

# Clarington Annual Financial Review 2020



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# Introduction

## About Clarington

The Municipality of Clarington is a beautiful community that forms the eastern boundary of the Greater Toronto Area.

Clarington is one of eight municipalities located in the Region of Durham. With an estimated population of over 100,000 and growing, Clarington offers residents a blend of city living and rural charm.

Clarington is a geographically large municipality, covering an area of approximately 611 square kilometres consisting of four major urban centres and 15 hamlets.

Residents enjoy waterfront trails alongside Lake Ontario, farmlands and the natural beauty of the Oak Ridges Moraine.

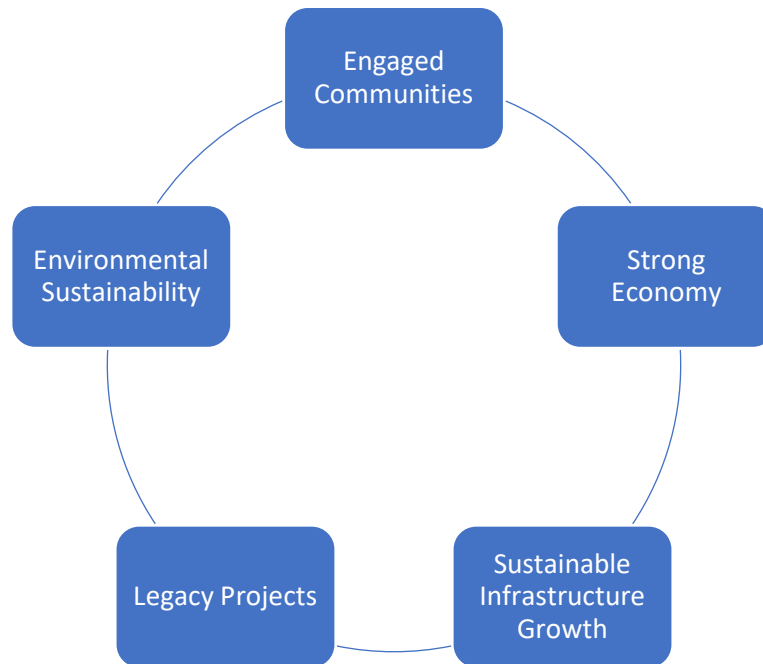
The Municipality of Clarington was created in 1974 following the approval of the Regional Municipality of Durham Act. The Act brought together 21 municipalities, creating a two-tier government structure with regional government and eight individual municipalities.

Clarington was formed by the amalgamation of the former Town of Bowmanville, the Village of Newcastle and the Townships of Clarke and Darlington. In 1993, the Municipality was renamed to Clarington: a blend of the original Townships of Clarke and Darlington.

Today, Clarington is comprised of four urban centres: Courtice, Bowmanville, Newcastle and Orono. The Municipality is also home to 15 hamlets.

# The Municipality's Strategic Plan 2019 to 2022

Council for the Municipality of Clarington passed the following Strategic Priorities and Goals for the 2019 to 2022 term:



## Engaged Communities

- Enhance two-way communication with the community
- Establish and develop a unique Clarington brand for promoting our community

## Strong Economy

- Complete the implementation of the Downtown Plans
- Create partnerships in broadband expansion, working toward 100 per cent connectivity
- Create partnerships to promote investment in infrastructure to make natural gas more accessible
- Expand our transportation network into commercial and industrial areas

- Explore an economic development strategy/framework in collaboration with the business community and other stakeholders

## Sustainable Infrastructure Growth

- Develop an affordable housing policy
- Develop strategies for infrastructure investments, including employment lands

## Legacy Projects

- Clearly articulate our plans for Courtice and Port Darlington waterfronts
- Pursue a final decision from Atomic Energy of Canada Limited (AECL) and Canadian Nuclear Laboratories (CNL) respecting the disposition of lands for the Port Granby Nature Reserve
- Develop the concept, financing, project plan and potential construction schedule for the South Bowmanville Recreation Centre for Council in 2019, for consideration in the 2020 budget, with a design to follow
- Articulate a vision of a performing arts space
- Make a decision on Camp 30

## Environmental Sustainability

- Advance waste reduction initiatives by promoting the four Rs: Refuse, Reduce, Reuse and Recycle

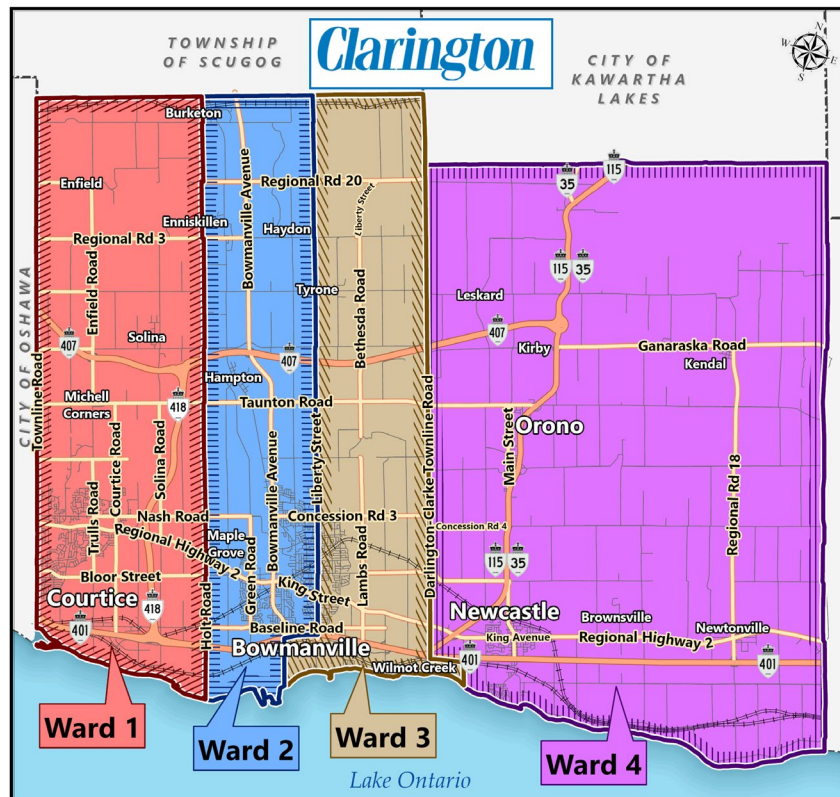
# Governance

## Mayor and Council

Clarington's Council is made up of the mayor, two regional and four local elected for four-year terms. Members of Council are the governing body of the Municipality and have the following responsibilities:

1. Represent the public and consider the well-being and interests of the Municipality.
2. Evaluate and approve policies and programs of the Municipality.
3. Determine which services the Municipality provides.
4. Ensure the administrative and controllership policies, practices and procedures are in place to implement the decisions of Council.
5. Maintain the financial integrity of the Municipality.

The Municipality is separated into four wards. Each Regional Councillor represent two wards locally and they also represent Clarington residents at Regional Council. Each local councillor represents one ward.



