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Auditors' Report

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

We have audited the consolidated statement of financial position of the Corporation of the Township of Melancthon as at December 31, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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, 2007 and the results of its financial activities and changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
February 8, 2008

**The Corporation of the Township of Melancthon
Consolidated Statement of Financial Position**

December 31 2007 2006

Assets and Liabilities

Financial assets

Cash and temporary investments (Note 1)	\$	864,856	\$	1,271,717
Taxes receivable		497,665		435,669
Trade and other receivables		525,892		97,789
Long-term receivables (Note 2)		12,177		22,022
Other		597		716
		1,901,187		1,827,913

Liabilities

Temporary borrowings (Note 3)	52,000	42,000
Accounts payable and accrued liabilities	328,745	143,837
Solid waste landfill closure and post-closure liabilities (Note 5)	67,764	67,764
Post-employment benefits liabilities	16,195	11,169
Deferred revenue (Page 15)	371,483	477,633
Net long-term liabilities (Note 4)	310,889	379,021
	1,147,076	1,121,424

Net financial assets \$ 754,111 \$ 706,489

Municipal Position

Current fund (Page 16)	\$	252,540	\$	263,864
Capital fund (Page 17)		25,461		(64,583)
Reserves and reserve funds (Page 18)		858,781		943,140
		1,136,782		1,142,421
Amounts to be recovered (Note 6)		(382,671)		(435,932)
		\$ 754,111		\$ 706,489

The Corporation of the Township of Melancthon Consolidated Statement of Financial Activities

For the year ended December 31	2007	2007	2006
	Budget	Actual	Actual
Revenue			
Taxation	\$ 1,228,176	\$ 1,240,283	\$ 1,171,810
Fees and user charges	58,454	262,995	82,949
Canada grants	220,000	164,281	-
Ontario grants	708,004	666,835	595,819
Municipal grants	-	5,120	31,311
Other income (Note 7)	153,150	212,303	201,491
Obligatory reserve fund revenue recognized	244,952	251,800	-
	<u>2,612,736</u>	<u>2,803,617</u>	<u>2,083,380</u>
Expenditures			
Current (Note 8)			
General government	298,100	269,275	259,528
Protection services	450,573	438,352	394,403
Transportation services	819,000	800,122	653,705
Environmental services	123,500	101,619	128,634
Health services	2,000	4,414	3,596
Recreation and cultural services	82,951	98,146	87,706
Planning and development	10,000	191,143	47,283
	<u>1,786,124</u>	<u>1,903,071</u>	<u>1,574,855</u>
Capital			
Protection services	8,328	8,130	35,851
Transportation services	1,004,468	800,609	381,618
Environmental services	18,000	19,513	16,340
Planning and development	26,000	26,423	41,098
	<u>1,056,796</u>	<u>854,675</u>	<u>474,907</u>
Total expenditures	<u>2,842,920</u>	<u>2,757,746</u>	<u>2,049,762</u>
Net revenues (expenditures) for the year	(230,184)	45,871	33,618
Transfer from/(to) obligatory reserve funds	-	-	(27,260)
Restatement of opening reserves (Note 17)	-	1,708	(3,366)
Restatement of opening surplus (Note 16)	-	43	-
	<u>(230,184)</u>	<u>47,622</u>	<u>2,992</u>
Change in amounts to be recovered			
Debt principal repayments	(69,200)	(58,287)	(51,967)
Change in post-employment benefits liabilities	-	5,027	(2,390)
	<u>(69,200)</u>	<u>(53,260)</u>	<u>(54,357)</u>
Change in fund balances for the year	<u>\$ (299,384)</u>	<u>\$ (5,638)</u>	<u>\$ (51,365)</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Township of Melancthon Consolidated Statement of Changes in Financial Position

For the year ended December 31	2007	2006
Cash provided by (used in)		
Operating activities		
Net revenue for the year	\$ 45,871	\$ 33,618
Items not involving cash		
Transfer to obligatory reserve funds	-	(27,260)
Restatement of opening reserves	1,708	(3,366)
Change in post-employment benefits liabilities	5,027	(2,390)
Restatement of opening reserves	43	-
	<u>52,649</u>	602
Changes in non-cash working capital balances		
Taxes receivable	(61,996)	(42,395)
Trade and other receivables	(428,105)	7,572
Other assets	119	(716)
Accounts payable and accrued liabilities	184,908	43,026
Deferred revenue	(106,150)	183,624
	<u>(358,575)</u>	191,713
Investing activities		
Decrease in long-term receivables	<u>9,845</u>	9,116
Financing activities		
Repayment of long-term liabilities	(68,132)	(61,083)
Temporary borrowings	10,000	(30,000)
	<u>(58,132)</u>	(91,083)
Net change in cash and cash equivalents	(406,862)	109,746
Cash and cash equivalents, beginning of year	<u>1,271,718</u>	<u>1,161,972</u>
Cash and cash equivalents, end of year	\$ 864,856	\$ 1,271,718

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.