	
Approved budget	5,335,670
Acquisition of tangible capital assets	(1,822,068)
Debt principal repayments	(56,745)
Amortization	<u>784,410</u>
<b>Total expenses</b>	<u>4,241,267</u>
ANNUAL SURPLUS	\$ <u>357,553</u>

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:

	2022	2021
School boards	\$ 1,233,577	\$ 1,210,010
County of Dufferin	<u>2,223,986</u>	<u>2,131,278</u>
	<u>\$ 3,457,563</u>	<u>\$ 3,341,288</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**10. GRANTS**

	<b>2022 Budget (note 8)</b>	<b>2022 Actual</b>	<b>2021 Actual</b>
<b>Operating</b>			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 176,500	\$ 176,500	\$ 174,900
Conditional - roads	100,000	118,882	90,832
Conditional - other	<u>237,059</u>	<u>150,090</u>	<u>190,995</u>
	<u>513,559</u>	<u>445,472</u>	<u>456,727</u>
Other municipalities - recreation	0	37,322	29,673
Other municipalities - roads	<u>5,660</u>	<u>6,027</u>	<u>5,648</u>
	<u>5,660</u>	<u>43,349</u>	<u>35,321</u>
	<u>\$ 519,219</u>	<u>\$ 488,821</u>	<u>\$ 492,048</u>

**11. OTHER INCOME**

	<b>2022 Budget (note 8)</b>	<b>2022 Actual</b>	<b>2021 Actual</b>
Penalties and interest on taxation	\$ 95,000	\$ 107,398	\$ 97,041
Other fines and penalties	7,500	45,151	3,384
Investment income	11,000	79,182	19,363
Licenses, permits and rents	18,420	22,042	36,905
Donations and fundraising	500	0	2,510
Plateau community contributions	33,000	34,673	32,964
Dufferin Wind community contributions	265,000	279,863	274,376
CHD community contributions	<u>309,000</u>	<u>309,000</u>	<u>330,200</u>
	<u>\$ 739,420</u>	<u>\$ 877,309</u>	<u>\$ 796,743</u>

**12. TRUST FUNDS**

The trust funds administered by the municipality amounting to \$44,998 (2021 - \$42,816) 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 2022 was \$71,236 (2021 - \$63,701) on behalf of 11 members (2021 - 9 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 \$124.4 billion in net assets available for benefits (2021 - \$120.9 billion), \$128.8 billion as the defined benefit accrued pension obligation (2021 - \$119.3 billion) and a defined benefit funding deficit of \$6.7 billion (2021 - \$3.1 billion).

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**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, 2022 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, 2022**

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**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.

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 1

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation Services	Planning and Development	2022	2021
<b>EXPENSES</b>								
Salaries and benefits	\$ 500,091	\$ 83,359	\$ 490,996	\$ 0	\$ 33,483	\$ 0	\$ 1,107,929	\$ 1,081,186
Materials	167,056	90,972	756,407	0	98,805	4,426	1,117,666	880,211
Contracted services	54,521	437,082	48,311	28,429	0	76,519	644,862	596,106
Rents and financial expenses	1,079	0	0	0	0	0	1,079	2,591
Interest on long term debt	2,815	0	4,356	0	0	3,670	10,841	14,790
Amortization	18,410	60,961	802,032	3,947	3,669	0	889,019	784,409
Transfers	<u>1,250</u>	<u>104,837</u>	<u>0</u>	<u>0</u>	<u>198,459</u>	<u>0</u>	<u>304,546</u>	<u>277,347</u>
	<u>\$ 745,222</u>	<u>\$ 777,211</u>	<u>\$ 2,102,102</u>	<u>\$ 32,376</u>	<u>\$ 334,416</u>	<u>\$ 84,615</u>	<u>\$ 4,075,942</u>	<u>\$ 3,636,640</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, 2022

