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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, 2008 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, 2008 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 LLP**

*Graham, Setterington, McIntosh,
 Driedger & Hicks LLP*

Chartered Accountants
 Licensed Public Accountants

Leamington, Ontario
 July 31, 2009



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

FINANCIAL ASSETS	2008	2007
Taxes receivable	\$ 351,493	\$ 537,739
Accounts receivable	320,488	99,489
Investments (Note 8)	1,403,541	-
Total Assets	\$ 2,075,522	\$ 637,228
LIABILITIES		
Bank overdraft	\$ 923,735	\$ 542,227
Accounts payable and accrued liabilities	315,037	379,773
Municipal debt (Note 3)	382,462	382,456
	1,621,234	1,304,456
MUNICIPAL POSITION		
Current fund (Note 4)	(246,448)	(446,669)
Capital fund (Note 4)	(503,852)	(21,612)
Reserves (Schedule 3)	1,587,050	183,509
Fund Balances	836,750	(284,772)
Amounts to be recovered (Note 3)	(382,462)	(382,456)
	454,288	(667,228)
Total Liabilities and Municipal Position	\$ 2,075,522	\$ 637,228

Approved on behalf of Council:

 Mayor

 Treasurer



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

	2008		2007
	Actual		Actual
REVENUES			
Taxation	\$ 1,142,217	\$	1,173,028
Transfer payments	2,976,379		269,941
User charges	597,654		578,947
Investment income	108,690		67,912
Total Revenues	4,824,940		2,089,828
EXPENDITURES			
Current			
General government	557,766		594,349
Protection to persons and property	316,291		140,620
Transportation	586,467		416,501
Environmental	581,947		261,105
Health services	50,895		49,686
Recreation and cultural	420,760		428,567
Planning and development	204,003		185,216
	2,718,129		2,076,044
Capital			
General government	-		-
Transportation	27,669		5,521
Protection to persons and property	-		-
Environmental	882,571		881
Health Services	19,238		1,859
Recreation and cultural	55,816		29,834
Planning and development	-		85,252
	985,294		123,347
Total Expenditures	3,703,423		2,199,391
NET REVENUES (EXPENDITURES)	1,121,517		(109,563)
New debt issued	54,000		-
Debt principal repayment	(53,995)		(46,023)
CHANGES IN FUND BALANCE	\$ 1,121,522	\$	(155,586)

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



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

	2008		2007
	Actual		Actual
OPERATIONS			
Net revenues	\$ 1,121,517	\$	(109,563)
Sources and (Uses)			
Taxes receivable	186,246		(163,321)
Accounts receivable	(220,999)		167,828
Accounts payable and accrued liabilities	(64,736)		82,880
	(99,489)		87,387
Cash (used) provided from operations	1,022,028		(22,176)
INVESTING			
Increase in investments	(1,403,541)		-
FINANCING			
Increase in bank indebtedness	381,508		68,199
Payments made on long-term debt	(53,995)		(46,023)
Long-term debt issued	54,000		-
	381,513		22,176
NET CHANGE IN CASH	-		-
CASH, BEGINNING OF YEAR	-		-
CASH, END OF YEAR	\$ -	\$	-

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) Post-retirement benefits

The Municipality has no obligation for post-retirement benefits.

(v) 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.

2. OPERATION OF SCHOOL BOARDS

	<u>2008</u>	<u>2007</u>
Taxation and share of payments in lieu	\$ 280,277	\$ 275,045
Requisition	<u>280,277</u>	<u>275,045</u>
	<u>\$ -</u>	<u>\$ -</u>



THE CORPORATION OF THE TOWNSHIP OF PELEE

Notes to the Consolidated Financial Statements

For the years ended December 31

3. LONG-TERM DEBT AND AMOUNTS TO BE RECOVERED	<u>2008</u>	<u>2007</u>
Bank loans	\$ <u>382,462</u>	\$ <u>382,456</u>
Principal amounts due in the future:		
	2009	\$ 56,053
	2010	51,058
	2011	48,163
	2012	51,182
	2013	45,694
	2014-2018	<u>130,312</u>
		\$ <u>382,462</u>

The long-term debt has interest rates of 6.15% - 6.25%.

