

**The Corporation of the  
Town of Erin  
Financial Statements  
For the year ended December 31, 2018**

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Financial Statements  
For the year ended December 31, 2018**

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## Independent Auditor's Report

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

### Opinion

We have audited the financial statements of the Corporation of the Town of Erin (the municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the municipality as at December 31, 2018, and its consolidated results of its operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the municipality's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and

to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Orangeville, Ontario  
September 3, 2019

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

<b>December 31</b>	<b>2018</b>	<b>2017</b>
<b>Financial assets</b>		
Cash (Note 1)	\$ 2,437,672	\$ 2,579,318
Investments (Note 2)	7,793,885	5,753,939
Taxes receivable	2,159,512	2,193,350
Trade and other receivable	1,070,020	1,012,851
Long-term receivables (Note 3)	<u>25,377</u>	<u>26,842</u>
	<b><u>13,486,466</u></b>	<b><u>11,566,300</u></b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,695,659	2,355,969
Post-employment benefits (Note 4)	1,927	128,072
Deferred revenue (Page 30)	3,832,510	3,054,496
Long-term liabilities (Note 5)	<u>3,931,801</u>	<u>4,253,215</u>
	<b><u>9,461,897</u></b>	<b><u>9,791,752</u></b>
<b>Net financial assets</b>	<b>4,024,569</b>	<b>1,774,548</b>
<b>Non financial assets</b>		
Prepaid expenses	62,271	50,767
Tangible capital assets (Note 6)	<u>49,034,677</u>	<u>49,420,538</u>
	<b><u>49,096,948</u></b>	<b><u>49,471,305</u></b>
<b>Accumulated surplus (Note 7)</b>	<b>\$53,121,517</b>	<b>\$ 51,245,853</b>

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**

<b>For the year ended December 31</b>	2018 Budget (Note 11)	2018 Actual	2017 Actual
<b>Revenue</b>			
Taxation	\$ 6,880,820	\$ <b>6,980,091</b>	\$ 6,591,469
Fees and user charges	2,392,300	<b>2,383,585</b>	2,210,494
Grants (Note 9)	1,252,760	<b>1,409,669</b>	967,086
Other income (Note 10)	1,262,100	<b>2,399,965</b>	1,384,264
	<u>11,787,980</u>	<u><b>13,173,310</b></u>	<u>11,153,313</u>
<b>Expenses</b>			
General government	2,182,346	<b>2,032,649</b>	2,004,231
Protection services	1,714,037	<b>1,548,548</b>	1,701,249
Transportation services	4,556,254	<b>4,659,122</b>	5,002,640
Environmental services	1,337,894	<b>1,588,221</b>	1,214,214
Health services	4,000	<b>1,416</b>	2,986
Recreation and cultural services	1,509,510	<b>1,069,139</b>	1,788,088
Planning and development	436,900	<b>398,551</b>	503,020
	<u>11,740,941</u>	<u><b>11,297,646</b></u>	<u>12,216,428</u>
<b>Annual surplus (deficit) (Note 11)</b>	47,039	<b>1,875,664</b>	(1,063,115)
<b>Accumulated surplus, beginning of year</b>	<u>51,245,853</u>	<u><b>51,245,853</b></u>	<u>52,308,968</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 51,292,892</u>	<u><b>\$53,121,517</b></u>	<u>\$ 51,245,853</u>

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**

<b>For the year ended December 31</b>	2018	2018	2017
	Budget (Note 11)	Actual	Actual
<b>Annual surplus (Page 6)</b>	\$ 47,039	<b>\$ 1,875,664</b>	\$ (1,063,115)
Acquisition of tangible capital assets	(2,518,600)	<b>(2,255,369)</b>	(1,547,529)
Amortization of tangible capital assets	2,495,019	<b>2,495,019</b>	2,467,981
Loss (gain) on sale of tangible capital assets	-	<b>(1,083,300)</b>	(60,010)
Proceeds on disposal of capital assets	-	<b>1,229,511</b>	60,010
	<u>(23,581)</u>	<u><b>385,861</b></u>	<u>920,452</u>
Change in prepaid expenses	-	<b>(11,504)</b>	(48,608)
<b>Increase (decrease) in net financial assets</b>	23,458	<b>2,250,021</b>	(191,271)
<b>Net financial assets, beginning of the year</b>	-	<b>1,774,548</b>	1,965,819
<b>Net financial assets, end of the year</b>	\$ 23,458	<b>\$ 4,024,569</b>	\$ 1,774,548

