

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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Chartered Accountants  
and Business Advisors

People Count.

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of The Corporation of the Township of Melancthon, which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

### Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Melancthon as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'R. G. Up'.

Fergus, Ontario  
July 21, 2011

Chartered Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2010**

**FINANCIAL ASSETS**

	<b>2010</b>	<b>2009</b>
Cash and temporary investments (note 3)	\$ 1,364,302	\$ 1,407,811
Taxes receivable	553,928	518,962
Accounts receivable	215,359	224,849
Long term receivables (note 4)	<u>76,148</u>	<u>82,400</u>
	<u>2,209,737</u>	<u>2,234,022</u>

**LIABILITIES**

Operating loans (note 5)	32,000	42,000
Accounts payable and accrued liabilities	245,104	300,955
Landfill Closure Liability (note 7)	177,801	203,619
Post Employment Benefits (note 8)	31,163	28,757
Loans payable (note 6)	224,926	279,557
Deferred revenue (note 9)	<u>443,595</u>	<u>454,830</u>
	<u>1,154,589</u>	<u>1,309,718</u>

<b>NET FINANCIAL ASSETS</b>	<u>1,055,148</u>	<u>924,304</u>
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**NON-FINANCIAL ASSETS**

Tangible capital assets (schedule 2)	9,114,856	9,061,980
Inventory	23,892	34,308
Prepaid expenses	<u>45,687</u>	<u>44,427</u>
	<u>9,184,435</u>	<u>9,140,715</u>

