

Denise Holmes, AMCT

From: Carey Holmes, AMCT [cholmes@amaranth-eastgary.ca]
Sent: Thursday, February 17, 2011 9:20 AM
To: 'Terry Horner'; suestone@amaranth-eastgary.ca; 'Cecile Grant'; 'Denise Holmes, AMCT'; 'Les Halucha'
Cc: 'Brian Besley'; 'Don Maciver'; 'Ed Walsh'; 'Fred Nix'; 'Heather McIntosh-Hayes'; 'Janice Elliott'; Ken McGhee; 'Nancy Malek'; 'Rhonda Campbell Moon'; 'Steve Horsley'; Tom Egan; Walter Benotto
Subject: Shelburne Fire Operating & Capital Budget
Attachments: SDFD COST SHARING FOR 2011 - OPERATING.pdf; Capital Draft 2011 Budget.pdf; 2011 Adopted Budget - Feb 1 2011.pdf

Hello everyone

Attached please find the following:

- Board Adopted 2011 Operating Budget
- Cost Sharing Breakdown for the Operating Budget
- Draft Capital Budget – showing 2011 cost sharing

At the Board's February 1st, 2011 meeting the following two motions were passed with respect to the above material:

Moved by T. Egan - Seconded by J. Elliott

Be it Resolved that the Shelburne & District Fire Board adopt the 2011 Operating Budget as presented in the amount of \$326,791.00 and requests that it be circulated to the participating Municipalities for approval. **Carried.**

Moved by D. MacIver - Seconded by T. Egan

Be it Resolved the Shelburne & District Fire Board circulate the proposed 2011 Capital Budget to all participating Municipalities with the following request:

1. If a Municipality requests a presentation on the capital budget, then a presentation will be provided.
2. If a Municipality supports the capital budget, a motion of support from the Municipality would be appreciated.
3. The Shelburne & District Fire Board currently views this new capital acquisition as an addition to the fleet.
Carried.

I apologize for not sending out this information to you sooner, however I was waiting for all of the participating municipalities to provide me with their 2011 households and assessments so that I could prepare the Cost Sharing Breakdown which gives you an accurate accounting of how the budgets specifically affect your own municipality for 2011. The Board dealt with the Operating and Capital separately so that one would not hold the other one up.

Trusting to hear from each municipality accordingly with respect to the above motions.

MAR - 3 2011

2/17/2011

Please contact me if you have any questions.

Thanks

Carey

Carey Holmes, AMCT

Deputy-Treasurer, Township of Amaranth
Secretary-Treasurer, Shelburne & District Fire Board




cholmes@amaranth-eastgary.ca



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SHELBURNE & DISTRICT FIRE BOARD OF MANAGEMENT
COST SHARING BREAKDOWN FOR 2011 BUDGET

2011	Assessment 2011	Percent	Households 2011	Percent	3 Year Fire Call Average	Percent	Total Average
AMARANTH	191,989,721	16.285%	473	12.444%	28	15.909%	14.9%
MELANCTHON	210,518,001	17.856%	585	15.391%	24	13.636%	15.6%
MONO	144,978,690	12.297%	317	8.340%	20	11.364%	10.7%
MULMUR	137,499,712	11.663%	291	7.656%	15	8.523%	9.3%
SHELBURNE	493,972,281	41.899%	2,135	56.169%	89	50.568%	49.5%
TOTALS	1,178,958,405	100.00%	3,801	100.00%	176	100.00%	100.00%

Note: 3 year call average only includes those calls in which costs were not recovered

Based on ADOPTED 2011 Operating Budget

OPERATING PORTION FOR 2011 ADOPTED BUDGET:					2011	2010
AMARANTH	14.90%	X	\$326,791	=	\$48,691.86	\$45,414.15
MELANCTHON	15.60%	X	\$326,791	=	\$50,979.40	\$48,232.95
MONO	10.70%	X	\$326,791	=	\$34,966.64	\$33,825.71
MULMUR	9.30%	X	\$326,791	=	\$30,391.56	\$30,067.30
SHELBURNE	49.50%	X	\$326,791	=	\$161,761.55	\$155,660.90
TOTALS	100.00%				\$326,791.00	\$313,201.01

SHELBURNE & DISTRICT FIRE DEPT
Draft 2011 Capital Budget
February 1st, 2011

****amended from presentation at meeting to include 2011 cost sharing figures**

	2010 Actual	2011 Budget
Opening Balance Capital Account	\$ 374,420.00	\$ 508,008.00
Transfers In		
2010 Est Surplus (subject to audit)	\$ 40,000.00	\$ -
Plus: Bank Interest	\$ 588.00	\$ -
Plus: Town of Shelburne 49.5%	\$ 46,221.00	\$ 253,912.00
Plus: Town of Mono - 10.7%	\$ 10,044.00	\$ 54,886.00
Plus: Township of Amaranth - 14.9%	\$ 13,485.00	\$ 76,430.00
Plus: Township of Melancthon - 15.6%	\$ 14,322.00	\$ 80,021.00
Plus: Township of Mulmur - 9.3%	\$ 8,928.00	\$ 47,705.00
Sub Total	\$ 133,588.00	\$ 512,954.00
Transfers Out		
Less: Quint Truck Purchase (Estimate)	\$ -	\$ 800,000.00
Less: Fire Hall Expansion (Estimate)	\$ -	\$ 200,000.00
Sub Total	\$ -	\$ 1,000,000.00
Ending Balance Dec 31 year end	\$ 508,008.00	\$ 20,962.00

Notes

Gov't Grant for Training Purposes needs to be set aside from the above (\$20,962.00)
The balance left in the Capital Account at 2011 year end is the Training Grant \$\$ from 2005
The Scheduled 2009 Purchase of a Quint Truck (as per the Capital Plan) did not occur
Next scheduled purchase is Fire Van in 2012
No Investment Interest has been taken into consideration
2010 Surplus (if any) is included but is an estimate only
Cost Sharing Percentages are based on 2011 figures
Cost is quoted from July 2010 meeting where estimates were received & a motion passed
No tendering or RFP's have taken place for either capital project

SHELBURNE & DISTRICT FIRE BOARD

BOARD ADOPTED 2011 OPERATING BUDGET

February 1st, 2011

ACCOUNT #	ACCOUNT NAME	2010 BUDGET	2010 ACTUAL	2011 BUDGET
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EXPENDITURES:

4100-0100	Treasurer	\$ 1,000	\$ 800	\$ 1,000
4100-0300	Secretarial Services	\$ 6,410	\$ 6,410	\$ 6,410
4100-0400	Legal & Audit	\$ 8,000	\$ 4,935	\$ 6,000
4100-0500	Mutual Aid Contributions	\$ 400	\$ 400	\$ 400
4100-0600	Materials & Supplies	\$ 6,000	\$ 6,826	\$ 7,000
4100-0700	Service & Rents	\$ 4,000	\$ 5,171	\$ 4,000
4100-0800	Subscriptions & Memberships	\$ 550	\$ 551	\$ 500
4100-0900	Conventions & Conferences	\$ 4,500	\$ 2,897	\$ 5,500
4100-1000	Licence Renewal	\$ 673	\$ 673	\$ 673
4100-1200	Health & Safety Compliance	\$ 4,500	\$ 2,979	\$ 4,500
4100-1300	Fire Prevention / Public Education	\$ 6,000	\$ 4,073	\$ 5,000
4100-1500	Training Courses/Training Expense	\$ 7,000	\$ 6,463	\$ 7,000
4100-1800	Communication Equipment/Agreement	\$ 18,000	\$ 13,503	\$ 20,000
4200-0100	Fire Call Wages	\$ 90,000	\$ 84,911	\$ 90,000
4200-0103	Salaries & Standby & Meetings	\$ 54,000	\$ 54,208	\$ 56,440
4200-0105	Thursday Night Practice	\$ 22,000	\$ 21,660	\$ 29,600
4200-0120	Employers Portion CPP/ EI	\$ 2,500	\$ 2,239	\$ 2,500
4200-0150	Mileage & Meals	\$ 200	\$ 128	\$ 200
4200-0200	Benefits (Workers Comp., EHT)	\$ 6,500	\$ 5,706	\$ 6,500
4200-0500	Protective Clothing/Uniforms	\$ 13,000	\$ 9,713	\$ 13,000
4200-1000	Truck Operations/Maintenance	\$ 20,000	\$ 15,998	\$ 20,000
4200-1060	Truck Fuel	\$ 6,500	\$ 4,863	\$ 6,000
4200-1100	Insurance Premium	\$ 14,000	\$ 13,951	\$ 14,000
4200-1100	Insurance Retro-Amount	\$ 0	\$ 1,373	\$ 0
4200-1200	Miscellaneous + Recognition Plaque	\$ 2,200	\$ 1,738	\$ 2,200
4200-1300	Utilities	\$ 10,000	\$ 10,336	\$ 10,000
4200-1400	Bell Canada (Dispatch Line)	\$ 900	\$ 886	\$ 900
4200-1500	Bell Canada (925-5111)	\$ 1,500	\$ 1,461	\$ 1,500
4200-1550	Bell Mobility	\$ 1,200	\$ 1,050	\$ 1,800
4200-1600	Vaccination & Driver Medicals	\$ 400	\$ 0	\$ 400
4200-1700	Bank Service Charges	\$ 168	\$ 146	\$ 168
4200-1800	New Equipment Acquisition	\$ 12,000	\$ 11,988	\$ 13,000
4200-2000	Interest on Loans	\$ 600	\$ 600	\$ 600
4200-2100	Fire Hydrants	\$ 7,500	\$ 7,500	\$ 7,500
4200-1980	Building Maintenance	\$ 3,000	\$ 3,384	\$ 4,500
4200-2500	Insurance Write Offs	\$ 0	\$ 0	\$ 0
	Tsf Surplus to Capital	\$ 56,120	\$ 56,120	\$ 40,000
	TOTAL EXPENDITURES	\$ 391,321	\$ 365,640	\$ 388,791

REVENUES:

3000-0600	Inspections / Miscellaneous	\$ 1,500	\$ 2,875	\$ 1,500
3000-0500	Interest on Current Account	\$ 500	\$ 60	\$ 500
3000-0800	MTO/County Rebates	\$ 10,000	\$ 16,545	\$ 10,000
3000-0900	Insurance/False Alarms	\$ 10,000	\$ 18,450	\$ 10,000
2900-0000	Surplus/Deficit from previous year	\$ 56,120	\$ 56,120	\$ 40,000
	TOTAL REVENUES	\$ 78,120	\$ 94,050	\$ 62,000

Total Operating Budget

\$ 313,201

\$ 326,791

Budget does not reflect any changes that would arise from the new PSAB Accounting rules

**The Corporation of the
Township of Melancthon
Financial Statements
For the year ended December 31, 2009**

**The Corporation of the Township of Melancthon
Financial Statements
For the year ended December 31, 2009**

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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, 2009 and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows 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, 2009 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario

February 3, 2010, except as to Note 7 which is as of January 24, 2011

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

December 31	2009	2008
		(Restated See Note 18)
Financial assets		
Cash and temporary investments (Note 1)	\$ 1,407,811	\$ 1,325,877
Taxes receivable	518,962	522,464
Trade and other receivables	224,849	591,267
Long-term receivables (Note 2)	82,400	4,524
	<u>2,234,022</u>	<u>2,444,132</u>
Financial liabilities		
Temporary borrowings (Note 3)	42,000	42,000
Accounts payable and accrued liabilities	300,955	225,334
Solid waste landfill closure and post-closure liabilities (Note 5)	203,619	143,346
Post-employment benefits liabilities (Note 6)	28,757	22,570
Deferred revenue (Page 26)	454,830	449,564
Net long-term liabilities (Note 4)	279,557	243,191
	<u>1,309,718</u>	<u>1,126,005</u>
Net financial assets	<u>924,304</u>	<u>1,318,127</u>
Non-financial assets		
Inventory of supplies	34,308	21,702
Prepaid expenses	44,427	41,857
Tangible capital assets (Note 7)	9,061,980	8,515,211
	<u>9,140,715</u>	<u>8,578,770</u>
Accumulated surplus (Note 8)	<u>\$ 10,065,019</u>	<u>\$ 9,896,897</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 Operations and Accumulated Surplus**

For the year ended December 31	2009	2009	2008
	Budget	Actual	Actual (Restated See Note 18)
Revenue			
Taxation	\$ 1,351,248	\$ 1,402,803	\$ 1,289,363
Fees and user charges	29,600	80,080	128,390
Grants (Note 11)	510,500	539,843	1,835,841
Other income (Note 12)	409,550	353,571	205,972
Obligatory reserve fund revenue recognized (Page 26)	90,000	112,465	39,200
	<u>2,390,898</u>	<u>2,488,762</u>	<u>3,498,766</u>
Expenses			
General government	360,725	394,835	316,177
Protection services	485,888	484,763	420,243
Transportation services	943,100	1,013,430	1,131,159
Environmental services	175,400	218,397	244,336
Health services	2,500	4,640	5,902
Recreation and cultural services	90,136	115,878	150,129
Planning and development	46,000	86,221	67,891
	<u>2,103,749</u>	<u>2,318,164</u>	<u>2,335,837</u>
	287,149	170,598	1,162,929
Restatement of opening surplus (Note 17)	<u>-</u>	<u>(2,476)</u>	<u>2,921</u>
Annual surplus (Note 10)	287,149	168,122	1,165,850
Accumulated surplus, beginning of year	<u>9,896,897</u>	<u>9,896,897</u>	<u>8,731,047</u>
Accumulated surplus, end of year	<u>\$ 10,184,046</u>	<u>\$ 10,065,019</u>	<u>\$ 9,896,897</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 Net Debt**

