

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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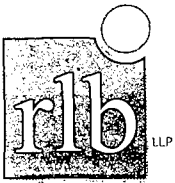
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Chartered Accountants  
and Business Advisors

People Count.

## AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Erin

We have audited the consolidated statement of financial position of The Corporation of the Town of Erin as at December 31, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the municipality. 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 The Corporation of the Town of Erin as at December 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

*RLB LLP*

Guelph, Ontario  
March 7, 2008

Chartered Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2007**

**A S S E T S**

	<b>2007</b>	<b>2006</b>
<b>UNRESTRICTED</b>		
Cash	\$ 808,210	\$ 16,494
Taxes receivable	2,055,888	1,687,652
Other accounts receivable	520,290	501,470
Investments (market value approximates cost)	<u>1,869,267</u>	<u>1,719,423</u>
	<u>5,253,655</u>	<u>3,925,039</u>
<b>RESTRICTED</b>		
Cash	373,314	225,616
Investments (market value approximates cost)	<u>1,729,528</u>	<u>1,063,061</u>
	<u>2,102,842</u>	<u>1,288,677</u>
	<u>\$ 7,356,497</u>	<u>\$ 5,213,716</u>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 823,349	\$ 651,303
Deferred revenue	1,232	300
Long term debt (note 2)	1,848,810	2,056,951
Retirement benefits (note 12)	<u>115,520</u>	<u>116,671</u>
	<u>2,788,911</u>	<u>2,825,225</u>

**MUNICIPAL POSITION**

Current fund (note 3, schedule 1)	46,525	23,095
Capital fund (schedule 2)	1,074,726	114,887
Reserves and reserve funds (schedule 3)	<u>5,410,665</u>	<u>4,424,131</u>
	6,531,916	4,562,113
Amounts to be recovered (note 4)	<u>(1,964,330)</u>	<u>(2,173,622)</u>
	<u>4,567,586</u>	<u>2,388,491</u>
	<u>\$ 7,356,497</u>	<u>\$ 5,213,716</u>

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>2007 Budget (note 9)</b>	<b>2007 Actual</b>	<b>2006 Actual (note 14)</b>
<b>REVENUE</b>			
Taxation	\$ 3,601,837	\$ 3,591,302	\$ 3,415,125
Fees and user charges	1,731,176	1,814,026	1,628,992
Canada grants	185,003	177,414	174,195
Ontario grants	1,818,120	1,733,975	1,243,669
Other income (note 5)	871,701	1,748,858	951,287
Development charges	<u>0</u>	<u>107,800</u>	<u>150,582</u>
	<u>8,207,837</u>	<u>9,173,375</u>	<u>7,563,850</u>
<b>EXPENDITURES</b>			
<b>Current</b> (note 6)			
General government	971,301	978,069	930,087
Protection services	1,057,466	1,014,352	880,930
Transportation services	1,695,969	2,039,635	1,748,087
Environmental services	667,174	691,229	667,144
Social services	24,060	23,730	26,220
Rental facility operations	12,961	14,435	12,104
Recreation and cultural services	1,180,940	1,237,513	1,203,342
Planning and development	<u>267,689</u>	<u>160,604</u>	<u>156,875</u>
	<u>5,877,560</u>	<u>6,159,567</u>	<u>5,624,789</u>
<b>Capital</b>			
General government	86,983	40,071	24,856
Protection services	295,000	52,890	102,776
Transportation services	749,500	404,741	1,134,640
Environmental services	1,344,510	149,631	157,407
Rental facility operations	0	0	1,214
Recreation and cultural services	212,052	146,106	190,424
Planning and development	<u>38,052</u>	<u>41,276</u>	<u>47,324</u>
	<u>2,726,097</u>	<u>834,715</u>	<u>1,658,641</u>
<b>Total expenditures</b>	<u>8,603,657</u>	<u>6,994,282</u>	<u>7,283,430</u>
<b>NET (EXPENDITURES) REVENUES for the year</b>	<u>(395,820)</u>	<u>2,179,093</u>	<u>280,420</u>
<b>Change in amounts to be recovered</b>			
New debt issued	33,334	0	193,000
Debt principal repayments	(295,283)	(208,141)	(158,570)
Change in retirement benefits	<u>0</u>	<u>(1,151)</u>	<u>2,957</u>
	<u>(261,949)</u>	<u>(209,292)</u>	<u>37,387</u>
<b>CHANGE IN FUND BALANCES for the year</b>	<u>\$ (657,769)</u>	<u>\$ 1,969,801</u>	<u>\$ 317,807</u>