4. MUNICIPAL POSITION	<u>2008</u>	<u>2007</u>
Current Fund		
To be used to offset (to be recovered from) taxation or user charges		
General ratepayers	\$ 274,638	\$ (197,894)
Library board	37,250	23,910
Benefitting landowner - special area charges (Schedule 4)	<u>(558,336)</u>	<u>(272,685)</u>
	\$ <u>(246,448)</u>	\$ <u>(446,669)</u>
Capital Fund		
To be used to offset capital expenditures/(unfinanced capital)	\$ <u>(503,852)</u>	\$ <u>(21,612)</u>

5. PENSION PLAN

The municipality belongs to the Ontario Municipal Employee Retirement Fund (OMERS) which is a multi-employer plan on behalf of 13 members of its staff. The plan is defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Municipal contributions made on behalf of employees amounted to \$ 26,622 (\$ 24,347 - 2007).



THE CORPORATION OF THE TOWNSHIP OF PELEE

Notes to the Consolidated Financial Statements

For the years ended December 31

6. EXPENDITURES BY OBJECT

Total operating expenditures for the year reported on the consolidated statement of financial statements are as follows:

	<u>2008</u>	<u>2007</u>
Salaries, wages and employee benefits	\$ 594,903	\$ 546,114
Materials, goods, services, utilities	1,424,722	1,180,779
Contracted services	653,477	297,911
Interest on long-term debt	22,358	21,928
Rents and financial expenses	<u>22,669</u>	<u>29,312</u>
	2,718,129	2,076,044
Capital	<u>985,294</u>	<u>123,347</u>
	<u>\$ 3,703,423</u>	<u>\$ 2,199,391</u>

7. TANGIBLE CAPITAL ASSETS

For the fiscal years beginning on or after January 1, 2009 the municipality will be required to report the historical cost and the accumulated amortization of tangible capital assets in its consolidated financial statements in accordance with the public sector accounting handbook section PS 3150 - Tangible Capital Assets. The municipality is currently working towards obtaining the necessary information in order to comply with PS 3150. For 2008, guidelines require the disclosure of tangible capital asset information in the notes to the consolidated financial statements to the extent that reliable information is available. The municipality is currently working on obtaining the information to implement PS 3150, but as at December 31, 2008 the municipality does not have detailed tangible capital asset information to disclose.

8. INVESTMENTS

	<u>2008</u>	<u>2007</u>
Drainage Pumphouse bank account	\$ 1,396,225	\$ -
Trillium bank account	<u>7,316</u>	<u>-</u>
	<u>\$ 1,403,541</u>	<u>\$ -</u>

Funds were received during the year for capital projects. These projects are still ongoing and the remaining funds have been reserved. \$ 1,396,225 is for the drainage pumphouse project and \$ 7,316 is for new hardware and software upgrades to the computer system.

9. BANK OVERDRAFT

Excess cheques over funds on deposit to the Woodslee Credit Union with interest charged at 3% to a maximum of \$ 1,100,000.



THE CORPORATION OF THE TOWNSHIP OF PELEE

Schedule of Current Fund Activities

SCHEDULE 1

For the years ended December 31

	2008 Budget (unaudited)	2008 Actual	2007 Actual
REVENUES			
Taxation	\$ 3,072,724	\$ 1,142,217	\$ 1,173,028
Transfer payments		2,976,379	269,941
User charges	895,469	597,654	578,947
Investment Income	-	108,690	67,912
Total Revenues	3,968,193	4,824,940	2,089,828
EXPENDITURES			
Current			
General government	425,810	557,766	594,349
Protection to persons and property	113,809	316,291	140,620
Transportation	350,766	586,467	416,501
Environmental	238,264	581,947	261,105
Health services	41,432	50,895	49,686
Recreation and cultural	427,898	420,760	428,567
Planning and development	171,000	204,003	185,216
Total Expenditures	1,768,979	2,718,129	2,076,044
NET REVENUES	2,199,214	2,106,811	13,784
FINANCING AND TRANSFERS			
Principal payments on long-term debt	-	(53,995)	(46,023)
Transfer from (to) reserves and reserve funds - net	-	(1,403,541)	-
Transfer to capital fund - net	(1,752,545)	(449,054)	(105,339)
Net Financing and Transfers	(1,752,545)	(1,906,590)	(151,362)
CHANGE IN FUND BALANCE	446,669	200,221	(137,578)
CURRENT FUND BALANCE, BEGINNING OF YEAR	(446,669)	(446,669)	(309,091)
CURRENT FUND BALANCE, END OF YEAR	\$ -	\$ (246,448)	\$ (446,669)