For the year ended December 31	2009	2009	2008
	Budget	Actual	Actual (Restated See Note 18)
Annual surplus (Page 5)	\$ 287,149	\$ 168,122	\$ 1,165,850
Acquisition of tangible capital assets	(972,507)	(1,045,472)	(1,086,728)
Amortization of tangible capital assets	-	402,099	485,546
Loss on sale of tangible capital assets	-	87,154	-
Proceeds on disposal of capital assets	-	9,450	-
	<u>(972,507)</u>	<u>(546,769)</u>	<u>(601,182)</u>
Change in prepaid expenses	-	(2,570)	(56)
Change in inventories of supplies	-	(12,606)	-
	<u>-</u>	<u>(15,176)</u>	<u>(56)</u>
Increase (decrease) in net financial assets	(685,358)	(393,823)	564,612
Net financial assets, beginning of the year	1,318,127	1,318,127	753,515
Net financial assets, end of the year	<u>\$ 632,769</u>	<u>\$ 924,304</u>	<u>\$ 1,318,127</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 Cash Flows

For the year ended December 31	2009	2008 (Restated See Note 18)
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 168,122	\$ 1,165,850
Items not involving cash		
Change in post-employment benefits liabilities	6,187	6,375
Change in solid waste landfill liability	60,273	75,582
Amortization	402,099	485,546
Loss on disposition of capital assets	87,154	-
Deferred revenue recognized	(112,465)	-
	<u>611,370</u>	<u>1,733,353</u>
Changes in non-cash working capital balances		
Taxes receivable	3,502	(24,799)
Trade and other receivables	366,418	(65,376)
Other assets	-	(55)
Prepaid expenses	(2,570)	-
Inventory of supplies	(12,606)	-
Accounts payable and accrued liabilities	75,621	(103,410)
Deferred revenue received	117,731	78,081
	<u>1,159,466</u>	<u>1,617,794</u>
Capital transactions		
Cash used to acquire capital assets	(1,045,472)	(1,086,728)
Proceeds on sale of capital assets	9,450	-
	<u>(1,036,022)</u>	<u>(1,086,728)</u>
Investing activities		
Increase in long-term receivables	(82,400)	-
Repayment of long-term receivables	4,524	7,653
	<u>(77,876)</u>	<u>7,653</u>
Financing activities		
Proceeds from issuance of long-term liabilities	82,400	-
Repayment of long-term liabilities	(46,034)	(67,698)
Repayment of temporary borrowings	-	(10,000)
	<u>36,366</u>	<u>(77,698)</u>
Net change in cash and cash equivalents	81,934	461,021
Cash and cash equivalents, beginning of year	<u>1,325,877</u>	<u>864,856</u>
Cash and cash equivalents, end of year	\$ 1,407,811	\$ 1,325,877

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

The Corporation of the Township of Melancthon Summary of Significant Accounting Policies

December 31, 2009

Management Responsibility The consolidated financial statements of the Corporation of the Township of Melancthon are the representations of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ministry of Municipal Affairs and Housing.

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.

Basis of Consolidation The consolidated financial statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and 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	16.54%
Mulmur-Melancthon Volunteer Fire Department	28.41%

The Corporation of the Township of Melancthon Summary of Significant Accounting Policies

December 31, 2009

Basis of Accounting Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.

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.

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by Council. The following rates are used:

Land Improvements	10 to 50 years
Buildings	15 to 100 years
Vehicles and machinery	5 to 50 years
Technology, furniture and fixtures	5 to 75 years
Roads and bridges	3 to 75 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

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

The Corporation of the Township of Melancthon Summary of Significant Accounting Policies

December 31, 2009

Revenue Recognition

Revenues are recognized as follows:

- a) Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers
- b) Fines and donations are recognized when collected.
- c) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d) 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.
- e) 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 financial activities in the year in which it is used for the specified purpose.

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.

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 balance sheet.

The Corporation of the Township of Melancthon
Notes to Financial Statements

December 31, 2009

1. Cash and Temporary Investments

	2009	2008
Unrestricted cash	\$ 904,720	\$ 828,307
Unrestricted temporary investments	48,261	48,006
Total unrestricted cash	952,981	876,313
Restricted cash	454,830	449,564
	\$ 1,407,811	\$ 1,325,877

Cash includes \$316,267 held in one account at a chartered bank. Interest is earned on this account at a rate of .10 % if the balance is between \$100,000 - \$249,999.99 and .25% if the balance is between \$250,000 and \$4,999,999.

Interest earned on the investments is from 0.15% to 3.95%.

2. Long-term Receivables

	2009	2008
The responsibility for payment of principal and interest charges of the tile drainage loans have been assumed by individuals.		
Three loans are charged interest at a rate of 8% and become due in 2009	\$ -	4,524
Two loans are charged interest at a rate of 6% and become due in 2019	82,400	\$ -
	\$ 82,400	\$ 4,524

Principal payments for the next 5 fiscal years and thereafter are as follows:

2010	\$	6,252
2011	\$	6,627
2012	\$	7,024
2013	\$	7,445
2014	\$	7,892
Thereafter	\$	47,160

3. Temporary Borrowings

The operating loans are due on demand and bear interest at the bank's prime rate, calculated and payable monthly. At December 31, 2009, the municipality had undrawn credit capacity of \$708,000.

The Corporation of the Township of Melancthon
Notes to Financial Statements

December 31, 2009

4. Long-Term Liabilities

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2009	2008
Tile drainage loans, 8%, annual payments of principal and interest, due in 2009	\$ -	\$ 4,524
Tile drainage loans, 6%, annual payments of principal and interest, due in 2019	82,400	-
Loan payable, 4.197%, repayable in monthly instalments of \$1,670 principal and interest, due April 2014	80,223	95,738
Capital lease payable, 6.53%, repayable in monthly instalments of \$2,667 principal and interest, due November 2013. Secured by asset	116,934	142,929
	\$ 279,557	\$ 243,191

Principal payments required on the loans payable for the next 5 years and thereafter are due as follows:

2010	\$	23,254
2011	\$	24,356
2012	\$	25,513
2013	\$	26,725
2014	\$	15,615
Thereafter	\$	47,160

The future minimum lease payments for the next 4 years are as follows:

2010	\$	34,560
2011		34,560
2012		34,560
2013		28,800
		132,480
Less: Imputed interest		(15,546)
	\$	116,934

The gross interest paid relating to the above long-term debit was \$13,744 (2008 - \$17,278).

The Corporation of the Township of Melancthon
Notes to Financial Statements

December 31, 2009

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.

The liability for the landfill site is recorded at \$203,619 and represents the present value of closure and post-closure costs for 60% 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 \$337,058 leaving an amount to be recognized of \$133,439. The estimated remaining capacity of the site's opened cells are approximately 145,000 tonnes, which will be filled in 18 years. Post-closure care is estimated to continue for a period of 25 years.

The Township has established a reserve to assist in financing the future costs of closure and post-closure liabilities. At December 31, 2009 there was \$20,008 available in the reserve.

6. Post Employment Benefits

In 1970 the Township 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 Township.

	2009	2008
Sick time liability	<u>\$ 28,757</u>	<u>22,570</u>

The amount of payout per employee shall not exceed 30 days pay. All eligible employees have met all criteria for the maximum payout, therefore, 100% of the liability has been accrued based on their current rate of pay.

