

**The Corporation of the
Town of Erin
Financial Statements
For the year ended December 31, 2017**

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Financial Statements
For the year ended December 31, 2017**

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The Corporation of the Town of Erin

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Erin, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Erin as at December 31, 2017 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of the Corporation of the Town of Erin for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on June 20, 2017.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Orangeville, Ontario
September 4, 2018

**The Corporation of the Town of Erin
Consolidated Statement of Financial Position**

December 31	2017	2016
Financial assets		
Cash (Note 1)	\$ 2,579,318	\$ 2,599,334
Investments (Note 2)	5,753,939	5,371,889
Taxes receivable	2,193,350	2,122,111
Trade and other receivable	1,012,851	814,539
Long-term receivables (Note 3)	26,842	29,560
	<u>11,566,300</u>	<u>10,937,433</u>
Liabilities		
Accounts payable and accrued liabilities	2,355,969	1,859,423
Post-employment benefits (Note 4)	128,072	135,486
Deferred revenue (Page 30)	3,054,496	2,405,512
Long-term liabilities (Note 5)	4,253,215	4,571,193
	<u>9,791,752</u>	<u>8,971,614</u>
Net financial assets	1,774,548	1,965,819
Non financial assets		
Prepaid expenses	50,767	2,159
Tangible capital assets (Note 6)	49,420,538	50,340,990
	<u>49,471,305</u>	<u>50,343,149</u>
Accumulated surplus (Note 7)	\$ 51,245,853	\$ 52,308,968

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

**The Corporation of the Town of Erin
Consolidated Statement of Operations and Accumulated Surplus**

For the year ended December 31	2017	2017	2016
	Budget (Note 11)	Actual	Actual
Revenue			
Taxation	\$ 6,571,644	\$ 6,591,469	\$ 6,215,472
Fees and user charges	2,368,920	2,210,494	2,348,558
Grants (Note 9)	2,074,760	967,086	1,031,946
Other income (Note 10)	1,093,167	1,384,264	1,433,051
	<u>12,108,491</u>	<u>11,153,313</u>	<u>11,029,027</u>
Expenses			
General government	1,776,060	2,004,231	1,759,111
Protection services	1,400,985	1,371,229	1,215,066
Transportation services	4,866,547	5,002,640	4,250,467
Environmental services	1,287,858	1,214,214	1,617,380
Health services	36,190	2,986	32,629
Recreation and cultural services	1,594,587	1,788,088	1,495,512
Planning and development	800,371	833,040	598,535
	<u>11,762,598</u>	<u>12,216,428</u>	<u>10,968,700</u>
Annual surplus (deficit) (Note 11)	345,893	(1,063,115)	60,327
Accumulated surplus, beginning of year	52,308,968	52,308,968	52,248,641
Accumulated surplus, end of year	\$ 52,654,861	\$ 51,245,853	\$ 52,308,968

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

**The Corporation of the Town of Erin
Consolidated Statement of Changes in Net Financial Assets**

<u>For the year ended December 31</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>
	Budget (Note 11)	Actual	Actual
Annual surplus (Page 6)	\$ 345,893	\$ (1,063,115)	\$ 60,327
Acquisition of tangible capital assets	(5,173,126)	(1,547,529)	(2,776,547)
Amortization of tangible capital assets	2,467,981	2,467,981	2,404,198
Loss (gain) on sale of tangible capital assets	-	(60,010)	63,433
Proceeds on disposal of capital assets	-	60,010	91,551
	<u>(2,705,145)</u>	<u>920,452</u>	<u>(217,365)</u>
Change in prepaid expenses	-	(48,608)	-
Increase (decrease) in net financial assets	(2,359,252)	(191,271)	(157,038)
Net financial assets, beginning of the year	-	1,965,819	2,122,857
Net financial assets, end of the year	\$ (2,359,252)	\$ 1,774,548	\$ 1,965,819