<b>ACCUMULATED SURPLUS (schedule 3)</b>	<u>\$ 10,239,583</u>	<u>\$ 10,065,019</u>
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**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>2010 Budget (note 10)</b>	<b>2010 Actual</b>	<b>2009 Actual</b>
<b>REVENUES</b>			
Taxation	\$ 1,345,766	\$ 1,394,707	\$ 1,402,803
User charges	23,725	105,060	80,080
Grants (note 14)	419,352	454,005	539,843
Other income (note 15)	405,160	464,977	440,725
(Loss) gain on disposal of tangible capital assets	0	(46,210)	(87,154)
Obligatory reserve fund revenue recognized (note 9)	<u>237,500</u>	<u>194,917</u>	<u>112,465</u>
	<u>2,431,503</u>	<u>2,567,456</u>	<u>2,488,762</u>
<b>EXPENSES</b>			
General government	393,450	430,723	394,835
Protection to persons and property	512,574	460,910	484,763
Transportation services	1,314,844	1,066,262	1,013,430
Environmental services	168,624	126,938	218,397
Health services	154,273	4,109	4,640
Recreation and cultural services	83,000	216,162	115,878
Planning and development	<u>0</u>	<u>87,788</u>	<u>86,221</u>
	<u>2,626,765</u>	<u>2,392,892</u>	<u>2,318,164</u>
	(195,262)	174,564	170,598
<b>RESTATEMENT OF OPENING SURPLUS</b>	<u>0</u>	<u>0</u>	<u>(2,476)</u>
<b>ANNUAL (DEFICIT) SURPLUS</b>	<u>\$ (195,262)</u>	<u>\$ 174,564</u>	<u>\$ 168,122</u>
<b>ACCUMULATED SURPLUS at beginning of year</b>		\$ 10,065,019	\$ 9,896,897
Annual surplus		<u>174,564</u>	<u>168,122</u>
<b>ACCUMULATED SURPLUS at end of year</b>		<u>\$ 10,239,583</u>	<u>\$ 10,065,019</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>2010 Budget (note 10)</b>	<b>2010 Actual</b>	<b>2009 Actual</b>
<b>ANNUAL (DEFICIT) SURPLUS</b>	\$ <u>(195,262)</u>	\$ <u>174,564</u>	\$ <u>168,122</u>
Acquisition of tangible capital assets	0	(567,026)	(1,045,472)
Amortization of tangible capital assets	0	467,940	402,099
Loss on sale of tangible capital assets	0	46,210	87,154
Proceeds on sale of tangible capital assets	<u>0</u>	<u>0</u>	<u>9,450</u>
	<u>0</u>	<u>(52,876)</u>	<u>(546,769)</u>
Use of (additions of) inventories		10,416	(2,570)
Use of (additions to) prepaid expense	<u>0</u>	<u>(1,260)</u>	<u>(12,606)</u>
	<u>0</u>	<u>9,156</u>	<u>(15,176)</u>
<b>(DECREASE) INCREASE IN NET FINANCIAL ASSETS</b>	\$ <u>(195,262)</u>	130,844	(393,823)
<b>NET FINANCIAL ASSETS at beginning of year</b>		<u>924,304</u>	<u>1,318,127</u>
<b>NET FINANCIAL ASSETS at end of year</b>		\$ <u>1,055,148</u>	\$ <u>924,304</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Annual (deficit) surplus	\$ 174,564	\$ 168,122
<b>Items not requiring an outlay of cash</b>		
Amortization	467,940	402,099
Loss on sale of tangible capital assets	46,210	87,154
Change in post-employment benefits liabilities	2,404	6,187
Change in solid waste landfill liability	<u>(25,818)</u>	<u>60,273</u>
	<u>490,736</u>	<u>555,713</u>
	<u>665,300</u>	<u>723,835</u>
Net changes in non-cash working capital		
Taxes receivable	(34,965)	3,502
Accounts receivable	9,490	366,418
Prepaid expenses	(1,260)	(2,570)
Accounts payable and accrued liabilities	(55,850)	75,621
Inventory	10,416	(12,606)
Deferred revenue - Obligatory reserve funds	<u>(11,235)</u>	<u>5,266</u>
	<u>(83,404)</u>	<u>435,631</u>
	<u>581,896</u>	<u>1,159,466</u>
<b>CASH (USED IN) CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(567,026)	(1,045,472)
Proceeds on disposal of tangible capital assets	<u>0</u>	<u>9,450</u>
	<u>(567,026)</u>	<u>(1,036,022)</u>
<b>CASH (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from temporary borrowing	(10,000)	0
Repayment of long-term liabilities	(54,631)	(46,034)
Proceeds of issuance of long-term liabilities	<u>0</u>	<u>82,400</u>
	<u>(64,631)</u>	<u>36,366</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Increase in long-term receivables	0	(82,400)
Repayment of long-term receivables	<u>6,252</u>	<u>4,524</u>
	<u>6,252</u>	<u>(77,876)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(43,509)	81,934
<b>CASH, beginning of year</b>	<u>1,407,811</u>	<u>1,325,877</u>
<b>CASH, end of year</b>	<u>\$ 1,364,302</u>	<u>\$ 1,407,811</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**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 accounting guidelines set by the Public Sector Accounting Board. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

**(a) BASIS OF CONSOLIDATION**

- (i) 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	15.40% (2009 - 16.54%)
Mulmur-Melancthon Volunteer Fire Department	27.82% (2009 - 28.41%)

**(b) 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 installment 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.

**(c) USE OF ESTIMATES**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(d) 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.

(e) 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.

(f) TEMPORARY INVESTMENTS

Temporary investments are recorded at 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.

(g) INVENTORY

Inventory held for consumption is recorded at the lower of cost and replacement cost.

(h) REVENUE RECOGNITION

Revenues are recognized as follows:

- (i) Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers.
- (ii) Fines and donations are recognized when collected.
- (iii) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- (iv) Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur providing the transfers are authorized, and eligibility criteria have been met and reasonable estimates of the amounts can be made.
- (v) Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for a specific purpose.

(i) COUNTY AND SCHOOL BOARD

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.

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(j) **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 are 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 and machinery	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.