The Corporation of the Township of Melancthon
Notes to Financial Statements

December 31, 2009

7. Tangible Capital Assets

	2009						
	Land	Land Improvements	Buildings	Vehicles and Equipment	Technology, Furniture and Fixtures	Roads and Bridges	Total
Cost, beginning of year	\$ 349,171	\$ 26,843	\$ 480,177	\$ 1,742,761	\$ 114,117	\$ 12,255,119	\$ 14,968,188
Additions		-	-	135,957	9,645	899,870	1,045,472
Disposals		-	-	(116,015)	(31,003)	(357,213)	(504,231)
Cost, end of year	349,171	26,843	480,177	1,762,703	92,759	12,797,776	15,509,429
Accumulated amortization, beginning of year	-	12,517	167,008	844,883	63,185	5,365,384	6,452,977
Amortization	-	932	11,417	109,841	9,830	270,079	402,099
Disposals	-	-	-	(116,015)	(31,003)	(260,609)	(407,627)
Accumulated amortization, end of year	-	13,449	178,425	838,709	42,012	5,374,854	6,447,449
Net carrying amount, end of year	\$ 349,171	\$ 13,394	\$ 301,752	\$ 923,994	\$ 50,747	\$ 7,422,922	\$ 9,061,980

The Corporation of the Township of Melancthon
Notes to Financial Statements

December 31, 2009

7. Tangible Capital Assets - (continued)

	2008						
	Land	Land Improvements	Buildings	Vehicles and Equipment	Technology, Furniture and Fixtures	Roads and Bridges	Total
Cost, beginning of year	\$ 324,171	\$ 23,547	\$ 440,615	\$ 1,696,337	\$ 82,352	\$ 11,314,438	\$ 13,881,460
Additions	25,000	3,296	39,562	46,424	31,765	940,681	1,086,728
Cost, end of year	349,171	26,843	480,177	1,742,761	114,117	12,255,119	14,968,188
Accumulated amortization, beginning of year	-	11,671	156,910	738,730	59,414	5,000,706	5,967,431
Amortization	-	846	10,098	106,153	3,771	364,678	485,546
Accumulated amortization, end of year	-	12,517	167,008	844,883	63,185	5,365,384	6,452,977
Net carrying amount, end of year	\$ 349,171	\$ 14,326	\$ 313,169	\$ 897,878	\$ 50,932	\$ 6,889,735	\$ 8,515,211

**The Corporation of the Township of Melancthon
Notes to Financial Statements**

December 31, 2009

7. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$111,568 (2008 - \$19,479).

8. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2009	2008
		(Restated See Note 17)
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 9,061,980	\$ 8,515,211
Unfinanced capital assets	(18,441)	(13,832)
Capital assets financed by long-term liabilities and to be funded in future years	(197,157)	(238,667)
Total invested in capital assets	8,846,382	8,262,712
Unfunded vested sick leave payable	(28,757)	(22,570)
Unfunded solid waste closure and post-closure costs	(203,619)	(143,346)
General surplus	397,876	233,067
Police Services Board	2,161	2,465
Other	552	948
Cemeteries	72,366	69,391
Recreation, community centres and arenas	5,945	4,136
Fire Boards	10,778	12,149
	9,103,684	8,418,952
Reserves and reserve funds (Note 9)	961,335	1,477,945
Accumulated surplus	\$ 10,065,019	\$ 9,896,897

**The Corporation of the Township of Melancthon
Notes to Financial Statements**

December 31, 2009

9. Reserves and Reserve Funds Set Aside for Specific Purpose by Council

	<u>2009</u>	<u>2008</u>
Reserves		
Working funds	\$ 213,433	\$ 213,433
Capital purposes	<u>191,097</u>	<u>730,455</u>
	<u>404,530</u>	<u>943,888</u>
 Reserve funds		
Working funds	143,254	67,009
Insurance, sick leave, WSIB	25,217	8,836
Current purposes	11,999	-
Capital purposes	322,902	355,152
Replacement of equipment	<u>53,433</u>	<u>103,060</u>
	<u>556,805</u>	<u>534,057</u>
 Reserves and reserve funds set aside for specific purpose by Council	 <u>\$ 961,335</u>	 <u>\$ 1,477,945</u>

**The Corporation of the Township of Melancthon
Notes to Financial Statements**

December 31, 2009

10. Budgets

The budget adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated the use of reserves accumulated in previous years to reduce current year expenditures in excess of revenues to \$Nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. The following is a reconciliation of the budget approved by Council. The budget figures have not been audited.

	2009 Budget	2009 Actual	2008 Actual
Annual surplus (Page 5)	\$ 287,149	\$ 168,122	\$ 1,165,850
Prior year general surplus	170,160	233,067	230,407
Net transfers to reserves	(98,000)	(169,191)	(643,024)
Net transfers from reserves for capital	649,358	683,580	26,471
Capital acquisitions, disposals and write-down	(972,507)	(948,868)	(1,086,728)
Amortization	-	402,099	485,546
Debt principal repayments	(36,160)	(41,510)	(60,045)
Change in unfunded liabilities	-	66,460	81,957
Change in opening balances	-	2,476	(2,611)
Change in other surpluses	-	(2,968)	(4,049)
	-	393,267	193,774
Capital projects not funded	-	4,609	39,293
General surplus (Note 8)	\$ -	\$ 397,876	\$ 233,067

**The Corporation of the Township of Melancthon
Notes to Financial Statements**

December 31, 2009

11. Grants

	Budget	2009	2008
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 448,000	\$ 448,000	\$ 448,000
Conditional - Roads	30,000	54,213	554,865
- Other	32,500	36,757	43,924
	510,500	538,970	1,046,789
Government of Canada			
Conditional - Roads	-	4,177	-
Other Municipalities			
Conditional - Roads	-	5,050	5,125
Total Operating grants	510,500	548,197	1,051,914
Tangible Capital Asset			
Province of Ontario			
Conditional - Roads	-	(4,177)	597,127
Government of Canada			
Conditional - Roads	-	(4,177)	186,800
Total tangible capital asset grants	-	(8,354)	783,927
Total grants	\$ 510,500	\$ 539,843	\$ 1,835,841

12. Other Income

	2009	2009	2008
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 60,000	\$ 72,499	\$ 65,204
Other fines and penalties	20,000	28,321	28,317
Investment income	6,000	5,981	24,366
Licenses, permits and rents	7,550	8,802	12,332
Donations	-	8,168	1,585
Prepaid special charges	-	7,619	26,229
Sale of publications, equipment, etc.	7,000	335	1,439
Loss on disposition of capital assets	-	(87,154)	-
CHD community contributions	309,000	309,000	45,000
Other	-	-	1,500
	\$ 409,550	\$ 353,571	\$ 205,972

**The Corporation of the Township of Melancthon
Notes to Financial Statements**

December 31, 2009

13. Operations of 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:

	<u>2009</u>	<u>2008</u>
School boards	\$ 1,103,156	\$ 897,500
County of Dufferin	<u>1,344,421</u>	<u>1,210,788</u>
	<u>\$ 2,447,577</u>	<u>\$ 2,108,288</u>

14. Trust Funds

The trust funds administered by the municipality amounting to \$30,142 (2008 - \$29,532) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2009, the trusts fund balances are as follows:

	<u>2009</u>	<u>2008</u>
Cemetery Care and Maintenance funds	\$ 28,030	\$ 27,395
Subdividers' deposits	<u>2,112</u>	<u>2,137</u>
	<u>\$ 30,142</u>	<u>\$ 29,532</u>

The Corporation of the Township of Melancthon Notes to Financial Statements

December 31, 2009

15. Commitments

- (a) The Corporation of the Township of Melancthon agreed to contribute approximately \$120,000 to the Town of Shelburne for the construction of a recreation centre in 2010.
- (b) In November 2009 a new plow truck was ordered. A deposit of \$111,568 was made with the balance of \$119,893 due on delivery, which occurred February 10, 2010.
- (c) In November 2009, the Township of Melancthon agreed to purchase lands with a purchase price of \$60,000. The purchase had not closed at December 31, 2009 and is expected to close in early 2010.
- (d) The Corporation of the Township of Melancthon 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.

