

Town of Fort Erie
Financial Report
2006

Grant Thornton 

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Auditors' Report

To the Members of Council, Inhabitants and Ratepayers
of the **Corporation of the Town of Fort Erie**

We have audited the consolidated statement of financial position of the **Corporation of the Town of Fort Erie** 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 Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Grant Thornton LLP

Port Colborne, Ontario
April 20, 2007

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Town of Fort Erie

Consolidated Statement of Financial Position

As at December 31

2006

2005

Assets

Cash and temporary investments (Note 2)	\$ 12,595,724	\$ 13,800,289
Taxes receivable	3,322,854	2,919,858
Accounts receivable	4,706,044	3,320,114
Prepaid expenses	13,780	90,341
Other financial assets	<u>1,784,134</u>	<u>754,756</u>

Total assets	<u>\$ 22,422,536</u>	<u>\$ 20,885,358</u>
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Liabilities

Accounts payable and accrued liabilities	\$ 5,719,988	\$ 5,051,091
Other liabilities	20,000	31,365
Deferred revenue (Note 3)	3,334,576	2,950,868
Long term debt (Note 4)	6,562,299	7,413,506
Employee benefit obligations (Note 5)	<u>137,000</u>	<u>144,000</u>

Total liabilities	<u>15,773,863</u>	<u>15,590,830</u>
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Municipal position

Current fund (Note 6)	138,575	27,191
Capital fund (Note 6)	5,294,936	6,436,822
Reserves and reserve funds (Note 7)	<u>7,914,461</u>	<u>6,388,021</u>

Fund balances	13,347,972	12,852,034
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Liabilities to be recovered in future (Note 8)	<u>(6,699,299)</u>	<u>(7,557,506)</u>
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Total municipal position	<u>6,648,673</u>	<u>5,294,528</u>
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Total liabilities and municipal position	<u>\$ 22,422,536</u>	<u>\$ 20,885,358</u>
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Contingencies and commitments (Notes 17 and 18)

Approved by

Chief Administrative Officer

Director of Corporate Services

See accompanying notes to the financial statements

Town of Fort Erie

Consolidated Statement of Financial Activities

For the Year Ended December 31, 2006

	Budget 2006 (Unaudited)	Actual 2006	Actual 2005
Revenue			
Taxation (Note 9)	\$ 12,997,365	\$ 13,026,487	\$ 12,399,789
User charges (Note 10)	7,122,728	6,937,223	6,990,960
Grants (Notes 12 and 19)	1,447,182	2,882,252	2,364,839
Other (Note 13)	<u>5,567,074</u>	<u>5,577,599</u>	<u>4,902,404</u>
Total revenue	<u>27,134,349</u>	<u>28,423,561</u>	<u>26,657,992</u>
Expenditures			
Current			
General government	1,940,351	1,790,241	1,775,700
Protection to persons and property	3,114,519	3,167,426	3,108,574
- Snowstorm disaster recovery (Note 19)		1,523,534	
Transportation services	3,596,622	3,278,205	3,868,456
Environmental services	3,344,264	3,563,560	3,035,547
Health services	508,956	449,413	758,156
Social and family services	38,020	40,065	43,421
Recreation and culture services	4,250,060	4,408,368	3,939,276
Planning and development	<u>1,561,084</u>	<u>1,524,962</u>	<u>1,262,669</u>
	<u>18,353,876</u>	<u>19,745,774</u>	<u>17,791,799</u>
Capital			
General government	125,000	235,576	303,630
Protection to persons and property	230,000	323,956	767,632
Transportation services	3,499,000	2,593,686	2,243,268
Environmental services	5,103,000	2,974,294	2,812,021
Recreation and culture services	752,058	1,188,056	1,287,006
Planning and development	<u>40,000</u>	<u>8,074</u>	<u>43,305</u>
	<u>9,749,058</u>	<u>7,323,642</u>	<u>7,456,862</u>
Total expenditures	<u>28,102,934</u>	<u>27,069,416</u>	<u>25,248,661</u>
Net revenue (expenditures)	<u>(968,585)</u>	<u>1,354,145</u>	<u>1,409,331</u>
Financing			
Issue of long term debt	1,555,000		798,000
Repayment of long term debt	(845,207)	(851,207)	(766,666)
Decrease in employee benefit obligations		(7,000)	(2,000)
Net financing	<u>709,793</u>	<u>(858,207)</u>	<u>29,334</u>
Change in fund balances	<u>\$ (258,792)</u>	<u>\$ 495,938</u>	<u>\$ 1,438,665</u>

See accompanying notes to the financial statements.