**2. FINANCIAL INSTRUMENTS**

The municipality's financial instruments consist of cash, taxes receivable, accounts receivable, other current assets, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the municipality is not exposed to any significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**3. CASH AND TEMPORARY INVESTMENTS**

	<b>2010</b>	<b>2009</b>
Unrestricted cash	\$ 870,802	\$ 904,720
Unrestricted temporary investments	<u>49,905</u>	<u>48,261</u>
	920,707	952,981
Restricted cash	<u>443,595</u>	<u>454,830</u>
	<u>\$ 1,364,302</u>	<u>\$ 1,407,811</u>

Cash includes \$132,401 held in one account at a chartered bank. Interest is earned on this account at a rate of 0.10% if the balance is between \$100,000 and \$249,999 and 0.25% if the balance is between \$250,000 and \$400,000.

Interest earned on the investments ranges from 0.40% to 3.50%.

**4. LONG-TERM RECEIVABLES**

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

	<b>2010</b>	<b>2009</b>
Two loans are charged interest at a rate of 6% and become due in 2019	\$ <u>76,148</u>	\$ <u>82,400</u>

Principal payments for the next five years are as follows:

2011	\$ 6,627
2012	7,024
2013	7,445
2014	7,892
2015	8,366
Thereafter	<u>38,794</u>
	<u>\$ 76,148</u>

**5. 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, 2010, the municipality had undrawn credit capacity of \$718,000.

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**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>2010</b>	<b>2009</b>
Tile drainage loans, 6%, annual payments of principal and interest, due in 2019	\$ 76,148	\$ 82,400
Loan payable, 4.197%, repayable in monthly instalments of \$1,670 principal and interest, due April 2014	64,001	80,223
Capital lease payable, 6.53%, repayable in monthly instalments of \$2,667 principal and interest, due November 2013. Secured by asset.	<u>84,777</u>	<u>116,934</u>
	<u>\$ 224,926</u>	<u>\$ 279,557</u>

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

2011	\$ 24,356
2012	25,513
2013	26,725
2014	16,395
2015	8,366
Thereafter	<u>38,794</u>
	<u>\$ 140,149</u>

The future minimum lease payments for the next five years are as follows:

2011	\$ 27,271
2012	29,106
2013	<u>28,400</u>
	<u>\$ 84,777</u>

The gross interest paid relating to the above long-term debt was \$9,837 (2009 - \$13,744).

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**7. 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.

The liability for the landfill site is recorded at \$177,801 and represents the present value of closure and post-closure costs for 61% 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 \$293,068 leaving an amount to be recognized of \$115,267. The estimated remaining capacity of the site's opened cells is approximately 144,000 tonnes, which will be filled in 17 years. Post-closure care is estimated to continue for a period of 25 years.

The municipality has established a reserve to assist in financing the future costs of closure and post-closure liabilities. At December 31, 2010 there was \$30,103 available in the reserve.

**8. POST EMPLOYMENT BENEFITS**

In 1970 the municipality adopted a policy which provides for a payout of a portion of the accrued sick days if an employee retires and has a specified number of years of service with the municipality. This policy was repealed in 2010 and replaced with a new policy which provides for all accrued sick days of each employee to be paid out in December of the current year. The sick time liability for 2010 is \$31,163 (2009 - \$28,757), which is planned to be paid out in full during 2011.

**9. DEFERRED REVENUE**

	2010 Opening	Contributions Received	Investment Income	Revenue Recognized	2010 Ending
<b>Obligatory Reserve Funds</b>					
Development charges	\$ 303,235	\$ 91,752	\$ 1,842	\$ (85,000)	\$ 311,829
Recreational land	4,146	0	21	0	4,167
Federal Gas Tax	<u>147,449</u>	<u>89,096</u>	<u>971</u>	<u>(109,917)</u>	<u>127,599</u>
	<u>\$ 454,830</u>	<u>\$ 180,848</u>	<u>\$ 2,834</u>	<u>\$ (194,917)</u>	<u>\$ 443,595</u>

**10. BUDGET AMOUNTS**

The budgeted figures are presented for comparison purposes as prepared and approved by council, reclassified to conform to the current financial statement presentation. They have not been audited or reviewed by the auditor. The budgeted figures have been prepared on the cash basis of accounting, and have not been restated to conform to the accrual basis of accounting on which the actual figures have been presented.

