

**THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

A handwritten signature in black ink, appearing to read 'R. B. 4P'.

Fergus, Ontario
June 7, 2011

Chartered Accountants
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010**

FINANCIAL ASSETS

	2010	2009
Cash	\$ 1,145,835	\$ 1,171,364
Taxes receivable	2,123,283	2,196,039
Accounts receivable	1,220,003	1,491,793
Investments	<u>1,236,683</u>	<u>1,690,606</u>
	<u>5,725,804</u>	<u>6,549,802</u>

LIABILITIES

Accounts payable and accrued liabilities	1,526,864	1,367,254
Deferred revenue	817,312	1,162,996
Long term debt (note 2)	1,733,855	1,685,071
Retirement allowance	118,176	114,739
Deferred revenue - Obligatory reserve funds (schedule 3)	<u>663,411</u>	<u>443,699</u>
	<u>4,859,618</u>	<u>4,773,759</u>

NET FINANCIAL ASSETS	<u>866,186</u>	<u>1,776,043</u>
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NON-FINANCIAL ASSETS

Tangible capital assets (schedule 2)	<u>50,878,402</u>	<u>48,619,167</u>
ACCUMULATED SURPLUS (schedule 4)	<u>\$ 51,744,588</u>	<u>\$ 50,395,210</u>

**THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Budget (note 5)	2010 Actual	2009 Actual
REVENUE			
Taxation revenue	\$ 4,265,850	\$ 4,278,065	\$ 4,148,422
Fees and user charges	1,780,599	1,780,224	1,737,108
Canada grants	1,091,515	842,404	863,461
Ontario grants	1,645,611	1,858,010	1,323,694
Other income (note 3)	887,498	1,181,849	868,993
Obligatory reserve fund revenue recognized (schedule 3)	<u>596,229</u>	<u>579,633</u>	<u>237,497</u>
	<u>10,267,302</u>	<u>10,520,185</u>	<u>9,179,175</u>
EXPENSES			
General government	1,313,106	1,273,687	1,195,934
Protection services	1,077,302	1,140,053	1,191,747
Transportation services	2,090,704	3,420,083	3,149,634
Environmental services	1,239,222	1,274,749	1,243,048
Social Services	26,387	27,600	26,217
Rental facility operations	20,620	9,995	19,771
Recreation and cultural services	1,467,020	1,813,827	1,516,301
Planning and development	<u>200,283</u>	<u>210,813</u>	<u>262,717</u>
	<u>7,434,644</u>	<u>9,170,807</u>	<u>8,605,369</u>
ANNUAL SURPLUS	<u>\$ 2,832,658</u>	1,349,378	573,806
ACCUMULATED SURPLUS at beginning of year		<u>50,395,210</u>	<u>49,821,404</u>
ACCUMULATED SURPLUS at end of year		<u>\$ 51,744,588</u>	<u>\$ 50,395,210</u>

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

	2010 Budget (note 5)	2010 Actual	2009 Actual
Annual surplus	\$ <u>2,832,658</u>	\$ <u>1,349,378</u>	\$ <u>573,806</u>
Acquisition of tangible capital assets	(4,862,329)	(4,551,146)	(3,091,994)
Amortization of tangible capital assets	0	2,006,015	1,909,973
Loss (gain) on disposal of tangible capital assets	0	270,905	(24,166)
Proceeds on sale of tangible capital assets	<u>0</u>	<u>14,991</u>	<u>37,707</u>
	<u>(4,862,329)</u>	<u>(2,259,235)</u>	<u>(1,168,480)</u>
DECREASE IN NET FINANCIAL ASSETS	\$ <u>(2,029,671)</u>	(909,857)	(594,674)
NET FINANCIAL ASSETS at beginning of year		<u>1,776,043</u>	<u>2,370,717</u>
NET FINANCIAL ASSETS at end of year		\$ <u>866,186</u>	\$ <u>1,776,043</u>

**THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual surplus	\$ 1,349,378	\$ 573,806
Items not requiring an outlay of cash		
Amortization of tangible capital assets	2,006,015	1,909,973
Loss (gain) on disposal of tangible capital assets	<u>270,905</u>	<u>(24,166)</u>
	<u>3,626,298</u>	<u>2,459,613</u>
Net changes in non-cash working capital		
Taxes receivable	72,756	(118,793)
Accounts receivable	271,790	(1,069,307)
Accounts payable and accrued liabilities	159,610	493,420
Retirement benefits liability	3,437	703
Deferred revenue	(345,684)	81,719
Deferred revenue - Obligatory reserve funds	<u>219,712</u>	<u>(158,950)</u>
	<u>381,621</u>	<u>(771,208)</u>
	<u>4,007,919</u>	<u>1,688,405</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(4,551,146)	(3,091,994)
Proceeds on disposal of tangible capital assets	<u>14,991</u>	<u>37,706</u>
	<u>(4,536,155)</u>	<u>(3,054,288)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Long term debt	<u>48,784</u>	<u>55,622</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Decrease in investments	<u>453,923</u>	<u>1,078,914</u>
NET DECREASE IN CASH	(25,529)	(231,347)
CASH, beginning of year	<u>1,171,364</u>	<u>1,402,711</u>
CASH, end of year	<u>\$ 1,145,835</u>	<u>\$ 1,171,364</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of the Town of Erin are the representation of management prepared in accordance with Canadian generally accepted accounting principles. 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 installment payments to the end of the financial year.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
- (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, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) INVESTMENTS

The investments held by the municipality are recorded at fair 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.

(g) NON-FINANCIAL ASSETS

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital asset are amortized on a straight-line basis over their estimated useful life as follows:

Land improvements	15 years
Buildings	40 years
Vehicles	10 to 20 years
Furniture and equipment	5 to 20 years
Roads	20 to 40 years
Bridges and infrastructures	40 to 75 years

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

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

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

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

2. LONG TERM DEBT

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

	2010	2009
Bank loan #1, due October 2015, payable in quarterly installments of \$34,632 principal and interest, charged at 3.50%	\$ 616,476	\$ 718,008
Bank loan #2, due July 2016, payable in quarterly installments of \$4,488 principal and interest, charged at prime + 0.5%	61,198	76,977
County of Wellington debenture, due September 2012, repayable in variable annual installments (\$92,675 in 2010), at variable interest rates from 5.35% to 5.55%	171,000	250,000
OMEIFA loan, due September 2016, repayable in semi-annual installments of \$16,441 principal and interest, at a rate of approximately 2.44%	182,500	210,418
County of Wellington debenture, due October 2016, repayable in variable annual installments (\$24,354 in 2010), at variable interest rates from 4.30% to 4.60%	125,000	143,000
Canada Mortgage and Housing Corporation, due November 1, 2024, repayable in blended payments of \$25,765 at a rate of approximately 3.99%	272,341	286,668
OIPC debenture, due October 1, 2025, repayable in semi-annual payments of \$10,178 plus interest at a rate of 3.86%	<u>305,340</u>	<u>0</u>
	<u>\$ 1,733,855</u>	<u>\$ 1,685,071</u>

Future minimum payments on long term obligations are as follows:

2011	\$ 319,750
2012	325,046
2013	246,724
2014	223,812
2015	168,011
Thereafter	<u>450,512</u>
	<u>\$ 1,733,855</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.

3. OTHER INCOME

	2010	2009
Penalties and interest on taxation	\$ 304,408	\$ 292,900
Licenses, permits and rents	320,805	247,512
Other fines and penalties	195	1,965
Investment income	49,035	175,781
Rents, concessions and franchises	25,005	28,672
Donations	40,420	37,141
Contributed tangible capital assets	545,159	11,440
(Loss) gain on disposal of tangible capital assets	(270,905)	24,166
Other	<u>167,727</u>	<u>49,416</u>
	<u>\$ 1,181,849</u>	<u>\$ 868,993</u>

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

4. 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 2010 was \$145,044 (2009 - \$133,247).

