

**THE CORPORATION OF THE
TOWNSHIP OF PELEE**

**Financial Statements
December 31, 2006**

**GRAHAM, SETTERINGTON, McINTOSH,
DRIEDGER & HICKS**
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

**To the Members of Council, Inhabitants and Ratepayers of the
Corporation of the Township of Pelee**

We have audited the consolidated statement of financial position of the Corporation of the Township of Pelee 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 Township'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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of Pelee as at December 31, 2006 and the results of its financial activities and changes in financial position for the year then ended in accordance with the accounting principles disclosed in the summary of significant accounting policies accompanying the financial statements.

**GRAHAM, SETTERINGTON, McINTOSH,
DRIEDGER & HICKS**

*Graham, Setterington, McIntosh,
Driedger Hicks*

Chartered Accountants
Licensed Public Accountants

Leamington, Ontario
December 5, 2007

THE CORPORATION OF THE TOWNSHIP OF PELEE
Consolidated Statement of Financial Position
as at December 31

FINANCIAL ASSETS	2006	2005
Taxes receivable	\$ 374,418	\$ 374,496
Accounts receivable	267,317	122,966
Total Assets	\$ 641,735	\$ 497,462
LIABILITIES		
Bank overdraft	\$ 474,028	\$ 362,121
Accounts payable and accrued liabilities	296,893	112,785
Municipal debt (Note 3)	428,478	440,262
	1,199,399	915,168
MUNICIPAL POSITION		
Current fund (Note 4)	(309,091)	(157,349)
Capital fund (Note 4)	(3,604)	(3,604)
Reserves and reserve funds (Schedule 3)	183,509	183,509
Fund Balances	(129,186)	22,556
Amounts to be recovered (Note 3)	(428,478)	(440,262)
	(557,664)	(417,706)
Total Liabilities and Municipal Position	\$ 641,735	\$ 497,462

Approved on behalf of Council:

 Mayor

 Treasurer

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWNSHIP OF PELEE
Consolidated Statement of Financial Activities
For the years ended December 31

	2006	2005
	Actual	Actual
REVENUES		
Taxation	\$ 1,227,817	\$ 942,765
Transfer payments	242,098	182,532
User charges	555,865	716,933
Investment income	60,308	33,480
Total Revenues	2,086,088	1,875,710
EXPENDITURES		
Current		
General government	478,941	521,792
Protection to persons and property	94,729	39,524
Transportation	499,333	412,133
Environmental	252,518	164,479
Health services	60,043	63,046
Recreation and cultural	440,633	484,620
Planning and development	126,573	152,653
	1,952,770	1,838,247
Capital		
General government	6,027	959
Transportation	96,702	91,094
Protection to persons and property	12,463	37,640
Environmental	3,543	2,173
Health Services	4,113	-
Recreation and cultural	87,046	24,273
Planning and development	63,383	5,400
	273,277	161,539
Total Expenditures	2,226,047	1,999,786
NET EXPENDITURES	(139,959)	(124,076)
New debt issued	39,339	-
Debt principal repayment	(51,122)	(41,994)
CHANGES IN FUND BALANCE	\$ (151,742)	\$ (166,070)

THE CORPORATION OF THE TOWNSHIP OF PELEE
Consolidated Statement of Changes in Financial Position
For the years ended December 31

	2006	2005
	Actual	Actual
OPERATIONS		
Net revenues	\$ (139,959)	\$ (124,076)
Sources and (Uses)		
Taxes receivable	78	(79,829)
Accounts receivable	(144,351)	(14,087)
Other current assets	-	15,958
Accounts payable and accrued liabilities	184,108	(52,586)
	39,835	(130,544)
Cash (used) provided from operations	(100,124)	(254,620)
FINANCING		
Payments made on long-term debt	(51,122)	(41,994)
Long-term debt issued	39,339	-
	(11,783)	(41,994)
NET CHANGE IN CASH	(111,907)	(296,614)
BANK INDEBTEDNESS, BEGINNING OF YEAR	(362,121)	(65,507)
BANK INDEBTEDNESS, END OF YEAR	\$ (474,028)	\$ (362,121)

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWNSHIP OF PELEE
Notes to the Consolidated Financial Statements
For the years ended December 31

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The consolidated financial statements of The Corporation of the Township of Pelee (the "Municipality") are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Municipality and the changes thereto. The Consolidated Statement of Financial Position includes all the assets and liabilities of the Municipality. Financial assets are those which provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position and is the difference between assets and liabilities. This provides information about the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Basis of consolidation

(i) Consolidated entities

These consolidated financial statements reflect the financial assets, liabilities, revenues and expenditures of the revenue, capital, reserves and reserve funds and include the activities of all committees of Council. There are no non-consolidated entities.