**11. 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:

	2010	2009
School boards	\$ 1,088,950	\$ 1,103,156
County of Dufferin	<u>1,391,927</u>	<u>1,344,421</u>
	<u>\$ 2,480,877</u>	<u>\$ 2,447,577</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**12. TRUST FUNDS**

The trust funds administered by the municipality amounting to \$30,974 (2009 - \$30,142) have not been included in the Consolidated Statement of Financial Position, nor have the operations been included in the Consolidated Statement of Operations. The trust fund balances are as follows:

	<b>2010</b>	<b>2009</b>
Cemetery Care and Maintenance Funds	\$ 28,912	\$ 28,030
Subdividers' deposits	<u>2,062</u>	<u>2,112</u>
	<u>\$ 30,974</u>	<u>\$ 30,142</u>

**13. TANGIBLE CAPITAL ASSETS**

	<b>Net 2010</b>	<b>Net 2009</b>
General		
Land	\$ 409,171	\$ 349,171
Land Improvements	12,756	13,394
Facilities	289,415	300,902
Vehicles	944,525	902,905
Equipment	77,302	69,600
Infrastructure		
Transportation	7,274,824	7,317,402
Environmental	<u>106,863</u>	<u>108,606</u>
	<u>\$ 9,114,856</u>	<u>\$ 9,061,980</u>

**14. GRANTS**

	<b>2010 Budget</b>	<b>2010 Actual</b>	<b>2009 Actual</b>
<b>Operating</b>			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 358,400	\$ 358,400	\$ 448,000
Conditional - Roads	30,000	46,158	54,213
- Other	<u>25,952</u>	<u>35,975</u>	<u>36,757</u>
	<u>414,352</u>	<u>440,533</u>	<u>538,970</u>
Government of Canada			
Conditional - Roads	0	0	4,177
Other Municipalities - Roads	<u>5,000</u>	<u>5,100</u>	<u>5,050</u>
	<u>5,000</u>	<u>5,100</u>	<u>9,227</u>
<b>Tangible Capital Assets</b>			
Province of Ontario			
Conditional - Roads	0	4,186	(4,177)
Government of Canada			
Conditional - Roads	<u>0</u>	<u>4,186</u>	<u>(4,177)</u>
	<u>0</u>	<u>8,372</u>	<u>(8,354)</u>
	<u>\$ 419,352</u>	<u>\$ 454,005</u>	<u>\$ 539,843</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**15. OTHER INCOME**

	<b>2010 Budget</b>	<b>2010 Actual</b>	<b>2009 Actual</b>
Penalties and interest on taxation	\$ 65,000	\$ 79,564	\$ 72,499
Other fines and penalties	20,000	34,489	28,321
Investment income	1,500	4,955	5,981
Licenses, permits and rents	8,650	8,482	8,802
Donations	0	5,790	8,168
Prepaid special charges	0	3,303	7,619
Sale of publications, equipment, etc.	1,010	19,394	335
CHD community contributions	<u>309,000</u>	<u>309,000</u>	<u>309,000</u>
	<u>\$ 405,160</u>	<u>\$ 464,977</u>	<u>\$ 440,725</u>

**16. 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 to the Township of Melancthon on or before March 31 for each year from 2007 through and including 2026, the sum of \$45,000.
- ii) Phase II of the project consists of 66 wind turbine generators. The company will pay to the Township of Melancthon on or before November for each year from 2009 through and including 2028, the sum of \$264,000.