The Council for the Municipality of Clarington consists of:

- Mayor Adrian Foster
- Regional Councillors Joe Neal (Wards 1 and 2) and Granville Anderson (Ward 3 and 4)
- Local Councillors Janice Jones (Ward 1), Ron Hooper (Ward 2), Corinna Traill (Ward 3) and Margaret Zwart (Ward 4)

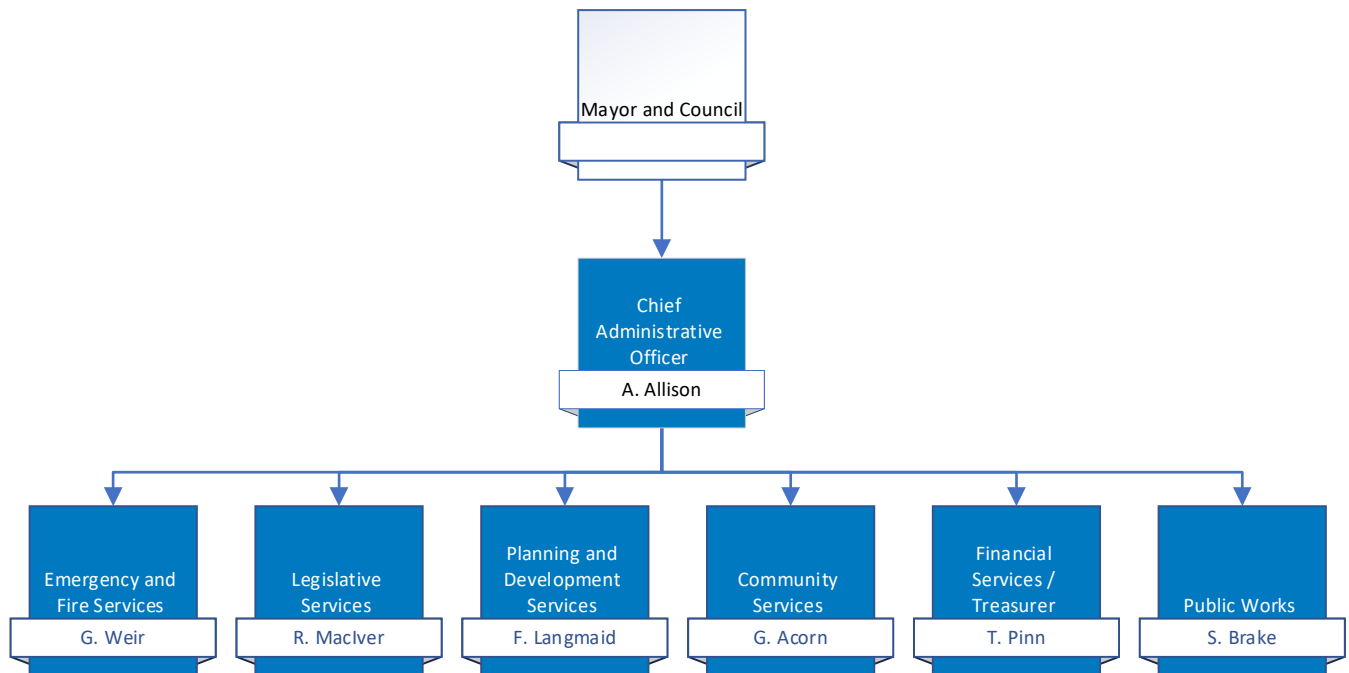


Back row: Janice Jones, Margaret Zwart, Ron Hooper, Corinna Traill

Front row: Joe Neal, Adrian Foster, Granville Anderson

## Senior Management Team

The senior management team consists of the Office of the Chief Administrative Officer (CAO) and the Directors of various departments. The senior management team works closely with Council to implement the key strategic and operational initiatives as outlined in the Strategic Plan, master plans and budgets. The Municipality is committed to responsible leadership through sound fiscal management and the delivery of quality programs and services to the stakeholders of the Municipality of Clarington.





## Message from the Treasurer

The Municipality of Clarington is proud to present its Annual Financial Report, the first in this format, which details the Municipality's financial performance and highlights key accomplishments through 2020. The financial statements have been prepared in accordance with the *Municipal Act, 2001*, and are based on the reporting standards set by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Managing growth continues to be a priority for the Municipality. In 2020, Council approved the Southeast Courtice Secondary Plan and in May 2021 both the Brookhill Secondary Plan and the Southwest Courtice Secondary Plan were approved. Building permits and development charges saw a significant increase in 2020 as development rebounded from a slow 2019. The COVID-19 pandemic appears to have increased renovations, expansions and residential development as residents transitioned to working from home and spending more time locally.

The Municipality continues to adapt to the impact of COVID-19 on our operations. Financially, the pandemic impacted our ability to generate user fee revenue from recreation facilities and programs during lockdown periods. The Municipality took steps to mitigate these lost revenues through expense reduction and closures. The Municipality approved over \$2.2 million in the form of interest and penalty relief, a Property Tax Rebate Program to assist residential taxpayers unduly burdened as a result of the pandemic as well as a Community Improvement Plan to assist small businesses reopening through grants to address physical measures to accommodate public health measures.

During the 2020 fiscal year, the Municipality implemented the corporate reorganization plan that was received in December 2019. As a result of this implementation, the Municipality has combined departments, transferred functions between departments, and ultimately improved administrative efficiency through a tighter organizational structure. The second phase of this reorganization will include implementing an enterprise software system to centralize customer service processes, allowing stakeholders greater access to online services.

Looking forward, growth, infrastructure renewal and a changing legislative landscape will continue to be common narratives in the Municipality's financial planning. As such, the continuation of long-term fiscal impact studies, service delivery reviews and budget processes that are focused on balancing service levels, sustainability and affordability will be important towards ensuring informed decision making and the management of these pressures.

Trevor Pinn, CPA,CA  
Director of Financial Services/Treasurer  
August 4, 2021

## Financial Statement Discussion and Analysis

The accompanying financial statements are prepared in accordance with the Canadian public sector accounting standards published by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada. The Financial Report is published to provide the Municipality's Council, citizens, staff and other stakeholders with detailed information concerning the financial position and activities of the Corporation of the Municipality of Clarington (the "Municipality") for the fiscal year ended December 31, 2020.

There are four required financial statements:

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Changes in Net Financial Assets
4. Statement of Cash Flows.

These financial statements are supported by added disclosure and information in the notes and schedules to the financial statements. Overall, the financial statements and accompanying notes provide information on the cost of the Municipality's activities, how they were financed, investing activities, and the Municipality's assets and liabilities at December 31, 2020.

### Municipality of Clarington Mandate

The Municipality of Clarington is a lower-tier municipality within the Regional Municipality of Durham in the Province of Ontario. As outlined in the notes to the consolidated financial statements, the Municipality conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, the Municipal Affairs Act and related legislation.

The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenses and changes in investment in tangible capital assets of the Municipality of Clarington. The reporting entity is comprised of all organizations, local boards and committees controlled by the Municipality, including:

- Board of Management for the Historic Downtown Bowmanville Business Improvement Area
- Board of Management for the Newcastle Central Business District Improvement Area
- Board of Management for the Orono Central Business District Improvement Area
- Clarington Public Library Board
- Clarington Museums and Archives (now part of the Clarington Public Library Board)
- Newcastle Arena Board
- Newcastle Community Hall Board
- Solina Hall Board

- Tyrone Community Hall Board
- Clarington Heritage Committee
- Bowmanville Santa Claus Parade Committee
- Orono Cemetery Board (dissolved in 2020)

The Municipality holds a 9.248 per cent share of ownership of Elexicon Corporation. The Municipality's investment in Elexicon Corporation and its subsidiaries is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAS for investments in government business partnerships.

The Municipality collects taxes and other revenues on behalf of the Region of Durham (the upper-tier municipal government) and the school boards within Clarington. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the Region of Durham and the school boards are not reflected in these statements.

