

THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

THE CORPORATION OF THE TOWN OF ERIN

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YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2023 and the consolidated results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis of Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Guelph, Ontario
November 14, 2024

Chartered Professional Accountants
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

	2023	2022
FINANCIAL ASSETS		
Cash	\$ 31,592,969	\$ 26,851,658
Portfolio investments	7,691,065	7,319,951
Taxes receivable	5,440,914	3,871,018
Trade and other receivables	4,938,756	2,908,232
Post-employment benefits	0	11,375
Long-term receivables	<u>61,319</u>	<u>68,113</u>
	<u>49,725,023</u>	<u>41,030,347</u>
LIABILITIES		
Accounts payable and accrued liabilities	9,824,979	5,435,189
Deferred revenue (schedule 3)	29,143,799	24,396,022
Long term debt (note 2)	<u>2,323,856</u>	<u>2,630,831</u>
	<u>41,292,634</u>	<u>32,462,042</u>
NET FINANCIAL ASSETS (page 7)	<u>8,432,389</u>	<u>8,568,305</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	154,121,701	79,029,064
Prepaid expenses	<u>92,419</u>	<u>54,952</u>
	<u>154,214,120</u>	<u>79,084,016</u>
ACCUMULATED SURPLUS (schedule 4)	<u>\$ 162,646,509</u>	<u>\$ 87,652,321</u>

**THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2023**

	2023 Budget (note 4)	2023 Actual	2022 Actual
REVENUE (schedule 1)			
Taxation	\$ 8,379,456	\$ 8,443,660	\$ 8,059,586
Fees and user charges	2,294,613	2,274,309	1,950,351
Grants (note 10)	2,063,575	1,698,683	1,575,458
Other income (note 5)	<u>38,907,915</u>	<u>77,006,169</u>	<u>27,910,843</u>
	<u>51,645,559</u>	<u>89,422,821</u>	<u>39,496,238</u>
EXPENSES (schedule 1)			
General government	2,720,543	2,620,464	2,622,969
Protection services	2,340,629	2,737,072	2,130,067
Transportation services	4,752,864	4,766,199	4,479,154
Environmental services	1,384,335	1,757,553	1,835,269
Health services	10,000	3,320	4,873
Recreation services	1,644,077	1,908,823	1,392,626
	<u>871,473</u>	<u>635,202</u>	<u>844,490</u>
	<u>13,723,921</u>	<u>14,428,633</u>	<u>13,309,448</u>
ANNUAL SURPLUS	\$ <u>37,921,638</u>	74,994,188	26,186,790
ACCUMULATED SURPLUS at beginning of year		<u>87,652,321</u>	<u>61,465,531</u>
ACCUMULATED SURPLUS at end of year		<u>\$162,646,509</u>	<u>\$ 87,652,321</u>

THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2023

	2023 Budget (note 4)	2023 Actual	2022 Actual
Annual surplus	\$ <u>37,921,638</u>	\$ <u>74,994,188</u>	\$ <u>26,186,790</u>
Acquisition of tangible capital assets	(39,561,383)	(77,698,286)	(28,337,887)
Amortization of tangible capital assets	2,515,512	2,556,502	2,515,512
Gain on disposal of tangible capital assets	0	(54,853)	(17,697)
Proceeds on sale of tangible capital assets	<u>0</u>	<u>104,000</u>	<u>28,860</u>
	<u>(37,045,871)</u>	<u>(75,092,637)</u>	<u>(25,811,212)</u>
Addition of prepaid expenses	<u>0</u>	<u>(37,467)</u>	<u>(12,770)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	\$ <u>875,767</u>	(135,916)	362,808
NET FINANCIAL ASSETS at beginning of year		<u>8,568,305</u>	<u>8,205,497</u>
NET FINANCIAL ASSETS at end of year		\$ <u>8,432,389</u>	\$ <u>8,568,305</u>

THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2023

	2023	2022
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual surplus	\$ 74,994,188	\$ 26,186,790
Items not requiring an outlay of cash		
Amortization of tangible capital assets	2,556,502	2,515,512
Gain on disposal of tangible capital assets	(54,853)	(17,697)
Change in post-employment benefits	11,375	894
	<u>77,507,212</u>	<u>28,685,499</u>
Net changes in non-cash working capital		
Taxes receivable	(1,569,896)	(784,151)
Trade and other receivables	(2,030,524)	(1,150,759)
Accounts payable and accrued liabilities	4,389,790	3,305,430
Prepaid expenses	(37,467)	(12,770)
Deferred revenue	4,747,777	(753,916)
	<u>5,499,680</u>	<u>603,834</u>
	<u>83,006,892</u>	<u>29,289,333</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(77,698,286)	(28,337,887)
Proceeds on sale of tangible capital assets	104,000	28,860
	<u>(77,594,286)</u>	<u>(28,309,027)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Long term debt	(306,975)	(301,037)
Repayment of temporary borrowings	0	(1,500,000)
	<u>(306,975)</u>	<u>(1,801,037)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Acquisition of investments	(371,114)	(233,206)
Repayment (advance) of long-term receivables	6,794	(50,000)
	<u>(364,320)</u>	<u>(283,206)</u>
NET INCREASE (DECREASE) IN CASH	4,741,311	(1,103,937)
CASH, beginning of year	<u>26,851,658</u>	<u>27,955,595</u>
CASH, end of year	<u>\$ 31,592,969</u>	<u>\$ 26,851,658</u>
CASH comprised of the following:		
Unrestricted cash	\$ 11,490,278	\$ 2,324,494
Restricted cash	<u>20,102,691</u>	<u>24,527,164</u>
	<u>\$ 31,592,969</u>	<u>\$ 26,851,658</u>

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of the Town of Erin are prepared in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.

The management of the Corporation of the Town of Erin has prepared and is responsible for the integrity, objectivity and accuracy of the financial information. The Council reviews and approves the financial information.

(a) **BASIS OF CONSOLIDATION**

(i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, and boards which are owned or controlled by Council. All interfund assets, liabilities, revenues and expenses have been eliminated upon consolidation. The following boards are controlled by Council and have been consolidated:

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

(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**

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) **POST-EMPLOYMENT BENEFITS**

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan are expensed when contributions are due. The municipality provides post-employment health, dental, and life insurance benefits to eligible retired employees. The costs of the defined pension benefits that accumulate over the period of service provided by employees are actuarially determined using the projected benefit method prorated on services based on management's best estimate of retirement ages, inflation rates, investment returns, interest rates, wage and salary escalation, insurance and health care costs trends, employee turnover and mortality.

(d) **INTANGIBLE ASSETS**

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

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) FINANCIAL INSTRUMENTS

The municipality initially measures its financial assets and liabilities at fair value. The municipality subsequently measures all its financial assets and financial liabilities at amortized cost.

Impairment

For financial assets measured at cost or amortized cost, the company determines whether there are indications of possible impairment. When there are, and the municipality determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

(f) REVENUE RECOGNITION

Assessments and the related property taxes are subject to appeal. Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions such as reassessments, due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

Fees and user charges are recognized when the related service is provided. Other income is recorded upon sale of goods or provision of services when collection is reasonably assured. Investment income earned on surplus funds (other than obligatory reserve funds) are reported in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances. Revenue restricted by legislation, regulation, or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position when received. The revenue is reported on the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) REVENUE RECOGNITION (continued)

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

(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.

(h) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the year. Significant areas requiring management's estimates include accrued liabilities and the estimated useful life of tangible capital assets. Actual results could differ from those estimates.

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. LONG TERM DEBT

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

	2023	2022
Tile drain loan payable, 6%, repayable in blended annual payments of \$6,793, due March 2032	\$ 43,207	\$ 50,000
Canada Mortgage and Housing Corporation, interest rate of 3.99%, repayable in blended payments of \$25,765, due November 2024	24,937	48,763
Ontario Infrastructure and Lands Corporation debenture, interest rate of 3.86%, repayable in semi-annual payments of \$10,178 plus interest, due October 2025	40,712	61,068
County of Wellington debenture, interest at variable rates from 1.05% to 2.44%, repayable in variable annual payments, due March 2032	823,000	907,000
County of Wellington debenture, interest at variable rates from 1.15% to 2.45%, repayable in variable annual installments, due November 2026	82,000	108,000
County of Wellington debenture, interest at variable rates from 1.15% to 3.20%, repayable in variable annual installments, due November 2036	881,000	938,000
County of Wellington debenture, interest at variable rates from 1.15% to 3.20%, repayable in variable annual installments, due November 2036	189,000	201,000
County of Wellington debenture, interest at variable rates from 1.15% to 2.45%, repayable in variable annual installments, due November 2026	<u>240,000</u>	<u>317,000</u>
	\$ <u>2,323,856</u>	\$ <u>2,630,831</u>