**17. 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, 2010 amount to \$2,720,000.

**18. SEGMENTED INFORMATION**

The Corporation of the Township of Melancthon is a diversified municipal government institution that provides a wide range of services to its citizens 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 citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**18. SEGMENTED INFORMATION (continued)**

Transportation

Transportation is responsible for construction and maintenance of the municipality's roadways, bridges, parking areas and streetlights.

Environmental

Environmental services consists of providing waste collection, disposal and recycling to its citizens.

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 citizens. 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.

**19. COMPARATIVE FIGURES**

Certain of the prior year comparative figures have been reclassified to conform to the current year presentation.

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Services	Planning and Development	2010	2009
<b>EXPENSES</b>									
Salaries and benefits	\$ 211,591	\$ 41,989	\$ 356,661	\$ 37,591	\$ 800	\$ 0	\$ 0	\$ 648,632	\$ 606,411
Materials	104,424	46,251	280,545	56,870	3,309	13,773	4,216	509,388	721,021
Contracted services	98,413	322,939	1,335	30,734	0	0	78,628	532,049	428,543
Rents and financial expenses	1,255	0	0	0	0	0	0	1,255	877
Interest on long term debt	0	3,823	1,071	0	0	0	4,944	9,838	13,744
Amortization	14,340	23,534	426,650	1,743	0	1,673	0	467,940	402,099
Transfers	<u>700</u>	<u>22,374</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200,716</u>	<u>0</u>	<u>223,790</u>	<u>145,469</u>
	<u>\$ 430,723</u>	<u>\$ 460,910</u>	<u>\$ 1,066,262</u>	<u>\$ 126,938</u>	<u>\$ 4,109</u>	<u>\$ 216,162</u>	<u>\$ 87,788</u>	<u>\$ 2,392,892</u>	<u>\$ 2,318,164</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Land	Land Improvements	Facilities	Vehicles	Equipment	Infrastructure: Transportation	Infrastructure: Environmental	2010	2009
<b>COST</b>									
Balance, beginning of year	\$ 349,171	\$ 26,843	\$ 476,293	\$ 1,719,080	\$ 128,360	\$ 12,692,256	\$ 117,426	\$ 15,509,429	\$ 14,968,188
Additions during the year	60,000	337	0	147,133	17,736	341,820	0	567,026	933,904
Disposals during the year	0	0	0	0	0	(179,289)	0	(179,289)	(504,231)
Assets under construction	0	0	0	0	0	0	0	0	111,568
Balance, end of year	<u>409,171</u>	<u>27,180</u>	<u>476,293</u>	<u>1,866,213</u>	<u>146,096</u>	<u>12,854,787</u>	<u>117,426</u>	<u>15,897,166</u>	<u>15,509,429</u>
<b>ACCUMULATED AMORTIZATION</b>									
Balance, beginning of year	0	13,449	175,391	816,175	58,760	5,374,854	8,820	6,447,449	6,452,977
Amortization	0	975	11,487	105,513	10,034	338,188	1,743	467,940	402,099
Accumulated amortization on disposals	0	0	0	0	0	(133,079)	0	(133,079)	(407,627)
Balance, end of year	<u>0</u>	<u>14,424</u>	<u>186,878</u>	<u>921,688</u>	<u>68,794</u>	<u>5,579,963</u>	<u>10,563</u>	<u>6,782,310</u>	<u>6,447,449</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 409,171</u>	<u>\$ 12,756</u>	<u>\$ 289,415</u>	<u>\$ 944,525</u>	<u>\$ 77,302</u>	<u>\$ 7,274,824</u>	<u>\$ 106,863</u>	<u>\$ 9,114,856</u>	<u>\$ 9,061,980</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
SCHEDULE OF ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>2010</b>	<b>2009</b>
<b>SURPLUSES</b>		
Invested in tangible capital assets	\$ 8,947,637	\$ 8,846,382
Unfunded solid waste closure and post-closure costs	(177,801)	(203,619)
Unfunded vested sick leave payable	(31,163)	(28,757)
General Surplus	252,799	397,876
Police Services Board	2,173	2,161
Other	477	552
Cemeteries	73,581	72,366
Recreation, community centres and arenas	3,726	5,945
Fire Boards	<u>6,858</u>	<u>10,778</u>
	<u>9,078,287</u>	<u>9,103,684</u>