The Municipality of Clarington provides a wide range of services to its taxpayers. The Consolidated Financial Statements have been presented using the following segmented groups of services:

- **General Government** – comprises all departments that support the corporate governance, management and program support for the Municipality.
- **Protection to Persons and Property** – comprises emergency and fire services, municipal law enforcement, animal services, building inspection/enforcement. Emergency and fire services is responsible for emergency management, fire prevention and public education, fire suppression, communication and training.
- **Transportation Services** – comprises the Public Works Department, in 2019 this included Engineering Services and the Operations Department. The primary responsibilities include the inspection, planning and maintenance of the roads, bridges, sidewalks, streetlights, roadsides, winter snow clearing, subdivision planning, traffic engineering, development and municipal servicing reviews. Other services include fleet maintenance, parking and school crossing guards.
- **Environmental Services** – includes stormwater management, erosion control and resale of waste diversion goods. These activities are primarily the responsibility of Public Works.
- **Health Services** – includes the maintenance and operation of the Municipality's active and abandoned cemeteries and crematorium, cemetery records management and the sale of cemetery plots, permits and headstones. Maintenance is provided by Public Works Department with administrative support by the Legislative Services Department for sales and record keeping.
- **Recreation and Cultural Services** – includes the administration, operation and maintenance of all recreational, aquatic, arena, community recreational facilities, parks and trails. Clarington libraries and museums, and other external cultural agencies are also included in this segment.
- **Planning and Development** – comprises the Planning and Development Services Department. Services include the development of planning policies, urban design, development approvals, heritage preservation, real estate services

and geomatics. Tourism activities and business improvement area activities are also included in this segment.

## Management Responsibility

The Municipality's management is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures.

The Municipality's management monitors and maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for the preparation of the consolidated financial statements.

Council, through the Audit and Accountability Committee, meets with management and the external auditors to review the consolidated financial statements and to discuss any significant financial reporting or internal control matters before approving the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, an independent external auditor appointed by the Municipality. The Independent Auditor's Report, which is included in the statements, provides an unqualified "clean" opinion on the Municipality's consolidated financial statements for the year ended December 31, 2020. The report also outlines the auditor's responsibilities and the scope of their examination.

An audit is conducted in accordance with Canadian generally accepted auditing standards. These standards require that the auditors comply with the ethical requirements necessary to plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing specific procedures chosen by the auditors to obtain audit evidence in order to verify the amounts and disclosures in the consolidated financial statements as well as to assess the risk of material misstatements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

The budget is an important strategic planning and resource allocation process required by legislation and serves as the foundation for the Municipality's financial planning and control. Section 290 of the *Municipal Act, 2001* requires a municipality to adopt a budget including estimates of all sums required during the year for the purpose of the municipality. The process of budget compilation commences early in the year in an effort to ensure that the Municipality has an approved budget in place for the start of the new fiscal year. The Municipality's management prepares a proposed budget that is submitted to Council for review and approval, generally in January of each year. Citizens are involved in the budget process through surveys and public meetings.

## Risk Management and Significant Financial Management Plan

The financial management and control of the Municipality is largely governed through by-laws and Council resolutions that prescribe purchasing, accounting, investment, budgeting, risk management, debt and reserve policies. Council has sole authority to allocate funds through the annual approval of the operating and capital budgets.

The annual operating budget is balanced with revenues equaling expenditures for the calendar year. The operating budget must include estimates of all sums required by the Municipality, including any debt payments and all forms and sources of revenue.

The Municipality strives to leverage non-tax sources of revenue to sustain its level of services to its citizens. The Municipality charges user fees to recover costs of services where it is appropriate to do so. There is also an annual update to ensure that the user fees are increasing at the appropriate yearly rate of inflation. The annual fee schedule is reviewed and approved by Council.

The Municipality's financial management policies regarding tangible capital assets ("TCAs") stipulate that said assets are recorded at cost and include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the TCAs are amortized on a straight-line basis over their estimated useful lives. Works in progress are not amortized until the asset is available for productive use, at which time they are capitalized. The Municipality has a capitalization threshold for each individual asset class, such that individual TCAs of lesser value are expensed unless they are pooled, because collectively they have significant value or could not be operated separately.

The Municipality's key financial policies establish guidelines for debt, revenue sources and utilization of reserves and reserve funds, budget variance reporting and include the procurement by-law that establishes authorization limits. Each of these policies is intended to mitigate risk, safeguard the Municipality's assets and ensure that proper internal controls are in place.

## 2020 Significant Events Affecting Financial Statements

The year 2020 was undoubtedly an unusual year for the Municipality of Clarington. The COVID-19 pandemic started in March 2020 and had lasting impacts into 2021. From March to July, the Municipality's recreational programming and facilities were closed as a result of the Province of Ontario's emergency orders. Revenue that would typically be earned from lessons, rentals, drop-in programs, and the fitness centre were drastically reduced while the fixed maintenance and operational costs were still incurred. The Municipality took steps to mitigate the lost revenue by eliminating part-time staff hours, reducing utilities and keeping staffing to a minimum within each building to maintain facility readiness. The Municipality waived two months of interest and penalties for the months of May and April, while also delaying the payment due dates for the final tax bill. These steps provided taxpayers with additional cash flow flexibility while minimizing risks to the Municipality's ability to conduct business.

The summer and fall of 2020 saw a slow resumption of recreational facility and programming at reduced capacity. Steps were taken to provide services, both in Community Services and throughout the Municipality, through electronic means. The Municipality began conducting development meetings through electronic means and accepted plans electronically, ensuring a continued ability to develop within the Municipality. Investments in IT infrastructure provided the ability to continue governance meetings (Council and Committee) and public meetings while respecting public health guidelines. Continued investment in IT is ongoing as the Municipality and stakeholders have recognized the importance of the ability to conduct business virtually.

## Developer Contributed Assets

Contributed assets, excluding land, are recorded at the time the Municipality assumes responsibility for the maintenance of the municipal services such as roads, sidewalks, stormwater sewers and parks. This usually occurs three to five years from the registration of the subdivision, although it may be longer depending on the speed of development. Fluctuations in the value of contributed assets occur from year to year based on the plans registered, the timing of the assumption of the subdivision and the infrastructure included in each subdivision.

## Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the public sector accounting equivalent of a balance sheet. The Statement of Financial Position provides a snapshot of the assets, liabilities and accumulated surplus (an indicator of service capacity) as at December 31, 2020.

### Financial Assets

Cash and cash equivalents consist of cash on hand, demand deposits and other investments that are available to be converted to cash within 90 days. The Municipality saw an increase in cash of approximately \$23.3 million. The Statement of Cash Flows highlights how the change in cash occurred. A significant reason for the increase in cash is related to the increase in deferred revenue and deferred revenue-obligatory reserve funds; the Municipality received cash (either grant funds not yet used, or development charges) which has not been recognized as revenue. In 2020, development charges rebounded from a slowdown in 2019, resulting in increased development charges revenues and therefore, an increased deferred revenue balance with a corresponding increase in cash.

Investments have remained relatively stable between 2019 and 2020. Investments are made in accordance with the Municipality's adopted investment policy and in accordance with the legislated standards. The majority of the investments are comprised of guaranteed investment certificates and government bonds. During the 2020 fiscal year, there has been a shift from GICs to bonds as a form of investment due to the relatively better return on investment that bonds have had during the year. The Municipality also increased its equity pooled funds by \$2.1 million, which is mainly a

result of the recognition by ONE Investment Inc. of the Municipality's share of the book value of the investment pool.

Accounts receivable represent funds owed to the Municipality. A decrease of \$1.7 million in accounts receivable recognizes improved collection of outstanding balances during the year. These amounts typically include work done on behalf of third parties that billed back to the party, grants which are earned and awaiting payment, rental fees collectible and other miscellaneous amounts.

Taxes receivable represent unpaid property taxes, net of any allowance for uncollectible taxes or anticipated appeals. Despite the COVID-19 pandemic, the taxes receivable remained relatively consistent, which indicates that the Municipality has been able to collect on these funds.

Land for resale consists of the historic cost of property that the Municipality has declared surplus and is actively marketing; it is not representative of the fair market value of that land. At December 31, 2020 land for resale consisted of a property located on Fourth Street and a property on Baseline Road at Spry Avenue.

Promissory note receivable and the investment in Elexicon Corporation relate to the Municipality's investment in the local electric company. The promissory note receivable is unchanged from 2019 and is an on-demand note. The investment in Elexicon Corporation is relatively consistent with 2019, indicating no impairment in the investment. Clarington reports its investment in Elexicon using a modified consolidation basis, this amount shown in the financial statements is not liquid and cannot easily be converted to cash. The financial results of Elexicon have been summarized in note 8 of the financial statements.