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

	2008 Budget (unaudited)	2008 Actual	2007 Actual
REVENUES			
Other - grants	\$ 1,970,262	\$ -	\$ -
EXPENDITURES			
Current			
General government	-	-	-
Transportation	59,376	27,669	5,521
Protection to persons and property	-	-	-
Environmental	3,159,579	882,571	881
Health services	-	19,238	1,859
Recreation and cultural	-	55,816	29,834
Planning and development	-	-	85,252
Total Expenditures	3,218,955	985,294	123,347
NET (EXPENDITURES)	(1,248,693)	(985,294)	(123,347)
FINANCING AND TRANSFERS			
Long-term debt issued	-	54,000	-
Transfer from current fund	1,752,545	449,054	105,339
Net Financing and Transfers	1,752,545	503,054	105,339
CHANGE IN FUND BALANCE	503,852	(482,240)	(18,008)
CAPITAL FUND BALANCE, BEGINNING OF YEAR	(503,852)	(21,612)	(3,604)
CAPITAL FUND BALANCE, END OF YEAR	\$ -	\$ (503,852)	\$ (21,612)

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

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THE CORPORATION OF THE TOWNSHIP OF PELEE
Schedule of Reserves
For the years ended December 31

SCHEDULE 3

	2008 Budget (unaudited)	2008 Actual	2007 Actual
REVENUES			
Investment income	\$ -	\$ -	\$ -
Transfer from revenue	-	1,403,541	-
	-	1,403,541	-
RESERVE, BEGINNING OF YEAR	183,509	183,509	183,509
RESERVE, END OF YEAR	\$ 183,509	\$ 1,587,050	\$ 183,509

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
For the years ended December 31

SCHEDULE 4

	<u>Pumping and Repairs</u>			<u>West Shore Road Water System</u>	<u>East Shore Road Water System</u>	<u>Year ended December 31</u>	
	<u>Big Marsh</u>	<u>Curry Marsh</u>	<u>Round Marsh</u>			<u>2008 Total</u>	<u>2007 Total</u>
REVENUE							
Grants	\$ 30,710	\$ 4,741	\$ 6,442	\$ 3,382	\$ 3,382	\$ 48,657	\$ 59,580
User charges	<u>24,613</u>	<u>12,130</u>	<u>10,775</u>	<u>6,325</u>	<u>3,114</u>	<u>56,957</u>	<u>119,655</u>
	<u>55,323</u>	<u>16,871</u>	<u>17,217</u>	<u>9,707</u>	<u>6,496</u>	<u>105,614</u>	<u>179,235</u>
EXPENDITURES							
Operator's salary	15,189	8,968	9,536	8,591	8,839	51,123	60,332
Operations	<u>92,990</u>	<u>21,418</u>	<u>19,356</u>	<u>109,942</u>	<u>96,436</u>	<u>340,142</u>	<u>146,777</u>
	<u>108,179</u>	<u>30,386</u>	<u>28,892</u>	<u>118,533</u>	<u>105,275</u>	<u>391,265</u>	<u>207,109</u>
REVENUE OVER (UNDER) EXPENDITURES	(52,856)	(13,515)	(11,675)	(108,826)	(98,779)	(285,651)	(27,874)
ACCUMULATED NET SURPLUS (DEFICIT) BEGINNING OF YEAR	<u>107,959</u>	<u>92,575</u>	<u>(7,420)</u>	<u>(252,583)</u>	<u>(213,216)</u>	<u>(272,685)</u>	<u>(244,811)</u>
ACCUMULATED NET SURPLUS (DEFICIT) END OF YEAR	<u>\$ 55,103</u>	<u>\$ 79,060</u>	<u>\$ (19,095)</u>	<u>\$ (361,409)</u>	<u>\$ (311,995)</u>	<u>\$ (558,336)</u>	<u>\$ (272,685)</u>