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007	2006
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Net revenues for the year	\$ 2,179,093	\$ 280,420
Net changes in non-cash working capital		
Taxes receivable	(368,236)	(62,387)
Accounts receivable	(18,820)	775,020
Accounts payable and accrued liabilities	172,046	(279,706)
Retirement benefits liability	(1,151)	2,957
Deferred revenue	932	0
	<u>(215,229)</u>	<u>435,884</u>
	<u>1,963,864</u>	<u>716,304</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Long term debt	<u>(208,141)</u>	<u>34,430</u>
<b>CASH (USED IN) INVESTING ACTIVITIES</b>		
Investments	<u>(816,309)</u>	<u>(810,484)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	939,414	(59,750)
<b>NET CASH, beginning of year</b>	<u>242,110</u>	<u>301,860</u>
<b>NET CASH, end of year</b>	<u>\$ 1,181,524</u>	<u>\$ 242,110</u>
<b>CASH comprised of the following:</b>		
Unrestricted cash	\$ 808,210	\$ 16,494
Restricted cash	<u>373,314</u>	<u>225,616</u>
	<u>\$ 1,181,524</u>	<u>\$ 242,110</u>

**THE CORPORATION OF THE TOWN OF ERIN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of The Corporation of the Town of Erin are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. 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 CONSOLIDATION**

- (i) These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures for the revenue fund, capital fund, reserve funds and reserves and include the activities of all committees of Council and the boards and municipal enterprises, which are under the control of Council:

- (a) Town of Erin Business Improvement Area
- (b) Ballinafad Community Centre
- (c) Town of Erin Tennis Club

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

- (ii) The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Wellington are not reflected in the municipal fund balances of these financial statements.
- (iii) Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

**(b) BASIS OF ACCOUNTING**

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest on long term liabilities which are charged against operations in the periods in which they are paid. The principal and interest charges are not accrued for the periods from the dates of the latest instalment payments to the end of the financial year.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
- (iii) The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.
- (iv) Capital outlay to be recovered in future years, which represents the outstanding principal portion of unmatured long term liabilities for municipal expenditures or capital funds transferred to other organizations, is reported on the Consolidated Statement of Financial Position.

**THE CORPORATION OF THE TOWN OF ERIN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

(c) INVESTMENTS

Investments are valued at the lower of cost and market value.

(d) DEFERRED REVENUE

The revenue is reported on the Consolidated Statement of Financial Activities in the year in which it is used for the specified purpose.

(e) AMOUNTS TO BE RECOVERED

Amounts to be recovered are reported in the municipal position on the Consolidated Statement of Financial Position. The balance represents the outstanding principal portion of unmatured long term liabilities, liabilities not yet due, and other future expenditures not yet levied on the ratepayers.

(f) TRUST FUNDS

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

**2. LONG TERM DEBT**

The balance of long term debt on the Consolidated Statement of Financial Position is made up of the following:

	<b>2007</b>	<b>2006</b>
Bank loan #1, due October 2015, payable in quarterly instalments of \$34,632 principal and interest, 5.41%	\$ 905,656	\$ 992,243
Bank loan #2, due July 2016, payable in quarterly instalments of \$4,488 principal and interest, charged at prime + 0.5%	104,892	115,488
County of Wellington debenture, due September 2012, repayable in variable annual instalments (\$93,188 in 2004), at variable interest rates from 3.4% to 5.55%	397,000	466,000
OMEIFA loan, due September 2016, repayable in semi-annual instalments of \$16,441.17 principal and interest, at a rate of approximately 2.44%	264,262	290,220
County of Wellington debenture, due October 2016, repayable in variable annual instalments (\$24,480 in 2007), at variable rates from 4.25% to 4.60%	<u>177,000</u>	<u>193,000</u>
	<u>\$ 1,848,810</u>	<u>\$ 2,056,951</u>

Future minimum payments on long term obligations are as follows:

2008	\$ 218,230
2009	227,835
2010	239,637
2011	252,804
2012	264,271
Thereafter	<u>646,033</u>
	<u>\$ 1,848,810</u>

The annual principal and interest payments required to service the long term debt of the municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.



