

Financial Statements

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Caledon

We have audited the consolidated statement of financial position of the Corporation of the Town of Caledon 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 Municipality'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 Town of Caledon as at December 31, 2005, and the results of its financial activities and changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Orangeville, Ontario
May 15, 2006

BDO Dunwoody, LLP
Chartered Accountants

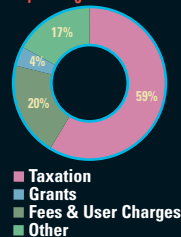
Consolidated Statement of Financial Position

As at December 31, 2005	2005	2004
Financial Assets		
Cash	\$1,442,055	\$2,973,117
Temporary investments (Note 1)	31,320,157	36,901,652
Taxes receivable	5,973,177	8,135,923
Trade and other receivables	2,920,379	2,198,881
Holdbacks receivable on sale of Caledon Hydro Corporation	0	1,000,000
Long-term receivables	476,029	0
	42,131,797	51,209,573
Liabilities		
Accounts payable and accrued liabilities	6,857,703	5,820,623
Deferred revenue	7,964,622	13,853,588
Net long-term liabilities (Note 2)	4,213,926	8,434,178
	19,036,251	28,108,389
Net Financial Assets	23,095,546	23,101,184
Other Non-Financial Assets		
Inventory held for resale	63,852	62,905
Other	102,423	138,619
	166,275	201,524
Total Net Assets	\$23,261,821	\$23,302,708
MUNICIPAL POSITION		
Fund Balances		
Current fund	\$248,193	\$1,522,058
Capital fund	7,559,047	6,809,611
Reserves and reserve funds	19,668,507	23,405,217
	27,475,747	31,736,886
Amounts to be recovered (Note 3)	(4,213,926)	(8,434,178)
	\$23,261,821	\$23,302,708

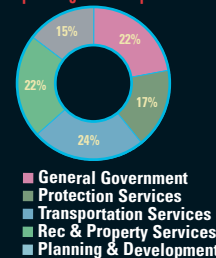
The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Town's Operating Fund surplus for 2005 was \$241,778, which was carried forward to 2006 in accordance with Town policy. In 2005 capital expenditures were less than budgeted for as a result of unavoidable delays in some planned capital works. The 2005 Reserves and Reserve Fund balance of \$19.7 million is comprised of reserves totaling \$7.9 million and reserve funds of \$11.8 million. Council has set these monies aside to provide funding for future capital requirements, to assist with annual operating expenses, or to provide funding for emergency situations. At the end of 2005 the Town's municipal position was \$23.3 million in net assets. Net assets determine to what extent the Corporation can cover its outstanding liabilities. Municipal position is also used by the Province to determine a municipality's financial health. The \$23.3 million in net assets indicate that the Town is in a solid financial position at year-end.

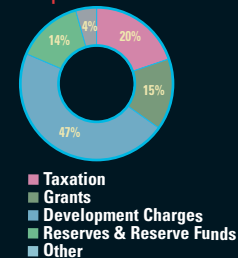
2005 Operating Fund: Revenues



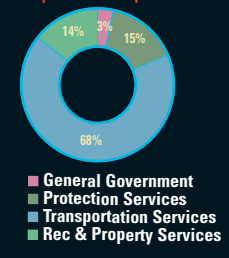
2005 Operating Fund: Expenditures



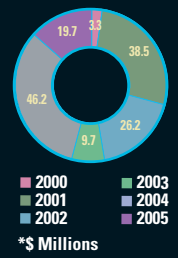
2005 Capital Fund: Revenues



2005 Capital Fund: Expenditures



2005 Reserves & Reserve Funds*



*\$ Millions

Council and Town staff are focused on responsible fiscal management. As a result, the Town of Caledon will be debt-free in 2006.

The Town's budget consists of revenue (taxes, user fees, grants) and expenditures (labour, materials, projects). The Town's budget enables staff to continue to provide effective programs and services to our growing community, with minimal impact to our residents and business owners.

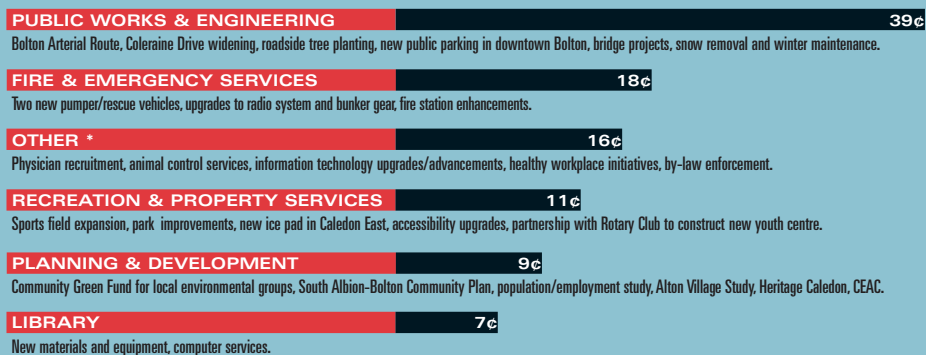
Consolidated Statement of Financial Activities

