

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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Chartered Accountants  
and Business Advisors

People Count.

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Erin, which comprise the consolidated statement of financial position as at December 31, 2012 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 financial position of The Corporation of the Town of Erin as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*RLB LLP*

Fergus, Ontario  
June 18, 2013

Chartered Accountants  
Licensed Public Accountants

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**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2012**

**FINANCIAL ASSETS**

	<b>2012</b>	<b>2011</b>
Cash	\$ 696,834	\$ 1,463,076
Taxes receivable	2,478,075	2,368,735
Accounts receivable	988,744	725,288
Investments	2,691,662	1,737,786
Tile drain loan receivable	<u>18,483</u>	<u>20,000</u>
	<u>6,873,798</u>	<u>6,314,885</u>

**LIABILITIES**

Accounts payable and accrued liabilities	2,063,318	1,471,023
Deferred revenue	941,370	814,565
Long term debt (note 2)	3,228,361	1,721,893
Retirement allowance	126,502	120,971
Deferred revenue - Obligatory reserve funds (schedule 3)	1,072,046	1,288,949
Tile drain loan payable	<u>18,483</u>	<u>20,000</u>
	<u>7,450,080</u>	<u>5,437,401</u>
<b>(NET DEBT) NET FINANCIAL ASSETS (statement 3)</b>	<u>(576,282)</u>	<u>877,484</u>

**NON-FINANCIAL ASSETS**

Tangible capital assets (schedule 2)	<u>51,143,663</u>	<u>49,731,360</u>
<b>ACCUMULATED SURPLUS (schedule 4)</b>	<u>\$ 50,567,381</u>	<u>\$ 50,608,844</u>

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012 Budget (note 5)</b>	<b>2012 Actual</b>	<b>2011 Actual</b>
<b>REVENUE</b>			
Taxation revenue	\$ 4,835,329	\$ 4,864,361	\$ 4,463,394
Fees and user charges	2,114,687	2,128,063	1,818,812
Canada grants	4,500	4,500	0
Ontario grants	1,650,595	940,829	756,157
Other income (note 3)	937,544	948,545	884,195
Obligatory reserve fund revenue recognized (schedule 3)	<u>925,137</u>	<u>946,353</u>	<u>132,985</u>
	<u>10,467,792</u>	<u>9,832,651</u>	<u>8,055,543</u>
<b>EXPENSES</b>			
General government	1,307,135	1,383,315	1,307,917
Protection services	1,360,427	1,345,882	1,153,507
Transportation services	3,789,436	3,966,875	3,558,779
Environmental services	1,331,985	1,335,171	1,251,917
Social Services	29,130	28,874	28,559
Rental facility operations	10,445	6,876	9,006
Recreation and cultural services	1,600,161	1,575,313	1,605,684
Planning and development	<u>257,381</u>	<u>231,808</u>	<u>275,918</u>
	<u>9,686,100</u>	<u>9,874,114</u>	<u>9,191,287</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ <u>781,692</u></b>	<b>(41,463)</b>	<b>(1,135,744)</b>
<b>ACCUMULATED SURPLUS at beginning of year</b>		<u>50,608,844</u>	<u>51,744,588</u>
<b>ACCUMULATED SURPLUS at end of year</b>		<b>\$ <u>50,567,381</u></b>	<b>\$ <u>50,608,844</u></b>

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012 Budget (note 5)</b>	<b>2012 Actual</b>	<b>2011 Actual</b>
<b>Annual surplus (deficit)</b>	\$ <u>781,692</u>	\$ <u>(41,463)</u>	\$ <u>(1,135,744)</u>
Acquisition of tangible capital assets	(4,713,246)	(3,614,212)	(991,368)
Amortization of tangible capital assets	2,244,167	2,198,183	2,135,718
(Gain) loss on disposal of tangible capital assets	0	(11,017)	298
Proceeds on sale of tangible capital assets	<u>(13,500)</u>	<u>14,743</u>	<u>2,394</u>
	<u>(2,482,579)</u>	<u>(1,412,303)</u>	<u>1,147,042</u>
<b>(DECREASE) INCREASE IN NET FINANCIAL ASSETS</b>	\$ <u>(1,700,887)</u>	(1,453,766)	11,298
<b>NET FINANCIAL ASSETS at beginning of year</b>		<u>877,484</u>	<u>866,186</u>
<b>(NET DEBT) NET FINANCIAL ASSETS at end of year</b>		\$ <u>(576,282)</u>	\$ <u>877,484</u>

