
**CORPORATION OF THE TOWNSHIP OF
EDWARDSBURGH/CARDINAL**

FINANCIAL STATEMENTS

December 31, 2005

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

December 31, 2005

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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Township of Edwardsburgh/Cardinal

We have audited the consolidated statement of financial position of the Corporation of the Township of Edwardsburgh/Cardinal as at December 31, 2005, 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 financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of Edwardsburgh/Cardinal as at December 31, 2005 and the results of its operations and changes in financial position for the year then ended, in accordance with Canadian generally accepted accounting principles.

Craig Keen Despatie Markell LLP

Cornwall Ontario
May 16, 2006

CHARTERED ACCOUNTANTS

**CORPORATION OF THE TOWNSHIP OF
EDWARDSBURGH/CARDINAL**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2005

	2005	2004
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 2,511,014	\$ 1,979,397
Taxes receivable	581,550	496,651
Accounts receivable	681,817	551,649
Other current assets	40,000	40,045
Long-term investments	321,482	353,230
Investment in government business enterprises (Note 2)	5,240,321	4,529,435
	9,376,184	7,950,407
Liabilities		
Accounts payable	\$ 754,355	\$ 745,131
Deferred revenue (Note 3)	65,385	149
Municipal debt (Note 5)	812,659	937,508
Accrued landfill closure and post-closure liability (Note 4)	678,000	638,000
	2,310,399	2,320,788
	\$ 7,065,785	\$ 5,629,619
MUNICIPAL POSITION		
Fund Balances (Note 6)		
Operating fund	\$ 49,725	\$ 26,162
Reserves	2,442,740	1,729,531
Reserve funds	823,658	919,999
Equity in government business enterprises	5,240,321	4,529,435
	8,556,444	7,205,127
Amounts To Be Recovered From Future Revenues (Note 7)		
Future taxation revenue	(1,490,659)	(1,575,508)
	\$ 7,065,785	\$ 5,629,619

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - REVENUE

For the year ended December 31, 2005

	BUDGET 2005	ACTUAL 2005	ACTUAL 2004
REVENUE			
Taxation and user charges (Note 1(a)(ii))			
Taxation	\$ 2,889,842	\$ 2,953,735	\$ 2,848,287
Taxation from other governments	127,665	146,665	140,184
Fees and service charges	1,788,604	1,825,508	1,797,497
	4,806,111	4,925,908	4,785,968
Grants			
Province of Ontario	1,327,960	1,355,559	1,388,064
Other			
Investment income	108,300	189,622	131,613
Sale of land and equipment	10,000	32,078	145,935
Lot levies earned	-	-	22,848
Donations	5,000	75,227	29,914
Other revenue	1,000	(669)	119,652
Change in government business enterprises equity	-	710,883	419,160
Proceeds from the issue of long-term debt	-	-	951,009
	124,300	1,007,141	1,820,131
Total revenue for the year	\$ 6,258,371	\$ 7,288,608	\$ 7,994,163

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - EXPENDITURE

For the year ended December 31, 2005

	BUDGET 2005	ACTUAL 2005	ACTUAL 2004
EXPENDITURE			
Current operations			
General government	\$ 749,071	\$ 726,249	\$ 737,610
Protection to persons and property	1,553,572	1,196,253	1,451,710
Transportation services	965,600	971,118	982,125
Environmental services	1,324,867	1,221,258	1,093,514
Health services	5,000	-	92
Recreation and cultural services	850,092	823,405	868,825
Planning and development	73,440	68,225	112,406
	5,521,642	5,006,508	5,246,282
Capital			
General government	61,150	43,159	34,462
Protection to persons and property	155,000	15,282	214,612
Transportation services	500,936	489,256	445,141
Environmental services	196,975	198,839	422,305
Recreation and cultural services	33,000	99,404	162,862
	947,061	845,940	1,279,382
Total expenditure for the year	6,468,703	5,852,448	6,525,664
Net revenue (expenditure) for the year	(210,332)	1,436,160	1,468,499
CHANGE IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES (Note 7)			
Accrued landfill closure and post-closure costs	40,000	40,000	40,000
Debt principal repayments	(124,850)	(124,849)	(13,501)
	(84,850)	(84,849)	26,499
Change in fund balance	\$ (295,182)	\$ 1,351,311	\$ 1,494,998

