

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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Chartered Accountants  
and Business Advisors

## AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of The Corporation of the Town of Erin as at December 31, 2006 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the municipality. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the The Corporation of the Town of Erin as at December 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

*RLB LLP*

Guelph, Ontario  
March 7, 2007

Chartered Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2006**

**A S S E T S**

	2006	2005
<b>UNRESTRICTED</b>		
Cash	\$ 16,494	\$ 0
Taxes receivable	1,687,652	1,625,265
Other accounts receivable	501,470	1,276,490
Investments (market value approximates cost)	<u>1,719,423</u>	<u>770,738</u>
	<u>3,925,039</u>	<u>3,672,493</u>
<b>RESTRICTED</b>		
Cash	225,616	463,306
Investments (market value approximates cost)	<u>1,063,061</u>	<u>1,201,262</u>
	<u>1,288,677</u>	<u>1,664,568</u>
	<u>\$ 5,213,716</u>	<u>\$ 5,337,061</u>

**L I A B I L I T I E S**

Bank overdraft	\$ 0	\$ 161,446
Accounts payable and accrued liabilities	651,303	931,009
Deferred revenue	300	300
Long term debt (note 2)	2,056,951	2,022,521
Retirement benefits (note 12)	<u>116,671</u>	<u>113,714</u>
	<u>2,825,225</u>	<u>3,228,990</u>

**M U N I C I P A L P O S I T I O N**

Current fund (note 3, schedule 1)	23,095	217,082
Capital fund (schedule 2)	114,887	(129,040)
Reserves and reserve funds (schedule 3)	<u>4,424,131</u>	<u>4,156,264</u>
	4,562,113	4,244,306
Amounts to be recovered (note 4)	<u>(2,173,622)</u>	<u>(2,136,235)</u>
	<u>2,388,491</u>	<u>2,108,071</u>
	<u>\$ 5,213,716</u>	<u>\$ 5,337,061</u>

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>2006 Budget (note 9)</b>	<b>2006 Actual</b>	<b>2005 Actual</b>
<b>REVENUE</b>			
Taxation	\$ 3,416,015	\$ 3,415,125	\$ 3,419,596
Fees and user charges	1,701,903	1,628,992	1,653,856
Canada grants	208,819	174,195	474,677
Ontario grants	1,401,246	1,243,669	1,440,903
Other income (note 5)	726,291	951,287	780,903
Development charges	<u>0</u>	<u>150,582</u>	<u>532,298</u>
	<u>7,454,274</u>	<u>7,563,850</u>	<u>8,302,233</u>
<b>EXPENDITURES</b>			
<b>Current (note 6)</b>			
General government	945,896	930,087	810,903
Protection services	975,219	880,930	820,599
Transportation services	1,630,847	1,748,087	1,516,069
Environmental services	665,657	667,144	563,645
Social services	23,760	26,220	19,283
Rental facility operations	9,459	12,104	12,734
Recreation and cultural services	1,200,032	1,203,342	1,133,928
Planning and development	<u>185,476</u>	<u>156,875</u>	<u>125,552</u>
	<u>5,636,346</u>	<u>5,624,789</u>	<u>5,002,713</u>
<b>Capital</b>			
General government	49,255	24,856	104,248
Protection services	112,300	102,776	57,850
Transportation services	1,457,828	1,134,640	1,295,961
Environmental services	612,509	157,407	574,059
Health services	5,000	0	7,000
Rental facility operations	0	1,214	13,180
Recreation and cultural services	246,292	190,424	114,504
Planning and development	<u>47,790</u>	<u>47,324</u>	<u>95,070</u>
	<u>2,530,974</u>	<u>1,658,641</u>	<u>2,261,872</u>
<b>Total expenditures</b>	<u>8,167,320</u>	<u>7,283,430</u>	<u>7,264,585</u>
<b>NET (EXPENDITURES) REVENUES for the year</b>	<u>(713,046)</u>	<u>280,420</u>	<u>1,037,648</u>
<b>Change in amounts to be recovered</b>			
New debt issued	192,654	193,000	0
Debt principal repayments	(289,982)	(158,570)	(148,367)
Change in retirement benefits	<u>0</u>	<u>2,957</u>	<u>2,477</u>
	<u>(97,328)</u>	<u>37,387</u>	<u>(145,890)</u>
<b>CHANGE IN FUND BALANCES for the year</b>	<u>\$ (810,374)</u>	<u>\$ 317,807</u>	<u>\$ 891,758</u>