<b>RESERVE FUNDS</b>		
Working funds	204,002	143,254
Insurance, sick leave, WSIB	30,728	25,217
Replacement of equipment	3,714	53,433
Quarry	100,000	0
Capital purposes	408,322	322,902
Current purposes	<u>0</u>	<u>11,999</u>
	<u>746,766</u>	<u>556,805</u>
<b>RESERVES</b>		
Working funds	213,433	213,433
Tax rate stabilization	<u>201,097</u>	<u>191,097</u>
	<u>414,530</u>	<u>404,530</u>
	<u>\$ 10,239,583</u>	<u>\$ 10,065,019</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
SCHEDULE OF HORNING'S MILLS CEMETERY BOARD  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Cash	\$ 3,946	\$ 6,941
Due from Cemetery Care and Maintenance Fund	12,866	8,499
Accrued interest receivable	914	1,003
Temporary investments	<u>6,409</u>	<u>6,390</u>
	<u>\$ 24,135</u>	<u>\$ 22,833</u>
 <b>ACCUMULATED SURPLUS</b>	 <u>\$ 24,135</u>	 <u>\$ 22,833</u>
 <b>STATEMENT OF OPERATIONS</b>		
<b>REVENUE</b>		
Grant - Township of Melancthon	\$ 2,500	\$ 2,500
Donations	1,538	825
Interest	479	592
Sale of plots and markers	<u>0</u>	<u>1,820</u>
	<u>4,517</u>	<u>5,737</u>
 <b>EXPENSES</b>		
Maintenance	2,947	2,536
Supplies	<u>268</u>	<u>615</u>
	<u>3,215</u>	<u>3,151</u>
 <b>ANNUAL SURPLUS</b>	 1,302	 2,586
<b>ACCUMULATED SURPLUS, beginning of year</b>	<u>22,833</u>	<u>20,247</u>
<b>ACCUMULATED SURPLUS, end of year</b>	<u>\$ 24,135</u>	<u>\$ 22,833</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
SCHEDULE OF ST. PAUL'S CEMETERY BOARD  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Cash	\$ 5,437	\$ 6,134
Accrued interest receivable	513	1,529
Temporary investments	<u>43,496</u>	<u>41,871</u>
	<u>\$ 49,446</u>	<u>\$ 49,534</u>
 <b>ACCUMULATED SURPLUS</b>	 <u>\$ 49,446</u>	 <u>\$ 49,534</u>
 <b>STATEMENT OF OPERATIONS</b>		
<b>REVENUE</b>		
Interest	\$ <u>728</u>	\$ <u>1,182</u>
 <b>EXPENSES</b>		
Administration	16	42
Wages	<u>800</u>	<u>750</u>
	<u>816</u>	<u>792</u>
 <b>ANNUAL SURPLUS (DEFICIT)</b>	 (88)	 390
 <b>ACCUMULATED SURPLUS, beginning of year</b>	 <u>49,534</u>	 <u>49,144</u>
 <b>ACCUMULATED SURPLUS, end of year</b>	 <u>\$ 49,446</u>	 <u>\$ 49,534</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
SCHEDULE OF HORNING'S MILLS COMMUNITY PARK  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Cash	\$ 2,314	\$ 2,278
HST/GST receivable	<u>309</u>	<u>138</u>
	<u>\$ 2,623</u>	<u>\$ 2,416</u>
 <b>ACCUMULATED SURPLUS</b>	 <u>\$ 2,623</u>	 <u>\$ 2,416</u>
 <b>STATEMENT OF OPERATIONS</b>		
<b>REVENUE</b>		
Grant - Township of Melancthon	\$ 2,500	\$ 2,500
Interest	50	25
Rent	<u>500</u>	<u>400</u>
	<u>3,050</u>	<u>2,925</u>
 <b>EXPENSES</b>		
Administration	2,371	2,275
Hydro	472	435
Miscellaneous	<u>0</u>	<u>183</u>
	<u>2,843</u>	<u>2,893</u>
 <b>ANNUAL SURPLUS</b>	 207	 32
<b>ACCUMULATED SURPLUS, beginning of year</b>	<u>2,416</u>	<u>2,384</u>
<b>ACCUMULATED SURPLUS, end of year</b>	<u>\$ 2,623</u>	<u>\$ 2,416</u>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON  
SCHEDULE OF HORNING'S MILLS COMMUNITY HALL  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Cash	\$ 369	\$ 3,177
HST/GST receivable	<u>734</u>	<u>353</u>
	<u>\$ 1,103</u>	<u>\$ 3,530</u>
 <b>ACCUMULATED SURPLUS</b>	 <u>\$ 1,103</u>	 <u>\$ 3,530</u>
 <b>STATEMENT OF OPERATIONS</b>		
<b>REVENUE</b>		
Fundraising and user charges	\$ 2,085	\$ 6,479
Grant - Township of Melancthon	2,000	1,500
Donations	<u>4,253</u>	<u>7,043</u>
	<u>8,338</u>	<u>15,022</u>
 <b>EXPENSES</b>		
Supplies and maintenance	4,896	3,817
Hydro and fuel	3,109	4,353
Telephone	660	621
Fundraising	1,800	3,726
Other	<u>300</u>	<u>728</u>
	<u>10,765</u>	<u>13,245</u>
 <b>ANNUAL SURPLUS (DEFICIT)</b>	 (2,427)	 1,777
 <b>ACCUMULATED SURPLUS, beginning of year</b>	 <u>3,530</u>	 <u>1,753</u>
 <b>ACCUMULATED SURPLUS, end of year</b>	 <u>\$ 1,103</u>	 <u>\$ 3,530</u>



