

**THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

THE CORPORATION OF THE TOWN OF ERIN

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YEAR ENDED DECEMBER 31, 2013

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Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

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

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, 2013 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Town of Erin as at December 31, 2013 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Fergus, Ontario
July 8, 2014

RLB LLP
Chartered Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	2013	2012
FINANCIAL ASSETS		
Cash	\$ 2,057,461	\$ 696,834
Taxes receivable	2,889,148	2,478,075
Accounts receivable	1,044,203	988,744
Investments	1,215,140	2,691,662
Tile drain loan receivable	<u>16,874</u>	<u>18,483</u>
	<u>7,222,826</u>	<u>6,873,798</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,849,850	2,063,318
Deferred revenue	577,561	941,370
Long term debt (note 2)	2,893,533	3,228,361
Retirement benefits liability	130,979	126,502
Deferred revenue - Obligatory reserve funds (schedule 3)	1,613,669	1,072,046
Tile drain loan payable	<u>16,874</u>	<u>18,483</u>
	<u>7,082,466</u>	<u>7,450,080</u>
NET FINANCIAL ASSETS (NET DEBT) (page 6)	<u>140,360</u>	<u>(576,282)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	<u>50,240,781</u>	<u>51,143,663</u>
ACCUMULATED SURPLUS (schedule 4)	<u>\$ 50,381,141</u>	<u>\$ 50,567,381</u>

**THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2013**

	2013 Budget (note 5)	2013 Actual	2012 Actual
REVENUE			
Taxation revenue	\$ 5,435,548	\$ 5,589,539	\$ 4,864,361
Fees and user charges	2,297,936	2,170,313	2,128,063
Canada grants	10,000	6,500	4,500
Ontario grants	849,301	833,111	940,829
Other income (note 3)	770,733	715,415	948,545
Obligatory reserve fund revenue recognized (schedule 3)	<u>441,525</u>	<u>322,329</u>	<u>946,353</u>
	<u>9,805,043</u>	<u>9,637,207</u>	<u>9,832,651</u>
EXPENSES			
General government	1,307,135	1,535,396	1,383,315
Protection services	1,360,427	1,099,684	1,345,882
Transportation services	3,789,436	3,919,722	3,966,875
Environmental services	1,331,985	1,293,359	1,335,171
Social Services	30,513	31,600	28,874
Rental facility operations	11,187	6,520	6,876
Recreation services	1,600,161	1,626,128	1,575,313
Planning and development	<u>294,573</u>	<u>311,038</u>	<u>231,808</u>
	<u>9,725,417</u>	<u>9,823,447</u>	<u>9,874,114</u>
ANNUAL DEFICIT	<u>\$ 79,626</u>	(186,240)	(41,463)
ACCUMULATED SURPLUS at beginning of year		<u>50,567,381</u>	<u>50,608,844</u>
ACCUMULATED SURPLUS at end of year		<u>\$ 50,381,141</u>	<u>\$ 50,567,381</u>

**THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2013**

	2013 Budget (note 5)	2013 Actual	2012 Actual
Annual surplus (deficit)	\$ 79,626	\$ (186,240)	\$ (41,463)
Acquisition of tangible capital assets	(3,354,653)	(1,436,252)	(3,614,212)
Amortization of tangible capital assets	2,244,167	2,199,514	2,198,183
Loss (gain) on disposal of tangible capital assets	0	34,479	(11,017)
Proceeds on sale of tangible capital assets	45,500	105,141	14,743
	<u>(1,064,986)</u>	<u>902,882</u>	<u>(1,412,303)</u>
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	\$ (985,360)	716,642	(1,453,766)
(NET DEBT) NET FINANCIAL ASSETS at beginning of year		<u>(576,282)</u>	<u>877,484</u>
NET FINANCIAL ASSETS (NET DEBT) at end of year		\$ <u>140,360</u>	\$ <u>(576,282)</u>

**THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2013**

	2013	2012
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual deficit	\$ (186,240)	\$ (41,463)
Items not requiring an outlay of cash		
Amortization of tangible capital assets	2,199,514	2,198,183
Loss (gain) on disposal of tangible capital assets	<u>34,479</u>	<u>(11,017)</u>
	<u>2,047,753</u>	<u>2,145,703</u>
Net changes in non-cash working capital		
Taxes receivable	(411,073)	(109,340)
Accounts receivable	(55,459)	(263,456)
Accounts payable and accrued liabilities	(213,468)	592,295
Retirement benefits liability	4,477	5,531
Deferred revenue	(363,809)	126,805
Deferred revenue - Obligatory reserve funds	<u>541,623</u>	<u>(216,903)</u>
	<u>(497,709)</u>	<u>134,932</u>
	<u>1,550,044</u>	<u>2,280,635</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,436,252)	(3,614,212)
Proceeds on disposal of tangible capital assets	<u>105,141</u>	<u>14,743</u>
	<u>(1,331,111)</u>	<u>(3,599,469)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Long term debt	<u>(334,828)</u>	<u>1,506,468</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Investments	<u>1,476,522</u>	<u>(953,876)</u>
NET INCREASE (DECREASE) IN CASH	1,360,627	(766,242)
CASH, beginning of year	<u>696,834</u>	<u>1,463,076</u>
CASH, end of year	<u>\$ 2,057,461</u>	<u>\$ 696,834</u>

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of the Town of Erin are the representation of management prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) **BASIS OF CONSOLIDATION**

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

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

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

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

(b) **BASIS OF ACCOUNTING**

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

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) INVESTMENTS

The investments held by the municipality are recorded at fair market value.

(d) DEFERRED REVENUE

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

(e) AMOUNTS TO BE RECOVERED

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

(f) TRUST FUNDS

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

(g) NON-FINANCIAL ASSETS

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

(i) Tangible capital assets

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

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

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

(ii) Contributions of tangible capital assets

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

**THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) NON-FINANCIAL ASSETS (continued)

(iii) Leases

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

2. LONG TERM DEBT

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

	2013	2012
Bank loan #1, due October 2015, payable in quarterly instalments of \$33,735 principal and interest, charged at 3.50%	\$ 259,452	\$ 382,610
Bank loan #2, due July 2016, payable in quarterly instalments of \$4,488 principal and interest, charged at prime + 0.5%	11,404	28,581
OMEIFA loan, due September 2016, repayable in semi-annual instalments of \$16,441 principal and interest, at a rate of approximately 2.44%	94,568	124,593
County of Wellington debenture, due October 2016, repayable in variable annual instalments, at variable interest rates from 4.30% to 4.60%	66,000	86,000
Canada Mortgage and Housing Corporation, due November 1, 2024, repayable in blended payments of \$25,765 at a rate of approximately 3.99%	225,837	241,949
OIPC debenture, due October 1, 2025, repayable in semi-annual payments of \$10,178 plus interest at a rate of 3.86%	244,272	264,628
County of Wellington debenture, due March 6, 2022, repayable in variable annual payments (none in 2012), at variable interest rates from 1.55% to 3.35%	<u>1,992,000</u>	<u>2,100,000</u>
	<u>\$ 2,893,533</u>	<u>\$ 3,228,361</u>

Future minimum payments on long term obligations are as follows:

2014	\$ 336,796
2015	335,227
2016	207,764
2017	156,197
2018	158,949
Thereafter	<u>1,698,600</u>
	<u>\$ 2,893,533</u>

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

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

3. OTHER INCOME

	2013	2012
Penalties and interest on taxation	\$ 354,225	\$ 329,559
Licenses, permits and rents	316,447	363,533
Other fines and penalties	4,663	315
Investment income	44,236	57,302
Rents, concessions and franchises	6,302	17,851
Donations	1,500	23,144
Special levy	0	128,624
(Loss) gain on disposal of tangible capital assets	(34,479)	11,017
Other	<u>22,521</u>	<u>17,200</u>
	<u>\$ 715,415</u>	<u>\$ 948,545</u>

4. PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement income to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2013 was \$241,653 (2012 - \$199,244).