5. BUDGET AMOUNTS

The budgeted figures are presented for comparison purposes as prepared and approved by Council. They have not been audited or reviewed by the auditor. The budget figures were prepared on the cash basis of accounting, and have not been restated to conform to the accrual basis of accounting.

6. 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:

	2010	2009
School boards	\$ 4,491,432	\$ 4,441,047
County of Wellington	<u>11,067,600</u>	<u>10,662,474</u>
	<u>\$ 15,559,032</u>	<u>\$ 15,103,521</u>

7. TRUST FUNDS

The trust funds administered by the municipality amounting to \$80,565 (2009 - \$79,522) 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, 2010, the trust fund balances are as follows:

	2010	2009
Duff Pit	\$ 21,096	\$ 20,950
Glenellen Well Program	<u>59,469</u>	<u>58,572</u>
	<u>\$ 80,565</u>	<u>\$ 79,522</u>

8. 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, 2010 amount to \$3,945,044 (2009 - \$4,677,015).

9. TANGIBLE CAPITAL ASSETS

	Net 2010	Net 2009
General		
Land	\$ 6,106,948	\$ 6,133,870
Buildings	4,554,559	4,791,709
Vehicles	1,975,462	1,967,894
Furniture and equipment	745,685	692,889
Infrastructure		
Roads	24,337,037	22,472,611
Bridges and infrastructure	10,175,815	10,250,976
Assets under construction	<u>2,982,896</u>	<u>2,309,218</u>
	<u>\$ 50,878,402</u>	<u>\$ 48,619,167</u>

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

10. CONTINGENT LIABILITIES

At the date of the issuance of the financial statements, there were two known claims against the municipality. In one claim, neither the amount or the outcome of this action is determinable, and therefore the municipality has not accrued an amount for the possible losses resulting from the action.

In the other claim, the municipality disputes the other party's claim of the municipality's share of costs under an existing agreement. The municipality is entering negotiations with the other party to resolve the dispute. The municipality has accrued an estimate of its liability, based on its acknowledgement that it will be liable for some of the associated costs. The difference between the estimated liability and the potential liability is not material.

11. SEGMENTED INFORMATION

The Corporation of the Town of Erin is a diversified municipal government institution that provides a wide range of services to its citizens, including Government and Administration services, Protective Services (i.e. building inspection, fire and emergency services, bylaw enforcement, school crossing guards, animal control), Transportation Services (i.e. roadways, streetlighting, and sidewalks), Municipal Drinking Water, Environmental Services (i.e. stormwater management and source water protection), Recreation and Parks, and Planning and Community Development Services. For management reporting purposes, the government's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Town services are provided by departments and their activities are reported in these funds.

12. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform to the current year's presentation.

**THE CORPORATION OF THE TOWN OF ERIN
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General Government	Protection Services	Transportation Services	Environmental Services	Social Services	Rental Facility Operations	Recreation Services	Planning and Development	2010	2009
EXPENSES										
Salaries and benefits	\$ 792,853	\$ 610,676	\$ 801,376	\$ 493,055	\$ 0	\$ 0	\$ 651,541	\$ 80,183	\$ 3,429,684	\$ 3,350,099
Materials	182,026	216,215	1,199,650	471,384	27,600	9,995	581,032	130,630	2,818,532	2,817,064
Contracted services	161,408	28,486	23,623	0	0	0	340,900	0	554,417	216,956
Rents and financial expenses	98,083	0	0	26,806	0	0	0	0	124,889	104,341
Interest on long term debt	0	0	11,438	49,989	0	0	39,169	0	100,596	78,322
Amortization	39,317	147,876	1,383,996	233,515	0	0	201,311	0	2,006,015	1,909,973
Other	<u>0</u>	<u>136,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(126)</u>	<u>0</u>	<u>136,674</u>	<u>128,614</u>
	<u>\$ 1,273,687</u>	<u>\$ 1,140,053</u>	<u>\$ 3,420,083</u>	<u>\$ 1,274,749</u>	<u>\$ 27,600</u>	<u>\$ 9,995</u>	<u>\$ 1,813,827</u>	<u>\$ 210,813</u>	<u>\$ 9,170,807</u>	<u>\$ 8,605,369</u>