Town of Fort Erie

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31

2006

2005

Increase (decrease) in cash and cash equivalents

Operating activities		
Net revenue	\$ 1,354,145	\$ 1,409,331
Decrease (increase) in taxes receivable	(402,996)	277,505
Decrease (increase) in accounts receivables	(1,385,930)	248,392
Decrease (increase) in prepaid expenses	76,561	(55,692)
Increase (decrease) in accounts payable and accrued liabilities	668,897	(325,359)
Decrease in other liabilities	(11,365)	(5,789)
Increase in deferred revenue	<u>383,708</u>	<u>724,301</u>
	<u>683,020</u>	<u>2,272,689</u>
Financing activities		
Issue of long term debt		798,000
Repayment of long term debt	(851,207)	(766,666)
Decrease in employee benefit obligations	<u>(7,000)</u>	<u>(2,000)</u>
	<u>(858,207)</u>	<u>29,334</u>
Investing activities		
Increase in other financial assets	<u>(1,029,378)</u>	<u>(224,377)</u>
Net increase (decrease) in cash and cash equivalents	(1,204,565)	2,077,646
Cash and cash equivalents		
Beginning of year	<u>13,800,289</u>	<u>11,722,643</u>
End of year	<u>\$ 12,595,724</u>	<u>\$ 13,800,289</u>

See accompanying notes to the financial statements.

Town of Fort Erie

Schedule of Current Fund Operations

For the Year Ended December 31, 2006

	Budget 2006 (Unaudited)	Actual 2006	Actual 2005
Revenue			
Taxation (Note 9)	\$ 12,997,365	\$ 13,026,487	\$ 12,399,789
User charges (Note 10)	7,122,728	6,937,223	6,990,960
Grants (Notes 12 and 19)	301,182	2,257,578	1,259,892
Other (Note 13)	<u>3,587,074</u>	<u>3,480,892</u>	<u>4,080,893</u>
Total revenue	<u>24,008,349</u>	<u>25,702,180</u>	<u>24,731,534</u>
Expenditures			
General government	1,940,351	1,790,241	1,775,700
Protection to persons and property - Snowstorm disaster recovery (Note 19)	3,114,519	3,167,426	3,108,574
		1,523,534	
Transportation services	3,596,622	3,278,205	3,868,456
Environmental services	3,344,264	3,563,560	3,035,547
Health services	508,956	449,413	758,156
Social and family services	38,020	40,065	43,421
Recreation and culture	4,250,060	4,408,368	3,939,276
Planning and development	<u>1,561,084</u>	<u>1,524,962</u>	<u>1,262,669</u>
Total expenditures	<u>18,353,876</u>	<u>19,745,774</u>	<u>17,791,799</u>
Net revenues	<u>5,654,473</u>	<u>5,956,406</u>	<u>6,939,735</u>
Financing and transfers			
Repayment of long term debt	(845,207)	(851,207)	(754,666)
Decrease in employee benefit obligations		(7,000)	(2,000)
Transfers to capital operations	(4,038,058)	(3,987,878)	(5,197,385)
Transfers to reserves and reserve funds	<u>(784,650)</u>	<u>(998,937)</u>	<u>(895,872)</u>
Net financing and transfers	<u>(5,667,915)</u>	<u>(5,845,022)</u>	<u>(6,849,923)</u>
Change in current fund	(13,442)	111,384	89,812
Current fund			
Beginning of year	<u>27,191</u>	<u>27,191</u>	<u>(62,621)</u>
End of year	<u>\$ 13,749</u>	<u>\$ 138,575</u>	<u>\$ 27,191</u>

See accompanying notes to the financial statements.