**THE CORPORATION OF THE TOWN OF ERIN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**3. CURRENT FUND**

Available to offset future revenue requirements (required to be financed from future revenues):

	<b>2007</b>	<b>2006</b>
General area taxation	\$ 27,759	\$ 12,656
Recreation, community centres and arenas	12,286	3,480
Business improvement area	<u>6,480</u>	<u>6,959</u>
	<u>\$ 46,525</u>	<u>\$ 23,095</u>

**4. AMOUNTS TO BE RECOVERED**

	<b>2007</b>	<b>2006</b>
Capital outlay financed by long term liabilities and to be recovered in future years	\$ 1,848,810	\$ 2,056,951
Retirement benefits	<u>115,520</u>	<u>116,671</u>
	<u>\$ 1,964,330</u>	<u>\$ 2,173,622</u>

**5. OTHER INCOME**

	<b>2007</b>	<b>2006</b>
Penalties and interest on taxation	\$ 279,205	\$ 236,347
Licenses, permits and rents	310,717	328,456
Other fines and penalties	120	600
Investment income	307,241	239,693
Rents, concessions and franchises	66,158	20,097
Donations	12,669	978
Sale of land and other assets	45,500	64,928
Sale of publications and equipment	135	949
Legal settlement	675,000	0
Other	<u>52,113</u>	<u>59,239</u>
	<u>\$ 1,748,858</u>	<u>\$ 951,287</u>

**6. EXPENDITURES BY OBJECT**

	<b>2007</b>	<b>2006</b>
Salaries, wages and employee benefits	\$ 3,080,915	\$ 2,822,878
Materials	2,645,064	2,384,337
Contracted services	164,849	171,083
Rents and financial expenses	70,452	44,267
Interest on long term debt	103,583	103,614
Contributions to other organizations	<u>94,704</u>	<u>98,610</u>
	<u>\$ 6,159,567</u>	<u>\$ 5,624,789</u>

**7. PENSION AGREEMENTS**

The municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement income to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2007 was \$125,554 (2006 - \$118,134).

**THE CORPORATION OF THE TOWN OF ERIN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**8. PUBLIC SECTOR SALARY DISCLOSURE**

During 2007, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by The Corporation of the Town of Erin.

**9. BUDGET AMOUNTS**

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2007 budget amounts for The Corporation of the Town of Erin approved by Council have been restated to conform to the basis of preparation of the revenues and expenditures on the consolidated statement of financial activities. The budget information, however, has not been audited.

**10. OPERATIONS OF THE SCHOOL BOARDS AND THE COUNTY OF WELLINGTON**

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Wellington:

	<b>2007</b>	<b>2006</b>
School boards	\$ 4,242,514	\$ 4,197,830
County of Wellington	<u>9,678,086</u>	<u>9,154,587</u>
	<u>\$ 13,920,600</u>	<u>\$ 13,352,417</u>

**11. TRUST FUNDS**

The trust funds administered by the municipality amounting to \$76,843 (2006 - \$73,868) 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, 2007, the trust fund balances are as follows:

	<b>2007</b>	<b>2006</b>
Duff Pit	\$ 20,156	\$ 19,321
Glenellen Well Program	<u>56,687</u>	<u>54,547</u>
	<u>\$ 76,843</u>	<u>\$ 73,868</u>

**12. RETIREMENT BENEFITS**

The municipality has adopted the new Canadian generally accepted accounting principles for post retirement employee future benefits. An actuarial valuation has been performed.

	<b>2007</b>	<b>2006</b>
Post retirement health care benefits	<u>\$ 115,520</u>	<u>\$ 116,671</u>

**13. SUBDIVISION AGREEMENTS**

As part of various subdivision agreements, the municipality has received letters of credit and performance bonds to cover developers' responsibilities in completing the projects as well as covering unpaid municipal levies. Letters of credit and performance bonds held by the municipality at December 31, 2007 amount to \$5,720,725 (2006 - \$5,182,169).