see accompanying notes

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

	Land and land improvements	Buildings	Vehicles	Roads	Furniture and equipment	Bridges and infrastructure	Assets under construction	2010	2009
COST									
Balance, beginning of year	\$ 6,414,300	\$ 10,523,683	\$ 4,471,731	\$ 37,374,839	\$ 1,249,613	\$ 14,094,328	\$ 2,309,218	\$ 76,437,712	\$ 73,713,608
Additions during the year	0	33,990	272,126	3,254,031	165,195	152,126	673,678	4,551,146	3,091,994
Disposals during the year	0	0	(118,934)	(663,336)	0	0	0	(782,270)	(367,890)
Other	0	0	0	0	0	0	0	0	0
Balance, end of year	<u>6,414,300</u>	<u>10,557,673</u>	<u>4,624,923</u>	<u>39,965,534</u>	<u>1,414,808</u>	<u>14,246,454</u>	<u>2,982,896</u>	<u>80,206,588</u>	<u>76,437,712</u>
ACCUMULATED AMORTIZATION									
Balance, beginning of year	280,430	5,731,974	2,503,837	14,902,228	556,724	3,843,352	0	27,818,545	26,262,921
Amortization	26,922	271,140	252,664	1,115,603	112,399	227,287	0	2,006,015	1,909,973
Accumulated amortization on disposals	0	0	(107,040)	(389,334)	0	0	0	(496,374)	(354,349)
Balance, end of year	<u>307,352</u>	<u>6,003,114</u>	<u>2,649,461</u>	<u>15,628,497</u>	<u>669,123</u>	<u>4,070,639</u>	<u>0</u>	<u>29,328,186</u>	<u>27,818,545</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	<u>\$ 6,106,948</u>	<u>\$ 4,554,559</u>	<u>\$ 1,975,462</u>	<u>\$ 24,337,037</u>	<u>\$ 745,685</u>	<u>\$ 10,175,815</u>	<u>\$ 2,982,896</u>	<u>\$ 50,878,402</u>	<u>\$ 48,619,167</u>

see accompanying notes

**THE CORPORATION OF THE TOWN OF ERIN
SCHEDULE OF DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Dec.31, 2009	Contributions Received	Investment Income	Revenue Recognized	Dec.31, 2010
Obligatory Reserve Funds					
Development charges	\$ 121,386	\$ 363,552	\$ 5,980	\$ (80,635)	\$ 410,283
Federal gas tax funding	173	343,117	6	(314,063)	29,233
Drainage levy	13,250	3,157	160	(14,935)	1,632
Recreational land	<u>308,890</u>	<u>80,000</u>	<u>3,373</u>	<u>(170,000)</u>	<u>222,263</u>
	<u>\$ 443,699</u>	<u>\$ 789,826</u>	<u>\$ 9,519</u>	<u>\$ (579,633)</u>	<u>\$ 663,411</u>

**THE CORPORATION OF THE TOWN OF ERIN
SCHEDULE OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
SURPLUSES		
Invested in tangible capital assets	\$ 49,144,547	\$ 46,934,096
Erin Tennis Club	7,236	7,607
Ballinafad Community Centre	17,330	11,821
Business Improvement Area	19,719	7,861
General revenue fund	(1,380)	(220,711)
Unfunded		
Retirement benefits	<u>(118,176)</u>	<u>(114,739)</u>
	<u>49,069,276</u>	<u>46,625,935</u>
RESERVES		
Working Capital Reserves		
Working funds	450,045	438,045
Insurance, sick leave and WSIB	15,365	15,365
Current purposes	<u>218,070</u>	<u>238,020</u>
	<u>683,480</u>	<u>691,430</u>
Capital Reserves		
Capital purposes	<u>1,020,284</u>	<u>1,944,579</u>
	<u>1,703,764</u>	<u>2,636,009</u>
RESERVE FUNDS		
Current purposes	883,279	1,045,719
Capital purposes	<u>88,269</u>	<u>87,547</u>
	<u>971,548</u>	<u>1,133,266</u>
	<u>\$ 51,744,588</u>	<u>\$ 50,395,210</u>



Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

A handwritten signature in dark ink, appearing to read 'RLBUP'.