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

**The Corporation of the Town of Erin
Consolidated Statement of Cash Flows**

For the year ended December 31	2017	2016
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit)	\$ (1,063,115)	\$ 60,327
Items not involving cash		
Change in post-employment benefits	(7,414)	(3,310)
Amortization	2,467,981	2,404,198
Deferred revenue recognized	(282,456)	(705,067)
Gain on sale of capital assets	(60,010)	63,433
	<u>1,054,986</u>	<u>1,819,581</u>
Changes in non-cash working capital balances		
Taxes receivable	(71,239)	459,143
Trade and other receivable	(198,312)	49,222
Accounts payable and accrued liabilities	496,546	366,179
Deferred revenue received	931,440	912,125
Prepaid expenses	(48,608)	2,159
Deferred capital funding	-	(21,750)
	<u>1,109,827</u>	<u>1,767,078</u>
	<u>2,164,813</u>	<u>3,586,659</u>
Capital transactions		
Cash used to acquire capital assets	(1,547,529)	(2,776,547)
Proceeds on sale of capital assets	60,010	91,551
	<u>(1,487,519)</u>	<u>(2,684,996)</u>
Investing activities		
Acquisition of investments	(20,900,492)	(10,520,676)
Proceeds on disposal of investments	20,518,442	6,999,565
Repayments of long-term receivables	2,718	-
	<u>(379,332)</u>	<u>(3,521,111)</u>
Financing activities		
Additions to long-term liabilities	-	2,546,000
Repayment of long-term liabilities	(317,978)	(207,764)
	<u>(317,978)</u>	<u>2,338,236</u>
Net change in cash and cash equivalents	(20,016)	(281,212)
Cash and cash equivalents, beginning of year	2,599,334	2,880,546
Cash and cash equivalents, end of year	\$ 2,579,318	\$ 2,599,334

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

The Corporation of the Town of Erin Summary of Significant Accounting Policies

December 31, 2017

Management Responsibility The consolidated financial statements of The Corporation of the Town of Erin are the representations of management. They have been prepared in accordance with accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

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.

Basis of Consolidation The consolidated 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 are controlled by Council and have been consolidated:

Town of Erin Business Improvement Area	100%
Ballinacfad Community Centre	100%
Town of Erin Tennis Club	100%

Use of Estimates The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards 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. Estimates are used when accounting for items such as accrued grant receivables, accrued liabilities, amortization, taxation revenue, post-employment benefits and solid waste landfill closure and post-closure costs. 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.

Deferred Revenue Revenue restricted by legislation, regulation, or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.

The Corporation of the Town of Erin Summary of Significant Accounting Policies

December 31, 2017

Taxation and Related Revenues Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Town Council, incorporating amounts to be raised for local services. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Town determines the taxes applicable and renders supplementary tax billings.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized.

The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

Revenue Recognition Fees and user charges are recognized when the related service is provided.

Other income is recorded upon sale of goods or provision of services when collection is reasonably assured.

Investment income earned on surplus funds (other than obligatory reserve funds) are reported in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

Government Transfers Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

The Corporation of the Town of Erin Summary of Significant Accounting Policies

December 31, 2017

Cash and Cash Equivalents The Town considers all short term, highly liquid investments with an original maturity of six months or less to be cash equivalents.

County and School Board The municipality collects taxation revenue on behalf of the school boards and the County of Wellington. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Wellington are not reflected in these financial statements.

Non-Financial Assets Tangible capital and other non-financial assets are accounted for as assets by the municipality because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the organization unless they are sold.

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	15 years
Building	40 years
Vehicles	10 to 20 years
Furniture and equipment	5 to 20 years
Roads	20 to 40 years
Bridges and infrastructure	40 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.

Intangible Assets Intangible assets, art and historic treasures, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recognized in these financial statements.

Post-Employment Benefits The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan are expensed when contributions are due.

The Corporation of the Town of Erin Summary of Significant Accounting Policies

December 31, 2017

The municipality provides post-employment health, dental, and life insurance benefits to eligible retired employees. The costs of the defined pension benefits that accumulate over the period of service provided by employees are actuarially determined using the projected benefit method prorated on services based on management's best estimate of retirement ages, inflation rates, investment returns, interest rates, wage and salary escalation, insurance and health care costs trends, employee turnover and mortality.

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 Town of Erin
Notes to Financial Statements**

December 31, 2017

1. Cash

	2017	2016
Unrestricted	\$ 556,702	\$ 621,890
Restricted	2,022,616	1,977,444
	\$ 2,579,318	\$ 2,599,334

The municipality has internally and externally restricted funds that are segregated and will be used only for specific purposes.

The municipality's bank accounts are all held at one financial institution.