Town of Fort Erie

Schedule of Capital Fund Operations

For the Year Ended December 31, 2006

	Budget 2006 (Unaudited)	Actual 2006	Actual 2005
Revenue			
Grants (Note 12)	\$ 1,146,000	\$ 624,674	\$ 1,104,947
Other (Note 13)	1,715,000	1,832,917	681,722
Total revenue	<u>2,861,000</u>	<u>2,457,591</u>	<u>1,786,669</u>
Expenditures			
General government	125,000	235,576	303,630
Protection to persons and property	230,000	323,956	767,632
Transportation services	3,499,000	2,593,686	2,243,268
Environmental services	5,103,000	2,974,294	2,812,021
Recreation and culture services	752,058	1,188,056	1,287,006
Planning and development	40,000	8,074	43,305
Total expenditures	<u>9,749,058</u>	<u>7,323,642</u>	<u>7,456,862</u>
Net expenditures	<u>(6,888,058)</u>	<u>(4,866,051)</u>	<u>(5,670,193)</u>
Financing and transfers			
Issue of long term debt	1,555,000		786,000
Transfers from current fund	4,038,058	3,987,878	5,197,385
Transfers from (to) reserve fund	1,146,000	(263,713)	75,554
Net financing and transfers	<u>6,739,058</u>	<u>3,724,165</u>	<u>6,058,939</u>
Change in capital fund balance	(149,000)	(1,141,886)	388,746
Capital fund			
Beginning of year	<u>6,436,822</u>	<u>6,436,822</u>	<u>6,048,076</u>
End of year	<u>\$ 6,287,822</u>	<u>\$ 5,294,936</u>	<u>\$ 6,436,822</u>

See accompanying notes to the financial statements.

Town of Fort Erie

Schedule of Reserves and Reserve Funds

For the Year Ended December 31, 2006

	Budget <u>2006</u> (Unaudited)	Actual <u>2006</u>	Actual <u>2005</u>
Revenue (Note 13)	\$ <u>265,000</u>	\$ <u>263,790</u>	\$ <u>139,789</u>
Transfers			
Transfers from current fund	784,650	998,937	895,872
Transfers from (to) capital fund	<u>(1,146,000)</u>	<u>263,713</u>	<u>(75,554)</u>
Total net transfers	<u>(361,350)</u>	<u>1,262,650</u>	<u>820,318</u>
Change in reserves and reserve funds balance	(96,350)	1,526,440	960,107
Reserves and reserve funds			
Beginning of year	<u>6,388,021</u>	<u>6,388,021</u>	<u>5,427,914</u>
End of year	\$ <u>6,291,671</u>	\$ <u>7,914,461</u>	\$ <u>6,388,021</u>

See accompanying notes to the financial statements.

Town of Fort Erie

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

1. Significant accounting policies

The consolidated financial statements of the Town of Fort Erie (the Municipality) are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include the following:

- Public Library Board
- Museum Board
- Cemetery Advisory Committee
- Stevensville Memorial Hall Advisory Committee
- Senior Citizens Advisory Committee
- Bridgeburg Station Business Improvement Area
- Crystal Beach Business Improvement Area
- Ridgeway Business Improvement Area
- Community Gaming Development Corporation

Interdepartmental and organizational transactions and balances are eliminated.

The statements exclude trust assets that are administered for the benefit of external parties (Note 16).

(b) Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund accounting

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

(d) Region and school board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the Region of Niagara are not reflected in the municipal fund balances of these financial statements.

Town of Fort Erie

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

1. Significant accounting policies (continued)

(e) Tangible capital assets

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

(f) Deferred revenue

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenditures are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenditures which will be incurred in a later period are deferred until they are earned by being matched against those expenditures.

(g) Reserves for future expenditures

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future operating and capital expenditures. Transfers to and from reserves and reserve funds are reflected as an adjustment to the respective fund.

(h) Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure is required to be provided by subdivision developers. Upon completion they are turned over to the Municipality. The Municipality is not involved in the construction.

(i) Local improvements

The Municipality records capital expenditures funded by local improvement agreements as they are incurred. Revenues are recognized over the term of the local improvement agreements as they are collected.

(j) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts 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 reporting period. Actual results could differ from those estimates.

Town of Fort Erie

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

2. Cash and temporary investments 2006 2005

Cash and temporary investments are comprised of:

Cash on hand	\$ 7,525	\$ 8,445
Cash held with banks	<u>12,588,199</u>	<u>13,791,844</u>
	<u>\$ 12,595,724</u>	<u>\$ 13,800,289</u>

3. Deferred revenue 2006 2005

Development Charges Act	\$ 2,108,536	\$ 2,364,799
Recreational land (Planning Act)	436,569	242,580
Gas tax	<u>789,471</u>	<u>343,489</u>
	<u>\$ 3,334,576</u>	<u>\$ 2,950,868</u>