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012	2011
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Annual (deficit) surplus	\$ (41,463)	\$ (1,135,744)
Items not requiring an outlay of cash		
Amortization of tangible capital assets	2,198,183	2,135,718
(Gain) loss on disposal of tangible capital assets	<u>(11,017)</u>	<u>298</u>
	<u>2,145,703</u>	<u>1,000,272</u>
Net changes in non-cash working capital		
Taxes receivable	(109,340)	(245,452)
Accounts receivable	(263,456)	494,715
Accounts payable and accrued liabilities	592,295	(55,841)
Retirement benefits liability	5,531	2,795
Deferred revenue	126,805	(2,747)
Deferred revenue - Obligatory reserve funds	<u>(216,903)</u>	<u>625,538</u>
	<u>134,932</u>	<u>819,008</u>
	<u>2,280,635</u>	<u>1,819,280</u>
<b>CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(3,614,212)	(991,368)
Proceeds on disposal of tangible capital assets	<u>14,743</u>	<u>2,394</u>
	<u>(3,599,469)</u>	<u>(988,974)</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Long term debt	<u>1,506,468</u>	<u>(11,962)</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Investments	<u>(953,876)</u>	<u>(501,103)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(766,242)	317,241
<b>CASH, beginning of year</b>	<u>1,463,076</u>	<u>1,145,835</u>
<b>CASH, end of year (statement 1)</b>	<u>\$ 696,834</u>	<u>\$ 1,463,076</u>

**THE CORPORATION OF THE TOWN OF ERIN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**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, 2012**

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

(c) INVESTMENTS

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

(d) DEFERRED REVENUE

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

(e) AMOUNTS TO BE RECOVERED

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

(f) TRUST FUNDS

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

(g) NON-FINANCIAL ASSETS

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

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital asset 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 infrastructures	40 to 75 years

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

(ii) Contributions of tangible capital assets

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

(iii) Leases

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



**THE CORPORATION OF THE TOWN OF ERIN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**2. LONG TERM DEBT**

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

	<b>2012</b>	<b>2011</b>
Bank loan #1, due October 2015, payable in quarterly instalments of \$34,632 principal and interest, charged at 3.50%	\$ 382,610	\$ 501,551
Bank loan #2, due July 2016, payable in quarterly instalments of \$4,488 principal and interest, charged at prime + 0.5%	28,581	45,170
Bank loan #3, due July 2012, interest charged at prime - 0.5%	0	285,849
County of Wellington debenture, due September 2012, repayable in variable annual instalments, at variable interest rates from 5.35% to 5.55%	0	87,000
OMEIFA loan, due September 2016, repayable in semi-annual instalments of \$16,441 principal and interest, at a rate of approximately 2.44%	124,593	153,897
County of Wellington debenture, due October 2016, repayable in variable annual instalments, at variable interest rates from 4.30% to 4.60%	86,000	106,000
Canada Mortgage and Housing Corporation, due November 1, 2024, repayable in blended payments of \$25,765 at a rate of approximately 3.99%	241,949	257,442
OIPC debenture, due October 1, 2025, repayable in semi-annual payments of \$10,178 plus interest at a rate of 3.86%	264,628	284,984
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>2,100,000</u>	<u>0</u>
	<b><u>\$ 3,228,361</u></b>	<b><u>\$ 1,721,893</u></b>

Future minimum payments on long term obligations are as follows:

2013	\$ 339,210
2014	340,338
2015	327,303
2016	207,764
2017	156,197
Thereafter	<u>1,857,549</u>
	<b><u>\$ 3,228,361</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, 2012**