2. Investments

	2017	2016
Unrestricted One Investment Program high interest savings account earning 1.15% to 1.665% (2016 - 1.10%)	\$ 4,758,054	\$ 2,869,164
Restricted One Investment Program high interest savings account earning 1.15% to 1.665% (2016 - 1.10%)	995,885	984,283
Unrestricted One Investment Program bond portfolio, matured March 13, 2017	-	669,273
Restricted One Investment Program bond portfolio, matured March 13, 2017	-	849,169
	\$ 5,753,939	\$ 5,371,889

Investments have a market value of \$5,753,939 (2016 - \$5,371,889) at the end of the year.

The Corporation of the Town of Erin
Notes to Financial Statements

December 31, 2017

3. Long-Term Receivables

	<u>2017</u>	<u>2016</u>
Loan receivable, East Wellington Family Health Team, 0%, due upon termination of lease.	\$ 18,113	\$ 18,113
Tile drainage loan, 6%, annual repayment of \$2,717, due November 2021	<u>8,729</u>	<u>11,447</u>
	<u>\$ 26,842</u>	<u>\$ 29,560</u>

The Corporation of the Town of Erin Notes to Financial Statements

December 31, 2017

4. Post-Employment Benefits

The Town of Erin sponsors a defined benefit plan for retirement benefits other than pensions to substantially all employees. The plan provides extended health care, dental and life insurance benefits to employees to a maximum of age 65. Total benefit payments paid by the Town on behalf of retirees during the year were \$28,991 (2016 \$21,448). The employee benefits liabilities as at December 31 are \$128,072 (2016 - \$135,486).

The Town has not made allocations to fund these liabilities at this time and future expenditures are anticipated to be recovered from tax billings.

Actuarial valuations for accounting purposes are performed using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared as at December 31, 2015.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, medical inflation rates, wage increases, employee turnover and mortality rates.

The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 4.5% (2016 - 4.5%). For extended health care costs, an 4.667% annual rate of increase was assumed for 2017, reducing 0.33% per year to an ultimate rate of increase of 4.0% per year for 2019. For dental costs, a 4.0% annual rate of increase was assumed.

The total expenses related to retirement benefits other than pensions include the following components:

	<u>2017</u>	<u>2016</u>
Current period benefit cost	\$ 6,042	\$ 5,668
Amortization of actuarial loss	<u>4,311</u>	<u>4,311</u>
Retirement benefit expense	10,353	9,979
Interest costs	<u>7,504</u>	<u>7,929</u>
Total expense for the year	<u>\$ 17,857</u>	<u>\$ 17,908</u>

**The Corporation of the Town of Erin
Notes to Financial Statements**

December 31, 2017

5. Long-Term Liabilities

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

	2017	2016
Tile drain loan payable, 6%, repayable in blended annual repayments of \$2,717, due November 2021	\$ 8,729	\$ 11,447
Canada Mortgage and Housing Corporation, interest rate of 3.99%, repayable in blended payments of \$25,765, due November 1, 2024	154,638	173,542
Ontario Infrastructure and Lands Corporation debenture, interest rate of 3.86%, repayable in semi-annual payments of \$10,178 plus interest, due October 1, 2025	162,848	183,204
County of Wellington debenture, interest at variable rates from 1.55% to 3.35%, repayable in variable annual payments, due March 6, 2022	1,540,000	1,657,000
County of Wellington debenture, interest at variable rates from 1.15% to 3.20%, repayable in variable annual installments, due November 2036	2,387,000	2,546,000
	\$ 4,253,215	\$ 4,571,193

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

2018	\$	322,101
2019	\$	328,012
2020	\$	331,962
2021	\$	335,266
2022	\$	340,268
Thereafter	\$	2,595,606
	\$	4,253,215

Interest expense in the amount of \$110,907 (2016 - \$70,007) has been recognized on the consolidated statement of operations and accumulated surplus.