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

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus (deficit)	\$ 1,875,664	\$ (1,063,115)
Items not involving cash		
Change in post-employment benefits	(126,145)	(7,414)
Amortization	2,495,019	2,467,981
Deferred revenue recognized	(838,792)	(282,456)
Gain on sale of capital assets	(1,083,300)	(60,010)
	<u>2,322,446</u>	<u>1,054,986</u>
Changes in non-cash working capital balances		
Taxes receivable	33,838	(71,239)
Trade and other receivable	(57,169)	(198,312)
Accounts payable and accrued liabilities	(660,310)	496,546
Deferred revenue received	1,616,806	931,440
Prepaid expenses	(11,504)	(48,608)
	<u>921,661</u>	<u>1,109,827</u>
	<u>3,244,107</u>	<u>2,164,813</u>
<b>Capital transactions</b>		
Cash used to acquire capital assets	(2,255,369)	(1,547,529)
Proceeds on sale of capital assets	1,229,511	60,010
	<u>(1,025,858)</u>	<u>(1,487,519)</u>
<b>Investing activities</b>		
Acquisition of investments	(18,039,946)	(20,900,492)
Proceeds on disposal of investments	16,000,000	20,518,442
Repayments of long-term receivables	1,465	2,718
	<u>(2,038,481)</u>	<u>(379,332)</u>
<b>Financing activities</b>		
Repayment of long-term liabilities	(321,414)	(317,978)
<b>Net change in cash and cash equivalents</b>	<b>(141,646)</b>	<b>(20,016)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,579,318</b>	<b>2,599,334</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,437,672</b>	<b>\$ 2,579,318</b>

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



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

December 31, 2018

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**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%
Ballinafad Community Centre	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.

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

December 31, 2018

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**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.

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

**December 31, 2018**

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<b>Cash and Cash Equivalents</b>	The Town considers all short term, highly liquid investments with an original maturity of six months or less to be cash equivalents.												
<b>County and School Board</b>	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.												
<b>Non-Financial Assets</b>	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.												
<b>Tangible Capital Assets</b>	<p>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:</p> <table><tr><td>Land improvements</td><td>15 years</td></tr><tr><td>Building</td><td>40 years</td></tr><tr><td>Vehicles</td><td>10 to 20 years</td></tr><tr><td>Furniture and equipment</td><td>5 to 20 years</td></tr><tr><td>Roads</td><td>20 to 40 years</td></tr><tr><td>Bridges and infrastructure</td><td>40 to 75 years</td></tr></table> <p>Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.</p>	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
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												
<b>Intangible Assets</b>	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.												
<b>Post-Employment Benefits</b>	The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan are expensed when contributions are due.												

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

December 31, 2018

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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.

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

**December 31, 2018**

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**1. Cash**

	<u>2018</u>	<u>2017</u>
Unrestricted	\$ 541,700	\$ 556,702
Restricted	<u>1,895,972</u>	<u>2,022,616</u>
	<u>\$ 2,437,672</u>	<u>\$ 2,579,318</u>

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.

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**2. Investments**

	<u>2018</u>	<u>2017</u>
Unrestricted One Investment Program high interest savings account earning 1.15% to 2.415% (2017 - 1.15%)	\$ 7,793,885	\$ 4,758,054
Restricted One Investment Program high interest savings account earning -% to -% (2017 - 1.15%)	-	995,885
	<u>\$ 7,793,885</u>	<u>\$ 5,753,939</u>

Investments have a market value of \$7,861,753 (2017 - \$5,753,939) at the end of the year.

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The Corporation of the Town of Erin  
Notes to Financial Statements

December 31, 2018

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3. Long-Term Receivables

	<u>2018</u>	<u>2017</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>7,264</u>	<u>8,729</u>
	<u>\$ 25,377</u>	<u>\$ 26,842</u>

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

**December 31, 2018**

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#### 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 \$31,132 (2017 - \$28,991). The employee benefits liabilities as at December 31, 2018 are \$1,927 (2017 - \$128,072).