(ii) Accounting for school board transactions

The taxation and other revenues with respect to the operations of the school boards are not reflected in the Consolidated Statement of Financial Activities. In addition, the expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements except to the extent that any amounts due to or from are reported on the Consolidated Statement of Financial Position as "other current liabilities" or "other current assets".

(iii) Trust funds

Trust funds and their related operations that are administered by the Municipality are not consolidated.

(iv) Municipal debt

The charges for municipal debt assumed by non-consolidated entities or by individuals, in the case of tile drainage and shoreline property assistance loans, are not reflected in these consolidated statements.

THE CORPORATION OF THE TOWNSHIP OF PELEE

Notes to the Consolidated Financial Statements

For the years ended December 31

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of accounting

(i) Accrual basis of accounting

Revenues and expenditures are reported on the accrual basis of accounting. 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.

(ii) Fund accounting

Funds within the consolidated financial statements consist of the current fund, capital fund and reserves and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(iii) Capital assets

The historical cost and accumulated depreciation for capital assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

(iv) Deferred revenue

Funds received for specific purposes are accounted for as deferred revenue until the Municipality discharges the obligation, which led to the receipt of the funds.

(v) Post-retirement benefits

The Municipality has no obligation for post-retirement benefits.

(vi) Use of estimates

The preparation of financial statements in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

THE CORPORATION OF THE TOWNSHIP OF PELEE
Notes to the Consolidated Financial Statements
For the years ended December 31

2. OPERATION OF SCHOOL BOARDS	<u>2006</u>	<u>2005</u>
Taxation and share of payments in lieu	\$ 329,060	\$ 276,255
Requisition	<u>329,060</u>	<u>276,255</u>
	<u>\$ -</u>	<u>\$ -</u>
3. LONG-TERM DEBT AND AMOUNTS TO BE RECOVERED	<u>2006</u>	<u>2005</u>
Bank loans	\$ <u>428,478</u>	\$ <u>440,262</u>
Principal amounts due in the future:		
	2007	\$ 45,664
	2008	47,477
	2009	45,838
	2010	40,222
	2011	36,667
	2012 - 2016	<u>212,610</u>
		<u>\$ 428,478</u>
4. MUNICIPAL POSITION	<u>2006</u>	<u>2005</u>
Current Fund		
To be used to offset (to be recovered from) taxation or user charges		
General ratepayers	\$ (77,990)	\$ (10,542)
Library board	13,710	4,642
Benefitting landowner - special area charges (Schedule 4)	<u>(244,811)</u>	<u>(151,449)</u>
	<u>\$ (309,091)</u>	<u>\$ (157,349)</u>
Capital Fund		
To be used to offset capital expenditures/(unfinanced capital)	<u>\$ (3,604)</u>	<u>\$ (3,604)</u>

5. CONTINGENCIES

The municipality has been named defendant in a legal action. In the opinion of administration and legal council the ultimate liability if any, which may arise, is indeterminable as the Municipality has established a valid defense position. Consequently, the consolidated financial statements contain no provisions for any liability which may occur as a result of this claim.

THE CORPORATION OF THE TOWNSHIP OF PELEE
Schedule of Current Fund Activities
For the years ended December 31

SCHEDULE 1

	2006 Budget (unaudited)	2006 Actual	2005 Actual
REVENUES			
Taxation	\$ 1,270,397	\$ 1,227,817	\$ 942,765
Transfer payments	313,408	242,098	182,532
User charges	853,009	555,865	716,933
Investment Income	31,000	60,308	33,480
Total Revenues	2,467,814	2,086,088	1,875,710
EXPENDITURES			
Current			
General government	527,562	478,941	521,792
Protection to persons and property	82,500	94,729	39,524
Transportation	465,235	499,333	412,133
Environmental	154,935	252,518	164,479
Health services	60,150	60,043	63,046
Recreation and cultural	441,720	440,633	484,620
Planning and development	144,960	126,573	152,653
Total Expenditures	1,877,062	1,952,770	1,838,247
NET REVENUES	590,752	133,318	37,463
FINANCING and TRANSFERS			
Principal payments on long-term debt	(50,000)	(51,122)	(41,994)
Transfer from (to) reserves and reserve funds - net	(119,000)	-	-
Transfer to capital fund - net	(421,752)	(233,938)	(161,539)
Net Financing and Transfers	(590,752)	(285,060)	(203,533)
CHANGE IN FUND BALANCE	-	(151,742)	(166,070)
CURRENT FUND BALANCE, BEGINNING OF YEAR	-	(157,349)	8,721
CURRENT FUND BALANCE, END OF YEAR	\$ -	\$ (309,091)	\$ (157,349)