Town of Fort Erie

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

4. Long term debt 2006 2005

- (a) The balance of net long term debt reported on the Consolidated Statement of Financial Position is made up of the following:

The Municipality has assumed responsibility for the payment of principal and interest charges on certain long term debt issued by the Region of Niagara. At the end of the year, the outstanding principal amount of this debt is

\$ 6,562,299 \$ 7,413,506

- (b) The net long term debt:

<u>Debenture Number</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>2006</u>	<u>2005</u>
100-2001	Kraft Road water main	3.25% -6%	2011	\$ 149,470	\$ 171,562
8693-97 9124-98	East/West Bertie sewer Crystal Beach water main	6.25%-7% 5.25% -5.625%	2007 2008	2,320,992	2,458,396
75-2002	Water main rehabilitation	3.5% -5.875%	2012	526,637	769,548
74-2003	Water main rehabilitation	2.95% -5.35%	2013	783,000	892,000
114-2004	Water/sewer main rehabilitation	2.46%	2014	744,000	833,000
83-2005	Water/sewer main rehabilitation	2.1%	2015	1,320,000	1,491,000
				<u>\$ 6,562,299</u>	<u>\$ 7,413,506</u>

- (c) Principal repayments in each of the next five years are due as follows:

2007	\$ 3,054,845
2008	760,420
2009	501,067
2010	514,249
2011	529,979

- (d) The Municipality paid \$ 357,448 (2005 \$ 377,355) interest on long term debt during the year.
- (e) Municipal council has authorized the issuance of a further \$ 2,397,000 in long term debt for water main and sewer main rehabilitation. This debt will be financed through debentures issued by the Region of Niagara.

Town of Fort Erie

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

5. Employee benefit obligations	<u>2006</u>	<u>2005</u>
Post-employment benefits	<u>\$ 137,000</u>	<u>\$ 144,000</u>

Employees having at least ten years of service with the Municipality and retire under the OMERS early retirement provisions are eligible to receive medical and dental benefits to the age of sixty-five. The Municipality and the employee share the cost of premiums for such benefits on a 50/50 basis.

The Municipality's obligation under the post-employment provision of employment agreements will be funded out of current revenue.

6. Municipal fund balances	<u>2006</u>	<u>2005</u>
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(a) The current fund balance is comprised of the following:

General	<u>\$ 138,575</u>	<u>\$ 27,191</u>
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A general operations surplus of \$ 110,087 was recovered from the rate stabilization reserve.

A water deficit of \$ 79,095 was recovered from the water refurbishing reserve.

A sewer surplus of \$ 302,446 was transferred to the sewer reserve.

(b) The capital fund balance is comprised of the following:

Funding to be provided from long term liabilities	\$ (1,515,627)	
Funding to be provided from grants	(61,370)	
Funding to be provided from reserve funds	(46,211)	\$ (219,734)
Funding to be provided from future taxation or user charges	(67,623)	(922,761)
Funding to be provided from land sales		(189,136)
Funds available for future capital expenditures	<u>6,985,767</u>	<u>7,768,453</u>
	<u>\$ 5,294,936</u>	<u>\$ 6,436,822</u>

Town of Fort Erie
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2006

7. Reserves and reserve funds	<u>2006</u>	<u>2005</u>
Reserves set aside for specific purposes by Council		
Working capital	<u>\$ 776,995</u>	<u>\$ 776,995</u>
Reserve funds set aside for specific purposes by Council		
Contingencies	278,405	151,811
Sick leave		3,558
Insurance	107,964	180,914
Community wellness	136,068	1,899
Capital	<u>6,615,029</u>	<u>5,272,844</u>
Total reserve funds	<u>7,137,466</u>	<u>5,611,026</u>
Total reserves and reserve funds	<u>\$ 7,914,461</u>	<u>\$ 6,388,021</u>

8. Liabilities to be recovered in future	<u>2006</u>	<u>2005</u>
Long term debt	<u>\$ 6,562,299</u>	\$ 7,413,506
Employee benefit obligations	<u>137,000</u>	<u>144,000</u>
	<u>\$ 6,699,299</u>	<u>\$ 7,557,506</u>