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, 2018.

During the course of the actuarial valuation, management clarified that retiree benefits were eliminated in 2016 for all active employees. Only 4 remaining retirees on benefit will retain the retiree benefits until age 65. The impact of this plan change resulted in a negative plan amendment cost at December 31, 2018.

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 2.75% (2017 - 4.5%). For extended health care costs, an 6.4167% annual rate of increase was assumed for 2018, reducing 0.33% per year to an ultimate rate of increase of 4.0% per year for 2019. For dental costs, a 3.75% annual rate of increase was assumed.

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

	<b>2018</b>	2017
Current period benefit cost	\$ 6,440	\$ 6,042
Amortization of actuarial loss	(115,456)	4,311
	(109,016)	10,353
Retirement benefit expense	7,010	7,504
Interest costs	(102,006)	17,857
Total expense for the year	\$ (102,006)	\$ 17,857

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

**December 31, 2018**

### 5. Long-Term Liabilities

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

	2018	2017
Tile drain loan payable, 6%, repayable in blended annual repayments of \$2,717, due November 2021	\$ 7,264	\$ 8,729
Canada Mortgage and Housing Corporation, interest rate of 3.99%, repayable in blended payments of \$25,765, due November 1, 2024	135,109	154,638
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	142,428	162,848
County of Wellington debenture, interest at variable rates from 1.55% to 3.35%, repayable in variable annual payments, due March 6, 2022	1,421,000	1,540,000
County of Wellington debenture, interest at variable rates from 1.15% to 3.20%, repayable in variable annual installments, due November 2036	2,226,000	2,387,000
	\$ 3,931,801	\$ 4,253,215

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

2019	\$	328,012
2020	\$	331,962
2021	\$	339,953
2022	\$	1,258,268
2023	\$	216,182
Thereafter	\$	1,457,424
	\$	3,931,801

Interest expense in the amount of \$114,843 (2017 - \$110,907) 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, 2018**

	<b>2018</b>							
	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Roads</b>	<b>Furniture and equipment</b>	<b>Bridges and infrastructure</b>	<b>Assets under construction</b>	<b>Total</b>
Cost, beginning 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
Additions	172,577	113,860	15,244	504,166	262,355	1,039,832	147,335	2,255,369
Disposals	-	(490,717)	(53,166)	(33,390)	-	(13,762)	-	(591,035)
Transfers	-	137,156	-	3,987	-	29,459	(170,602)	-
Cost, end of year	8,617,393	15,589,276	5,352,396	44,785,552	2,611,386	17,350,113	214,972	94,521,088
Accumulated amortization, beginning of year	1,161,705	8,250,383	3,277,161	23,837,527	1,133,643	5,775,797	-	43,436,216
Amortization	143,060	347,287	284,983	1,240,232	166,249	313,208	-	2,495,019
Disposals	-	(348,058)	(49,614)	(33,390)	-	(13,762)	-	(444,824)
Accumulated amortization, end of year	1,304,765	8,249,612	3,512,530	25,044,369	1,299,892	6,075,243	-	45,486,411
Net carrying amount, end of year	\$ 7,312,628	\$ 7,339,664	\$ 1,839,866	\$ 19,741,183	\$ 1,311,494	\$ 11,274,870	\$ 214,972	\$ 49,034,677

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

**December 31, 2018**

**6. Tangible Capital Assets - (continued)**

	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

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

**December 31, 2018**

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**7. Accumulated Surplus**

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

	<b>2018</b>	2017
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	<b>\$49,034,677</b>	\$ 49,420,538
Capital assets financed by long-term liabilities and to be funded in future years	<b>(3,924,537)</b>	(4,244,486)
	<b>45,110,140</b>	45,176,052
Total invested in capital assets		
Unfunded post-employment benefits	<b>(1,927)</b>	(128,072)
General surplus (Note 11)	<b>(216,895)</b>	164,267
Erin Tennis Club	-	16,069
Ballinafad Recreation Centre	<b>13,650</b>	24,849
Business Improvement Area	<b>(8,411)</b>	(16,181)
	<b>44,896,557</b>	45,236,984
Reserves and reserve funds (Note 8)	<b>8,224,960</b>	6,008,869
Accumulated surplus	<b>\$53,121,517</b>	\$ 51,245,853

Effective January 1, 2018, the Erin Tennis Club operates as a separate, independent not-for-profit entity. Accordingly, the Erin Tennis Club's net asset and operations are no longer reported by the Town of Erin.