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 2005

	2005	2004
CASH FROM OPERATING ACTIVITIES		
Net revenue for the year	\$ 1,436,160	\$ 1,468,499
Taxes receivable	(84,897)	224,491
Accounts receivable	(130,167)	574,519
Other current assets	45	23,285
Accounts payable	9,224	(234,336)
Deferred revenue	65,236	(4,899)
Accrued landfill and post-closure liability	40,000	40,000
	1,335,601	2,091,559
CASH USED IN FINANCING ACTIVITIES		
Repayment of net municipal debt	(124,849)	(13,501)
	(124,849)	(13,501)
CASH USED IN INVESTING ACTIVITIES		
Increase in investment of government business enterprises	(710,883)	(419,160)
(Decrease)increase in long-term investments	31,748	(128,230)
	(679,135)	(547,390)
INCREASE IN CASH AND EQUIVALENT	531,617	1,530,668
CASH AND EQUIVALENT, beginning of year	1,979,397	448,729
CASH AND EQUIVALENT, end of year	\$ 2,511,014	\$ 1,979,397
REPRESENTED BY :		
Cash	\$ 2,511,014	\$ 1,979,397

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF OPERATING FUND

For the year ended December 31, 2005

	BUDGET 2005	ACTUAL 2005	ACTUAL 2004
Revenue			
Taxation	\$ 3,017,507	\$ 3,100,400	\$ 2,988,471
Fees and service charges	1,788,604	1,825,510	1,797,497
Grants	1,327,960	1,322,959	1,152,121
Interest	108,300	153,121	105,847
Other	16,000	36,576	264,460
	6,258,371	6,438,566	6,308,396
Expenditure			
General government	749,071	726,249	737,610
Protection to persons and property	1,553,572	1,196,253	1,451,710
Transportation services	965,600	971,118	982,125
Environmental services	1,324,867	1,221,258	1,093,514
Health services	5,000	-	92
Recreation and cultural services	850,092	823,405	868,825
Planning and development	73,440	68,225	112,406
	5,521,642	5,006,508	5,246,282
Net revenue (expenditure)	736,729	1,432,058	1,062,114
Financing and transfers			
Transfer from (to) reserves and reserve funds	241,014	(580,367)	(370,235)
Transfer from (to) capital fund	(947,061)	(743,280)	(753,514)
Accrued landfill closure and post-closure costs	40,000	40,000	40,000
Debt principal repayments	(124,850)	(124,849)	(13,501)
	(790,897)	(1,408,496)	(1,097,250)
Change in operating fund balance	(54,168)	23,562	(35,136)
Operating fund - beginning of the year	26,163	26,163	61,298
Operating fund - end of the year	\$ (28,005)	\$ 49,725	\$ 26,162

See Accompanying Notes

**CORPORATION OF THE TOWNSHIP OF
EDWARDSBURGH/CARDINAL**

SCHEDULE OF CAPITAL FUND

For the year ended December 31, 2005

	BUDGET 2005	ACTUAL 2005	ACTUAL 2004
Revenue			
Grants	\$ -	\$ 32,600	\$ 235,943
Lot levies earned	-	-	22,848
Other	-	70,061	31,041
	-	102,661	289,832
Expenditure			
General government	61,150	43,159	34,462
Protection to persons and property	155,000	15,282	214,612
Transportation services	500,936	489,256	445,141
Environmental services	196,975	198,839	422,305
Recreation and cultural services	33,000	99,405	162,861
	947,061	845,941	1,279,381
Net expenditure (expenditure)	(947,061)	(743,280)	(989,549)
Financing and transfers			
Transfer from (to) operating fund	947,061	743,280	753,514
Proceeds from the issue of long-term debt	-	-	951,009
	947,061	743,280	1,704,523
Change in capital fund balance	-	-	714,974
Capital fund - beginning of the year	-	-	(714,974)
Capital fund - end of the year	\$ -	\$ -	\$ -