Town of Fort Erie

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

9. Taxation	Budget 2006 (Unaudited)	Actual 2006	Actual 2005
Real property		\$ 44,561,189	\$ 43,470,468
From other governments			
Payments in lieu of taxes		<u>332,419</u>	<u>328,011</u>
		<u>44,893,608</u>	<u>43,798,479</u>
Less: taxation collected on behalf of			
Region of Niagara		21,198,886	20,995,039
School boards		<u>10,668,235</u>	<u>10,403,651</u>
		<u>31,867,121</u>	<u>31,398,690</u>
Net taxes available for municipal purposes		<u>\$ 13,026,487</u>	<u>\$ 12,399,789</u>
Residential and farm	\$ 9,993,364	\$ 9,912,263	\$ 9,475,714
Multi-residential	319,585	312,353	297,543
Commercial	2,093,092	2,242,520	2,044,697
Industrial	<u>591,324</u>	<u>559,351</u>	<u>581,835</u>
Net taxes available for municipal purposes	<u>\$ 12,997,365</u>	<u>\$ 13,026,487</u>	<u>\$ 12,399,789</u>

Town of Fort Erie

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

10. User charges	Budget 2006 (Unaudited)	Actual 2006	Actual 2005
Operating			
Fees and service charges	\$ 1,588,726	\$ 1,470,203	\$ 1,590,795
Direct water billings	5,397,931	5,333,431	5,168,769
Sewer surcharge	6,321,526	6,248,543	6,109,020
Licences and permits	<u>998,404</u>	<u>1,017,653</u>	<u>1,024,618</u>
	14,306,587	14,069,830	13,893,202
Less: water and sewer collections on behalf of the Region of Niagara	<u>7,183,859</u>	<u>7,132,607</u>	<u>6,902,242</u>
	<u>\$ 7,122,728</u>	<u>\$ 6,937,223</u>	<u>\$ 6,990,960</u>

11. Collections for the Region of Niagara and school boards

Total taxation, user charges and development charges received or receivable on behalf of the Region of Niagara and the school boards were as follows:

	2006	2005
Region of Niagara		
Taxation	\$ 21,198,886	\$ 20,995,039
Water/sewer charges	7,132,607	6,902,242
Development charges	<u>652,550</u>	<u>514,330</u>
	28,984,043	28,411,611
School boards		
Taxation	<u>10,668,235</u>	<u>10,403,651</u>
	<u>\$ 39,652,278</u>	<u>\$ 38,815,262</u>

The Municipality is required to levy and collect taxes on behalf of the Region of Niagara and the school boards. These taxes are recorded as revenue at the amounts levied. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

The Municipality is also required to bill and collect water, sewer and development charges on behalf of the Region of Niagara. Water and sewer charges are recorded as revenue at the amounts billed. Water and sewer charges billed over (under) the amounts requisitioned are recorded as accounts payable (receivable). Development charges collected in excess of those paid to the Region are recorded as accounts payable.

Included in water/sewer charges are excess treatment charges for extraneous flows associated with the October 12, 2006 snowstorm event (Note 19) totalling \$ 482,776. The Region of Niagara has provided \$ 480,000 in funding for expenditures that are ineligible for ODRAP funding. The Town has applied these funds against the excess treatment costs.

Town of Fort Erie

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

12. Grants	Budget 2006 (Unaudited)	Actual 2006	Actual 2005
Operating			
Government of Canada		\$ 1,862	
Province of Ontario	\$ 301,182	252,182	\$ 1,259,892
O.D.R.A.P. (Note 19)		1,523,534	
Region of Niagara – snowstorm (Notes 11 and 19)		<u>480,000</u>	
	<u>301,182</u>	<u>2,257,578</u>	<u>1,259,892</u>
Capital			
Government of Canada		25,266	22,053
Province of Ontario	1,146,000	599,408	500
Other municipalities			<u>1,082,394</u>
	<u>1,146,000</u>	<u>624,674</u>	<u>1,104,947</u>
	<u>\$ 1,447,182</u>	<u>\$ 2,882,252</u>	<u>\$ 2,364,839</u>