16. 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, 2009 amount to \$Nil. Subsequent to year end the municipality has received \$2,250,000.

17. Change in Opening Fund Balances

During the year, the municipality's share of the Mulmur-Melancthon Volunteer Fire Department changed from 28.67% to 28.41%. The prospective application of this change resulted in a decrease in the opening reserves balance of \$240 and the current fund of \$58.

During the year, the municipality's share of the Shelburne & District Fire Department changed from 17.11% to 16.54%. The prospective application of this change resulted in a decrease in the opening reserves balance of \$1,982 and the current fund of \$196.

The amounts presented for comparative purposes have not been restated to reflect the above.

The Corporation of the Township of Melancthon
Notes to Financial Statements

December 31, 2009

18. Change in Accounting Principles

On January 1, 2009 the organization adopted the revised accounting standards Section 1000 - Financial Statement Concepts, Section 1100 - Financial Statement Objectives, Section 1200 - Financial Statement Presentation and Section 3150 - Tangible Capital Assets. As a result of the adoption, the presentation of the financial statements changed from the prior year. The standards require the recognition of all non-financial assets including tangible capital assets, prepaid expenses and inventories of supplies as assets in the financial statements. In addition amortization on tangible capital assets is recorded in the statement of operations. This change in accounting policy has been applied retroactively with the restatement of the prior period.

The impact of adopting the tangible capital asset standard was as follows:

	<u>2008</u>
Statement of Financial Position:	
Increase in non-financial assets - tangible capital assets	\$ 8,515,211
Increase in non-financial assets - prepaid expenses	41,205
Increase in non-financial assets - inventory of supplies	<u>21,702</u>
Increase in accumulated surplus	<u>\$ 8,578,118</u>
Statement of Operations:	
Increase in operating expenses:	
General government	\$ 7,391
Protection services	(19,803)
Transportation services	311,240
Environmental services	10,543
Recreational and cultural services	39,173
Planning and development	1,568
Decrease in capital expenses	<u>(951,295)</u>
Increase in annual surplus	601,183
Increase in opening accumulated surplus	<u>7,976,935</u>
	<u>\$ 8,578,118</u>

19. Segmented Information

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 related 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.

The Corporation of the Township of Melancthon

Notes to Financial Statements

December 31, 2009

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.

Transportation

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

Environmental

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

Health

Health services include contributions to the operations of local cemeteries.

Recreational 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 panning and zoning including the Official plan. This service area also includes tourist information and promotion, business improvement area, weed control, and drainage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segment have been allocated on a reasonable basis as follows:

**Taxation, payments-in-lieu
and penalties and interest**

Allocated to those segments that are funded
by these amounts based on the budget for the
year

OMPF Grants

Allocated to segments based on the budget for
the year

The Corporation of the Township of Melancthon
Notes to Financial Statements

For the year ended December 31, 2009	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2009 Total
Revenue								
Taxation	\$ 154,308	\$ 364,729	\$ 659,318	\$ 126,252	\$ -	\$ 70,140	\$ 28,056	\$ 1,402,803
Fees and user charges	3,534	19,316	6,909	10,588	1,819	6,269	31,645	80,080
Specific grants	-	9,997	55,086	15,476	-	4,452	6,832	91,843
OMPF grant	49,280	116,480	210,560	40,320	-	22,400	8,960	448,000
Other revenue	133,522	-	144,988	-	12,000	-	63,061	353,571
Transfers from obligatory reserve	-	-	112,465	-	-	-	-	112,465
Restatement of funds	-	(2,476)	-	-	-	-	-	(2,476)
	<u>340,644</u>	<u>508,046</u>	<u>1,189,326</u>	<u>192,636</u>	<u>13,819</u>	<u>103,261</u>	<u>138,554</u>	<u>2,486,286</u>
Expenses								
Salaries and benefits	225,366	43,692	302,355	34,248	750	-	-	606,411
Interest on debt	-	4,778	8,618	-	-	-	348	13,744
Materials and supplies	151,696	63,026	339,456	61,392	3,890	15,688	85,873	721,021
Contracted services	-	304,637	1,150	122,756	-	-	-	428,543
Other transfers	900	46,053	-	-	-	98,516	-	145,469
Rents and financial expenses	877	-	-	-	-	-	-	877
Amortization	15,998	22,576	361,852	-	-	1,673	-	402,099
	<u>394,837</u>	<u>484,762</u>	<u>1,013,431</u>	<u>218,396</u>	<u>4,640</u>	<u>115,877</u>	<u>86,221</u>	<u>2,318,164</u>
Annual surplus (deficit)	\$ (54,193)	\$ 23,284	\$ 175,895	\$ (25,760)	\$ 9,179	\$ (12,616)	\$ 52,333	\$ 168,122

The Corporation of the Township of Melancthon
Notes to Financial Statements

For the year ended December 31, 2008	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2008 Total
Revenue								
Taxation	\$ 90,254	\$ 322,341	\$ 722,044	\$ 90,255	\$ -	\$ 51,575	\$ 12,894	\$ 1,289,363
Fees and user charges	3,844	37,990	2,913	18,119	1,399	5,648	58,477	128,390
Specific grants	-	12,527	1,343,918	12,303	-	4,452	14,641	1,387,841
OMPF grant	31,360	112,000	250,880	31,360	-	17,920	4,480	448,000
Other revenue	174,232	1,571	-	-	3,617	323	26,229	205,972
Transfers from obligatory reserve	1,700	-	-	-	-	37,500	-	39,200
Restatement of funds	-	2,921	-	-	-	-	-	2,921
	<u>301,390</u>	<u>489,350</u>	<u>2,319,755</u>	<u>152,037</u>	<u>5,016</u>	<u>117,418</u>	<u>116,721</u>	<u>3,501,687</u>
Expenses								
Salaries and benefits	197,844	49,664	276,480	35,481	700	-	-	560,169
Interest on debt	-	6,089	10,214	-	-	-	975	17,278
Materials and supplies	106,547	10,717	388,332	74,871	5,202	11,812	66,916	664,397
Contracted services	-	293,178	1,360	133,984	-	-	-	428,522
Other transfers	800	41,419	-	-	-	136,644	-	178,863
Rents and financial expenses	1,062	-	-	-	-	-	-	1,062
Amortization	9,925	19,176	454,772	-	-	1,673	-	485,546
	<u>316,178</u>	<u>420,243</u>	<u>1,131,158</u>	<u>244,336</u>	<u>5,902</u>	<u>150,129</u>	<u>67,891</u>	<u>2,335,837</u>
Annual surplus (deficit)	\$ (14,788)	\$ 69,107	\$ 1,188,597	\$ (92,299)	\$ (886)	\$ (32,711)	\$ 48,830	\$ 1,165,850