Future minimum payments on long term obligations are as follows:

2024	\$ 310,320
2025	289,618
2026	276,518
2027	168,789
2028	173,076
Thereafter	<u>1,105,535</u>
	\$ <u>2,323,856</u>

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. POST-EMPLOYMENT BENEFITS

The Town of Erin sponsors a defined benefit plan for retirement benefits other than pensions to substantially all employees. The plan provides extended health care, dental and life insurance benefits to employees to a maximum of age 65.

Actuarial valuations for accounting purposes are performed using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared as at December 31, 2021.

During the course of the actuarial valuation, management clarified that retiree benefits were eliminated in 2016 for all active employees. There are no (2022 - 4) remaining retirees on benefits who will retain the retiree benefits until age 65. The impact of this plan change resulted in a negative plan amendment cost at December 31, 2018. The negative plan amendment cost is amortized over 2 years, resulting in a post-employment benefit asset.

The post-employment benefit asset include the following components:

	2023	2022
Unamortized actuarial losses	<u>0</u>	<u>(11,375)</u>
Post-employment liability (asset)	<u>\$ 0</u>	<u>\$ (11,375)</u>

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, medical inflation rates, wage increases, employee turnover and mortality rates. The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 2.75%. For extended health care costs, a 5.75% annual rate of increase was assumed for 2022, reducing 0.33% per year to an ultimate rate of increase of 3.75% per year in 2028. For dental costs, a 3.75% annual rate of increase was assumed. The total expenses related to retirement benefits other than pensions include the following components:

	2023	2022
Current period benefit cost	\$ 0	\$ 0
Amortization of actuarial loss	<u>11,375</u>	<u>4,732</u>
Retirement benefit expense	11,375	4,732
Total expense for the year	<u>\$ 11,375</u>	<u>\$ 4,732</u>

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4. BUDGET

The budget figures are presented for comparison purposes as prepared and approved by Council, reclassified to conform to the current financial statement presentation. The budgeted figures are prepared on a cash basis of accounting and have been restated to conform to the accrual basis of accounting on which the actual figures are reported and in accordance with Public Sector Accounting Standards. The following chart reconciles the approved budget the budgeted figures presented in these consolidated financial statements:

	2023 Budget	2023 Actual	2022 Actual
Annual surplus	\$ 37,921,638	\$ 74,994,188	\$ 26,186,790
Amortization	2,515,512	2,556,502	2,515,512
Change in unfunded liabilities	<u>0</u>	<u>11,375</u>	<u>894</u>
	40,437,150	77,562,065	28,703,196
Prior year general surplus	0	(1,751,082)	124,982
Net transfers (to) from reserves and reserve funds	(412,631)	90,899	(401,499)
Tangible capital additions and disposals	(39,561,383)	(77,649,139)	(28,326,724)
Debt principal repayments	<u>(463,136)</u>	<u>(300,182)</u>	<u>(1,851,037)</u>
General surplus (deficit)	\$ <u>0</u>	\$ <u>(2,047,439)</u>	\$ <u>(1,751,082)</u>

5. OTHER INCOME

	2023 Budget	2023 Actual	2022 Actual
Penalties and interest on taxation	\$ 420,000	\$ 432,167	\$ 401,014
Other penalties and interest	21,218	15,018	8,451
Licenses, permits and rents	386,833	615,414	424,894
Investment income	46,000	275,496	213,754
Recreational land (schedule 3)	0	40,661	224,885
Donations	5,100	4,700	41,745
Provincial aggregates levy	160,000	158,931	164,400
Development charges (schedule 3)	37,202,777	75,326,282	26,323,677
Gain on disposal of tangible capital assets	0	54,853	17,697
Other	<u>665,987</u>	<u>82,647</u>	<u>90,326</u>
	\$ <u>38,907,915</u>	\$ <u>77,006,169</u>	\$ <u>27,910,843</u>