Fergus, Ontario
June 7, 2011

Chartered Accountants
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF ERIN
TRUST FUNDS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010**

A S S E T S			
	Total	Duff Pitt	Glenellen Well Program
Cash	\$ 23,780	\$ 20,528	\$ 3,252
Investments (note 2)	<u>56,785</u>	<u>568</u>	<u>56,217</u>
	<u>\$ 80,565</u>	<u>\$ 21,096</u>	<u>\$ 59,469</u>
 F U N D B A L A N C E			
Fund balance	<u>\$ 80,565</u>	<u>\$ 21,096</u>	<u>\$ 59,469</u>

THE CORPORATION OF THE TOWN OF ERIN
TRUST FUNDS
STATEMENT OF CONTINUITY
FOR THE YEAR ENDED DECEMBER 31, 2010

	Total	Duff Pitt	Glenellen Well Program
BALANCE, beginning of year	\$ 79,522	\$ 20,950	\$ 58,572
Interest earned	<u>1,043</u>	<u>146</u>	<u>897</u>
BALANCE, end of year	<u>\$ 80,565</u>	<u>\$ 21,096</u>	<u>\$ 59,469</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

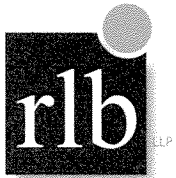
The financial statements of the trust funds of The Corporation of the Town of Erin are the representation of management prepared in accordance with Canadian generally accepted accounting principles. Since precise determination of many assets and liabilities is dependent upon future events, the preparation 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 installment payments to the end of the financial year.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

2. INVESTMENTS

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



Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Corporation of the Town of Erin - Business Improvement Area which comprise the statement of financial position as at December 31, 2010 and the statement of financial activities for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Erin - Business Improvement Area as at December 31, 2010 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in dark ink, appearing to read 'RLB LLP'.

Fergus, Ontario
June 7, 2011

Chartered Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWN OF ERIN
BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

ASSETS

	2010	2009
Due from the Town of Erin	\$ <u>19,719</u>	\$ <u>7,861</u>

MUNICIPAL POSITION

Municipal position	\$ <u>19,719</u>	\$ <u>7,861</u>
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**THE CORPORATION OF THE TOWN OF ERIN
BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Budget	2010 Actual	2009 Actual
REVENUE			
Grants	\$ 4,500	\$ 4,500	\$ 4,500
Special area rates	16,800	16,800	16,800
Other	<u>13,660</u>	<u>16,388</u>	<u>28,060</u>
	<u>34,960</u>	<u>37,688</u>	<u>49,360</u>
EXPENDITURES			
Advertising	25,455	16,750	23,519
Office and sundry	8,476	1,555	2,974
Streetscape	8,890	7,525	6,786
Transfer to Town reserve funds	<u>0</u>	<u>0</u>	<u>1,330</u>
	<u>42,821</u>	<u>25,830</u>	<u>34,609</u>
CHANGE IN FUND BALANCE for the year	(7,861)	11,858	14,751
MUNICIPAL POSITION, beginning of year	<u>7,861</u>	<u>7,861</u>	<u>(6,890)</u>
MUNICIPAL POSITION, end of year	<u>\$ 0</u>	<u>\$ 19,719</u>	<u>\$ 7,861</u>

**THE CORPORATION OF THE TOWN OF ERIN
BUSINESS IMPROVEMENT AREA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 Canadian generally accepted accounting principles. 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 installment payments to the end of the financial year.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.