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>2006</b>	<b>2005</b>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Net revenues for the year	\$ <u>280,420</u>	\$ <u>1,037,648</u>
Net changes in non-cash working capital		
Taxes receivable	(62,387)	(352,665)
Accounts receivable	775,020	(69,801)
Accounts payable and accrued liabilities	(279,706)	(196,352)
Retirement benefits liability	2,957	2,477
Deferred revenue	<u>0</u>	<u>25</u>
	<u>435,884</u>	<u>(616,316)</u>
	<u>716,304</u>	<u>421,332</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Long term debt	<u>34,430</u>	<u>(148,367)</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Investments	<u>(810,484)</u>	<u>(1,087,133)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(59,750)	(814,168)
<b>NET CASH, beginning of year</b>	<u>301,860</u>	<u>1,116,028</u>
<b>NET CASH, end of year</b>	\$ <u>242,110</u>	\$ <u>301,860</u>
<b>CASH comprised of the following:</b>		
Unrestricted cash	\$ 16,494	\$ 0
Restricted cash	225,616	463,306
Bank overdraft	<u>0</u>	<u>(161,446)</u>
	<u>\$ 242,110</u>	<u>\$ 301,860</u>

**THE CORPORATION OF THE TOWN OF ERIN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of The Corporation of the Town of Erin are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

**(a) BASIS OF CONSOLIDATION**

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

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

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

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

**(b) BASIS OF ACCOUNTING**

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

**THE CORPORATION OF THE TOWN OF ERIN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

(c) INVESTMENTS

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

(d) DEFERRED REVENUE

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

(e) AMOUNTS TO BE RECOVERED

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

(f) TRUST FUNDS

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

**2. LONG TERM DEBT**

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

	<b>2006</b>	<b>2005</b>
Bank loan #1, due October 2015, payable in quarterly instalments of \$34,632 principal and interest, 5.41%	\$ 992,243	\$ 1,074,447
Bank loan #2, due July 2016, payable in quarterly instalments of \$4,488 principal and interest, charged at prime + 0.5%	115,488	125,854
County of Wellington debenture, due September 2012, repayable in variable annual instalments (\$93,188 in 2004), at variable interest rates from 3.4 to 5.55%	466,000	532,000
OMEIFA loan, due September 2016, repayable in semi-annual instalments of \$16,441.17 principal and interest, at a rate of approximately 2.44%	290,220	290,220
County of Wellington debenture, due October 2016, repayable in variable annual instalments (\$24,480 in 2007), at variable rates from 4.25 to 4.60%	<u>193,000</u>	<u>0</u>
	<b><u>\$ 2,056,951</u></b>	<b><u>\$ 2,022,521</u></b>

Future minimum payments on long term obligations are as follows:

2007	\$ 208,255
2008	218,230
2009	227,835
2010	239,637
2011	252,804
Thereafter	<u>910,190</u>
	<b><u>\$ 2,056,951</u></b>

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, 2006**

**3. CURRENT FUND**

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

	<b>2006</b>	<b>2005</b>
General area taxation	\$ 12,656	\$ 206,370
Recreation, community centres and arenas	3,480	11,108
Business improvement area	<u>6,959</u>	<u>(396)</u>
	<u>\$ 23,095</u>	<u>\$ 217,082</u>

**4. AMOUNTS TO BE RECOVERED**

	<b>2006</b>	<b>2005</b>
Capital outlay financed by long term liabilities and to be recovered in future years	\$ 2,056,951	\$ 2,022,521
Retirement benefits	<u>116,671</u>	<u>113,714</u>
	<u>\$ 2,173,622</u>	<u>\$ 2,136,235</u>

**5. OTHER INCOME**

	<b>2006</b>	<b>2005</b>
Penalties and interest on taxation	\$ 236,347	\$ 212,908
Licenses, permits and rents	328,456	359,045
Other fines and penalties	600	0
Investment income	239,693	117,040
Rents, concessions and franchises	20,097	5,765
Donations	978	0
Sale of land and other assets	64,928	0
Sale of publications and equipment	949	1,283
Other	<u>59,239</u>	<u>84,862</u>
	<u>\$ 951,287</u>	<u>\$ 780,903</u>

**6. EXPENDITURES BY OBJECT**

	<b>2006</b>	<b>2005</b>
Salaries, wages and employee benefits	\$ 2,822,878	\$ 2,517,927
Materials	2,384,337	2,216,495
Contracted services	171,083	58,486
Rents and financial expenses	44,267	4,690
Interest on long term debt	103,614	116,578
Contributions to other organizations	<u>98,610</u>	<u>88,537</u>
	<u>\$ 5,624,789</u>	<u>\$ 5,002,713</u>

**7. PENSION AGREEMENTS**

The municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement income to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2006 was \$118,134 (2005 - \$92,709).