**3. OTHER INCOME**

	<b>2012</b>	<b>2011</b>
Penalties and interest on taxation	\$ 329,559	\$ 311,509
Licenses, permits and rents	363,533	426,686
Other fines and penalties	315	390
Investment income	57,302	66,382
Rents, concessions and franchises	17,851	17,692
Donations	23,144	9,682
Special levy	128,624	0
Gain (loss) on disposal of tangible capital assets	11,017	(298)
Other	<u>17,200</u>	<u>52,152</u>
	<b><u>\$ 948,545</u></b>	<b><u>\$ 884,195</u></b>

**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 2012 was \$199,244 (2011 - \$175,504).

**5. BUDGET AMOUNTS**

The budgeted figures are presented for comparison purposes as prepared and approved by Council, and include the 2012 TCA/PSAB Budget Reconciliation Report as passed by Council by Resolution 13-87. The budget has not been audited or reviewed by the auditor.

**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:

	<b>2012</b>	<b>2011</b>
School boards	\$ 4,716,532	\$ 4,560,139
County of Wellington	<u>11,849,769</u>	<u>11,361,702</u>
	<b><u>\$ 16,566,301</u></b>	<b><u>\$ 15,921,841</u></b>

**7. TRUST FUNDS**

The trust funds administered by the municipality amounting to \$83,650 (2011 - \$82,026) 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, the trust fund balances are as follows:

	<b>2012</b>	<b>2011</b>
Duff Pit	\$ 21,599	\$ 21,345
Glenellen Well Program	<u>62,051</u>	<u>60,681</u>
	<b><u>\$ 83,650</u></b>	<b><u>\$ 82,026</u></b>

**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, 2012 amount to \$3,051,305 (2011 - \$2,311,852).

**THE CORPORATION OF THE TOWN OF ERIN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**9. TANGIBLE CAPITAL ASSETS**

	<b>Net 2012</b>	<b>Net 2011</b>
General		
Land	\$ 7,543,040	\$ 7,494,247
Buildings	5,213,548	5,496,444
Vehicles	2,129,543	1,749,040
Furniture and equipment	603,771	659,404
Infrastructure		
Roads	22,484,596	23,224,236
Bridges and infrastructure	10,710,416	9,948,528
Assets under construction	<u>2,458,749</u>	<u>1,159,461</u>
	<u>\$ 51,143,663</u>	<u>\$ 49,731,360</u>

**10. CONTINGENT LIABILITIES**

The municipality is, from time to time, subject to various claims. At the date of the issuance of the financial statements, there was one such claim against the municipality. In this 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.

**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, 2012**

	General Government	Protection Services	Transportation Services	Environmental Services	Social Services	Rental Facility Operations	Recreation Services	Planning and Development	2012	2011
<b>EXPENSES</b>										
Salaries and benefits	\$ 870,863	\$ 685,027	\$ 846,652	\$ 523,399	\$ 0	\$ 0	\$ 650,645	\$ 87,858	\$ 3,664,444	\$ 3,628,640
Materials	149,941	324,351	1,673,499	436,647	28,874	6,876	654,872	127,539	3,402,599	2,952,458
Contracted services	158,806	31,226	5,211	0	0	0	0	16,411	211,654	204,874
Rents and financial expenses	163,671	0	0	27,629	0	0	0	0	191,300	75,775
Interest on long term debt	0	0	10,220	13,160	0	0	17,363	0	40,743	60,557
Amortization	40,034	157,424	1,431,293	334,336	0	0	235,096	0	2,198,183	2,135,718
Other	0	147,854	0	0	0	0	17,337	0	165,191	133,265
	<u>\$ 1,383,315</u>	<u>\$ 1,345,882</u>	<u>\$ 3,966,875</u>	<u>\$ 1,335,171</u>	<u>\$ 28,874</u>	<u>\$ 6,876</u>	<u>\$ 1,575,313</u>	<u>\$ 231,808</u>	<u>\$ 9,874,114</u>	<u>\$ 9,191,287</u>