**The Corporation of the Town of Erin
Notes to Financial Statements**

December 31, 2017

6. Tangible Capital Assets

	2017							
	Land	Buildings	Vehicles	Roads	Furniture and equipment	Bridges and infrastructure	Assets under construction	Total
Cost, beginning of year	\$ 8,415,543	\$ 15,677,746	\$ 5,321,727	\$ 43,754,933	\$ 2,051,764	\$ 15,711,119	\$ 742,607	\$ 91,675,439
Additions	29,273	151,231	344,162	514,878	275,098	17,858	215,029	1,547,529
Disposals	-	-	(275,571)	(90,643)	-	-	-	(366,214)
Transfers	-	-	-	131,621	22,169	565,607	(719,397)	-
Cost, end of year	8,444,816	15,828,977	5,390,318	44,310,789	2,349,031	16,294,584	238,239	92,856,754
Accumulated amortization, beginning of year	1,114,612	7,893,215	3,248,252	22,564,312	1,003,370	5,510,688	-	41,334,449
Amortization	47,093	357,168	304,480	1,363,858	130,273	265,109	-	2,467,981
Disposals	-	-	(275,571)	(90,643)	-	-	-	(366,214)
Accumulated amortization, end of year	1,161,705	8,250,383	3,277,161	23,837,527	1,133,643	5,775,797	-	43,436,216
Net carrying amount, end of year	\$ 7,283,111	\$ 7,578,594	\$ 2,113,157	\$ 20,473,262	\$ 1,215,388	\$ 10,518,787	\$ 238,239	\$ 49,420,538

**The Corporation of the Town of Erin
Notes to Financial Statements**

December 31, 2017

6. Tangible Capital Assets - (continued)

								2016
	Land	Buildings	Vehicles	Roads	Furniture and equipment	Bridges and infrastructure	Assets under construction	Total
Cost, beginning of year	\$ 8,204,462	\$ 15,584,691	\$ 5,266,709	\$ 42,361,312	\$ 1,687,662	\$ 15,723,033	\$ 633,582	\$ 89,461,451
Additions	211,081	93,055	360,317	-	609,448	-	1,502,646	2,776,547
Disposals	-	-	(305,299)	-	(245,346)	(11,914)	-	(562,559)
Transfers	-	-	-	1,393,621	-	-	(1,393,621)	-
Cost, end of year	8,415,543	15,677,746	5,321,727	43,754,933	2,051,764	15,711,119	742,607	91,675,439
Accumulated amortization, beginning of year	979,066	7,538,490	3,161,385	21,310,767	1,080,148	5,267,970	-	39,337,826
Amortization	135,546	354,725	276,854	1,253,545	128,896	254,632	-	2,404,198
Disposals	-	-	(189,987)	-	(205,674)	(11,914)	-	(407,575)
Accumulated amortization, end of year	1,114,612	7,893,215	3,248,252	22,564,312	1,003,370	5,510,688	-	41,334,449
Net carrying amount, end of year	\$ 7,300,931	\$ 7,784,531	\$ 2,073,475	\$ 21,190,621	\$ 1,048,394	\$ 10,200,431	\$ 742,607	\$ 50,340,990

The Corporation of the Town of Erin
Notes to Financial Statements

December 31, 2017

7. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves as follows:

	<u>2017</u>	<u>2016</u>
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 49,420,538	\$ 50,340,990
Capital assets financed by long-term liabilities and to be funded in future years	<u>(4,244,486)</u>	<u>(4,559,746)</u>
Total invested in capital assets	45,176,052	45,781,244
Unfunded post-employment benefits	(128,072)	(135,486)
General surplus (Note 11)	164,267	960,686
Erin Tennis Club	16,069	16,404
Ballinafad Recreation Centre	24,849	22,906
Business Improvement Area	<u>(16,181)</u>	<u>(16,181)</u>
	45,236,984	46,629,573
Reserves and reserve funds (Note 8)	<u>6,008,869</u>	<u>5,679,395</u>
Accumulated surplus	<u>\$ 51,245,853</u>	<u>\$ 52,308,968</u>

The Corporation of the Town of Erin
Notes to Financial Statements

December 31, 2017

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

	<u>2017</u>	<u>2016</u>
Reserves		
Working funds	\$ 278,761	\$ 339,241
Insurance, sick leave and WSIB	15,573	15,365
Current purposes	526,619	641,049
Capital purposes	<u>4,694,203</u>	<u>4,112,188</u>
	<u>5,515,156</u>	<u>5,107,843</u>
 Reserve funds		
Current purposes	347,657	377,285
Capital purposes	<u>146,056</u>	<u>194,267</u>
	<u>493,713</u>	<u>571,552</u>
 Reserves and reserve funds set aside for specific purpose by Council	 <u>\$ 6,008,869</u>	 <u>\$ 5,679,395</u>