13. Other revenue	Budget 2006 (Unaudited)	Actual 2006	Actual 2005
Operating			
Penalties and interest on taxes	\$ 525,000	\$ 478,946	\$ 514,511
Fines	128,000	106,443	92,065
Rents and leases	164,500	153,635	136,710
Interest income	265,318	387,377	241,514
Sale of land	130,000	6,694	134,023
Donations	108,750	133,433	123,940
Slot machine revenues	2,245,000	2,192,764	2,758,540
Other	<u>20,506</u>	<u>21,600</u>	<u>79,590</u>
	<u>3,587,074</u>	<u>3,480,892</u>	<u>4,080,893</u>
Capital			
Benefiting property owners and developers	1,715,000	1,649,979	633,877
Donations		38,774	47,587
Proceeds from sale of land		142,800	
Miscellaneous		<u>1,364</u>	<u>258</u>
	<u>1,715,000</u>	<u>1,832,917</u>	<u>681,722</u>
Reserves and reserve funds			
Lot levies			1,165
Investment income	<u>265,000</u>	<u>263,790</u>	<u>138,624</u>
	<u>265,000</u>	<u>263,790</u>	<u>139,789</u>
	<u>\$ 5,567,074</u>	<u>\$ 5,577,599</u>	<u>\$ 4,902,404</u>

Town of Fort Erie

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

14. Expenditures by object

The following is a summary of the current and capital expenditures reported on the Consolidated Statement of Financial Activities by object:

	Budget <u>2006</u> (Unaudited)	Actual <u>2006</u>	Actual <u>2005</u>
Current expenditures consist of:			
Salaries, wages and fringe benefits	\$ 11,139,763	\$ 11,166,140	\$ 10,650,719
Interest on long term debt	351,889	357,448	371,986
Materials and services	4,401,920	4,414,477	3,901,469
Contracted services	2,351,984	3,702,854	1,947,257
Transfer payments	<u>108,320</u>	<u>104,855</u>	<u>920,368</u>
Total current expenditures	<u>\$ 18,353,876</u>	<u>\$ 19,745,774</u>	<u>\$ 17,791,799</u>
Capital expenditures consist of:			
Salaries, wages and fringe benefits	\$ 425,000	\$ 293,193	\$ 460,640
Materials and services	808,000	744,101	1,577,708
Contracted services	8,516,058	6,280,311	5,418,254
Short term interest	<u> </u>	<u>6,037</u>	<u>260</u>
Total capital expenditures	<u>\$ 9,749,058</u>	<u>\$ 7,323,642</u>	<u>\$ 7,456,862</u>

15. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of staff. The plan is a 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.

Contributions to OMERS are made at rates ranging from 6.5% to 9.6% depending on the proposed retirement age and the level of earnings. As a result \$ 1,083,706 (2005 \$ 920,502) was contributed to OMERS for current service, of which \$ 541,853 (2005 \$ 458,289) represents the employees' portion.

Town of Fort Erie

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

16. Trust funds

Trust funds administered by the Municipality amounting to \$ 579,052 (2005 \$ 552,859) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Financial Activities.

17. Contingencies

The Town is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Town believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

18. Commitments

The Town has entered into agreements with local physicians for the purpose of establishing group health care facilities within the Town. Annual payments to the group practices under these agreements for the next three years are as follows:

2007	\$ 50,000
2008	25,000

The full amount of this outstanding commitment has been recorded as a liability as of December 31, 2006.

Town of Fort Erie

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

19. Unusual events

On October 12, 2006 the Town of Fort Erie experienced a snowstorm that uprooted trees, damaged hydro infrastructure, shattered branches and left the majority of Town without power for five days. A state of emergency was declared from October 13 through October 17. The province has provided the Town with grant funding under the Ontario Disaster Relief Assistance Program (ODRAP) to a maximum of \$ 1.8 million, for incremental costs associated with the recovery. The Town expects recovery costs to exceed \$ 1.8 million with the work to be completed by May 31, 2007. The Town also received \$ 480,000 in funding from the Region of Niagara, which has been applied against excess storm water treatment costs that occurred during the storm.

The following are the grant revenues received and expenditures incurred to December 31, 2006, and projected for 2007. (Reforestation and non-incremental expenditures are not eligible for the ODRAP grant.):

	<u>2006</u>	<u>2007 Projected</u>	<u>Total</u>
Eligible expenditures	\$ 1,451,972	\$ 348,028	\$ 1,800,000
Ineligible expenditures	<u>71,562</u>	<u>51,972</u>	<u>123,534</u>
	1,523,534	400,000	1,923,534
ODRAP grant	<u>1,451,972</u>	<u>348,028</u>	<u>1,800,000</u>
Net recovery costs	<u>\$ 71,562</u>	<u>\$ 51,972</u>	<u>\$ 123,534</u>

20. Financial instruments

The Town's financial instruments consist of cash, taxes receivable, accounts receivable, temporary investments, accounts payable, other liabilities and long term debt. It is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

21. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.