Overall, the financial assets of the Municipality have increased by approximately \$21.4 million, this compares to only an increase of \$13.6 million in liabilities. The financial position of the Municipality has therefore improved, and the Municipality continues its strong financial position.

## **Liabilities**

Liabilities represent financial obligations of the Municipality resulting from events and decisions which occurred on or before December 31, 2020.

Accounts payable and accrued liabilities represent short-term liabilities that are expected to be paid in the following fiscal year. They would consist of amounts owing to vendors for services rendered during 2020, accruals for unbilled amounts and other liabilities. Accounts payable and accrued liabilities increased by \$3.2 million in 2020, primarily a result of the timing of payments due for major construction projects and the timing of the payment to the Region for development charges.

Employee future benefits include the present value of the cost of providing employees with future benefit programs. These benefits are expensed as they are earned through the employee's service. The employee future benefits include sick leave accumulation

plans for firefighters (2020 - \$1,009,061), other employees (2020 - \$21,196) as well as the cost to provide qualifying employees health, dental and life benefits to the age of 65.

Long-term liabilities represent the outstanding debenture obligations with the Region of Durham for capital asset investments. There are currently seven outstanding debts with maturities between 2021 and 2032, ranging in interest rates from 1.90 per cent to 5.12 per cent (maturing 2021). During the 2020 fiscal year, the Municipality did not take on any new long-term debt and repaid \$2.3 million in debt principal.

Guidelines established through the *Municipal Act, 2001* allow for a maximum debt payment ratio of 25% of own source revenues, which in 2019 equalled \$22.2 million leaving approximately \$19.4 million in debt servicing room. It is not anticipated that the Municipality will need to utilize the maximum debt capacity in the near future.

Deferred revenue represents funds that have been received by the Municipality where the associated revenue has not yet been recognized. The main items included in deferred revenue – general are taxes paid for future years (\$6,338,385), subdivision deposits held (\$5,872,393), deposits held for other construction-related projects (\$925,037) and Community Services related deposits (\$705,615).

Deferred revenue – obligatory funds represent funds received by the Municipality where there are legislative or contractual restrictions on the use of the funds. Provincial Infrastructure funds, Federal Gas Tax Funds, Parkland-cash-in-lieu, building permit revenue, and development charges represent the balance of these funds.

The vast majority, approximately \$50.0 million of this balance, consists of development charges paid by developers towards the future capital cost of growth-related infrastructure costs and certain studies. In 2020, the Municipality collected \$15.9 million from developers, earned investment income of \$1.0 million and utilized \$5.1 million. The Municipality approved its updated Development Charges Study in January 2021, which includes the growth-related capital needs for the years 2021 to 2031.

The increase in liabilities is primarily the result of the increase in deferred revenue. These funds were collected in 2020 and form an obligation on the Municipality to utilize as allowed under appropriate legislation in future years. The increase in deferred revenue is related to the increase in cash, also shown in the financial statements.

## **Non-Financial Assets**

Non-financial assets primarily consist of tangible capital assets which are used in the active delivery of programs and services to stakeholders. The decrease of \$3.4 million is reflective of the \$21.6 million in amortization, representing the utilization of assets, being higher than the investment in tangible assets of \$15.7 million. A prolonged period of excess amortization over investment could result in the deterioration of the Municipality's infrastructure network. The decrease is also reflective of the fact that in 2019 the Municipality benefited from the contribution of \$18.9 million in tangible assets, compared to \$5.1 million in 2020. This is due to the timing of the completion of subdivisions and their acceptance by the Municipality.



Prepaid expenses and inventory supplies, which are items already paid for but will be utilized in future years, have remained relatively stable and variations are mainly a result of timing differences.

## **Accumulated Surplus**

It is critical for users of the financial statements to understand that the term “accumulated surplus” does not mean and cannot be implied to mean that there are “cash or funds” available for spending. The vast majority of the value in accumulated surplus represents non-financial assets and reflects the Municipality’s investment in the required infrastructure to deliver the programs and services that stakeholders expect.

A detailed breakdown of the accumulated surplus is presented in Note 20 “Accumulated Surplus” of the Consolidated Financial Statements. The Municipality saw an increase of approximately \$4.3 million, which represents an increase in the future service ability of the Municipality.

Overall, the Municipality has a strong financial position with a positive financial asset to financial liability ratio of 1.8:1.0. The Municipality’s reserves and reserve funds of \$49.5 million is over five times the long-term liabilities of \$9.5 million, indicating that there are sufficient funds available to meet the long-term, and short-term, liabilities of the Municipality.

## **Consolidated Statement of Operations**

The Consolidated Statement of Operations is the public sector accounting equivalent of an income statement. The Statement of Operations provides a summary of revenue and expenses for the year. The annual surplus reported on this statement represents the difference between the cost of providing the Municipality’s services and the revenues recognized during the year on an accrual basis. The Municipality’s expenses are shown based on service segments that align with the Province of Ontario’s financial information return definitions and are not based on the administrative structure of the Municipality.

The Statement of Operations, as required by Public Sector Accounting Standards, groups expenses by functional segment. Expenses are broken down in Schedule 2 showing each segment and the expenses by accounting object (e.g. salaries, materials, services).

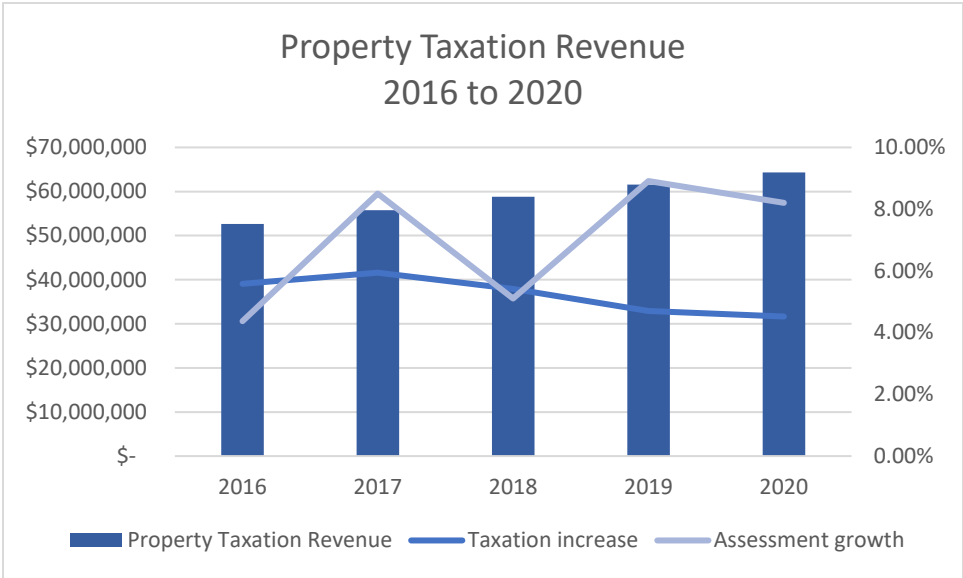
New in 2020, the Municipality has added Schedule 3, which shows the budgeted breakdown by segment for each accounting object in both revenues and expenses. It is hoped that this additional schedule provides useful information to users of the financial statements on how funds were budgeted and how that compares to the actual results of the Municipality.