Schedule 2

	Land	Land Improvements	Facilities	Vehicles	Equipment	Infrastructure: Transportation	Infrastructure: Environmental	2022	2021
<b>COST</b>									
Balance, beginning of year	\$ 441,857	\$ 108,359	\$ 916,407	\$ 2,734,265	\$ 604,064	\$ 18,166,434	\$ 117,426	\$ 23,088,812	\$ 22,164,461
Additions during the year	0	0	129,691	230,839	16,103	1,180,118	0	1,556,751	1,394,793
Consolidated boards opening changes	0	0	0	(3,490)	0	0	0	(3,490)	(5,150)
Disposals during the year	0	0	(51,378)	(33,155)	0	(710,594)	0	(795,127)	(465,292)
Balance, end of year	<u>441,857</u>	<u>108,359</u>	<u>994,720</u>	<u>2,928,459</u>	<u>620,167</u>	<u>18,635,958</u>	<u>117,426</u>	<u>23,846,946</u>	<u>23,088,812</u>
<b>ACCUMULATED AMORTIZATION</b>									
Balance, beginning of year	0	30,091	389,008	1,813,723	366,738	8,857,678	29,315	11,486,553	11,140,971
Amortization	0	3,311	14,350	101,306	33,378	735,035	1,639	889,019	784,409
Accumulated amortization on disposals	0	0	(41,103)	(33,155)	0	(649,353)	0	(723,611)	(438,827)
Balance, end of year	<u>0</u>	<u>33,402</u>	<u>362,255</u>	<u>1,881,874</u>	<u>400,116</u>	<u>8,943,360</u>	<u>30,954</u>	<u>11,651,961</u>	<u>11,486,553</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>									
	<u>\$ 441,857</u>	<u>\$ 74,957</u>	<u>\$ 632,465</u>	<u>\$ 1,046,585</u>	<u>\$ 220,051</u>	<u>\$ 9,692,598</u>	<u>\$ 86,472</u>	<u>\$ 12,194,985</u>	<u>\$ 11,602,259</u>

See notes to the consolidated financial statements

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS  
AS AT DECEMBER 31, 2022**

*Schedule 3*

	<b>2022</b>	<b>2021</b>
<b>SURPLUSES</b>		
Invested in tangible capital assets	\$ 12,008,366	\$ 11,365,612
General surplus	1,149,153	1,149,153
Unfunded solid waste closure and post-closure costs	(281,625)	(268,855)
Recreation, community centres and arenas	120,414	100,915
Cemeteries	88,297	86,245
Fire boards	13,888	27,122
Other	<u>966</u>	<u>966</u>
	<u>13,099,459</u>	<u>12,461,158</u>
<b>RESERVE FUNDS</b>		
Capital purposes	246,267	232,157
Quarry	118,724	116,658
Working funds	171,387	327,099
Replacement of equipment	680,194	663,177
Landfill closure	151,129	138,674
Shelburne & district fire board	77,242	135,194
Mulmur-Melancthon volunteer fire board	155,355	97,770
Insurance, sick leave, WSIB	22,110	21,726
Special emergency relief	<u>30,954</u>	<u>25,503</u>
	<u>1,653,362</u>	<u>1,757,958</u>
<b>RESERVES</b>		
Working funds	1,214,296	1,241,099
NDCC operating	20,000	20,000
NDCC facility development	2,589	2,537
Capital purposes	<u>202,472</u>	<u>172,472</u>
	<u>1,439,357</u>	<u>1,436,108</u>
	<u>\$ 16,192,178</u>	<u>\$ 15,655,224</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
 SCHEDULE OF HORNING'S MILLS CEMETERY BOARD  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 4

	2022	2021
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Cash	\$ 28,882	\$ 22,415
Due from Cemetery Care and Maintenance Fund	8,918	9,096
Portfolio investments	2,637	6,933
Accrued interest receivable	<u>163</u>	<u>195</u>
<b>ACCUMULATED SURPLUS</b>	<b><u>\$ 40,600</u></b>	<b><u>\$ 38,639</u></b>

<b>STATEMENT OF OPERATIONS</b>		
<b>REVENUE</b>		
Sale of plots and markers	\$ 1,500	\$ 875
Interest	461	313
HST refund	<u>0</u>	<u>173</u>
	<u>1,961</u>	<u>1,361</u>
<b>EXPENSES</b>	<u>0</u>	<u>0</u>
<b>ANNUAL SURPLUS</b>	1,961	1,361
<b>ACCUMULATED SURPLUS, beginning of year</b>	<u>38,639</u>	<u>37,278</u>
<b>ACCUMULATED SURPLUS, end of year</b>	<b><u>\$ 40,600</u></b>	<b><u>\$ 38,639</u></b>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
 SCHEDULE OF ST. PAUL'S CEMETERY BOARD  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 5

	2022	2021
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Cash	\$ 3,435	\$ 3,397
Accrued interest receivable	348	295
Portfolio investments	<u>43,914</u>	<u>43,914</u>
<b>ACCUMULATED SURPLUS</b>	<b><u>\$ 47,697</u></b>	<b><u>\$ 47,606</u></b>

<b>STATEMENT OF OPERATIONS</b>		
<b>REVENUE</b>		
Interest	\$ <u>100</u>	\$ <u>260</u>
<b>EXPENSES</b>		
Administration	<u>9</u>	<u>9</u>
<b>ANNUAL SURPLUS</b>	91	251
<b>ACCUMULATED SURPLUS, beginning of year</b>	<u>47,606</u>	<u>47,355</u>
<b>ACCUMULATED SURPLUS, end of year</b>	<b><u>\$ 47,697</u></b>	<b><u>\$ 47,606</u></b>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
 SCHEDULE OF HORNING'S MILLS COMMUNITY PARK  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 6