**The Corporation of the Township of Melancthon
Schedule of Deferred Revenue**

For the year ended December 31, 2009

	Opening	Contributions Received	Investment Income	Transfers to Other Funds	Ending
Obligatory Reserve Funds					
Development charges	\$ 299,395	\$ 25,204	\$ 1,081	\$ (22,445)	\$ 303,235
Recreational land	4,151	-	15	(20)	4,146
Federal Gas Tax	146,018	90,851	580	(90,000)	147,449
	\$ 449,564	\$ 116,055	\$ 1,676	\$ (112,465)	\$ 454,830

**The Corporation of the
Township of Melancthon
Trust Funds
Financial Statements
For the year ended December 31, 2009**



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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 balance sheet of the trust funds of the Corporation of the Township of Melancthon as at December 31, 2009 and the statement of continuity of the trust funds for the year then ended. These financial statements are the responsibility of the Township'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 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, 2009 and the continuity of the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
February 3, 2010

**The Corporation of the Township of Melancthon
Trust Funds
Balance Sheet**

December 31, 2009

	Total	Horning's Mills Cemetery	St. Paul's Cemetery	Subdividers' Deposits
Assets				
Cash	\$ 5,098	\$ 2,986	\$ -	\$ 2,112
Investments (Note 2)	24,591	17,291	7,300	-
Due from cemetery general funds	453	453	-	-
Fund balance	\$ 30,142	\$ 20,730	\$ 7,300	\$ 2,112

Statement of Continuity

For the year ended December 31, 2009

	Total	Horning's Mills Cemetery	St. Paul's Cemetery	Subdividers' Deposits
Balance, beginning of the year	\$ 29,532	\$ 20,095	\$ 7,300	\$ 2,137
Receipts				
Interest earned	638	638	-	-
	30,170	20,733	7,300	2,137
Expenditures				
Bank charges	28	3	-	25
Balance, end of the year	\$ 30,142	\$ 20,730	\$ 7,300	\$ 2,112

**The Corporation of the Township of Melancthon
Trust Funds
Notes to Financial Statements**

December 31, 2009

1. Summary of Significant Accounting Policies

Management Responsibility	The consolidated financial statements of the Corporation of the Township of Melancthon Trust Funds are the representation of management prepared in accordance with accounting principles prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.
Accrual Basis of Accounting	The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.

2. Investments

The total of investments of \$24,591 (2008 - \$32,645) reported on the Balance Sheet at cost have a market value of \$24,591 (2008 - \$32,645) at the end of the year.

**The Corporation of the
Township of Melancthon
Supplementary Financial Information
For the year ended December 31, 2009**



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Auditors' Comments on Supplementary Financial Information

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

The audited financial statements of the Corporation of the Township of Melancthon as at December 31, 2009 and our report thereon dated February 3, 2010 are presented in the preceding section of this report. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole, with the exception of tangible capital assets. Tangible capital assets have not been reflected on the following balance sheets. Capital assets have been shown as expenditures on the following statements of revenue and expenditure.

We do not express a separate audit opinion on the individual schedules of supplemental financial information.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
February 3, 2010

Horning's Mills Cemetery Board
Balance Sheet
(Unaudited)

December 31	2009	2008
Assets		
Cash and bank	\$ 6,941	\$ 4,603
Due from Cemetery Care and Maintenance fund	8,499	7,989
Accrued interest receivable	1,003	1,360
Temporary investments	6,390	6,295
	<u>\$ 22,833</u>	<u>\$ 20,247</u>
Accumulated surplus	<u>\$ 22,833</u>	<u>\$ 20,247</u>

Statement of Revenue and Expenditure
(Unaudited)

For the year ended December 31	2009	2008
Revenue		
Grant - Township of Melancthon	\$ 2,500	\$ 2,500
Donations	825	49
Interest	592	954
Memorial Day collection	-	1,162
Sale of plots and markers	1,820	1,350
	<u>5,737</u>	<u>6,015</u>
Expenditure		
Maintenance	2,536	4,675
Supplies	615	324
	<u>3,151</u>	<u>4,999</u>
Excess of revenue over expenditure for the year	2,586	1,016
Accumulated surplus, beginning of year	<u>20,247</u>	<u>19,231</u>
Accumulated surplus, end of year	<u>\$ 22,833</u>	<u>\$ 20,247</u>

The balance sheet does not reflect the tangible capital assets of the Board. Capital items have been shown as expenditures on the Statment of Revenue and Expenditure.

**St. Paul's Cemetery Board
Balance Sheet
(Unaudited)**

December 31	2009	2008
Assets		
Bank	\$ 6,134	\$ 5,881
Temporary investments (market value \$41,871)	41,871	41,712
Accrued interest receivable	1,529	1,551
	<u>\$ 49,534</u>	<u>\$ 49,144</u>
Accumulated surplus	<u>\$ 49,534</u>	<u>\$ 49,144</u>

**Statement of Revenue and Expenditure
(Unaudited)**

December 31	2009	2008
Revenue		
Interest	\$ 1,182	\$ 1,501
Expenditure		
Administration	42	42
Wages	750	700
	<u>792</u>	<u>742</u>
Excess of revenue over expenditure for the year	390	759
Accumulated surplus, beginning of year	<u>49,144</u>	<u>48,385</u>
Accumulated surplus, end of year	<u>\$ 49,534</u>	<u>\$ 49,144</u>

The balance sheet does not reflect the tangible capital assets of the Board. Capital items have been shown as expenditures on the Statment of Revenue and Expenditure.

**Horning's Mills Community Park
Balance Sheet
(Unaudited)**

December 31	2009	2008
Assets		
Bank	\$ 2,278	\$ 2,226
G.S.T. receivable	138	158
	<u>\$ 2,416</u>	<u>\$ 2,384</u>
Accumulated surplus	<u>\$ 2,416</u>	<u>\$ 2,384</u>

**Statement of Revenue and Expenditure
(Unaudited)**

December 31	2009	2008
Revenue		
Grant - Township of Melancthon	\$ 2,500	\$ 2,500
Bank interest	25	1
Rent	400	400
	<u>2,925</u>	<u>2,901</u>
Expenditure		
Administration	2,275	2,625
Hydro	435	451
Miscellaneous	183	60
	<u>2,893</u>	<u>3,136</u>
Excess of revenue over expenditure (expenditure over revenue) for the year	32	(235)
Accumulated surplus, beginning of year	<u>2,384</u>	<u>2,619</u>
Accumulated surplus, end of year	<u>\$ 2,416</u>	<u>\$ 2,384</u>

The balance sheet does not reflect the tangible capital assets of the Community Park. Capital items have been shown as expenditures on the Statement of Revenue and Expenditure.