**The Corporation of the Town of Erin
Notes to Financial Statements**

December 31, 2017

9. Grants

	Budget	2017	2016
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 590,100	\$ 590,100	\$ 595,300
Conditional - Other	9,700	7,831	13,325
	<u>599,800</u>	<u>597,931</u>	<u>608,625</u>
Government of Canada			
Conditional - General government	\$ -	\$ -	\$ 59,729
- Other	-	-	12,000
	<u>-</u>	<u>-</u>	<u>71,729</u>
Other Municipalities			
Conditional - Economic Development	\$ 25,000	\$ 36,639	\$ 25,000
- Other	8,200	410	58,879
	<u>33,200</u>	<u>37,049</u>	<u>83,879</u>
Total operating grants	<u>633,000</u>	<u>634,980</u>	<u>764,233</u>
Tangible Capital Asset			
Province of Ontario			
Conditional - Recreation	30,000	17,669	-
- Water	22,000	41,676	-
- Other	-	115,575	-
	<u>52,000</u>	<u>174,920</u>	<u>-</u>
Government of Canada			
Federal Gas Tax	\$ 159,500	\$ 44,340	\$ 267,713
Conditional - Transportation	1,075,000	-	-
- Water	105,260	83,351	-
	<u>1,339,760</u>	<u>127,691</u>	<u>267,713</u>
Other Municipalities			
Conditional - Economic Development	50,000	19,428	-
- Other	-	10,067	-
	<u>50,000</u>	<u>29,495</u>	<u>-</u>
Total tangible capital asset grants	<u>1,441,760</u>	<u>332,106</u>	<u>267,713</u>
Total grants	<u>2,074,760</u>	<u>\$ 967,086</u>	<u>\$ 1,031,946</u>

The Corporation of the Town of Erin
Notes to Financial Statements

December 31, 2017

10. Other Income

	2017	2017	2016
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 380,000	\$ 288,120	\$ 321,941
Other penalties and interest	6,200	10,014	4,443
Development charges and other contributions	135,667	238,116	437,354
Investment income	25,000	109,855	46,915
Licenses, permits and rents	344,400	316,319	338,671
Donations	12,300	7,767	8,325
Gain on disposal of capital assets	-	60,010	(63,433)
Provincial aggregates levy	63,000	107,575	80,267
Other	126,600	246,488	258,568
	<u>\$ 1,093,167</u>	<u>\$ 1,384,264</u>	<u>\$ 1,433,051</u>

**The Corporation of the Town of Erin
Notes to Financial Statements**

December 31, 2017

11. Budgets

Under Canadian Public sector accounting standards, budget amounts are to be reported on the statement of operations and accumulated surplus and changes in net financial assets for comparative purposes. Amortization is not included in the budget approved by Council. For comparative purposes, budget figures have been adjusted for amortization based on actual. The following is a reconciliation of the budget approved by Council.

	2017 Budget	2017 Actual	2016 Actual
Annual surplus (deficit) (Page 6)	\$ 345,893	\$ (1,063,115)	\$ 60,327
Amortization	2,467,981	2,467,981	2,404,198
Change in unfunded liabilities	-	(7,414)	(3,310)
Change in other surpluses	-	(1,608)	8,612
	2,813,874	1,395,844	2,469,827
Net transfers (to) from reserves	(91,045)	(329,474)	(965,275)
Tangible capital acquisitions, disposals and write-down	(5,173,126)	(1,547,529)	(2,621,563)
Proceeds from long-term debt	2,450,297	-	2,546,000
Debt principal repayments	-	(315,260)	(207,764)
	-	(796,419)	1,221,225
Prior year general surplus	-	960,686	(260,539)
General surplus (Note 7)	\$ -	\$ 164,267	\$ 960,686

The Corporation of the Town of Erin Notes to Financial Statements

December 31, 2017

12. Pension Agreements

The Town of Erin makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 49 members of its staff of the Town of Erin. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The employer amount contributed to OMERS for 2018 by the Town of Erin was \$258,200 (2016 - \$240,646). The contribution rate for 2017 was 9.0% to 15.8% depending on age and income level (2016 - 9.0% to 15.8%).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town of Erin does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2017. At that time the plan reported a \$5.40 billion actuarial deficit (2016 - \$5.72 billion actuarial deficit), based on actuarial liabilities of \$93.61 billion (2016 - \$86.96 billion) and actuarial assets of \$88.21 billion (2016 - \$81.24 billion). Ongoing adequacy of the current contribution rates will need to be monitored as the fluctuations in the financial markets may lead to increased future funding requirements.