## **Revenues**

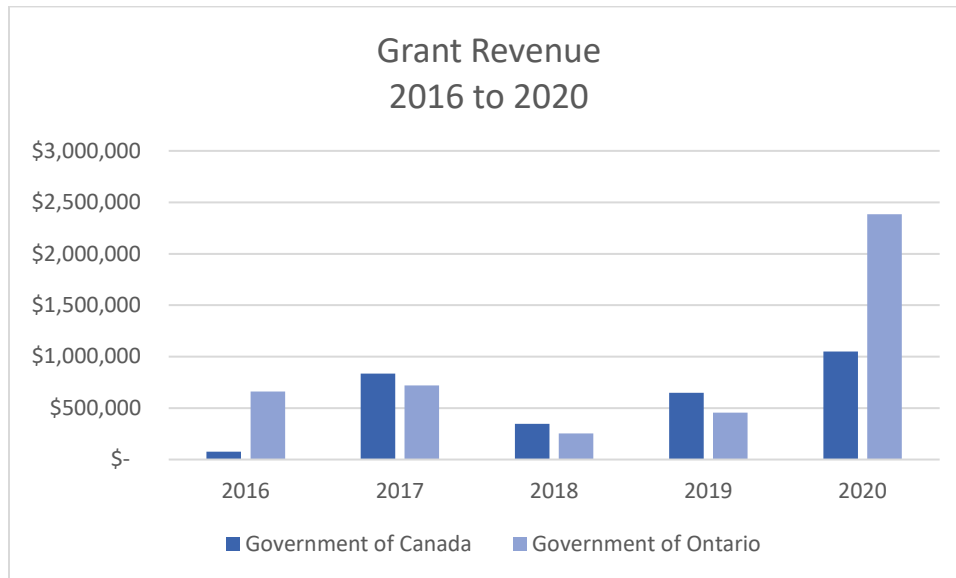
The Municipality follows accrual accounting which recognizes revenue when earned rather than when received. The Statement of Operations shows revenues based on

revenue stream. Property taxation includes the Municipality’s portion only as that is the portion the Municipality is entitled to; tax revenues that the Municipality collects on behalf of other parties is not shown within the financial statements of the Municipality. Taxation and user charges tracked in line with the 2020 budget. User charges in 2020 are approximately \$3.3 million lower than in 2019, and this is related to recreation and cultural services which was impacted by the COVID-19 pandemic closures. These fees primarily are in the Community Services Department and relate to lessons, programs, and fitness centre services which were restricted by public health measures.

The following chart shows the past five years’ taxation revenue, the annual increase in taxation and the assessment growth for the Municipality. The assessment growth is higher than the taxation growth in four of the last five years; this indicates that the taxation rate is decreasing proportionately.



The Grant from the Province of Ontario includes funds received through the Safe Restart Program, which provided funding for the Municipality to offset lost revenue and increased operating expenses incurred as a result of the COVID-19 pandemic. Government of Canada grants include funds which were related to specific capital projects earned in 2020. Grant revenue is not a consistent form of revenue for the Municipality and is volatile from year to year as summarized below:



Deferred revenue earned decreased year over year by more than \$6.1 million, primarily due to a decrease in capital infrastructure project activities supported by obligatory reserve funds.

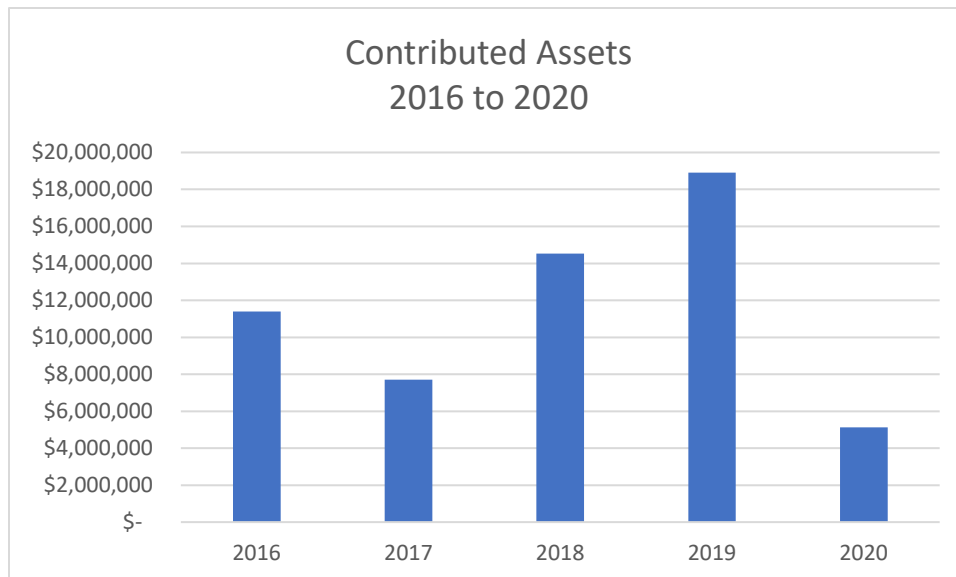
Investment income includes dividends from Elexicon which are not budgeted for as they are discretionary and there is no guarantee of receipt. While the investment income is above budget due to the Elexicon dividend, overall investments are down as a result of the market impacts of COVID-19. The interest rates earned on investments and the Municipality’s bank accounts decreased dramatically during the year, which impacted the returns that were able to be realized.

Penalties and interest on property tax is below the 2019 actuals driven by a decision in 2020 to provide two months relief from interest and penalties as a result of the COVID-19 pandemic. This relief was approximately \$200,000 to \$250,000 in lost revenue to the Municipality, as it was provided to all outstanding balances.

Fines were approximately \$203,000 lower in 2020 versus 2019. This was due to lower parking meter revenues and fines. There was a conscious decision to permit free parking in the business improvement area for an extended period of time, in an effort to help mitigate the impacts of COVID-19 on local businesses. There was also a shift in focus for By-law Enforcement towards COVID-19 protocol enforcement and patrolling, as opposed to parking enforcement. The closure of the Library to adhere to COVID-19 protocols resulted in a reduction in Library fines revenue of approximately \$45,000.

During the year, the Municipality received tangible capital assets with a fair market value of \$5.1 million, this relates to subdivisions assumed by the Municipality. The value is the fair market value of the assets built by the developer (e.g. roads, parks, storm water management), which are now assets of the Municipality. This amount will fluctuate from year to year and is based on the timing of development and acceptance by the Municipality. The budget amount shown on the statement has been set, as is past practice, to agree to the actual amount.

The following chart highlights the past five years of contributed asset revenue and shows the volatility of this revenue source.



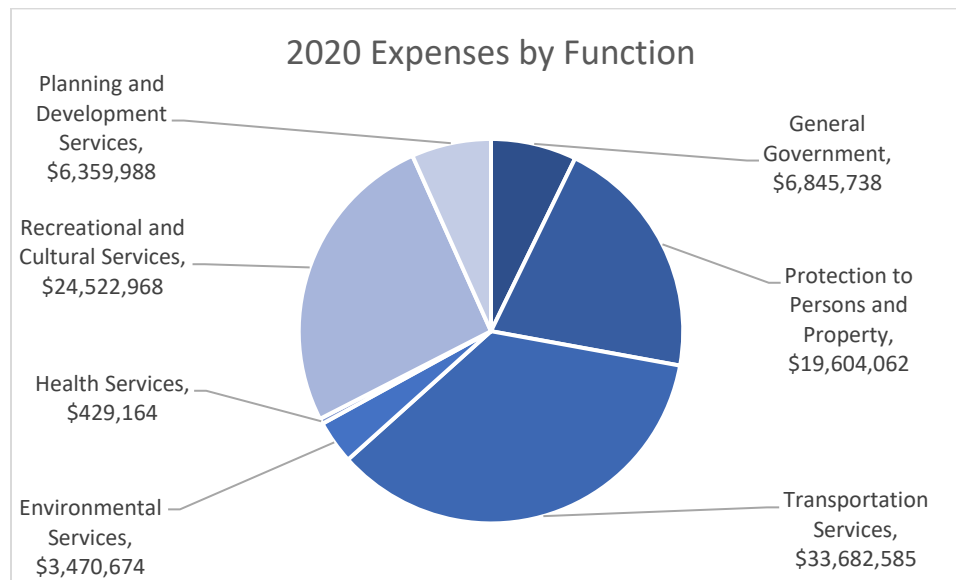
## Expenses

In most areas of the Municipality expenses decreased in 2020 compared to 2019. This can be attributed in part to the COVID-19 pandemic. Areas such as protection to persons and property, transportation services and health services saw increases in expenses compared to 2019 resulting from operational changes due to COVID-19. The Municipality saw increased costs from COVID-19 through added cleaning, protective equipment, staff time for municipal law enforcement, and other items. Savings were also recognized through reduced staffing in certain areas, reduced travel costs for training and meetings, as well as reductions in office supplies and utilities.