5. BUDGET AMOUNTS

The budgeted figures are presented for comparison purposes as prepared and approved by Council, and include the 2013 TCA/PSAB Budget Reconciliation Report prepared by staff.

6. OPERATIONS OF THE SCHOOL BOARDS AND THE COUNTY OF WELLINGTON

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

	2013	2012
School boards	\$ 4,442,686	\$ 4,716,532
County of Wellington	<u>12,059,612</u>	<u>11,849,769</u>
	<u>\$ 16,502,298</u>	<u>\$ 16,566,301</u>

7. TRUST FUNDS

The trust funds administered by the municipality amounting to \$84,606 (2012 - \$83,650) have not been included in the Consolidated Statement of Financial Position, nor have the operations been included in the Consolidated Statement of Operations. At December 31, the trust fund balances are as follows:

	2013	2012
Duff Pit	\$ 21,849	\$ 21,599
Glenellen Well Program	<u>62,757</u>	<u>62,051</u>
	<u>\$ 84,606</u>	<u>\$ 83,650</u>

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

8. SUBDIVISION AGREEMENTS

As part of various subdivision agreements, the municipality has received letters of credit and performance bonds to cover developers' responsibilities in completing the projects as well as covering unpaid municipal levies. Letters of credit and performance bonds held by the municipality at December 31, 2013 amount to \$5,149,553 (2012 - \$5,253,562).

9. TANGIBLE CAPITAL ASSETS

	Net 2013	Net 2012
General		
Land	\$ 7,409,166	\$ 7,543,040
Buildings	5,059,888	5,213,548
Vehicles	2,065,894	2,129,543
Furniture and equipment	535,974	603,771
Infrastructure		
Roads	21,726,833	22,484,596
Bridges and infrastructure	10,461,191	10,710,416
Assets under construction	<u>2,981,835</u>	<u>2,458,749</u>
	<u>\$ 50,240,781</u>	<u>\$ 51,143,663</u>

10. CONTINGENT LIABILITIES

The municipality is, from time to time, subject to various claims. In one such claim, the municipality disputes the other party's claim of the municipality's share of costs under an existing agreement. The municipality has entered into negotiations with the other party to resolve the dispute. The municipality has accrued an estimate of its liability, based on its acknowledgement that it will be liable for some of the associated costs. The difference between the estimated liability and the potential liability is not material. The outcomes of all other claims outstanding at year end are not determinable. Accordingly, no accrual has been recorded for these claims.

11. SEGMENTED INFORMATION

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

12. COMPARATIVE FIGURES

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

THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule 1

	General Government	Protection Services	Transportation Services	Environmental Services	Social Services	Rental Facility Operations	Recreation Services	Planning and Development	2013	2012
EXPENSES										
Salaries and benefits	\$ 1,049,490	\$ 681,271	\$ 949,338	\$ 535,258	\$ 0	\$ 0	\$ 691,285	\$ 88,782	\$ 3,995,424	\$ 3,664,444
Materials	172,573	90,357	1,524,306	391,025	31,600	6,520	645,913	190,059	3,052,353	3,402,599
Contracted services	182,940	33,136	8,024	0	0	0	0	32,197	256,297	211,654
Rents and financial expenses	86,276	0	0	28,559	0	0	0	0	114,835	191,300
Interest on long term debt	0	0	9,564	6,742	0	0	22,610	0	38,916	40,743
Amortization	44,117	152,118	1,428,490	331,775	0	0	243,014	0	2,199,514	2,198,183
Other	0	142,802	0	0	0	0	23,306	0	166,108	165,191
	<u>\$ 1,535,396</u>	<u>\$ 1,099,684</u>	<u>\$ 3,919,722</u>	<u>\$ 1,293,359</u>	<u>\$ 31,600</u>	<u>\$ 6,520</u>	<u>\$ 1,626,128</u>	<u>\$ 311,038</u>	<u>\$ 9,823,447</u>	<u>\$ 9,874,114</u>