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWNSHIP OF PELEE

Schedule of Capital Fund Activities

SCHEDULE 2

For the years ended December 31

	2006 Budget (unaudited)	2006 Actual	2005 Actual
REVENUES			
Other - grants	\$ 421,752	\$ -	\$ -
EXPENDITURES			
Current			
General government	2,700	6,027	959
Transportation	200	96,702	91,094
Protection to persons and property	10,000	12,463	37,640
Environmental	251,305	3,543	2,173
Health services	3,247	4,113	-
Recreation and cultural	154,000	87,046	24,273
Planning and development	300	63,383	5,400
Total Expenditures	421,752	273,277	161,539
NET (EXPENDITURES)	-	(273,277)	(161,539)
FINANCING and TRANSFERS			
Long-term debt issued	-	39,339	-
Transfer from current fund	-	233,938	161,539
Net Financing and Transfers	-	273,277	161,539
CHANGE IN FUND BALANCE	-	-	-
CAPITAL FUND BALANCE, BEGINNING OF YEAR	(3,604)	(3,604)	(3,604)
CAPITAL FUND BALANCE, END OF YEAR	\$ (3,604)	\$ (3,604)	\$ (3,604)

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWNSHIP OF PELEE
Schedule of Reserve and Reserve Fund Activities
For the years ended December 31

SCHEDULE 3

	2006 Budget (unaudited)	2006 Actual	2005 Actual
REVENUES			
Investment income	\$ -	\$ -	\$ -
Transfer from revenue	119,000	-	-
	119,000	-	-
RESERVE AND RESERVE FUND BALANCE, BEGINNING OF YEAR	183,510	183,510	183,510
RESERVE AND RESERVE FUND BALANCE, END OF YEAR	\$ 302,510	\$ 183,510	\$ 183,510

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE TOWNSHIP OF PELEE - SPECIAL AREA CHARGES

Schedule of Revenue, Expenditures and Accumulated Net Surplus

SCHEDULE 4

For the years ended December 31

	<u>Pumping and Repairs</u>			West Shore Road Water System	East Shore Road Water System	Year ended December 31	
	<u>Big Marsh</u>	<u>Curry Marsh</u>	<u>Round Marsh</u>			<u>2006 Total</u>	<u>2005 Total</u>
REVENUE							
Grants	\$ 23,948	\$ 10,433	\$ 7,687	\$ 26,811	\$ 26,811	\$ 95,690	\$ -
User charges	-	-	-	-	1,500	1,500	1,840
Levied on lands	67,791	24,259	10,775	-	-	102,825	83,957
	<u>91,739</u>	<u>34,692</u>	<u>18,462</u>	<u>26,811</u>	<u>28,311</u>	<u>200,015</u>	<u>85,797</u>
EXPENDITURES							
Operator's salary	15,770	10,765	9,127	19,118	22,927	77,707	49,170
Operations	84,383	19,121	6,819	53,430	51,917	215,670	183,781
	<u>100,153</u>	<u>29,886</u>	<u>15,946</u>	<u>72,548</u>	<u>74,844</u>	<u>293,377</u>	<u>232,951</u>
REVENUE OVER (UNDER) EXPENDITURES	(8,414)	4,806	2,516	(45,737)	(46,533)	(93,362)	(147,154)
ACCUMULATED NET SURPLUS (DEFICIT) BEGINNING OF YEAR							
	<u>114,101</u>	<u>92,909</u>	<u>227</u>	<u>(218,677)</u>	<u>(140,009)</u>	<u>(151,449)</u>	<u>(4,295)</u>
ACCUMULATED NET SURPLUS (DEFICIT) END OF YEAR							
	<u>\$ 105,687</u>	<u>\$ 97,715</u>	<u>\$ 2,743</u>	<u>\$ (264,414)</u>	<u>\$ (186,542)</u>	<u>\$ (244,811)</u>	<u>\$ (151,449)</u>

These Revenue and Expenditure items are included in the consolidated Statement of Financial Activities under the appropriate functional classification.

THE CORPORATION OF THE TOWNSHIP OF PELEE - PHEASANT FARM

Schedule of Operations

SCHEDULE 5

For the years ended December 31

	<u>2006</u>	<u>2005</u>
REVENUE		
Sale of hunting licences	\$ 328,847	\$ 338,647
Other	<u>3,129</u>	<u>1,149</u>
	<u>331,976</u>	<u>339,796</u>
EXPENDITURES		
Feed	43,321	46,825
Miscellaneous expense	43,120	80,151
Purchase of birds	105,772	105,603
Salary, wages and benefits	104,745	118,777
Travel	<u>237</u>	<u>43</u>
Total expenditures	<u>297,195</u>	<u>351,399</u>
EXCESS REVENUE (EXPENDITURES)	<u>\$ 34,781</u>	<u>\$ (11,603)</u>

These Revenue and Expenditure items are included in the consolidated Statement of Financial Activities under the appropriate functional classification.