For the year ended December 31	2005	2005	2004
	Budget (Unaudited)	Actual	Actual
Revenue			
Taxation (Note 4)	\$22,973,892	\$22,989,146	\$20,616,042
Fees and user charges	5,974,400	6,799,062	6,524,246
Canada Grants	7,000	2,638	29,731
Ontario Grants	1,706,400	3,824,389	906,671
Municipal Grants	3,800	14,709	19,060
Other Income (Note 5)	7,761,763	7,467,791	12,467,394
Obligatory reserve fund revenue recognized	7,505,896	8,314,254	5,913,182
Total	45,933,151	49,411,989	46,476,326
Expenditures			
Current (Note 6)			
General Government	4,647,900	6,084,940	5,429,453
Protection Services	6,857,700	6,007,378	5,579,193
Transportation Services	8,027,000	8,424,673	8,029,585
Interest on Caledon Hydro Corporation Debt	--	1,627,950	1,689,454
Recreation and Cultural Services	7,851,600	7,639,601	7,472,824
Planning and Development	5,991,200	5,134,429	4,510,986
Total	33,375,400	34,918,971	32,711,495
Capital			
General Government	450,000	466,408	432,375
Protection Services	1,325,000	2,233,386	1,011,277
Transportation Services	8,575,000	9,741,486	6,276,583
Recreational and Cultural Services	6,107,000	2,092,625	1,727,069
Total	16,457,000	14,533,905	9,447,304
Total Expenditures	\$49,832,400	\$49,452,876	\$42,158,799
Net Revenue (Expenditures) for the year	(3,899,249)	(40,887)	4,317,527
Change in amounts to be recovered (Note 3)	(802,300)	(4,220,252)	842,656
Change in fund balances for the year	(4,701,549)	(4,261,139)	5,160,183
Fund balances, beginning of year	30,714,828	31,736,886	26,576,703
Fund balances, end of year	\$26,013,279	\$27,475,747	\$31,736,886

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Where The Money Goes

For every \$1.00 of municipal taxes levied to support the total 2006 budget ...



*Includes the following Town departments: Building & By-Law Enforcement, Corporate Services, Economic Development & Communications, Governance & Administration, Human Resources, Legal Services

Consolidated Statement of Changes in Financial Position

For the year ended December 31	2005	2004
Cash provided by (used in)		
Operating Activities		
Net revenue (expenditures) for the year	\$(40,887)	\$4,317,527
Changes in non-cash working capital items		
Decrease in taxes receivable	2,162,746	1,004,456
Decrease (increase) in trade and other receivables	(721,498)	4,051,211
Decrease in holdbacks receivable on sale of Caledon Hydro Corporation	1,000,000	8,440,000
Increase in inventory held for resale	(947)	(43,354)
Decrease (increase) in other current assets	36,196	(33,957)
Increase (decrease) in accounts payable	1,037,080	(900,347)
Increase (decrease) in deferred revenue	(5,888,966)	1,037,276
Subtotal	(2,375,389)	13,555,285
Subtotal	(2,416,276)	17,872,812
Investing Activities		
Net investment in Caledon Hydro Debt Retirement Fund	(3,057,252)	1,943,656
Net investment in mortgages	(476,029)	--
	(3,533,281)	1,943,656
Financing Activities		
Repayment of long-term liabilities	(1,163,000)	(1,101,000)
Net change in cash and cash equivalents	(7,112,557)	18,715,468
Cash and cash equivalents, beginning of year	39,874,769	21,159,301
Cash and cash equivalents, end of year	\$32,762,212	\$39,874,769
Cash and cash equivalents are comprised of:		
Cash	\$1,442,055	\$2,973,117
Temporary investments	31,320,157	36,901,652
Total	\$32,762,212	\$39,874,769

Financial Statements

Notes to Financial Statements

1. Temporary Investments

December 31, 2005	2005	2004
Unrestricted - money market fund	\$31,320,157	\$36,901,652
Investments have a market value of \$31,320,157 (2004 - \$36,901,652) at the end of the year.		