While the Municipality took steps to reduce expenses in 2020 due to COVID-19, there are fixed costs that cannot be reduced. Regular repairs and maintenance of buildings, including those closed to the public, must occur in order to ensure the integrity of the building and the systems within it. Amortization expense is a non-cash expense which allocates the capital cost of assets across the useful life of the asset, it is not impacted by COVID-19 and was recognized in 2020.

Overall, the expenses for the Municipality were below the 2020 budget and 2019 actuals. The savings contribute to the surplus recognized for the year, despite the fact that the Municipality did not recognize the revenue levels that were budgeted. During the year, the Municipality also received funding from the Province of Ontario and the Government of Canada's Safe Restart Program, these funds have been recognized as revenue in 2020. It should be noted that the surplus and budget shown on the statements are in accordance with PSAB and are shown on the same basis that the Municipality budgets annually (which uses a modified cash basis).

The Municipality's 2020 expenses by service function are summarized below:



## Consolidated Statement of Change in Net Financial Assets

The purpose of the Statement of Change in Net Financial Assets is to provide financial statement users with additional information on the Municipality's financial activities during the year. The statement backs out all of the non-financial activity from the statement of operations, such as amortization, accounting gains/losses, and the purchase and sale of assets. The statement shows that the financial impact on the surplus attributable to change in financial assets is an increase of \$7.8 million, compared to the previous year's increase of \$6.6 million. While the annual surplus in 2019 was higher than 2020, this was mainly a result of the recognition of contributed assets. Both the surplus and the acquisition of assets are lower in 2020 as a result of timing of contributed assets.

## Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows explains how the Municipality financed its activities and met its cash obligations. It details items that do not involve cash such as annual amortization and developer contributed assets. This statement reconciles the change in cash and cash equivalents from year to year. The consolidated cash position of the Municipality increased from \$55.7 million in 2019 to \$79.0 million in 2020.

During the year operating activities contributed to an increase of \$40.3 million in cash. These would include the collection of outstanding receivables, the payment of accounts payable, and the receipt of funds which were not recognized as revenue during the year (mainly development charges).

The change in cash from capital activities of \$15.7 million in cash outflows was due to the acquisition of tangible capital assets during the year.

Investing activities included dividends from Elexicon Group of \$1.0 million were contributors to the increase in cash in 2020.

During the 2020 fiscal year, the Municipality repaid \$2.3 million of its long-term debt, which is considered a financing activity.

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**All financial information contained within the 2020 Financial Report have been reviewed and approved by the Treasurer, with the final approval of Council.**

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August 4, 2021

If this information is required in an alternate format, please contact the Accessibility Co-ordinator at 905-623-3379 ext. 2131

Consolidated financial statements of

# **The Corporation of the Municipality of Clarington**

December 31, 2020

# The Corporation of the Municipality of Clarington

December 31, 2020

## Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Municipality of Clarington are the responsibility of the Municipality's management and have been prepared in accordance with Canadian public sector accounting standards. The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation maintains a system of internal controls designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate, that transactions are properly authorized, and the Corporation's assets are properly accounted for and adequately safeguarded.

The financial statements have been examined by BDO Canada LLP, Chartered Professional Accountants, the external auditors for the Corporation. The responsibility of the external auditor is to express an opinion on whether the financial statements are fairly presented, in all material respects, in accordance with Canadian public sector accounting standards.

Council, through the Audit and Accountability Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Accountability Committee meets periodically with management, as well as the external auditors to satisfy itself that each party is properly discharging its responsibilities with respect to internal controls and financial reporting.

The Audit and Accountability Committee meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.



Andrew Allison  
Chief Administrative Officer  
August 4, 2021



Trevor Pinn, CPA, CA  
Director of Financial Services / Treasurer  
August 4, 2021



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## Independent Auditor's Report

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To the Members of Council of the Corporation of the Municipality of Clarington

### Opinion

We have audited the consolidated financial statements of the Corporation of the Municipality of Clarington and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of operations, the consolidated statement of change in net assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated results of operations, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matters

The consolidated financial statements of the Corporation of Municipality of Clarington for the year ended December 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on September 10, 2020 on the same basis described above.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Lindsay, Ontario  
September 14, 2021

**The Corporation of the Municipality of Clarington  
Consolidated Statement of Financial Position  
As at December 31, 2020**

	2020	2019 (Restated – Note 2)
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	79,019,522	55,684,429
Investments (Note 5)	69,280,598	69,279,397
Accounts receivable (Note 2)	9,090,098	10,742,310
Taxes receivable (Note 6)	8,538,141	8,633,327
Inventories for resale	30,206	27,657
Land for resale	221,349	424,898
Promissory notes receivable (Note 7)	8,321,000	8,321,000
Investment in Elexicon Corporation (Note 8)	18,580,998	18,563,427
<b>Total financial assets</b>	<b>193,081,912</b>	<b>171,676,445</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	11,486,061	8,243,375
Employee future benefits liabilities (Note 9)	9,063,957	8,638,138
Debenture debt (Note 11)	9,545,557	11,879,590
Deferred revenue - general	14,447,534	16,039,513
Deferred revenue - obligatory reserve funds (Note 2, Note 13)	61,435,647	47,567,505
<b>Total liabilities</b>	<b>105,978,756</b>	<b>92,368,121</b>
<b>Net financial assets</b>	<b>87,103,156</b>	<b>79,308,324</b>
<b>Non-financial assets</b>		
Tangible capital assets (Notes 19) (Schedule 1)	464,092,872	467,499,849
Prepaid expenses	972,271	943,127
Inventory supplies	462,308	537,950
<b>Total non-financial assets</b>	<b>465,527,451</b>	<b>468,980,926</b>
<b>Accumulated surplus (Note 20)</b>	<b>552,630,607</b>	<b>548,289,250</b>

Contingencies (Note 15), contractual commitments (Note 16) and impact of Covid-19 (Note 24)

See accompanying notes to the consolidated financial statements

**The Corporation of the Municipality of Clarington  
Consolidated Statement of Operations  
For the year ended December 31, 2020**

	2020	2020	2019 (Restated – Note 2)
	Budget	Actual	Actual
	\$	\$	\$
<b>Revenues</b>	<b>(Note 21)</b>		
Taxation and user charges			
Property taxation	64,000,247	64,336,736	61,553,425
Taxation from other governments	4,606,980	4,638,683	4,769,303
User charges	10,538,442	10,394,003	13,702,217
Grants			
Government of Canada	23,700	1,049,371	647,219
Province of Ontario	253,381	2,383,243	455,498
Other			
Deferred revenue earned	15,450,996	6,866,016	12,934,961
Investment income (Note 2)	932,680	2,183,593	2,725,189
Penalty and interest on taxes	1,250,000	1,269,120	1,417,469
Fines	426,500	368,411	571,782
Donations and contribution from others	5,023,633	2,120,311	2,743,224
Ellexicon / Veridian Corporation			
Equity share of net income	-	1,063,520	446,232
Contributed tangible capital assets	5,120,862	5,120,862	18,912,296
Other income	-	6,272	25,290
Loss on disposal of tangible capital assets	-	(2,543,605)	(475,792)
<b>Total revenues</b>	<b>107,627,421</b>	<b>99,256,536</b>	<b>120,428,313</b>
<b>Expenses</b>			
General government	7,279,945	6,845,738	7,439,161
Protection to persons and property	20,139,322	19,604,062	18,854,337
Transportation services	34,558,863	33,682,585	32,412,918
Environmental services	3,016,539	3,470,674	4,413,890
Health services	390,294	429,164	383,447
Recreational and cultural services	28,199,724	24,522,968	26,259,737
Planning and development	5,523,095	6,359,988	6,559,536
<b>Total expenses</b>	<b>99,107,782</b>	<b>94,915,179</b>	<b>96,323,026</b>
<b>Annual surplus</b>	<b>8,519,639</b>	<b>4,341,357</b>	<b>24,105,287</b>
<b>Accumulated surplus, beginning of year (Note 2)</b>	<b>549,716,079</b>	<b>548,289,250</b>	<b>524,183,963</b>
<b>Accumulated surplus, end of year</b>	<b>558,235,718</b>	<b>552,630,607</b>	<b>548,289,250</b>