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

**December 31, 2018**

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

	<u>2018</u>	<u>2017</u>
<b>Reserves</b>		
Working funds	\$ 203,761	\$ 278,761
Insurance, sick leave and WSIB	15,573	15,573
Current purposes	619,305	526,619
Capital purposes	<u>6,911,283</u>	<u>4,694,203</u>
	<u>7,749,922</u>	<u>5,515,156</u>
 <b>Reserve funds</b>		
Current purposes	305,852	347,657
Capital purposes	<u>169,186</u>	<u>146,056</u>
	<u>475,038</u>	<u>493,713</u>
 <b>Reserves and reserve funds set aside for specific purpose by Council</b>	 <b><u>\$ 8,224,960</u></b>	 <b><u>\$ 6,008,869</u></b>

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

**December 31, 2018**

**9. Grants**

	Budget	2018	2017
<b>Operating</b>			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 593,400	\$ 593,400	\$ 590,100
Conditional - Other	31,500	7,611	7,831
	<u>624,900</u>	<u>601,011</u>	<u>597,931</u>
Government of Canada			
Conditional - General government	\$ 50,000	\$ 50,000	\$ -
Other Municipalities			
Conditional - Economic Development	\$ -	\$ 21,402	\$ 36,639
- Other	-	-	410
	<u>-</u>	<u>21,402</u>	<u>37,049</u>
Total operating grants	<u>674,900</u>	<u>672,413</u>	<u>634,980</u>
<b>Tangible Capital Asset</b>			
Province of Ontario			
Conditional - Recreation	-	-	17,669
- Water	22,000	-	41,676
- Other	-	164,408	115,575
	<u>22,000</u>	<u>164,408</u>	<u>174,920</u>
Government of Canada			
Federal Gas Tax	\$ 400,600	\$ 487,885	\$ 44,340
OCIF Top-Up Grant	-	32,391	-
Conditional - Water	105,260	-	83,351
	<u>505,860</u>	<u>520,276</u>	<u>127,691</u>
Other Municipalities			
Conditional - Economic Development	50,000	52,572	19,428
- Other	-	-	10,067
	<u>50,000</u>	<u>52,572</u>	<u>29,495</u>
Total tangible capital asset grants	<u>577,860</u>	<u>737,256</u>	<u>332,106</u>
Total grants	<u>1,252,760</u>	<u>\$ 1,409,669</u>	<u>\$ 967,086</u>

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

**December 31, 2018**

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**10. Other Income**

	2018	2018	2017
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 360,000	\$ <b>312,136</b>	\$ 288,120
Other penalties and interest	4,000	<b>9,627</b>	10,014
Development charges and other contributions	300,000	<b>318,516</b>	238,116
Investment income	29,000	<b>155,448</b>	109,855
Licenses, permits and rents	329,600	<b>218,935</b>	316,319
Donations	3,300	<b>27,455</b>	7,767
Gain on disposal of capital assets	-	<b>1,083,300</b>	60,010
Provincial aggregates levy	110,000	<b>97,288</b>	107,575
Other	126,200	<b>177,260</b>	246,488
	<b>\$ 1,262,100</b>	<b>\$ 2,399,965</b>	<b>\$ 1,384,264</b>

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

**December 31, 2018**

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**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.

	2018 Budget	2018 Actual	2017 Actual
Annual surplus (deficit) (Page 6)	\$ 47,039	\$ 1,875,664	\$ (1,063,115)
Amortization	2,495,019	2,495,019	2,467,981
Change in unfunded liabilities	-	(126,145)	(7,414)
Change in other surpluses	-	19,498	(1,608)
	2,542,058	4,264,036	1,395,844
Net transfers (to) from reserves	151,542	(2,214,625)	(329,474)
Tangible capital acquisitions, disposals and write-down	(2,518,600)	(2,109,158)	(1,547,529)
Proceeds from long-term debt	-	-	-
Debt principal repayments	(175,000)	(321,415)	(315,260)
	-	(381,162)	(796,419)
Prior year general surplus	-	164,267	960,686
General surplus (deficit) (Note 7)	\$ -	\$ (216,895)	\$ 164,267