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

6. PENSION AGREEMENTS

The Town of Erin makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 52 (2022 - 40) members of its staff of the Town of Erin. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The employer amount contributed to OMERS for 2023 by the Town of Erin was \$298,780 (2022 - \$248,362). The contribution rate is 9.0% to 15.8% depending on age and income level.

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town of Erin does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2023. At that time the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion), based on accrued pension obligations of \$134.6 billion (2022 - \$128.8 billion) and net assets available for benefits of \$128.8 billion (2022 - \$124.4 billion). Ongoing adequacy of the current contribution rates will need to be monitored as the fluctuations in the financial markets may lead to increased future funding requirements.

7. FINANCIAL INSTRUMENTS

It is management's opinion that the municipality is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from its financial instruments. The extent of the municipality's exposure to these risks did not change in 2023 compared to the previous period. The municipality does not have a significant exposure to any individual customer or counterpart.

8. 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:

	2023	2022
School boards	\$ 4,932,211	\$ 4,703,031
County of Wellington	<u>17,353,871</u>	<u>16,287,716</u>
	<u>\$ 22,286,082</u>	<u>\$ 20,990,747</u>

9. TRUST FUNDS

At December 31, the trust fund balances are as follows:

	2023	2022
Dufferin Pit	\$ 25,986	\$ 25,294
Glenellen Well Program	<u>76,669</u>	<u>74,627</u>
	<u>\$ 102,655</u>	<u>\$ 99,921</u>

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

10. GRANTS

	2023	2022
OPERATING		
Government of Canada	\$ 0	\$ 5,882
Province of Ontario	600,094	617,620
Other municipalities	<u>36,962</u>	<u>69,074</u>
	<u>637,056</u>	<u>692,576</u>
CAPITAL		
Government of Canada	880,779	734,932
Province of Ontario	<u>180,848</u>	<u>147,950</u>
	<u>1,061,627</u>	<u>882,882</u>
	<u>\$ 1,698,683</u>	<u>\$ 1,575,458</u>

11. CONTINGENT LIABILITIES

Various lawsuits have been filed against the municipality for incidents which arose in the ordinary course of operations such as the tender process and protections to persons and property. In the opinion of management, the outcome of the lawsuits, now pending, will either be covered by insurance, or, if not so covered, the extent of the adverse affect on the consolidated position of the municipality cannot be determined. A liability will be recognized when there is evidence that a liability exists at the financial statement date.

12. 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 such as fire, water, recreational, and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Recreational and Cultural Services

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains parks and arenas. The municipality also provides recreational programs.

Environmental

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

Health

The municipality provides cemetery services including cemetery maintenance and care.

Planning and Development

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

THE CORPORATION OF THE TOWN OF ERIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

12. SEGMENTED INFORMATION (continued)

Protection to Persons and Property

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

Transportation

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

General Government

This item related to the revenues and expenses that relate to the governance and operations of the municipality itself and cannot be directly attributed to a specific segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segment have been allocated on a reasonable basis as follows:

Taxation and payments-in-lieu

Allocated to those segments that are funded by these amounts based on the budget for the year.

OMPF Grants

Allocated to segments based on the budget for the year.

THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 1

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Services	Planning and Development	2023	2022
REVENUE									
Taxation	\$ 2,424,821	\$ 1,729,436	\$ 2,592,431	\$ 109,155	\$ 7,869	\$ 1,147,069	\$ 432,879	\$ 8,443,660	\$ 8,059,586
Fees and user charges	(159,710)	514,344	7,706	1,125,410	0	555,734	230,825	2,274,309	1,950,351
Grants	36,256	0	1,005,053	0	0	56,574	0	1,097,883	980,659
OMPF grant	172,536	123,056	184,462	7,767	559	81,619	30,801	600,800	594,799
Other income	348,990	864,846	653,270	74,894,264	660	207,655	36,484	77,006,169	27,910,843
	<u>2,822,893</u>	<u>3,231,682</u>	<u>4,442,922</u>	<u>76,136,596</u>	<u>9,088</u>	<u>2,048,651</u>	<u>730,989</u>	<u>89,422,821</u>	<u>39,496,238</u>
EXPENSES									
Salaries and benefits	1,615,114	1,131,661	949,088	130,146	0	768,955	423,424	5,018,388	4,455,762
Interest on long term debt	0	29,880	32,595	0	0	0	0	62,475	87,258
Materials	565,800	800,174	2,151,488	1,029,763	3,320	888,896	159,312	5,598,753	5,162,044
Contracted services	410,257	532,200	0	196,098	0	0	52,466	1,191,021	1,087,048
Rents and financial expenses	298	459	0	0	0	737	0	1,494	1,824
Amortization	28,995	242,698	1,633,028	401,546	0	250,235	0	2,556,502	2,515,512
	<u>2,620,464</u>	<u>2,737,072</u>	<u>4,766,199</u>	<u>1,757,553</u>	<u>3,320</u>	<u>1,908,823</u>	<u>635,202</u>	<u>14,428,633</u>	<u>13,309,448</u>
	<u>\$ 202,429</u>	<u>\$ 494,610</u>	<u>\$ (323,277)</u>	<u>\$74,379,043</u>	<u>\$ 5,768</u>	<u>\$ 139,828</u>	<u>\$ 95,787</u>	<u>\$74,994,188</u>	<u>\$26,186,790</u>

See notes to the consolidated financial statements

THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 2

	Land and land improvements	Buildings	Vehicles	Roads	Furniture and equipment	Bridges and infrastructure	Assets under construction	2023	2022
COST									
Balance, beginning of year	\$ 9,536,369	\$ 16,122,357	\$ 7,236,141	\$ 45,638,027	\$ 3,348,218	\$ 21,531,005	\$ 30,519,140	\$ 133,931,257	\$ 105,772,661
Additions during the year	54,476	23,359	1,037,236	21,573	415,332	49,995	76,096,315	77,698,286	28,337,887
Disposals during the year	<u>0</u>	<u>0</u>	<u>(842,398)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(842,398)</u>	<u>(179,291)</u>
Balance, end of year	<u>9,590,845</u>	<u>16,145,716</u>	<u>7,430,979</u>	<u>45,659,600</u>	<u>3,763,550</u>	<u>21,581,000</u>	<u>106,615,455</u>	<u>210,787,145</u>	<u>133,931,257</u>
ACCUMULATED AMORTIZATION									
Balance, beginning of year	1,904,537	9,638,878	4,364,502	29,653,835	1,913,197	7,427,244	0	54,902,193	52,554,809
Amortization	163,578	324,021	382,679	1,054,346	224,870	407,008	0	2,556,502	2,515,512
Accumulated amortization on disposals	<u>0</u>	<u>0</u>	<u>(793,251)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(793,251)</u>	<u>(168,128)</u>
Balance, end of year	<u>2,068,115</u>	<u>9,962,899</u>	<u>3,953,930</u>	<u>30,708,181</u>	<u>2,138,067</u>	<u>7,834,252</u>	<u>0</u>	<u>56,665,444</u>	<u>54,902,193</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 7,522,730</u>	<u>\$ 6,182,817</u>	<u>\$ 3,477,049</u>	<u>\$ 14,951,419</u>	<u>\$ 1,625,483</u>	<u>\$ 13,746,748</u>	<u>\$ 106,615,455</u>	<u>\$ 154,121,701</u>	<u>\$ 79,029,064</u>

See notes to the consolidated financial statements

THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED SCHEDULE OF DEFERRED REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule 3