see accompanying notes

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Land and land improvements	Buildings	Vehicles	Roads	Furniture and equipment	Bridges and infrastructure	Assets under construction	2012	2011
<b>COST</b>									
Balance, beginning of year	\$ 7,929,537	\$ 11,802,565	\$ 4,627,159	\$ 39,965,534	\$ 1,440,326	\$ 14,246,454	\$ 1,159,461	\$ 81,171,036	\$ 80,206,588
Additions during the year	182,666	21,170	444,885	0	46,320	0	2,919,171	3,614,212	991,368
Disposals during the year	0	0	(153,236)	0	0	(30,300)	0	(183,536)	(26,921)
Other	0	0	225,920	379,123	0	1,014,840	(1,619,883)	0	0
Balance, end of year	<u>8,112,203</u>	<u>11,823,735</u>	<u>5,144,728</u>	<u>40,344,657</u>	<u>1,486,646</u>	<u>15,230,994</u>	<u>2,458,749</u>	<u>84,601,712</u>	<u>81,171,035</u>
<b>ACCUMULATED AMORTIZATION</b>									
Balance, beginning of year	435,289	6,306,121	2,878,119	16,741,298	780,922	4,297,926	0	31,439,675	29,328,186
Amortization	133,874	304,066	290,302	1,118,763	101,953	249,225	0	2,198,183	2,135,718
Accumulated amortization on disposals	0	0	(153,236)	0	0	(26,573)	0	(179,809)	(24,229)
Balance, end of year	<u>569,163</u>	<u>6,610,187</u>	<u>3,015,185</u>	<u>17,860,061</u>	<u>882,875</u>	<u>4,520,578</u>	<u>0</u>	<u>33,458,049</u>	<u>31,439,675</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>									
	<u>\$ 7,543,040</u>	<u>\$ 5,213,548</u>	<u>\$ 2,129,543</u>	<u>\$ 22,484,596</u>	<u>\$ 603,771</u>	<u>\$ 10,710,416</u>	<u>\$ 2,458,749</u>	<u>\$ 51,143,663</u>	<u>\$ 49,731,360</u>

see accompanying notes

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED SCHEDULE OF DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Dec. 31, 2011	Contributions Received	Investment Income	Revenue Recognized	Dec. 31, 2012
<b>Obligatory Reserve Funds</b>					
Development charges	\$ 700,180	\$ 292,263	\$ 10,667	\$ (232,599)	\$ 770,511
Federal gas tax funding	320,501	341,965	3,350	(653,338)	12,478
Drainage levy	1,651	2,640	34	0	4,325
Recreational land	<u>266,617</u>	<u>75,000</u>	<u>3,531</u>	<u>(60,416)</u>	<u>284,732</u>
	<u>\$ 1,288,949</u>	<u>\$ 711,868</u>	<u>\$ 17,582</u>	<u>\$ (946,353)</u>	<u>\$ 1,072,046</u>

**THE CORPORATION OF THE TOWN OF ERIN  
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012	2011
<b>SURPLUSES</b>		
Invested in tangible capital assets	\$ 47,915,302	\$ 48,009,467
Erin Tennis Club	14,045	7,447
Ballinafad Community Centre	23,040	5,827
Business Improvement Area	(8,713)	7,284
General revenue fund	(311,486)	(492,349)
<b>Unfunded</b>		
Retirement benefits	<u>(126,502)</u>	<u>(120,971)</u>
	<u>47,505,686</u>	<u>47,416,705</u>
<b>RESERVES</b>		
<b>Working Capital Reserves</b>		
Working funds	623,353	761,056
Insurance, sick leave and WSIB	15,365	15,365
Current purposes	<u>242,070</u>	<u>238,830</u>
	<u>880,788</u>	<u>1,015,251</u>
<b>Capital Reserves</b>		
Capital purposes	<u>1,358,964</u>	<u>1,207,137</u>
	<u>2,239,752</u>	<u>2,222,388</u>
<b>RESERVE FUNDS</b>		
Current purposes	647,481	801,649
Capital purposes	<u>174,462</u>	<u>168,102</u>
	<u>821,943</u>	<u>969,751</u>
	<u>\$ 50,567,381</u>	<u>\$ 50,608,844</u>



Chartered Accountants  
and Business Advisors

People Count.