**Horning's Mills Community Hall
Balance Sheet
(Unaudited)**

December 31	2009	2008
Assets		
Bank	\$ 3,177	\$ 974
G.S.T. receivable	353	779
	\$ 3,530	\$ 1,753
Accumulated surplus	\$ 3,530	\$ 1,753

**Statement of Revenue and Expenditure
(Unaudited)**

December 31	2009	2008
Revenue		
Fundraising and user charges	\$ 6,479	\$ 5,248
Grant - Township of Melancthon	1,500	2,000
Capital grant - Township of Melancthon reserve fund	-	1,700
Donations	7,043	323
Other	-	611
	15,022	9,882
Expenditure		
Supplies and maintenance	3,817	1,389
Hydro and fuel	4,353	3,738
Telephone	621	784
Fundraising	3,726	2,000
Other	728	197
Capital	-	1,700
	13,245	9,808
Excess of revenue over expenditure for the year	1,777	74
Accumulated surplus, beginning of year	1,753	1,679
Accumulated surplus, end of year	\$ 3,530	\$ 1,753

The balance sheet does not reflect the tangible capital assets of the Community Hall. Capital items have been shown as expenditures on the Statment of Revenue and Expenditure.



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February 9, 2011

Members of Council
Township of Melancthon
R. R. # 6
Shelburne, Ontario
L0N 1S9

Dear Members of Council:

**Re: Audit of the Financial Statements of Township of Melancthon
For the year ended December 31, 2009**

During the course of our audit of the financial statements of the Township of Melancthon for the year ended December 31, 2009, we identified matters which may be of interest to the Members of Council and management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to the Members of Council in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

Current Developments in the Profession

There have been significant developments in the area of financial reporting, corporate governance and auditing this year.

Auditing and Assurance Standards Board Strategic Plan

The Auditing and Assurance Standards Board (AASB) has adopted International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB). The ISAs, which deal with the audit of financial statements, will be incorporated into the CICA Handbook and will be called "Canadian Auditing Standards" (CASs). CASs will be applicable to all entities and will be effective for fiscal periods ending on or after December 14, 2010, and will impact the audit of your entity. Below are some of the key changes that will have the most significant impact:

CAS 320 - Materiality and CAS 450 - Evaluation of Misstatements

CAS 320 introduces "performance materiality" to the audit. As you are aware, overall materiality in an audit is used as a guide for planning the nature and extent of audit procedures and for assessing the sufficiency of audit evidence gathered. It is also used in evaluating the misstatements found and determining the appropriate audit opinion to express. Performance materiality will be at 50% to 75% of overall materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. This will have an impact on the amount of work to be performed, as the extent of substantive procedures will be based on performance materiality.

CAS 450 requires that the auditor request correction of all non-trivial misstatements. Your auditor will need to obtain from you and document reasons why corrections are not made, and consider these misstatements when determining whether the financial statements are materially misstated. This will help you to maintain accurate accounting books and records and reduce the risk of material misstatements in future periods due to the cumulative affect on uncorrected misstatements related to prior periods.

CAS 560 - Subsequent Events

This standard requires that the date of the auditor's report is the date which the financial statements have been prepared and those with recognized authority have asserted that they have taken responsibility for those financial statements. This means when, for example, management or those charged with governance have approved the draft financial statements.

This will have an impact on procedures that are linked to the date of our auditor's report such as the following:

- legal enquiry letter: the auditor will likely have to send a letter during field work and perform a follow up with legal counsel once the report date is known.
- subsequent event work: the auditor will likely have to send staff to finish off procedures relating to subsequent events while financial statements are being presented for approval if staff have left your premises prior to the date of the report.

CAS 700 - The Auditor's Report

In addition to there being more flexibility in giving opinions on different bases of accounting, there has been a change in the length and structure of the standard audit report.

Gone is the premise that Canadian generally accepted accounting principles (GAAP) is the only accounting framework acceptable for audit. Soon the premise will be that the entity chooses the accounting framework and as long as the framework selected is suitable for the circumstances it can be audited.

Organizations should keep in mind they may have legislative or other requirements to observe which indicate the accounting framework they should follow. In addition organizations should be aware that not every accounting framework is suitable for every circumstance.

The base wording of the auditor's report will have four paragraphs:

1. The 'Report on the Financial Statements' paragraph describes what is being audited.
2. The 'Management's Responsibility for the Financial Statements' indicates management is responsible for the preparation of the financial's. It also indicates the framework in use.
3. The 'Auditor's Responsibility' paragraph explains the auditor's relationship to the financial's and what an audit entails.
4. The 'Opinion' paragraph contains the auditor's conclusions.

Independence

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards (GAAS) require us to communicate to the municipality, at least annually, all relationships between BDO Canada LLP (and its related entities) and the Township of Melancthon (and its related entities), that, in our professional judgment, may reasonably be thought to bear on our independence for the audit of the municipality.

We are aware of the following relationship between the municipality and us that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred.

- We provided assistance in the preparation of the financial statements, including adjusting journal entries and/or bookkeeping services. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian generally accepted accounting principles.
- We, therefore, required that the following safeguards be put in place related to the above:
 - Management created the source data for all the accounting entries.
 - Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.

GAAS requires that we confirm our independence to the municipality in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the Township of Melancthon within the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Responsibilities of the Auditor

It is important for the Council to understand the responsibilities that rest with the municipality and its management and those that belong to the auditor:

- Management is responsible for the preparation of the consolidated financial statements, which includes responsibilities related to internal control, such as designing and maintaining accounting records, selecting and applying accounting policies, safeguarding assets and preventing and detecting fraud and error;
- The auditor's responsibility is to express an opinion on the consolidated financial statements based on an audit thereof;
- An audit is performed to obtain reasonable, but not absolute, assurance as to whether the financial statements are free of material misstatement and, owing to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed;
- The audit includes:
 - (i) obtaining an understanding of the entity and its environment including internal control in order to plan the audit and to assess the risk that the consolidated financial statements may contain misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole;
 - (ii) examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
 - (iii) assessing the accounting principles used and their application; and
 - (iv) assessing the significant estimates made by management;

- When the auditor's risk assessment includes an expectation of the operating effectiveness of controls, sufficient appropriate audit evidence is obtained through tests of controls to support the assessment, but the scope of the auditor's review of internal control is insufficient to express an opinion as to the effectiveness or efficiency of the entity's controls; and
- We expressed an opinion as to whether the consolidated financial statements presented fairly in all material respects, in accordance with Canadian generally accepted accounting principles, the financial position, results of operations and cash flows of the entity.

Audit Approach

We were engaged to perform the audit of the consolidated financial statements of Township of Melancthon for the year ended December 31, 2009. We adopted an audit approach that allowed us to issue an audit opinion on the consolidated financial statements of the municipality in the most cost effective manner, while still obtaining the assurance necessary to support our audit opinion.

BDO Canada LLP follows a risk based approach. This approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriately low level. This means that we focus our audit effort in areas that we believe have a higher risk of being materially misstated and do less audit work in areas that are only low risk.

To assess risk accurately, we need to have a clear understanding of the municipality's business and the environment it operates in. Much of our understanding is obtained through discussions with management and their staff.