**THE CORPORATION OF THE TOWN OF ERIN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**8. PUBLIC SECTOR SALARY DISCLOSURE**

During 2006, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by The Corporation of the Town of Erin.

**9. BUDGET AMOUNTS**

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2006 budget amounts for The Corporation of the Town of Erin approved by Council have been restated to conform to the basis of preparation of the revenues and expenditures on the consolidated statement of financial activities. The budget information, however, has not been audited.

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

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

	<b>2006</b>	<b>2005</b>
School boards	\$ 4,197,830	\$ 4,201,129
County of Wellington	<u>9,154,587</u>	<u>8,685,418</u>
	<u>\$ 13,352,417</u>	<u>\$ 12,886,547</u>

**11. TRUST FUNDS**

The trust funds administered by the municipality amounting to \$73,868 (2005 - \$71,117) have not been included in the consolidated statement of financial position, nor have the operations been included in the consolidated statement of financial activities. At December 31, 2006, the trust fund balances are as follows:

	<b>2006</b>	<b>2005</b>
Duff Pit	\$ 19,321	\$ 18,598
Glenellen Well Program	<u>54,547</u>	<u>52,519</u>
	<u>\$ 73,868</u>	<u>\$ 71,117</u>

**12. RETIREMENT BENEFITS**

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

	<b>2006</b>	<b>2005</b>
Post retirement health care benefits	<u>\$ 116,671</u>	<u>\$ 113,714</u>

**13. SUBDIVISION AGREEMENTS**

As part of various subdivision agreements, the municipality has received letters of credit and performance bonds to cover developers' responsibilities in completing the projects as well as covering unpaid municipal levies. Letters of credit and performance bonds held by the municipality at December 31, 2006 amount to \$5,182,169 (2005 - \$6,237,834).

**THE CORPORATION OF THE TOWN OF ERIN  
SCHEDULE OF CURRENT FUND OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>2006 Budget (note 9)</b>	<b>2006 Actual</b>	<b>2005 Actual</b>
<b>REVENUE</b>			
Taxation	\$ 3,416,015	\$ 3,415,125	\$ 3,419,596
Fees and user charges	1,701,903	1,628,992	1,653,856
Canada grants	0	3,000	0
Ontario grants	806,894	689,666	906,276
Other income	<u>666,140</u>	<u>786,254</u>	<u>738,143</u>
	<u>6,590,952</u>	<u>6,523,037</u>	<u>6,717,871</u>
<b>EXPENDITURES</b>			
General government	945,896	930,087	810,903
Protection services	975,219	880,930	820,599
Transportation services	1,630,847	1,748,087	1,516,069
Environmental services	665,657	667,144	563,645
Social services	23,760	26,220	19,283
Rental facility operations	9,459	12,104	12,734
Recreation and cultural services	1,200,032	1,203,342	1,133,928
Planning and development	<u>185,476</u>	<u>156,875</u>	<u>125,552</u>
	<u>5,636,346</u>	<u>5,624,789</u>	<u>5,002,713</u>
<b>NET REVENUES for the year</b>	<u>954,606</u>	<u>898,248</u>	<u>1,715,158</u>
<b>CHANGE IN AMOUNTS TO BE RECOVERED</b>			
Debt principal repayments	(289,982)	(158,570)	(148,367)
Change in retirement benefits	<u>0</u>	<u>2,957</u>	<u>2,477</u>
	(289,982)	(155,613)	(145,890)
<b>Transfers to capital fund</b>	(709,784)	(402,229)	(710,298)
<b>Transfers to reserves and reserve funds</b>	<u>(135,388)</u>	<u>(534,393)</u>	<u>(738,566)</u>
	<u>(1,135,154)</u>	<u>(1,092,235)</u>	<u>(1,594,754)</u>
<b>CHANGE IN FUND BALANCE for the year</b>	(180,548)	(193,987)	120,404
<b>CURRENT FUND, beginning of the year</b>	<u>217,082</u>	<u>217,082</u>	<u>96,678</u>
<b>CURRENT FUND, end of the year</b>	<u>\$ 36,534</u>	<u>\$ 23,095</u>	<u>\$ 217,082</u>