**THE CORPORATION OF THE TOWN OF ERIN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**14. TANGIBLE CAPITAL ASSET DISCLOSURE – PSG-7**

As of January 1, 2007, all municipalities in Canada are required to disclose their progress on the implementation of tangible capital asset reporting during the transitional period under PSG-7.

The Corporation of the Town of Erin is in the process of drafting its tangible capital asset policies and obtaining the approval of council. Within these policies, the municipality will establish guidelines for categories of capital assets, capitalization thresholds, classes and sub-classes of assets, estimated useful lives, and other key information.

To date, no formal reporting under tangible capital asset guidelines has been completed. Management intends to compile the information throughout the 2008 calendar year, and where necessary, engage appropriate specialists for assistance in compiling aspects of capital asset inventory and performing valuation or useful life estimates.

**15. WILLIAM STREET LANDFILL SITE**

During the year, the municipality assumed a former landfill site from the County of Wellington. The Ministry of the Environment has not required monitor wells to be installed and sampled on the property, nor has it required annual reports. It is management's opinion that this site does not require ongoing work or monitoring. Accordingly, no liability has been set up for this property.

**THE CORPORATION OF THE TOWN OF ERIN  
SCHEDULE OF CURRENT FUND OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>2007 Budget (note 9)</b>	<b>2007 Actual</b>	<b>2006 Actual</b>
<b>REVENUE</b>			
Taxation	\$ 3,601,837	\$ 3,591,302	\$ 3,415,125
Fees and user charges	1,731,176	1,814,026	1,628,992
Canada grants	3,000	3,000	3,000
Ontario grants	717,162	706,106	689,666
Other income	<u>759,201</u>	<u>1,561,689</u>	<u>786,254</u>
	<u>6,812,376</u>	<u>7,676,123</u>	<u>6,523,037</u>
<b>EXPENDITURES</b>			
General government	971,301	978,069	930,087
Protection services	1,057,466	1,014,352	880,930
Transportation services	1,695,969	2,039,635	1,748,087
Environmental services	667,174	691,229	667,144
Social services	24,060	23,730	26,220
Rental facility operations	12,961	14,435	12,104
Recreation and cultural services	1,180,940	1,237,513	1,203,342
Planning and development	<u>267,689</u>	<u>160,604</u>	<u>156,875</u>
	<u>5,877,560</u>	<u>6,159,567</u>	<u>5,624,789</u>
<b>NET REVENUES for the year</b>	<u>934,816</u>	<u>1,516,556</u>	<u>898,248</u>
<b>CHANGE IN AMOUNTS TO BE RECOVERED</b>			
Debt principal repayments	(295,283)	(208,141)	(158,570)
Change in retirement benefits	<u>0</u>	<u>(1,151)</u>	<u>2,957</u>
	(295,283)	(209,292)	(155,613)
<b>Transfers to capital fund</b>	(752,125)	(444,855)	(402,229)
<b>Transfers from (to) reserves and reserve funds</b>	<u>89,497</u>	<u>(838,979)</u>	<u>(534,393)</u>
	<u>(957,911)</u>	<u>(1,493,126)</u>	<u>(1,092,235)</u>
<b>CHANGE IN FUND BALANCE for the year</b>	(23,095)	23,430	(193,987)
<b>CURRENT FUND, beginning of the year</b>	<u>23,095</u>	<u>23,095</u>	<u>217,082</u>
<b>CURRENT FUND, end of the year</b>	\$ <u>0</u>	\$ <u>46,525</u>	\$ <u>23,095</u>