	2022	2021
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Cash	\$ 3,664	\$ 5,742
Receivables	<u>2,671</u>	<u>171</u>
<b>NET FINANCIAL ASSETS</b>	<u>6,335</u>	<u>5,913</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	<u>32,664</u>	<u>32,664</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 38,999</u>	<u>\$ 38,577</u>

<b>STATEMENT OF OPERATIONS</b>		
<b>REVENUE</b>		
Grant - Township of Melancthon	\$ 2,500	\$ 2,500
Interest	77	44
Other income	<u>892</u>	<u>10,298</u>
	<u>3,469</u>	<u>12,842</u>
<b>EXPENSES</b>		
Administration	2,617	1,709
Hydro	<u>430</u>	<u>336</u>
	<u>3,047</u>	<u>2,045</u>
<b>ANNUAL (DEFICIT) SURPLUS</b>	422	10,797
<b>ACCUMULATED SURPLUS, beginning of year</b>	<u>38,577</u>	<u>27,780</u>
<b>ACCUMULATED SURPLUS, end of year</b>	<u>\$ 38,999</u>	<u>\$ 38,577</u>

THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
SCHEDULE OF HORNING'S MILLS COMMUNITY HALL  
FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 7

	2022	2021
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>FINANCIAL ASSETS</b>		
Cash	\$ <u>43,220</u>	\$ <u>43,928</u>
<b>LIABILITIES</b>		
Deferred revenue	<u>565</u>	<u>565</u>
<b>NET FINANCIAL ASSETS</b>	<u>42,655</u>	<u>43,363</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	<u>34,773</u>	<u>41,637</u>
<b>ACCUMULATED SURPLUS</b>	\$ <u><u>77,428</u></u>	\$ <u><u>85,000</u></u>

<b>STATEMENT OF OPERATIONS</b>		
<b>REVENUE</b>		
Grant - Township of Melancthon	\$ 0	\$ 2,208
Fundraising and user charges	6,045	877
Rental	2,605	0
Interest	<u>775</u>	<u>192</u>
	<u>9,425</u>	<u>3,277</u>
<b>EXPENSES</b>		
Amortization	6,863	6,863
Supplies and maintenance	1,835	1,865
Hydro and fuel	0	1,495
Telephone	0	225
Other	<u>8,299</u>	<u>0</u>
	<u>16,997</u>	<u>10,448</u>
<b>ANNUAL DEFICIT</b>	(7,572)	(7,171)
<b>ACCUMULATED SURPLUS, beginning of year</b>	<u>85,000</u>	<u>92,171</u>
<b>ACCUMULATED SURPLUS, end of year</b>	\$ <u><u>77,428</u></u>	\$ <u><u>85,000</u></u>



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## INDEPENDENT AUDITOR'S REPORT

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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, 2022 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, 2022 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 15, 2023

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, 2022

	Horning's Mills Cemetery	St. Paul's Cemetery	Subdividers' Deposits
<b>STATEMENT OF FINANCIAL POSITION - 2022</b>			
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>
<b>FUND BALANCE</b>	<b><u>\$ 33,435</u></b>	<b><u>\$ 9,562</u></b>	<b><u>\$ 2,001</u></b>

<b>STATEMENT OF CONTINUITY - 2022</b>			
<b>BALANCE, BEGINNING OF YEAR</b>	<b><u>\$ 31,368</u></b>	<b><u>\$ 9,447</u></b>	<b><u>\$ 2,001</u></b>
<b>RECEIPTS</b>			
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>
<b>EXPENDITURES</b>	<u>9</u>	<u>0</u>	<u>0</u>
<b>BALANCE, END OF YEAR</b>	<b><u>\$ 33,435</u></b>	<b><u>\$ 9,562</u></b>	<b><u>\$ 2,001</u></b>

<b>STATEMENT OF FINANCIAL POSITION - 2021</b>			
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>
<b>FUND BALANCE</b>	<b><u>\$ 31,368</u></b>	<b><u>\$ 9,447</u></b>	<b><u>\$ 2,001</u></b>

<b>STATEMENT OF CONTINUITY - 2021</b>			
<b>BALANCE, BEGINNING OF YEAR</b>	<b><u>\$ 29,786</u></b>	<b><u>\$ 9,331</u></b>	<b><u>\$ 2,001</u></b>
<b>RECEIPTS</b>			
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>
<b>EXPENDITURES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>BALANCE, END OF YEAR</b>	<b><u>\$ 31,368</u></b>	<b><u>\$ 9,447</u></b>	<b><u>\$ 2,001</u></b>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON - TRUST FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**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.