**THE CORPORATION OF THE TOWN OF ERIN  
SCHEDULE OF CAPITAL FUND OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>2006 Budget (note 9)</b>	<b>2006 Actual</b>	<b>2005 Actual</b>
<b>REVENUE</b>			
Canada grants	\$ 208,819	\$ 171,195	\$ 474,677
Ontario grants	594,352	554,003	534,627
Other	<u>60,151</u>	<u>65,907</u>	<u>0</u>
	<u>863,322</u>	<u>791,105</u>	<u>1,009,304</u>
<b>EXPENDITURES</b>			
General government	49,255	24,856	104,248
Protection services	112,300	102,776	57,850
Transportation services	1,457,828	1,134,640	1,295,961
Environmental services	612,509	157,407	574,059
Health services	5,000	0	7,000
Rental facility operations	0	1,214	13,180
Recreation and cultural services	246,292	190,424	114,504
Planning and development	<u>47,790</u>	<u>47,324</u>	<u>95,070</u>
	<u>2,530,974</u>	<u>1,658,641</u>	<u>2,261,872</u>
<b>NET EXPENDITURES for the year</b>	<u>(1,667,652)</u>	<u>(867,536)</u>	<u>(1,252,568)</u>
<b>CHANGE IN AMOUNT TO BE RECOVERED</b>			
New debt issued	192,654	193,000	0
Transfers from current fund	709,784	402,229	710,298
Transfers from reserves and reserve funds	<u>894,254</u>	<u>516,234</u>	<u>413,230</u>
	<u>1,796,692</u>	<u>1,111,463</u>	<u>1,123,528</u>
<b>CHANGE IN FUND BALANCE for the year</b>	129,040	243,927	(129,040)
<b>CAPITAL FUND, beginning of the year</b>	<u>(129,040)</u>	<u>(129,040)</u>	<u>0</u>
<b>CAPITAL FUND, end of the year</b>	<u>\$ 0</u>	<u>\$ 114,887</u>	<u>\$ (129,040)</u>

**THE CORPORATION OF THE TOWN OF ERIN  
SCHEDULE OF RESERVES AND RESERVE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>2006 Budget (note 9)</b>	<b>2006 Actual</b>	<b>2005 Actual</b>
<b>REVENUE</b>			
Development charges	\$ 0	\$ 150,582	\$ 532,298
Other income	<u>0</u>	<u>99,126</u>	<u>42,760</u>
	<u>0</u>	<u>249,708</u>	<u>575,058</u>
<b>Net transfers from (to) other funds</b>			
Transfer from current fund	135,388	534,393	738,566
Transfer to capital fund	<u>(894,254)</u>	<u>(516,234)</u>	<u>(413,230)</u>
	<u>(758,866)</u>	<u>18,159</u>	<u>325,336</u>
<b>CHANGE IN BALANCE for the year</b>	(758,866)	267,867	900,394
<b>RESERVES AND RESERVE FUNDS, beginning of the year</b>	<u>4,156,264</u>	<u>4,156,264</u>	<u>3,255,870</u>
<b>RESERVES AND RESERVE FUNDS, end of the year</b>	<u>\$ 3,397,398</u>	<u>\$ 4,424,131</u>	<u>\$ 4,156,264</u>
<b>Analyzed as follows:</b>			
<b>Reserves set aside for specific purpose by Council:</b>			
Working funds		\$ 458,954	\$ 474,803
Insurance, sick leave and WSIB		15,365	15,365
Current purposes		147,279	161,062
Capital purposes		<u>2,542,551</u>	<u>2,200,004</u>
		<u>3,164,149</u>	<u>2,851,234</u>
<b>Reserve funds set aside for specific purpose by Council:</b>			
Current purposes		330,437	377,581
Capital purposes		<u>929,545</u>	<u>927,449</u>
		<u>1,259,982</u>	<u>1,305,030</u>
<b>RESERVES AND RESERVE FUNDS, end of the year</b>		<u>\$ 4,424,131</u>	<u>\$ 4,156,264</u>