These Revenue and Expenditure items are included in the consolidated Statement of Financial Activities



**THE CORPORATION OF THE TOWNSHIP OF PELEE -
PHEASANT FARM**

Schedule of Operations

SCHEDULE 5

For the years ended December 31

	<u>2008</u>	<u>2007</u>
REVENUE		
Sale of hunting licences	\$ 290,427	\$ 312,375
Other	<u>1,076</u>	<u>239</u>
	<u>291,503</u>	<u>312,614</u>
 EXPENDITURES		
Feed	52,854	65,761
Miscellaneous expense	35,779	47,219
Purchase of birds	82,692	75,561
Salary, wages and benefits	88,188	110,920
Travel	<u>437</u>	<u>294</u>
	<u>259,950</u>	<u>299,755</u>
Total expenditures		
	<u>259,950</u>	<u>299,755</u>
 EXCESS REVENUE	 \$ <u>31,553</u>	 \$ <u>12,859</u>

These Revenue and Expenditure items are included in the consolidated Statement of Financial Activities



THE CORPORATION OF THE TOWNSHIP OF PELEE - MARINA

Schedule of Operations

SCHEDULE 6

For the years ended December 31

	<u>2008</u>		<u>2007</u>
REVENUE			
Seasonal wharfage	\$ 24,773	\$	26,820
Transient wharfage	71,235		75,576
Other	44,517		41,395
	<u>140,525</u>		<u>143,791</u>
 EXPENDITURES			
Materials and supplies	87,176		78,935
Wages and salaries	53,135		46,718
	<u>140,311</u>		<u>125,653</u>
 EXCESS REVENUE	 \$ 214	 \$	 <u>18,138</u>

These Revenue and Expenditure items are included in the consolidated Statement of Financial Activities



THE CORPORATION OF THE TOWNSHIP OF PELEE
Analysis of Municipal Position
as at December 31

	2008	2007	2006	2005
Current Funds				
Taxation (Deficit)	\$ 274,638	\$ (197,894)	\$ (77,990)	\$ (10,542)
Special Area Rates				
West Shore Water (Deficit)	(361,409)	(252,583)	(264,414)	(218,677)
East Shore Water (Deficit)	(311,995)	(213,216)	(186,542)	(140,009)
Big Marsh Drainage Surplus	55,103	107,959	105,687	114,101
Round Marsh Drainage (Deficit)	(19,095)	(7,420)	2,743	227
Curry Marsh Drainage Surplus	79,060	92,575	97,715	92,909
	<u>(283,698)</u>	<u>(470,579)</u>	<u>(322,801)</u>	<u>(161,991)</u>
Library Board Surplus	<u>37,250</u>	<u>23,910</u>	<u>13,710</u>	<u>4,642</u>
	<u>\$ (246,448)</u>	<u>\$ (446,669)</u>	<u>\$ (387,081)</u>	<u>\$ (167,891)</u>
Capital Funds				
Unexpended Capital Funds/ (Unfinanced Capital)	\$ (503,852)	\$ (21,612)	\$ (3,604)	\$ (3,604)
Reserve				
Working Capital	\$ 145,000	\$ 145,000	\$ 145,000	\$ 145,000
Community Centre	127	127	127	127
Official Plan Review	30,000	30,000	30,000	30,000
Library	1,296	1,296	1,296	1,296
Park	515	515	515	515
Impost	6,571	6,572	6,572	6,572
Computer System	7,316	-	-	-
Drainage Pumphouse Project	<u>1,396,225</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,587,050</u>	<u>\$ 183,510</u>	<u>\$ 183,510</u>	<u>\$ 183,510</u>