**THE CORPORATION OF THE TOWN OF ERIN  
SCHEDULE OF CAPITAL FUND OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>2007 Budget (note 9)</b>	<b>2007 Actual</b>	<b>2006 Actual</b>
<b>REVENUE</b>			
Canada grants	\$ 182,003	\$ 174,414	\$ 171,195
Ontario grants	1,100,958	1,027,869	554,003
Other	<u>112,500</u>	<u>45,500</u>	<u>65,907</u>
	<u>1,395,461</u>	<u>1,247,783</u>	<u>791,105</u>
<b>EXPENDITURES</b>			
General government	86,983	40,071	24,856
Protection services	295,000	52,890	102,776
Transportation services	749,500	404,741	1,134,640
Environmental services	1,344,510	149,631	157,407
Rental facility operations	0	0	1,214
Recreation and cultural services	212,052	146,106	190,424
Planning and development	<u>38,052</u>	<u>41,276</u>	<u>47,324</u>
	<u>2,726,097</u>	<u>834,715</u>	<u>1,658,641</u>
<b>NET EXPENDITURES for the year</b>	<u>(1,330,636)</u>	<u>413,068</u>	<u>(867,536)</u>
<b>CHANGE IN AMOUNT TO BE RECOVERED</b>			
New debt issued	33,334	0	193,000
<b>Transfers from current fund</b>	752,125	444,855	402,229
<b>Transfers from reserves and reserve funds</b>	<u>545,177</u>	<u>101,916</u>	<u>516,234</u>
	<u>1,330,636</u>	<u>546,771</u>	<u>1,111,463</u>
<b>CHANGE IN FUND BALANCE for the year</b>	0	959,839	243,927
<b>CAPITAL FUND, beginning of the year</b>	<u>114,887</u>	<u>114,887</u>	<u>(129,040)</u>
<b>CAPITAL FUND, end of the year</b>	<u>\$ 114,887</u>	<u>\$ 1,074,726</u>	<u>\$ 114,887</u>

**THE CORPORATION OF THE TOWN OF ERIN  
SCHEDULE OF RESERVES AND RESERVE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>2007 Budget (note 9)</b>	<b>2007 Actual</b>	<b>2006 Actual</b>
<b>REVENUE</b>			
Development charges	\$ 0	\$ 107,800	\$ 150,582
Other income	<u>0</u>	<u>141,669</u>	<u>99,126</u>
	<u>0</u>	<u>249,469</u>	<u>249,708</u>
<b>Net transfers from (to) other funds</b>			
Transfer (to) from current fund	(89,497)	838,979	534,393
Transfer to capital fund	<u>(545,177)</u>	<u>(101,916)</u>	<u>(516,234)</u>
	<u>(634,674)</u>	<u>737,063</u>	<u>18,159</u>
<b>CHANGE IN BALANCE for the year</b>	(634,674)	986,532	267,867
<b>RESERVES AND RESERVE FUNDS, beginning of the year</b>	<u>4,424,131</u>	<u>4,424,131</u>	<u>4,156,264</u>
<b>RESERVES AND RESERVE FUNDS, end of the year</b>	<u>\$ 3,789,457</u>	<u>\$ 5,410,663</u>	<u>\$ 4,424,131</u>
<b>Analyzed as follows:</b>			
<b>Reserves set aside for specific purpose by Council:</b>			
Working funds		\$ 478,954	\$ 458,954
Insurance, sick leave and WSIB		15,365	15,365
Current purposes		157,109	147,279
Capital purposes		<u>2,705,917</u>	<u>2,542,551</u>
		<u>3,357,345</u>	<u>3,164,149</u>
<b>Reserve funds set aside for specific purpose by Council:</b>			
Current purposes		972,878	330,437
Capital purposes		<u>1,080,442</u>	<u>929,545</u>
		<u>2,053,320</u>	<u>1,259,982</u>
<b>RESERVES AND RESERVE FUNDS, end of the year</b>		<u>\$ 5,410,665</u>	<u>\$ 4,424,131</u>



Chartered Accountants  
and Business Advisors

People Count.

## AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Erin

We have audited the statement of financial position of the trust funds of The Corporation of the Town of Erin as at December 31, 2007 and the statement of continuity of the trust funds for the year then ended. These financial statements are the responsibility of the Town'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 Town of Erin as at December 31, 2007 and the continuity of the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Guelph, Ontario  
March 7, 2008

A handwritten signature in dark ink, appearing to read 'RLB' followed by a flourish.