2. Long-Term Liabilities

December 31, 2005	2005	2004
The municipality has assumed responsibility for the payment of principal and interest charges on long-term liabilities issued by other municipalities. Interest rates range from 6.40% to 8.00% with a maturity date of December 2019. At the end of the year, the outstanding principal amount of the liability is:	\$23,865,000	\$25,028,000
The net value of debt retirement funds administered by the Region of Peel, which have accumulated to the end of the year to repay the outstanding long-term liability.	(19,651,074)	(16,593,822)
Total	\$4,213,926	\$8,434,178

Principal payments on long-term liabilities are summarized as follows:

2006	\$4,000,000
Thereafter	213,926
	\$4,213,926

The annual principal and interest payments required to service the long-term liabilities of the municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

3. Amounts to be Recovered

December 31, 2005	2005	2004
Capital outlay financed by long-term liabilities and to be recovered in future years	\$4,213,926	\$8,434,178
Change in amounts to be recovered consists of the following:		
Debt principal repayments	\$(1,163,000)	\$(1,101,000)
Contributions to Caledon Debt Retirement Fund	(5,000,000)	--
Repayments of Caledon Hydro Corporation debenture from Caledon Debt Retirement Fund	1,942,748	1,943,656
	\$(4,220,252)	\$842,656

4. Taxation

Property tax billings are prepared by the Town based on an assessment roll prepared by the Municipal Property Assessment Corporation (MPAC). All assessed property values in the Town were reviewed and new values established based on a common valuation date, which was used by the Town in computing property tax bills. However, the property tax revenue and taxes receivable of the Town are subject to measurement uncertainty as significant numbers of appeals submitted by ratepayers for adjustments to assessment have yet to be heard. Further, changes to assessed value reflecting new construction is included in supplementary assessments prepared by MPAC. Any billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the Region and school boards as appropriate.

The capping provisions of Bill 79 (*The Fairness for Property Taxpayers Act, 1998*) expired at the end of 2000. The Province of Ontario subsequently enacted Bill 140 "Continued Protection for Property Taxpayers" which extends the capping provisions of Bill 79. The new legislation limits assessment-related increases in property tax bills to 5 per cent annually for commercial, industrial and multi-residential classes of property until the affected properties are taxed at a level equivalent to the tax otherwise calculated based on their current value assessment.

5. Other Income

	2005	2005	2004
	Budget (Unaudited)	Actual	Actual
Penalties and interest on taxation	\$1,200,000	\$1,039,343	\$1,079,130
Investment Income	800,000	1,803,766	1,490,752
Rents, concessions and franchises	653,700	675,585	579,859
Donations	122,063	273,264	91,761
Recovery from other municipalities	510,000	79,319	91,819
Sale of land and other assets	--	192,521	72,827
Licences and permits	1,425,500	941,914	1,882,882
Provincial Offences Act	2,031,000	1,932,146	1,552,953
Fines	175,500	246,168	239,213
Additional proceeds on sale of Caledon Hydro	--	--	5,111,045
Other	844,000	283,765	275,153
Total	\$7,761,763	\$7,467,791	\$12,467,394

6. Expenditures by Object

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

	2005	2004
Salaries, wages and employee benefits	\$19,629,709	\$18,330,539
Materials	9,418,290	8,313,183
Contracted Services	3,537,157	3,913,664
Rents and financial expenses	341,772	183,011
Interest on long-term debt	1,829,445	1,913,902
Contributions to other organizations	162,598	57,196
	\$34,918,971	\$32,711,495

Schedule of Capital Fund Operations

For the year ended December 31	2005	2005	2004
	Budget (Unaudited)	Actual	Actual
Revenue			
Ontario Grants	\$1,605,000	\$2,279,861	\$703,495
Other	1,470,063	682,120	469,376
Obligatory reserve fund revenue recognized	6,794,696	7,142,956	5,557,654
Total	9,869,759	10,104,937	6,730,525
Expenditures			
General Government	450,000	466,408	432,375
Protection Services	1,325,000	2,233,386	1,011,277
Transportation Services	8,575,000	9,741,486	6,276,583
Recreation and Cultural Services	6,107,000	2,092,625	1,727,069
Total	16,457,000	14,533,905	9,447,304
Net Revenues (expenditures) for the year	(6,587,241)	(4,428,968)	(2,716,779)
Net Transfers from (to) Other Funds			
Transfers from current fund operations	3,091,154	3,023,847	2,910,902
Transfers from reserves and reserve funds	3,496,087	2,154,557	125,377
Total	6,587,241	5,178,404	3,036,279
Change in fund balance for the year	--	749,436	319,500
Capital Fund, beginning of the year	6,809,611	6,809,611	6,490,111
Capital Fund, end of the year	\$6,809,611	\$7,559,047	\$6,809,611

The department headings listed in this report are as per MPMP reporting practices. These headings pertain to Town of Caledon departments in the following manner: General Government includes Governance & Administration; Planning & Development; Corporate Services; Legal Services; Human Resources; and Economic Development & Communications. Protection Services includes Fire Protection/Prevention; and Building & Enforcement. Transportation Services includes Public Works & Engineering. Recreation & Cultural Services includes Recreation & Property Services and Library Board.