**The Corporation of the Town of Erin
Notes to Financial Statements**

December 31, 2017

13. Operations of 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:

	<u>2017</u>	<u>2016</u>
School boards	\$ 4,698,255	\$ 4,639,219
County of Wellington	<u>13,968,594</u>	<u>13,453,109</u>
	<u>\$ 18,666,849</u>	<u>\$ 18,092,328</u>

14. Trust Funds

	<u>2017</u>	<u>2016</u>
Dufferin Pit	\$ 22,761	\$ 22,532
Glenellen Well Program	<u>67,984</u>	<u>67,117</u>
	<u>\$ 90,745</u>	<u>\$ 89,649</u>

15. Commitments

The Town of Erin has committed to spend approximately \$1,300,000 in 2018 and beyond on various capital projects.

The Corporation of the Town of Erin Notes to Financial Statements

December 31, 2017

16. Comparative Amounts

The comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.

17. Segmented Information

The Town of Erin is a diversified municipal government institution that provides a wide range of services to its citizens such as fire, water, recreational, 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:

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 recreational programs.

Environmental

Environmental services consists of providing the municipality's drinking water. They ensure the municipality's water system meets all Provincial standards.

Health

The municipality provides cemetery services including cemetery maintenance and care.

Planning and Development

This department is responsible for planning and zoning including the Official plan. This service area also includes tourist information and promotion, business improvement area, weed control, and drainage.

Protection to Persons and Property

Protection is comprised of fire protection, conservation authority, emergency measures, animal control and building and structural inspection. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

**The Corporation of the Town of Erin
Notes to Financial Statements**

December 31, 2017

17. Segmented Information - continued

Transportation

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

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 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 and payments-in-lieu	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 Town of Erin
Notes to Financial Statements

December 31, 2017

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2017 Total
Revenue								
Taxation	\$ 1,722,820	\$ 1,038,011	\$ 2,643,251	\$ 21,240	\$ 32,892	\$ 802,634	\$ 330,621	\$ 6,591,469
Fees and user charges	26,726	120,476	71,284	1,398,549	-	562,988	30,471	2,210,494
Specific grants	1,192	-	44,340	131,666	-	27,736	172,052	376,986
OMPF grant	123,305	104,089	245,362	2,130	3,298	80,486	31,429	590,100
Other revenue	397,774	21,650	178,594	89,744	-	109,438	587,064	1,384,264
	2,271,817	1,284,226	3,182,831	1,643,329	36,190	1,583,282	1,151,637	11,153,313
Expenses								
Salaries and benefits	1,434,782	447,840	1,055,083	540,317	-	910,477	395,364	4,783,863
Materials and supplies	348,615	607,784	1,627,425	362,495	2,986	670,080	307,401	3,926,786
Contracted services	144,648	101,181	620,442	10,014	-	8,589	126,111	1,010,985
Other transfers	7,108	-	-	-	-	-	-	7,108
Rents and financial expenses	15,538	639	-	-	-	1,985	1,543	19,705
Amortization	53,540	213,785	1,699,690	301,388	-	196,957	2,621	2,467,981
	2,004,231	1,371,229	5,002,640	1,214,214	2,986	1,788,088	833,040	12,216,428
Annual surplus (deficit)	\$ 267,586	\$ (87,003)	\$ (1,819,809)	\$ 429,115	\$ 33,204	\$ (204,806)	\$ 318,597	\$ (1,063,115)