Chartered Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF ERIN  
TRUST FUNDS  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2007**

<b>A S S E T S</b>			
	<b>Total</b>	<b>Duff Pitt</b>	<b>Glenellen Well Program</b>
Cash	\$ 22,722	\$ 19,615	\$ 3,107
Investments (note 2)	<u>54,121</u>	<u>541</u>	<u>53,580</u>
	<u>\$ 76,843</u>	<u>\$ 20,156</u>	<u>\$ 56,687</u>
 <b>F U N D B A L A N C E</b>			
Fund balance	<u>\$ 76,843</u>	<u>\$ 20,156</u>	<u>\$ 56,687</u>



**THE CORPORATION OF THE TOWN OF ERIN  
TRUST FUNDS  
STATEMENT OF CONTINUITY  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Total</b>	<b>Duff Pitt</b>	<b>Glenellen Well Program</b>
<b>BALANCE, beginning of year</b>	\$ 73,868	\$ 19,321	\$ 54,547
<b>Interest earned</b>	<u>2,975</u>	<u>835</u>	<u>2,140</u>
<b>BALANCE, end of year</b>	<u>\$ 76,843</u>	<u>\$ 20,156</u>	<u>\$ 56,687</u>

**THE CORPORATION OF THE TOWN OF ERIN - TRUST FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the trust funds of The Corporation of the Town of Erin 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 with the exception of principal and interest on long term liabilities which are charged against operations in the periods in which they are paid. The principal and interest charges are not accrued for the periods from the dates of the latest instalment payments to the end of the financial year.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
- (iii) The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the statement of continuity in the year of acquisition.

**2. INVESTMENTS**

Trust fund investments are fixed income securities and are recorded at market value.



Chartered Accountants  
and Business Advisors

People Count.

## AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Erin -  
Business Improvement Area

We have audited the statement of financial position of The Corporation of the Town of Erin - Business Improvement Area as at December 31, 2007 and the statement of financial activities for the year then ended. These financial statements are the responsibility of the Business Improvement Area'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 The Corporation of the Town of Erin Business Improvement Area as at December 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'RLB LLP'. The letters are cursive and somewhat stylized.

Guelph, Ontario  
March 7, 2008

Chartered Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF ERIN  
BUSINESS IMPROVEMENT AREA  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2007**

	<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Due from the Town of Erin		\$ <u>6,480</u>	\$ <u>6,959</u>
	<b>MUNICIPAL POSITION</b>		
Municipal position		\$ <u>6,480</u>	\$ <u>6,959</u>

**THE CORPORATION OF THE TOWN OF ERIN  
BUSINESS IMPROVEMENT AREA  
STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>2007 Budget</b>	<b>2007 Actual</b>	<b>2006 Actual</b>
<b>REVENUE</b>			
Grants	\$ 3,000	\$ 3,000	\$ 3,000
Special area rates	39,700	16,000	16,000
Other	<u>0</u>	<u>3,400</u>	<u>24,962</u>
	<u>42,700</u>	<u>22,400</u>	<u>43,962</u>
<b>EXPENDITURES</b>			
Advertising	31,558	10,123	25,811
Office and sundry	6,347	3,275	2,550
Streetscape	11,754	9,481	5,941
Capital expenditure	0	0	950
Transfer to Town reserve funds	<u>0</u>	<u>0</u>	<u>1,355</u>
	<u>49,659</u>	<u>22,879</u>	<u>36,607</u>
<b>CHANGE IN FUND BALANCE for the year</b>	(6,959)	(479)	7,355
<b>MUNICIPAL POSITION, beginning of year</b>	<u>6,959</u>	<u>6,959</u>	<u>(396)</u>
<b>MUNICIPAL POSITION, end of year</b>	<u>\$ 0</u>	<u>\$ 6,480</u>	<u>\$ 6,959</u>

**THE CORPORATION OF THE TOWN OF ERIN  
BUSINESS IMPROVEMENT AREA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of The Corporation of the Town of Erin - Business Improvement Area 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 CONSOLIDATION**

The Business Improvement Area has been consolidated with the financial statements of The Corporation of the Town of Erin.

**(b) BASIS OF ACCOUNTING**

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest on long term liabilities which are charged against operations in the periods in which they are paid. The principal and interest charges are not accrued for the periods from the dates of the latest instalment payments to the end of the financial year.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
- (iii) The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of operations in the year of acquisition.