Chartered Accountants  
and Business Advisors

## AUDITORS' REPORT

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

We have audited the statement of financial position of the trust funds of The Corporation of the Town of Erin as at December 31, 2006 and the statement of continuity of the trust funds for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the Town of Erin as at December 31, 2006 and the continuity of the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

*RLB LLP*

Guelph, Ontario  
March 7, 2007

Chartered Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF ERIN  
TRUST FUNDS  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2006**

	<b>ASSETS</b>		
	<b>Total</b>	<b>Duff Pitt</b>	<b>Glenellen Well Program</b>
Cash	\$ 21,778	\$ 18,800	\$ 2,978
Investments (note 2)	<u>52,090</u>	<u>521</u>	<u>51,569</u>
	<u>\$ 73,868</u>	<u>\$ 19,321</u>	<u>\$ 54,547</u>
 <b>FUND BALANCE</b>			
Fund balance	<u>\$ 73,868</u>	<u>\$ 19,321</u>	<u>\$ 54,547</u>

THE CORPORATION OF THE TOWN OF ERIN  
TRUST FUNDS  
STATEMENT OF CONTINUITY  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Total	Duff Pitt	Glenellen Well Program
BALANCE, beginning of year	\$ 71,117	\$ 18,598	\$ 52,519
Interest earned	<u>2,751</u>	<u>723</u>	<u>2,028</u>
BALANCE, end of year	\$ <u>73,868</u>	\$ <u>19,321</u>	\$ <u>54,547</u>



**THE CORPORATION OF THE TOWN OF ERIN - TRUST FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the trust funds of The Corporation of the Town of Erin are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) **BASIS OF ACCOUNTING**

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

**2. INVESTMENTS**

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



Chartered Accountants  
and Business Advisors

## AUDITORS' REPORT

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

We have audited the statement of financial position of The Corporation of the Town of Erin - Business Improvement Area as at December 31, 2006 and the statement of financial activities for the year then ended. These financial statements are the responsibility of the Business Improvement Area's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the The Corporation of the Town of Erin Business Improvement Area as at December 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

*R L B LLP*

Guelph, Ontario  
March 7, 2007

Chartered Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF ERIN  
BUSINESS IMPROVEMENT AREA  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2006**

	<b>ASSETS</b>	<b>2006</b>	<b>2005</b>
Due from the Town of Erin		\$ <u>6,959</u>	\$ <u>0</u>
<b>LIABILITIES</b>			
Due to the Town of Erin		\$ <u>0</u>	\$ <u>396</u>
<b>MUNICIPAL POSITION</b>			
Municipal position		<u>6,959</u>	<u>(396)</u>
		\$ <u>6,959</u>	\$ <u>0</u>

**THE CORPORATION OF THE TOWN OF ERIN  
BUSINESS IMPROVEMENT AREA  
STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>2006 Budget</b>	<b>2006 Actual</b>	<b>2005 Actual</b>
<b>REVENUE</b>			
Federal grants	\$ 0	\$ 3,000	\$ 0
Special area rates	16,000	16,000	12,653
Other	<u>27,380</u>	<u>24,962</u>	<u>8,728</u>
	<u>43,380</u>	<u>43,962</u>	<u>21,381</u>
<b>EXPENDITURES</b>			
Advertising	5,995	25,811	9,404
Office and sundry	26,512	2,550	5,491
Streetscape	6,222	5,941	8,032
Capital expenditure	2,900	950	0
Transfer to Town reserve funds	<u>1,355</u>	<u>1,355</u>	<u>0</u>
	<u>42,984</u>	<u>36,607</u>	<u>22,927</u>
<b>CHANGE IN FUND BALANCE for the year</b>	396	7,355	(1,546)
<b>MUNICIPAL POSITION, beginning of year</b>	<u>(396)</u>	<u>(396)</u>	<u>1,150</u>
<b>MUNICIPAL POSITION, end of year</b>	<u>\$ 0</u>	<u>\$ 6,959</u>	<u>\$ (396)</u>

**THE CORPORATION OF THE TOWN OF ERIN  
BUSINESS IMPROVEMENT AREA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of The Corporation of the Town of Erin - Business Improvement Area are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) **BASIS OF CONSOLIDATION**

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

(b) **BASIS OF ACCOUNTING**

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