The following sections provide more detail on our audit approach for the Township of Melancthon for the current year:

Audit Scope

The scope of our audit of the consolidated financial statements of the Township of Melancthon for the year ended December 31, 2009 included the following:

- An audit opinion on the consolidated entity
- An audit opinion on the Trust Funds
- Supplemental information for:
 - Horning's Mills Cemetery Board
 - St. Paul's Cemetery Board
 - Horning's Mills Community Park
 - Horning's Mills Community Hall
- Preparation of the Ontario Financial Information Return and Performance Measures

Overall Audit Strategy

The general audit strategies available to us are a "combined" audit approach or a "substantive" audit approach.

In a combined audit approach, we would obtain our assurance from a combination of tests of controls (compliance procedures) and substantive procedures (such as analysis of data and obtaining direct evidence as to the validity of the items). The combined strategy is more appropriate when there is a large number of transactions and when controls in the Township are strong. By obtaining some of our assurance from tests of controls, we can reduce the substantive procedures that need to be done. Under a substantive audit approach, all of our audit evidence is obtained through substantive procedures like analysis, confirmation, examination of documentary or electronic evidence, etc.

Based on our knowledge and experience with your Township, we applied a substantive approach.

Materiality

Materiality can be defined as follows:

"A misstatement or the aggregate of all misstatements in financial statements is considered to be material if, in the light of surrounding circumstances, it is probable that the decision of a person who is relying on the financial statements, and who has a reasonable knowledge of business and economic activities (the user), would be changed or influenced by such misstatement or the aggregate of all misstatements. Misstatements in financial statements arise from departures from generally accepted accounting principles and include departures from fact, inappropriate determination of accounting estimates, and omissions of necessary information. Misstatements may arise from error or fraud, or from the consequences of an illegal act." (CICA Handbook S.5142, AuG-41)

Materiality in an audit is used as a guide for planning the nature and extent of audit procedures and for assessing the sufficiency of audit evidence gathered. It is also used in evaluating the misstatements found and determining the appropriate audit opinion to express.

Although we are required to determine materiality based on our perception of the needs of users, it is extremely difficult to predict with certainty who those users will be or, indeed, the specific needs of known users. Consequently, the materiality decision ultimately becomes a matter for the auditor's professional judgment. We have identified Council, ratepayers and long-term debt holders as the most important users of the municipality's financial statements.

Canadian generally accepted auditing standards require the use of both quantitative and qualitative factors in determining materiality. For the audit of Township of Melancthon for the year ended December 31, 2009, we have concluded that a materiality level of \$50,000, based on 2% of normalized expenditures, and adjusted by qualitative factors such as knowledge of your municipality, is appropriate for the purposes of the audit.

Audit Findings

There are a number of matters that arose during the audit that we would like to bring to your attention, although none of them resulted in a qualified opinion. Each of these matters is summarized briefly below.

Weaknesses in Internal Controls

- Internal controls are designed to ensure that there is both adequate segregation of duties among staff and adequate checking of one employee's work by another, so that misstatements will normally be brought to light on a timely basis. We recognize that adequate segregation of duties is not practical for your Township, however the Members of Council should be aware that this issue exists. Where possible there should be adequate supervision and review of one employee's work by another.

Since an audit is not designed to detect all weaknesses in internal controls, there may be other weaknesses which our procedures did not detect.

Taxes Arrears and Tax Collection

An analysis of the tax arrears as at December 31, 2009 compared to 2008 and 2007 is as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current year	\$ 348,914	\$ 308,024	\$ 315,938
One year old	103,236	119,136	113,573
Over one year old	34,902	58,685	37,917
Penalty and interest	31,910	36,619	30,237
	<u>\$ 518,962</u>	<u>\$ 522,464</u>	<u>\$ 497,665</u>
Percentage of current tax roll	<u>13.4%</u>	<u>13.9%</u>	<u>14.2%</u>

Reserves

As at December 31, 2009, your working capital reserve was \$213,433 (2008 - \$213,433). As a general rule of thumb, this reserve should equal the outstanding tax arrears at year end. Your working capital reserve covered 41% of the total tax arrears as at December 31, 2009.

Your reserves are as follows:

	<u>2009</u>	<u>2008</u>
Working capital	\$ 213,433	\$ 213,433
Bridge construction	74,000	74,000
Paving	74,155	74,155
Road construction	1,942	1,942
PSAB	40,000	20,000
Corbetton park	1,000	1,000
Investing in Ontario grant	-	168,220
MTO funding	-	391,138
	<u>191,097</u>	<u>730,455</u>
	<u>\$ 404,530</u>	<u>\$ 943,888</u>

Reserve Funds

As at December 31, 2009, your reserve funds were as follows:

	<u>2009</u>	<u>2008</u>
Bridge	\$ 150,228	\$ 149,690
Insurance	25,217	8,836
Equipment replacement	53,433	103,060
Road capital	69,907	109,516
Tax rate stabilization	143,254	67,007
Landfill rehabilitation	20,008	10,000
Shelburne District Fire Department	52,317	59,494
Mulmur Melancthon Volunteer Fire Department	30,442	26,454
Emergency Relief	11,999	-
	<u>\$ 556,805</u>	<u>\$ 534,057</u>

Capital Fund

	<u>2009</u>	<u>2008</u>
Unfinanced capital		
Roads	\$ 8,705	\$ 4,910
Municipal drains	9,736	8,922
	<u>\$ 18,441</u>	<u>\$ 13,832</u>

Solid Waste Closure and Post-Closure Liabilities

A liability has been recorded to recognize the landfill closure and post-closure care requirements as required by PSAB. At December 31, 2009 a liability of \$203,619 was recorded. The Township established a reserve fund to assist in financing the future costs of closure and post-closure. Annually, \$10,000 is to be transferred to this reserve fund. At December 31, 2009 there was \$20,008 available in the reserve.

Consolidation of Joint Fire Boards

The Township participates in two government partnerships, Shelburne and District Fire Department and Mulmur-Melancthon Volunteer Fire Department. As the current year's financial information was not available upon the completion of the financial statements of the Township, the proportionate share of each Board has been reflected in the financial statements using the financial statements for the year ended December 31, 2008. However, when the municipality recorded its tangible capital assets, the tangible capital assets of the Fire Boards were recorded from the appropriate year end.

Performance Measures

Most information used to calculate the performance measures falls outside the scope of our audit as it is non-financial in nature. The performance measures contain non-financial data which will need to be gathered by municipal staff. Council and municipal staff should carefully review the performance measures once completed as the information will not be audited by BDO Canada LLP.

Gas Tax Funding

Pursuant to the agreement with AMO, any funds advanced are to be expended by March 31, 2012. Currently there is \$147,449 of funding set aside in a reserve fund. The Board should consider putting projects in place in order to expend these funds by March 31, 2012.

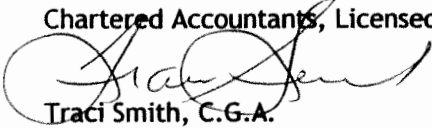
This communication is prepared solely for the information of Members of Council and management and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from the municipal staff.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

Yours truly,

BDO Canada LLP
Chartered Accountants, Licensed Public Accountants



Traci Smith, C.G.A.

TS:nb