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF RESERVES AND RESERVE FUNDS

For the year ended December 31, 2005

	BUDGET 2005	ACTUAL 2005	ACTUAL 2004
Revenue			
Interest	\$ -	\$ 36,501	\$ 25,766
Financing and transfers			
Transfer from (to) operating fund	(241,014)	580,367	370,235
	(241,014)	580,367	370,235
Change in reserves and reserve funds balance	(241,014)	616,868	396,001
Reserves and reserve funds - beginning of the year	2,649,530	2,649,530	2,253,529
Reserves and reserve funds - end of the year	\$ 2,408,516	\$ 3,266,398	\$ 2,649,530
Analyzed as follows:			
Reserves set aside for specific purposes by Council:			
. for working capital		\$ 750,001	\$ 750,000
. for capital expenditures		1,652,739	961,531
. for sewer and water		18,000	18,000
. for recreation		22,000	-
Total reserves		2,442,740	1,729,531
Reserve funds set aside for specific purposes			
. for sewer and water		454,065	554,686
. for subdivision		61,770	60,309
. for endowment		307,823	283,004
. for recreation		-	22,000
Total reserve funds		823,658	919,999
Total reserves and reserve funds		\$ 3,266,398	\$ 2,649,530

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of Edwardsburgh/Cardinal are the representations of management prepared in accordance with Canadian generally accepted accounting policies for local governments, as recommended by the Public Accounting Standards Board (PSAB) of the Canadian Institute of Chartered Accountants, prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

(a) Basis of Consolidation

(i) Consolidated Entities

These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund and reserve funds and reserves and include the activities of all committees of Council and the following local boards:

- . Township of Edwardsburgh/Cardinal Library Board
- . Cardinal and District Community Centre

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

These consolidated financial statements reflect the investment in any government business enterprises and are consolidated using the modified equity method. Under the modified equity basis, the enterprises accounting principles are not adjusted to conform with those of the Township and intergovernmental transactions and balances are not eliminated. The following government business enterprises are consolidated:

- . Port of Prescott
- . Rideau St. Lawrence Holdings Inc.

(ii) Non-Consolidated Entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and School Board Transactions

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

(iv) Trust funds and their related operations administered by the municipality are not consolidated.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Accounting

(i) Revenues and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long-term liabilities which are charged against operations in the periods in which they are paid.

(ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(iii) The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure in the year of acquisition.

(iv) Amounts to be recovered from future revenues

Amounts to be recovered from future revenues represents the outstanding principal portion of unmatured long-term liabilities for municipal expenditures, accrued interest on long-term liabilities and retirement benefits payable that will be financed through future revenues of the municipality and is reported on the Consolidated Statement of Financial Position.

(v) Deferred revenue

Deferred revenue represents user charges and fees that have been collected but the services have yet to be performed. These amounts will be recognized as revenue in the year the services are performed.

(c) Financial Instruments

(i) Fair value of financial instruments

The carrying amounts reported on the balance sheet for cash, accounts receivable, taxes receivable and accounts payable, approximate fair values due to the immediate and short-term maturities of these financial instruments.

The fair value of long-term debt is based on rates currently available to the corporation with similar terms and matures and approximates its carrying amounts as disclosed on the balance sheet.

(ii) Concentration of credit risk

The corporation does not believe it is subject to any significant concentration of credit risk. Cash is in place with major financial institutions. Taxes and accounts receivable are the result of taxation or services provided to corporations, public sector organizations and individuals geographically concentrated within Eastern Ontario.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

2. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

	Rideau St. Lawrence Holdings Inc.	Port of Prescott (Note 12)	2005 Total
Investment, beginning of year	\$ 492,384	\$ 4,037,051	\$ 4,529,435
Share of net income for the year	21,003	704,187	725,190
Dividends received	(14,304)	-	(14,304)
Investment, end of year	\$ 499,083	\$ 4,741,238	\$ 5,240,321

The Township of Edwardsburgh/Cardinal owns 11.92 % of the outstanding share capital of Rideau St. Lawrence Holdings Inc. and is the sole proprietor for the Port of Prescott.

3. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of "PSAB" is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds are summarized as follows:

	2005	2004
Federal gas tax refund	\$ 65,232	\$ -
Parkland	153	149
	\$ 65,385	\$ 149

4. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The municipality operates one solid waste landfill site. The estimated remaining useful life ranges between twelve and fifteen years. Under "PSAB" the estimated cost of closing the landfill sites and the cost of post closure care must be determined and amortized as a charge to operations over the life of the landfill site. The total estimated closure and post closure costs for the site is \$900,000.

The estimate associated with closure and post-closure includes costs such as clay, topsoil, hydro seed, site preparation, equipment, ditching, drainage, fencing and post closure monitoring estimated for 5 years. Total closure and post-closure costs are estimated to be \$900,000 with \$678,000 (2004 - \$638,000) being accrued at the end of the current fiscal year. During the year \$40,000 (2004 - \$(40,000)) was amortized and charged to Current Operations - Environment.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

5. NET MUNICIPAL DEBT

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

	2005	2004
Total municipal debt incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises	\$ 866,587	\$ 1,005,819
Of the municipal debt shown above, the responsibility for payment of principal and interest charges for tile drainage loans assumed by individuals	(53,928)	(68,311)
Net municipal debt at the end of the year	\$ 812,659	\$ 937,508

(b) Of the municipal debt reported in (a) of this note, principal payments are payable from the following sources as follows:

	2006 to 2010	2011 to 2015
from general municipal revenues	\$ 588,550	\$ 224,109

(c) The municipality is contingently liable for municipal debt with respect to tile drainage. The total amount outstanding as at December 31, 2005 is \$53,928 and is not recorded on the Consolidated Statement of Financial Position.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

6. FUND BALANCES

(a) The corporation's fund balances are comprised of the following:

	2005	2004
Operating fund		
General reduction of taxation	\$ -	\$ -
Spencerville sewage system	39,455	38,940
Edwardsburgh/Cardinal Library Board	25,334	27,257
Cardinal and District Community Centre	(15,064)	(40,035)
Total operating fund balance	49,725	26,162
Reserves	2,442,740	1,729,531
Reserve funds	823,658	919,999
Investment in government business enterprises	5,240,321	4,529,435
	\$ 8,556,444	\$ 7,205,127

(b) The balance available for the general reduction of taxation for the fiscal year ending December 31, 2005 has been reduced by an amount of \$725,367 transferred to the Reserve for Capital Expenditure as authorized by Council. Had this reduction not been made the balance would have shown net operating fund revenues of \$725,367.

7. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

Amounts to be recovered from future taxation are as follows:

	2005	2004
Accrued landfill closure and post-closure costs	\$ 678,000	\$ 638,000
Municipal debt	812,659	937,508
Amounts to be recovered from future revenues	\$ 1,490,659	\$ 1,575,508

8. PENSION AGREEMENTS

The Township is a member of the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer retirement plan. The plan is a defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates pay.

Contributions were required on account of current service in 2005 in the amount of \$62,715.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

9. TRUST FUNDS

Trust funds administered by the municipality amounting to \$1,540,579 have not been included in the Consolidated Statement of Financial Activities.

10. BUDGET FIGURES

Budgets established for Capital Funds, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

11. PUBLIC SECTOR SALARY DISCLOSURE ACT

In 2005, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

12. PORT OF PRESCOTT

On October 12, 2000 the Township acquired ownership of the assets of the Port of Prescott from Canada Ports Corporation for \$60. This agreement stipulates the protocol for the disposition of Port of Prescott assets by the Township during the operating period (four years) and the monitoring period (thirty-one years).