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the trust funds of The Corporation of the Town of Erin, which comprise the statement of financial position as at December 31, 2012 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, 2012 and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

Fergus, Ontario  
June 18, 2013

*RLB LLP*

Chartered Accountants  
Licensed Public Accountants



**THE CORPORATION OF THE TOWN OF ERIN  
TRUST FUNDS  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2012**

**A S S E T S**

	<b>Total</b>	<b>Duff Pitt</b>	<b>Glenellen Well Program</b>
Cash	\$ 24,333	\$ 21,006	\$ 3,327
Investments (note 2)	<u>59,317</u>	<u>593</u>	<u>58,724</u>
	<u>\$ 83,650</u>	<u>\$ 21,599</u>	<u>\$ 62,051</u>

**FUND BALANCE**

Fund balance	<u>\$ 83,650</u>	<u>\$ 21,599</u>	<u>\$ 62,051</u>
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**THE CORPORATION OF THE TOWN OF ERIN  
TRUST FUNDS  
STATEMENT OF CONTINUITY  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Total</b>	<b>Duff Pitt</b>	<b>Glenellen Well Program</b>
<b>BALANCE, beginning of year</b>	\$ 82,026	\$ 21,345	\$ 60,681
<b>Interest earned</b>	<u>1,624</u>	<u>254</u>	<u>1,370</u>
<b>BALANCE, end of year</b>	<u>\$ 83,650</u>	<u>\$ 21,599</u>	<u>\$ 62,051</u>

**THE CORPORATION OF THE TOWN OF ERIN - TRUST FUNDS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

(a) **BASIS OF ACCOUNTING**

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest on long term liabilities which are charged against operations in the periods in which they are paid. The principal and interest charges are not accrued for the periods from the dates of the latest 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 market value.



Chartered Accountants  
and Business Advisors

People Count.

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of The Corporation of the Town of Erin - Business Improvement Area which comprise the statement of financial position as at December 31, 2012 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, 2012 and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

*RLB LLP*

Fergus, Ontario  
June 18, 2013

Chartered Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF ERIN  
BUSINESS IMPROVEMENT AREA  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2012**

	<b>A S S E T S</b>	<b>2012</b>	<b>2011</b>
Due from the Town of Erin		\$ <u>          0</u>	\$ <u>      7,284</u>
Due to the Town of Erin		\$ <u>      8,712</u>	\$ <u>          0</u>
	<b>M U N I C I P A L   P O S I T I O N</b>		
Municipal position		\$ <u>      (8,712)</u>	\$ <u>      7,284</u>

**THE CORPORATION OF THE TOWN OF ERIN  
BUSINESS IMPROVEMENT AREA  
STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012 Budget</b>	<b>2012 Actual</b>	<b>2011 Actual</b>
<b>REVENUE</b>			
Grants	\$ 4,500	\$ 4,500	\$ 4,500
Special area rates	16,800	17,200	17,200
Other	<u>11,000</u>	<u>9,766</u>	<u>9,309</u>
	<u>32,300</u>	<u>31,466</u>	<u>31,009</u>
<b>EXPENDITURES</b>			
Advertising	26,150	25,207	21,733
Office and sundry	3,439	1,819	2,501
Streetscape	9,995	13,152	14,210
Transfer to Town reserve funds	<u>0</u>	<u>7,284</u>	<u>5,000</u>
	<u>39,584</u>	<u>47,462</u>	<u>43,444</u>
<b>CHANGE IN FUND BALANCE for the year</b>	(7,284)	(15,996)	(12,435)
<b>MUNICIPAL POSITION, beginning of year</b>	<u>7,284</u>	<u>7,284</u>	<u>19,719</u>
<b>MUNICIPAL POSITION, end of year</b>	<u>\$ 0</u>	<u>\$ (8,712)</u>	<u>\$ 7,284</u>

**THE CORPORATION OF THE TOWN OF ERIN  
BUSINESS IMPROVEMENT AREA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) BASIS OF CONSOLIDATION**

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

**(b) BASIS OF ACCOUNTING**

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest on long term liabilities which are charged against operations in the periods in which they are paid. The principal and interest charges are not accrued for the periods from the dates of the latest 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.