Chartered Accountants  
and Business Advisors

People Count.

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying statement of financial position of the trust funds of The Corporation of the Township of Melancthon as at December 31, 2010, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

### Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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, 2010 for the year then ended in accordance with Canadian generally accepted accounting principles.

Fergus, Ontario  
July 21, 2011

Chartered Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON - TRUST FUNDS  
STATEMENT OF FINANCIAL POSITION AND CONTINUITY  
AS AT DECEMBER 31, 2010**

**STATEMENT OF FINANCIAL POSITION**

	<b>Horning's Mills Cemetery</b>	<b>St. Paul's Cemetery</b>	<b>Subdividers' Deposits</b>
Cash	\$ 7,997	\$ 0	\$ 0
Investments	23,191	7,813	2,062
Due from cemetery general funds	<u>(10,089)</u>	<u>0</u>	<u>0</u>
<b>Fund balance</b>	<b><u>\$ 21,099</u></b>	<b><u>\$ 7,813</u></b>	<b><u>\$ 2,062</u></b>

**STATEMENT OF CONTINUITY**

<b>Balance</b> , beginning of year	\$ 20,730	\$ 7,300	\$ 2,112
<b>Receipts</b>			
Interest earned	369	513	0
<b>Expenditures</b>			
Bank charges	<u>0</u>	<u>0</u>	<u>50</u>
<b>Balance</b> , end of year	<b><u>\$ 21,099</u></b>	<b><u>\$ 7,813</u></b>	<b><u>\$ 2,062</u></b>

**THE CORPORATION OF THE TOWNSHIP OF MELANCTHON - TRUST FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**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 accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(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.