See notes to the financial statements

THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule 2

	Land and land improvements	Buildings	Vehicles	Roads	Furniture and equipment	Bridges and infrastructure	Assets under construction	2013	2012
COST									
Balance, beginning of year	\$ 8,112,203	\$ 11,823,735	\$ 5,144,728	\$ 40,344,657	\$ 1,486,646	\$ 15,230,994	\$ 2,458,749	\$ 84,601,712	\$ 81,171,036
Additions during the year	0	0	342,480	211,691	32,932	0	849,149	1,436,252	3,614,212
Disposals during the year	0	(83,146)	(462,236)	0	(40,713)	0	0	(586,095)	(183,536)
Other	0	158,323	0	167,740	0	0	(326,063)	0	0
Balance, end of year	<u>8,112,203</u>	<u>11,898,912</u>	<u>5,024,972</u>	<u>40,724,088</u>	<u>1,478,865</u>	<u>15,230,994</u>	<u>2,981,835</u>	<u>85,451,869</u>	<u>84,601,712</u>
ACCUMULATED AMORTIZATION									
Balance, beginning of year	569,163	6,610,187	3,015,185	17,860,061	882,875	4,520,578	0	33,458,049	31,439,675
Amortization	133,874	311,983	266,509	1,137,194	100,729	249,225	0	2,199,514	2,198,183
Accumulated amortization on disposals	0	(83,146)	(322,616)	0	(40,713)	0	0	(446,475)	(179,809)
Balance, end of year	<u>703,037</u>	<u>6,839,024</u>	<u>2,959,078</u>	<u>18,997,255</u>	<u>942,891</u>	<u>4,769,803</u>	<u>0</u>	<u>35,211,088</u>	<u>33,458,049</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	<u>\$ 7,409,166</u>	<u>\$ 5,059,888</u>	<u>\$ 2,065,894</u>	<u>\$ 21,726,833</u>	<u>\$ 535,974</u>	<u>\$ 10,461,191</u>	<u>\$ 2,981,835</u>	<u>\$ 50,240,781</u>	<u>\$ 51,143,663</u>

THE CORPORATION OF THE TOWN OF ERIN

CONSOLIDATED SCHEDULE OF DEFERRED REVENUE - OBLIGATORY
RESERVE FUNDS

Schedule 3

FOR THE YEAR ENDED DECEMBER 31, 2013

	Dec. 31, 2012	Contributions Received	Investment Income	Revenue Recognized	Dec. 31, 2013
Obligatory Reserve Funds					
Development charges	\$ 770,511	\$ 357,916	\$ 10,523	\$ (82,000)	\$ 1,056,950
Federal gas tax funding	12,478	341,965	58	(222,769)	131,732
Drainage levy	4,325	1,628	36	0	5,989
Recreational land	<u>284,732</u>	<u>149,000</u>	<u>2,826</u>	<u>(17,560)</u>	<u>418,998</u>
	<u>\$ 1,072,046</u>	<u>\$ 850,509</u>	<u>\$ 13,443</u>	<u>\$ (322,329)</u>	<u>\$ 1,613,669</u>

THE CORPORATION OF THE TOWN OF ERIN
 CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS
 FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule 4

	2013	2012
SURPLUSES		
Invested in tangible capital assets	\$ 47,347,248	\$ 47,915,302
Erin Tennis Club	14,045	14,045
Ballinafad Community Centre	19,908	23,040
Business Improvement Area	(20,430)	(8,713)
General revenue fund	(616,403)	(311,486)
Unfunded		
Retirement benefits	(130,979)	(126,502)
	<u>46,613,389</u>	<u>47,505,686</u>
RESERVES		
Working Capital Reserves		
Working funds	419,760	623,353
Insurance, sick leave and WSIB	15,365	15,365
Current purposes	<u>254,070</u>	<u>242,070</u>
	<u>689,195</u>	<u>880,788</u>
Capital Reserves		
Capital purposes	<u>2,376,569</u>	<u>1,358,964</u>
	<u>3,065,764</u>	<u>2,239,752</u>
RESERVE FUNDS		
Current purposes	507,235	647,481
Capital purposes	<u>194,753</u>	<u>174,462</u>
	<u>701,988</u>	<u>821,943</u>
	<u>\$ 50,381,141</u>	<u>\$ 50,567,381</u>



Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the trust funds of The Corporation of the Town of Erin, which comprise the statement of financial position as at December 31, 2013 and the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the Town of Erin as at December 31, 2013 and the consolidated results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

Fergus, Ontario
July 8, 2014

A handwritten signature in blue ink that reads 'RLB LLP'.