	Dec. 31, 2022	Contributions Received	Investment Income	Revenue Recognized	Dec. 31, 2023
OBLIGATORY RESERVE FUNDS					
Development charges	\$ 1,712,678	\$ 989,374	\$ 112,196	\$ (535,954)	\$ 2,278,294
Developer contributions -					
Wastewater plant	19,225,393	77,555,465	1,264,427	(74,790,328)	23,254,957
Federal gas tax	1,635,364	378,563	131,904	(880,779)	1,265,052
Recreational land	1,137,184	98,750	91,722	(40,661)	1,286,995
	<u>23,710,619</u>	<u>79,022,152</u>	<u>1,600,249</u>	<u>(76,247,722)</u>	<u>28,085,298</u>
OTHER					
Drainage levy	17,842	1,439	0	0	19,281
OCIF formula grant	667,561	466,263	29,670	(124,274)	1,039,220
	<u>685,403</u>	<u>467,702</u>	<u>29,670</u>	<u>(124,274)</u>	<u>1,058,501</u>
	<u>\$ 24,396,022</u>	<u>\$ 79,489,854</u>	<u>\$ 1,629,919</u>	<u>\$ (76,371,996)</u>	<u>\$ 29,143,799</u>

**THE CORPORATION OF THE TOWN OF ERIN
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Schedule 4

	2023	2022
SURPLUSES		
Invested in tangible capital assets	\$ 154,121,701	\$ 79,029,064
Capital assets financed by long-term liabilities and to be funded in future years	<u>(2,280,649)</u>	<u>(2,580,831)</u>
	151,841,052	76,448,233
Business Improvement Area	(7,909)	(7,909)
Ballinafad Recreation Centre	13,650	13,650
Funded post-employment benefits	0	11,375
General deficit	<u>(2,047,439)</u>	<u>(1,751,082)</u>
	<u>149,799,354</u>	<u>74,714,267</u>
RESERVES		
Working funds	1,237,399	1,591,540
Insurance, sick leave and WSIB	15,573	15,573
Current purposes	239,582	228,435
Capital purposes	<u>10,688,865</u>	<u>10,167,667</u>
	<u>12,181,419</u>	<u>12,003,215</u>
RESERVE FUNDS		
Current purposes	341,232	438,021
Capital purposes	166,296	153,884
Modernization	1,442	186,168
COVID-19 safe restart	<u>156,766</u>	<u>156,766</u>
	<u>665,736</u>	<u>934,839</u>
	<u>\$ 162,646,509</u>	<u>\$ 87,652,321</u>

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023 and the statement of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2023 and the results of their operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis of Opinion

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

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

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

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

Those charged with governance are responsible for overseeing the trust funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Guelph, Ontario
November 14, 2024

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWN OF ERIN
 TRUST FUNDS
 STATEMENT OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2023

	Dufferin Pit	Glenellen Well	2023	2022
ASSETS				
Investments (note 2)	\$ <u>25,986</u>	\$ <u>76,669</u>	\$ <u>102,655</u>	\$ <u>99,921</u>
FUND BALANCE				
FUND BALANCE	\$ <u>25,986</u>	\$ <u>76,669</u>	\$ <u>102,655</u>	\$ <u>99,921</u>

THE CORPORATION OF THE TOWN OF ERIN
TRUST FUNDS
STATEMENT OF CONTINUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Dufferin Pit	Glenellen Well	2023	2022
BALANCE, beginning of year	\$ 25,294	\$ 74,627	\$ 99,921	\$ 99,007
Interest earned	<u>692</u>	<u>2,042</u>	<u>2,734</u>	<u>914</u>
BALANCE, end of year	<u>\$ 25,986</u>	<u>\$ 76,669</u>	<u>\$ 102,655</u>	<u>\$ 99,921</u>

THE CORPORATION OF THE TOWN OF ERIN
TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the trust funds of The Corporation of the Town of Erin are prepared in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing. The management of the Corporation of the Town of Erin has prepared and is responsible for the integrity, objectivity and accuracy of the financial information. The Council reviews and approves the financial information.

(a) **BASIS OF ACCOUNTING**

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services, and the creation of a legal obligation to pay.

All financial assets and liabilities are measured at cost or amortized cost.

(b) **USE OF ESTIMATES**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates.

2. INVESTMENTS

The total investments of \$102,655 (2022 - \$99,921) reported on the Statement of Financial Position at cost have a market value of \$102,655 (2022 - \$99,921) at the end of the year.