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

December 31, 2018

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### 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 2019 by the Town of Erin was \$248,151 (2017 - \$258,200). The contribution rate for 2018 was 9.0% to 15.8% depending on age and income level (2017 - 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, 2018. At that time the plan reported a \$4.19 billion actuarial deficit (2017 - \$5.40 billion actuarial deficit), based on actuarial liabilities of \$99.06 billion (2017 - \$93.61 billion) and actuarial assets of \$94.87 billion (2017 - \$88.21 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.

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

**December 31, 2018**

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**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>2018</u>	<u>2017</u>
School boards	\$ 4,691,273	\$ 4,698,255
County of Wellington	14,234,492	13,968,594
	<u>\$18,925,765</u>	<u>\$ 18,666,849</u>

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**14. Trust Funds**

	<u>2018</u>	<u>2017</u>
Dufferin Pit	\$ 23,845	\$ 22,761
Glenellen Well Program	70,072	67,984
	<u>\$ 93,917</u>	<u>\$ 90,745</u>

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**15. Commitments**

The Town of Erin has committed to spend approximately \$2,500,000 in 2019 and beyond on various capital projects.

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

December 31, 2018

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### 16. 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.

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

**December 31, 2018**

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**16. 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:

<b>Taxation and payments-in-lieu</b>	Allocated to those segments that are funded by these amounts based on the budget for the year
<b>OMPF Grants</b>	Allocated to segments based on the budget for the year.

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

### December 31, 2018

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2018 Total
<b>Revenue</b>								
Taxation	\$ 2,222,780	\$ 963,093	\$ 2,890,319	\$ 21,208	\$ 3,630	\$ 604,718	\$ 274,343	\$ 6,980,091
Fees and user charges	40,077	150,319	61,466	1,497,386	-	600,077	34,260	2,383,585
Specific grants	50,000	-	684,685	-	-	7,610	73,974	816,269
OMPF grant	130,600	98,157	274,274	2,160	370	61,632	26,207	593,400
Other revenue	470,739	35,072	117,198	56,848	25	34,079	574,694	1,288,655
Gain on sale of assets	1,083,300	-	-	-	-	-	-	1,083,300
	<b>3,997,496</b>	<b>1,246,641</b>	<b>4,027,942</b>	<b>1,577,602</b>	<b>4,025</b>	<b>1,308,116</b>	<b>983,478</b>	<b>13,145,300</b>
<b>Expenses</b>								
Salaries and benefits	1,315,954	692,589	900,418	552,600	-	565,277	161,899	4,188,737
Materials and supplies	434,972	550,918	1,650,079	629,252	1,416	260,044	200,326	3,727,007
Contracted services	212,971	84,252	389,351	32,045	-	32,586	36,326	787,531
Rents and financial expenses	8,356	62	-	-	-	581	-	8,999
Amortization	60,396	220,727	1,719,274	374,324	-	210,650	-	2,585,371
	<b>2,032,649</b>	<b>1,548,548</b>	<b>4,659,122</b>	<b>1,588,221</b>	<b>1,416</b>	<b>1,069,138</b>	<b>398,551</b>	<b>11,297,645</b>
<b>Annual surplus (deficit)</b>	<b>\$ 1,964,847</b>	<b>\$ (301,907)</b>	<b>\$ (631,180)</b>	<b>\$ (10,619)</b>	<b>\$ 2,609</b>	<b>\$ 238,978</b>	<b>\$ 584,927</b>	<b>\$ 1,847,655</b>