The Corporation of the Town of Erin
Notes to Financial Statements

December 31, 2017

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2016 Total
Revenue								
Taxation	\$ 1,377,809	\$ 872,765	\$ 2,761,005	\$ 21,196	\$ 32,824	\$ 890,464	\$ 259,409	\$ 6,215,472
Fees and user charges	71,829	119,155	36,002	1,462,503	-	604,269	54,800	2,348,558
Specific grants	59,729	-	267,713	2,125	-	11,200	95,879	436,646
OMPF grant	119,955	89,495	264,163	2,174	3,366	91,310	24,837	595,300
Other revenue	404,542	(3,149)	18,996	102,715	1,786	101,224	806,937	1,433,051
	<u>2,033,864</u>	<u>1,078,266</u>	<u>3,347,879</u>	<u>1,590,713</u>	<u>37,976</u>	<u>1,698,467</u>	<u>1,241,862</u>	<u>11,029,027</u>
Expenses								
Salaries and benefits	1,117,092	456,935	997,765	500,473	-	638,166	326,619	4,037,050
Interest on debt	-	-	-	-	-	-	-	-
Materials and supplies	315,628	471,601	1,556,336	349,023	32,629	657,905	212,359	3,595,481
Contracted services	262,363	83,041	115,603	386,702	-	7,682	56,927	912,318
Rents and financial expenses	19,653	-	-	-	-	-	-	19,653
Amortization	44,375	203,489	1,580,763	381,182	-	191,759	2,630	2,404,198
	<u>1,759,111</u>	<u>1,215,066</u>	<u>4,250,467</u>	<u>1,617,380</u>	<u>32,629</u>	<u>1,495,512</u>	<u>598,535</u>	<u>10,968,700</u>
Annual surplus (deficit)	\$ 274,753	\$ (136,800)	\$ (902,588)	\$ (26,667)	\$ 5,347	\$ 202,955	\$ 643,327	\$ 60,327

**The Corporation of the Town of Erin
Schedule of Deferred Revenue**

For the year ended December 31, 2017

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Development charges	\$ 1,527,999	\$ 430,363	\$ 20,853	\$ (232,102)	\$1,747,113
Federal Gas Tax	140,636	333,239	2,281	(44,340)	431,816
Recreational land	721,004	135,000	9,552	(6,014)	859,542
Drainage levy	15,873	-	152	-	16,025
	\$ 2,405,512	\$ 898,602	\$ 32,838	\$ (282,456)	\$3,054,496

**The Corporation of the
Town of Erin
Trust Funds
Financial Information
For the year ended December 31, 2017**



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BDO Canada LLP
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Orangeville ON L9W 3J8 Canada

Independent Auditor's Report

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

We have audited the accompanying financial information for the trust funds of the Corporation of the Town of Erin, which comprise the balance sheet as at December 31, 2017, 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 Information

Management is responsible for the preparation and fair presentation of this financial information in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial information 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 information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, 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 information 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 information.

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

Opinion

In our opinion, the financial information presents fairly, in all material respects, the balance sheet for the trust funds of the Corporation of the Town of Erin as at December 31, 2017 and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of the Corporation of the Town of Erin for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on June 20, 2017.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Orangeville, Ontario
September 4, 2018

**The Corporation of the Town of Erin
Trust Funds
Balance Sheet**

December 31, 2017

Assets	Dufferin Pit	Glenellen Well	2017 Total	2016 Total
Current				
Cash	\$ 22,110	\$ 3,502	\$ 25,612	\$ 25,356
Accrued interest	1	82	83	-
Investments (Note 2)	650	64,400	65,050	64,293
	22,761	67,984	90,745	89,649
Liabilities				
Fund Balance	\$ 22,761	\$ 67,984	\$ 90,745	\$ 89,649

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

Statement of Continuity

December 31, 2017

	Dufferin Pit	Glenellen Well	2017 Total	2016 Total
Balance, beginning of the year	\$ 22,532	\$ 67,117	\$ 89,649	\$ 89,001
Interest earned	229	867	1,096	648
Balance, end of the year	\$ 22,761	\$ 67,984	\$ 90,745	\$ 89,649

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

**The Corporation of the Town of Erin
Trust Funds
Notes to Financial Statements**

December 31, 2017

1. Summary of Significant Accounting Policies

Basis of Accounting The financial information of the Corporation of the Town of Erin Trust Funds are the representation of management. They have been prepared in accordance with accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Revenue 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.

Use of Estimates The preparation of financial information in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial information, 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 These trust funds have not been consolidated with the financial statements of the municipality.

2. Investments

The total investments of \$65,050 (2016 - \$64,293) reported on the Balance Sheet at cost have a market value of \$65,050 (2016 - \$64,293) at the end of the year.