Chartered Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWN OF ERIN
TRUST FUNDS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	ASSETS		
	Total	Duff Pitt	Glenellen Well Program
Cash	\$ 24,614	\$ 21,249	\$ 3,365
Investments (note 2)	<u>59,992</u>	<u>600</u>	<u>59,392</u>
	<u>\$ 84,606</u>	<u>\$ 21,849</u>	<u>\$ 62,757</u>
 FUND BALANCE			
Fund balance	<u>\$ 84,606</u>	<u>\$ 21,849</u>	<u>\$ 62,757</u>

**THE CORPORATION OF THE TOWN OF ERIN
TRUST FUNDS
STATEMENT OF CONTINUITY
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Total	Duff Pitt	Glenellen Well Program
BALANCE, beginning of year	\$ 83,650	\$ 21,599	\$ 62,051
Interest earned	<u>956</u>	<u>250</u>	<u>706</u>
BALANCE, end of year	<u>\$ 84,606</u>	<u>\$ 21,849</u>	<u>\$ 62,757</u>

**THE CORPORATION OF THE TOWN OF ERIN
TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the trust funds of The Corporation of the Town of Erin are the representation of management prepared in accordance with with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) **BASIS OF ACCOUNTING**

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

2. INVESTMENTS

Trust fund investments are fixed income securities and are recorded at amortized cost.



Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Corporation of the Town of Erin - Business Improvement Area which comprise the statement of financial position as at December 31, 2013 and the statement of financial activities for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Erin - Business Improvement Area as at December 31, 2013 and the consolidated results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

RLB LLP

Fergus, Ontario
July 8, 2014

Chartered Accountants
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF ERIN
BUSINESS IMPROVEMENT AREA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013**

	2013	2012
LIABILITIES		
Due to the Town of Erin	\$ <u>20,430</u>	\$ <u>8,712</u>
MUNICIPAL POSITION		
Municipal position	\$ <u>(20,430)</u>	\$ <u>(8,712)</u>

THE CORPORATION OF THE TOWN OF ERIN
 BUSINESS IMPROVEMENT AREA
 STATEMENT OF FINANCIAL ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 Budget	2013 Actual	2012 Actual
REVENUE			
Grants	\$ 6,375	\$ 6,500	\$ 4,500
Special area rates	16,800	17,200	17,200
Transfers from Town reserve fund	10,000	9,670	0
Other	<u>14,650</u>	<u>8,731</u>	<u>9,766</u>
	<u>47,825</u>	<u>42,101</u>	<u>31,466</u>
EXPENDITURES			
Advertising	29,950	23,117	25,207
Office and sundry	2,700	756	1,819
Streetscape	15,175	29,946	13,152
Transfer to Town reserve fund	<u>0</u>	<u>0</u>	<u>7,284</u>
	<u>47,825</u>	<u>53,819</u>	<u>47,462</u>
CHANGE IN FUND BALANCE for the year	0	(11,718)	(15,996)
MUNICIPAL POSITION, beginning of year	<u>(8,712)</u>	<u>(8,712)</u>	<u>7,284</u>
MUNICIPAL POSITION, end of year	<u>\$ (8,712)</u>	<u>\$ (20,430)</u>	<u>\$ (8,712)</u>

THE CORPORATION OF THE TOWN OF ERIN
BUSINESS IMPROVEMENT AREA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Corporation of the Town of Erin - Business Improvement Area are the representation of management prepared in accordance with with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) **BASIS OF CONSOLIDATION**

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

(b) **BASIS OF ACCOUNTING**

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