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

### December 31, 2018

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
<b>Revenue</b>								
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	132,847	71,284	1,398,549	-	562,988	18,100	2,210,494
Specific grants	1,192	-	44,340	131,666	-	27,736	172,052	376,986
OMPF grant	123,306	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
	<b>2,271,818</b>	<b>1,296,597</b>	<b>3,182,831</b>	<b>1,643,329</b>	<b>36,190</b>	<b>1,583,282</b>	<b>1,139,266</b>	<b>11,153,313</b>
<b>Expenses</b>								
Salaries and benefits	1,434,782	686,132	1,055,083	540,317	-	910,477	157,072	4,783,863
Interest on debt	-	-	-	-	-	-	-	-
Materials and supplies	348,615	660,277	1,627,425	362,495	2,986	670,080	254,908	3,926,786
Contracted services	144,648	139,877	620,442	10,014	-	8,589	87,415	1,010,985
Other transfers	7,108	-	-	-	-	-	-	7,108
Rents and financial expenses	15,538	1,178	-	-	-	1,985	1,004	19,705
Amortization	53,540	213,785	1,699,690	301,388	-	196,957	2,621	2,467,981
	<b>2,004,231</b>	<b>1,701,249</b>	<b>5,002,640</b>	<b>1,214,214</b>	<b>2,986</b>	<b>1,788,088</b>	<b>503,020</b>	<b>12,216,428</b>
<b>Annual surplus (deficit)</b>	<b>\$ 267,587</b>	<b>\$ (404,652)</b>	<b>\$ (1,819,809)</b>	<b>\$ 429,115</b>	<b>\$ 33,204</b>	<b>\$ (204,806)</b>	<b>\$ 636,246</b>	<b>\$ (1,063,115)</b>

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

**For the year ended December 31, 2018**

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
<b>Obligatory Reserve Funds</b>					
Development charges	\$ 1,747,113	\$ 209,047	\$ 29,895	\$ (278,718)	<b>\$1,707,337</b>
Federal Gas Tax	431,816	343,040	11,092	(487,885)	<b>298,063</b>
Recreational land	859,542	75,000	22,087	(39,798)	<b>916,831</b>
OCIF Top Up Grant	-	867,343	10,805	(32,391)	<b>845,757</b>
Main St. Revitalization	-	47,765	320	-	<b>48,085</b>
Drainage levy	16,025	-	412	-	<b>16,437</b>
	<b>\$ 3,054,496</b>	<b>\$ 1,542,195</b>	<b>\$ 74,611</b>	<b>\$ (838,792)</b>	<b>\$3,832,510</b>

**The Corporation of the  
Town of Erin  
Trust Funds  
Financial Information  
For the year ended December 31, 2018**



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## Independent Auditor's Report

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

### Opinion

We have audited the financial information for the trust funds of the Corporation of the Town of Erin (the Entity), which comprise the balance sheet as at December 31, 2018, the statement of continuity of the trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial information presents fairly, in all material respects, the financial position of the trust funds of the Corporation of the Town of Erin as at December 31, 2018 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Information* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance 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 are free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



## **Auditor's Responsibilities for the Audit of the Financial Information**

Our objectives are to obtain reasonable assurance about whether the financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Orangeville, Ontario  
September 3, 2019

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

**December 31, 2018**

<b>Assets</b>	Dufferin Pit	Glenellen Well	2018 <b>Total</b>	2017 <b>Total</b>
<b>Current</b>				
Cash	\$ 22,487	\$ 3,562	<b>\$ 26,049</b>	\$ 25,612
Accrued interest	-	-	-	83
Investments (Note 2)	1,358	66,510	<b>67,868</b>	65,050
	<b>23,845</b>	<b>70,072</b>	<b>93,917</b>	<b>90,745</b>
<b>Liabilities</b>				
<b>Fund Balance</b>	<b>\$ 23,845</b>	<b>\$ 70,072</b>	<b>\$ 93,917</b>	<b>\$ 90,745</b>

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

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## Statement of Continuity

December 31, 2018

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	Dufferin Pit	Glenellen Well	<b>2018 Total</b>	2017 Total
<b>Balance</b> , beginning of the year	\$ 22,761	\$ 67,984	<b>\$ 90,745</b>	\$ 89,649
<b>Interest earned</b>	1,084	2,088	<b>3,172</b>	1,096
<b>Balance</b> , end of the year	\$ 23,845	\$ 70,072	<b>\$ 93,917</b>	\$ 90,745

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

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

**December 31, 2018**

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**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.

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**2. Investments**

The total investments of \$67,868 (2017 - \$65,050) reported on the Balance Sheet at cost have a market value of \$67,868 (2017 - \$65,050) at the end of the year.

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