See accompanying notes to the consolidated financial statements

**The Corporation of the Municipality of Clarington  
Consolidated Statement of Change in Net Financial Assets  
For the year ended December 31, 2020**

	<b>2020</b>	<b>2020</b>	2019 (Restated – Note 2)
	<b>Budget</b>	<b>Actual</b>	Actual
	\$	\$	\$
<b>Annual surplus</b>	<b>8,519,639</b>	<b>4,341,357</b>	24,105,287
Amortization of tangible capital assets	<b>20,093,171</b>	<b>21,654,409</b>	20,576,843
Acquisition of tangible capital assets	<b>(27,618,376)</b>	<b>(20,831,588)</b>	(38,546,370)
Net book value of tangible capital assets disposals/adjustments		<b>2,584,155</b>	576,437
(Increase) decrease in prepaid expenses		<b>(29,143)</b>	(163,041)
(Increase) decrease in inventory supplies		<b>75,642</b>	74,427
Increase (decrease) in net financial assets	<b>994,434</b>	<b>7,794,832</b>	6,623,583
Net financial assets, beginning of year	<b>80,735,153</b>	<b>79,308,324</b>	72,684,741
Net financial assets, end of year	<b>81,729,587</b>	<b>87,103,156</b>	79,308,324

See accompanying notes to the consolidated financial statements

**The Corporation of the Municipality of Clarington  
Consolidated Statement of Cash Flows  
For the year ended December 31, 2020**

	2020	2019 (Restated – Note 2)
	\$	\$
<b>Operating activities</b>		
Annual surplus	4,341,357	24,831,954
Non cash items		
Amortization of tangible capital assets	21,654,409	20,576,843
Loss on disposal of tangible capital assets	2,543,605	475,792
Equity share of Elexicon Corporation net income	(1,063,520)	(446,232)
Contributed tangible capital assets recorded in revenue	(5,120,862)	(18,912,296)
Change in non-cash operating items		
Accounts receivable	1,652,212	(4,289,392)
Taxes receivable	95,186	(449,522)
Inventories for resale	(2,549)	4,475
Inventory of land for resale	203,549	20
Accounts payable and accrued liabilities	3,242,686	114,832
Employee future benefits liabilities	425,819	(22,389)
Deferred revenue - general	(1,591,979)	1,264,016
Deferred revenue - obligatory reserve funds	13,868,142	(231,419)
Prepaid expenses	(29,143)	(163,041)
Inventory supplies	75,642	74,427
	<b>40,294,554</b>	<b>22,828,068</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets (net of contributed tangible capital assets)	(15,710,726)	(19,634,074)
Proceeds on disposal of tangible capital assets	40,550	100,645
	<b>(15,670,176)</b>	<b>(19,533,429)</b>
<b>Investing activities</b>		
Decrease (increase) in investments	(1,201)	1,996,436
Dividends received from Veridian Corporation	1,045,949	941,900
	<b>1,044,748</b>	<b>2,938,336</b>
<b>Financing activities</b>		
Repayment of debenture debt	(2,334,033)	(2,393,930)
Proceeds of debenture issue	-	
	<b>(2,334,033)</b>	<b>(2,393,930)</b>
Net increase (decrease) of cash and cash equivalents	<b>23,335,093</b>	<b>3,839,045</b>
Cash and cash equivalents, beginning of year	<b>55,684,429</b>	<b>51,845,384</b>
<b>Cash and cash equivalents, end of year</b>	<b>79,019,522</b>	<b>55,684,429</b>

See accompanying notes to the consolidated financial statements

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

The Municipality of Clarington (the “Municipality”) is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, the Municipal Affairs Act and related legislation.

## 1. Significant accounting policies

The consolidated financial statements of the Municipality are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards (“PSAS”).

Significant accounting policies adopted are as follows:

### (a) (i) Reporting entity

These consolidated financial statements reflect financial assets, liabilities, operating revenues and expenses, and changes in investment in tangible capital assets of the Municipality of Clarington. The reporting entity is comprised of all organizations, local boards and committees controlled by the Municipality, including the following:

- Board of Management for the Historic Downtown Bowmanville Business Improvement Area
- Board of Management for the Newcastle Central Business District Improvement Area
- Board of Management for the Orono Central Business District Improvement Area
- Clarington Public Library Board
- Clarington Museums and Archives
- Newcastle Arena Board
- Newcastle Community Hall Board
- Solina Hall Board
- Tyrone Community Hall Board
- Clarington Heritage Committee
- Bowmanville Santa Claus Parade Committee
- Orono Cemetery Board\*

All material inter-entity transactions and balances are eliminated on consolidation.

\* As of June 10, 2019, the Municipality assumed operations of the Orono Cemetery Board. As of the reporting date, the Municipality was working in conjunction with the Bereavement Authority of Ontario to complete the transfer of the license to the Municipality.

### (ii) Investment in Veridian Corporation / Elexicon Corporation

On April 1, 2019, Veridian Corporation and Whitby Hydro Energy Corporation merged, forming Elexicon Corporation. As a previous shareholder of Veridian Corporation, the Municipality of Clarington, along with the City of Pickering, the Town of Ajax, and the City of Belleville now own 68% of Elexicon Corporation. The Town of Whitby owns the remaining 32% of Elexicon Corporation. The Municipality of Clarington holds a 9.248% share of ownership. For the 2020 fiscal year, the Municipality’s investment in Elexicon Corporation and its subsidiaries is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAS for investments in government business

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 1. Significant accounting policies (continued)

### (ii) Investment in Elexicon Corporation (continued)

partnerships. Under the modified equity basis of accounting, the business partnership's accounting principles are not adjusted to conform to those of the Municipality and inter-organizational transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of Elexicon Corporation in its "Consolidated Statement of Operations" with a corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from Elexicon Corporation and other capital transactions will be reflected as adjustments in the investment asset account.

### (iii) Accounting for region and school board transactions

The taxation and other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Regional Municipality of Durham are not reflected in these financial statements.

### (iv) Accounting for phase-in/capping provisions

Increases/decreases in property taxes levied as a result of the application of phase-in/capping legislation are not reflected in the Consolidated Statement of Operations but are reported on the Consolidated Statement of Financial Position.

### (v) Trust funds

Trust funds and their related operations administered by the Municipality are not included in these consolidated financial statements but are reported separately on the "Trust Funds Statement of Operations" and "Trust Funds Statement of Financial Position".

## (b) Basis of accounting

### (i) Accrual basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

### (ii) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and bankers' acceptances, all of which are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of less than 90 days.

### (iii) Investments

Portfolio investments are carried at cost, net of accumulated amortization on premiums and discounts. Premiums and discounts are amortized on a straight-line basis over the term to maturity. Interest income is recorded as it accrues. When the value of any portfolio investment is impaired, the carrying amount is adjusted to the estimated realizable amount and any adjustments are included in investment income in the period the impairment is recognized.



# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 1. Significant accounting policies (continued)

### (b) Basis of accounting (continued)

#### (iv) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Changes in Net Financial Assets for the year.

#### (a) Tangible capital assets ("TCA")

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development, or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20-75 years
Buildings	5-75 years
Vehicles	7-20 years
Equipment	3-25 years
Linear road and related	7-75 years
Linear storm sewers	40-75 years

#### Amortization

The Municipality uses the straight-line method of amortization. For pooled assets and networks such as roads and storm sewers, one half of the annual amortization is charged in the year of acquisition or in-service date and in the year of disposal. For individual assets, if acquired (or in-service) in the first half of the year, the full year of the amortization is charged. If acquired (or in-service) in the second half of the year, one half of the annual amortization is charged. Similarly, in the year of disposal, if the asset is disposed of in the first half of the year, one half of the amortization is charged but if disposed of in the second half of the year the full annual amortization is charged. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

#### Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date received/assumed and that fair value is also recorded as revenue.

#### (b) Intangible assets

Intangible assets are not recognized in the consolidated financial statements.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 1. Significant accounting policies (continued)

### (b) Basis of accounting (continued)

#### (iv) Non-financial assets (continued)

#### (c) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

#### (v) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved. Reserves and reserve funds form part of the Municipality's accumulated surplus.

#### (vi) Deferred revenues

Deferred Revenues, which include advance payments for tickets, building permits and program registration fees; contributions from developers according to Section 37 of the Planning Act; and revenues set aside for specific purposes (obligatory reserve funds), represent fees which have been collected, but for which the related services have not yet been provided. Revenue is recognized when the related activity occurs or the service is performed.

#### (vii) Employee future benefits

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs.

Actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of all employees covered.

#### (viii) Contaminated sites

Contaminated sites are the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceed an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met: a) an environmental standard exists; b) contamination exceeds the environmental standard; c) the organization is directly responsible or accepts responsibility for the liability; d) future economic benefits will be given up; and e) a reasonable estimate of the liability can be made. Changes in this estimate are recorded in the Municipality's statement of operations. As of December 31, 2020, there was no liability recorded on the statement.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 1. Significant accounting policies (continued)

### (b) Basis of accounting (continued)

#### (ix) Revenue Recognition

##### Taxation

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation (“MPAC”). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Regional Municipality of Durham and the Province of Ontario in respect of education taxes.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management’s best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

A normal part of the assessment process is the issuance of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments of the related property taxes are subject to appeal. Any supplementary 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 of Durham and school boards, as appropriate.

##### Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Government transfers and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the tangible capital assets are acquired.

##### User fees and service charges

User charges are recognized when the services are performed, or goods are delivered and there is reasonable assurance of collection.

##### Other

Other revenue is recorded when it is earned, and collection is reasonably assured.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 1. Significant accounting policies (continued)

### (b) Basis of accounting (continued)

#### Investment income

Investment income earned on operating surplus funds and reserve funds (other than obligatory reserve funds) are recorded as revenue in the period earned. Investment income earned on obligatory reserve funds are recorded directly to each respective fund balance and forms part of the deferred revenue – obligatory reserve funds balance.

#### (x) Inventory for resale

Inventory for resale is valued at the lower of cost or net realizable value on an average cost basis.

#### (xi) Use of estimates

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 judgment. Actual results could differ from these estimates.

## 2. Prior period adjustment

During the year, the Municipality identified a prior period adjustment related to accrued investment income that was recognized in error. The prior period adjustment impacts the year ended December 31, 2019 and prior years. As a result, the December 31, 2019 comparative figures have been restated from those previously reported as follows:

	Previously Reported	Adjustments	Restated
	\$	\$	\$
Accounts receivable	12,329,020	1,586,710	10,742,310
Deferred revenue – obligatory reserve funds	47,727,387	159,882	47,567,505
Accumulated surplus, beginning of year	524,884,124	700,161	524,183,963
Investment income	3,451,856	726,667	2,725,189

## 3. Trust funds

Trust funds administered by the Municipality amounting to \$1,933,011 (2019 – \$1,915,329) have not been included in the “Consolidated Statement of Financial Position” nor have their financial activities been included in the “Consolidated Statement of Operations”.

## 4. Operations of school boards and The Regional Municipality of Durham

Further to Note 1(a) (iii), requisitions were made by the Regional Municipality of Durham and School Boards requiring the Municipality of Clarington to collect property taxes and

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 4. Operations of school boards and The Regional Municipality of Durham (continued)

payments in lieu of property taxes on their behalf. The amounts levied and remitted are summarized below:

	School Boards	Regional Municipality of Durham
	\$	\$
<b>2020</b>		
Property taxes	33,327,860	93,206,600
Taxation from other governments	90,735	2,889,931
<b>Total</b>	<b>33,418,595</b>	<b>96,096,531</b>
<b>2019</b>		
Property taxes	32,367,970	89,346,215
Taxation from other governments	93,770	2,979,181
<b>Total</b>	<b>32,461,740</b>	<b>92,325,396</b>

## 5. Investments

Total investments of \$69,280,598 (2019 - \$69,279,397) reported on the Consolidated Statement of Financial Position at cost plus accrued interest, have a market value of \$73,104,547 (2019 - \$72,701,584) at the end of the year. The investments consist of investments pursuant to provisions of the Municipality's investment policy and comprise government bonds and guaranteed investment certificates (GICs) issued by various financial institutions. It is the Municipality's intention to hold these investments until maturity.

	2020 Cost	2020 Market Value	2019 Cost	2019 Market Value
	\$	\$	\$	\$
GICs	38,838,412	40,174,373	51,895,933	54,705,469
Bonds	23,536,521	25,262,800	12,690,866	12,831,045
Pooled Funds Equity	2,588,679	3,492,447	500,000	1,199,929
Pooled Funds Bonds	4,316,986	4,174,927	4,192,598	3,965,141
<b>Total</b>	<b>69,280,598</b>	<b>73,104,547</b>	<b>69,279,397</b>	<b>72,701,584</b>

The Municipality holds investments with a maturity of less than 90 days, in a High Interest Savings Account. This value is reported within cash and cash equivalents, due to the highly liquid nature of these investments. Total investments, with a maturity of less than 90 days, have a value of \$24,453,346 (2019 - \$23,580,608) reported on the Consolidated Statement of Financial Position.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 6. Taxes receivable

The balance in taxes receivable, including penalties and interest, is comprised of the following:

	2020	2019
	\$	\$
Current year	6,830,452	6,992,835
Arrears previous years	2,457,689	2,390,492
	<b>9,288,141</b>	9,383,327
Allowance for uncollectible taxes	<b>(750,000)</b>	(750,000)
	<b>8,538,141</b>	8,633,327

## 7. Promissory notes receivable

	2020	2019
	\$	\$
Promissory note receivable from Veridian Corporation maturing December 31, 2019 or the closing date and bearing interest at the greater of 6% or the Ontario Energy Board deemed long-term debt rate on an annual basis to maturity, transferred on April 1, 2019 to a promissory note receivable from Elexicon Corporation due on demand and bearing interest at the Ontario Energy Board deemed long-term debt rate on an annual basis to maturity (4.13% at Dec 31, 2020).	<b>2,355,000</b>	2,355,000
Promissory note receivable from Veridian Connection Inc. maturing November 1, 2039 and bearing interest at 4.47% from January 1, 2015 to December 31, 2019 and then the Ontario Energy Board deemed long-term debt rate for each successive five year period thereafter, transferred on April 1, 2019 to a promissory note receivable from Elexicon Energy Inc. maturing November 1, 2039 and bearing interest at the Ontario Energy Board deemed long-term debt rate on an annual basis to maturity (4.13% at Dec 31, 2020).	<b>5,966,000</b>	5,966,000
	<b>8,321,000</b>	8,321,000

Interest revenue earned from the notes receivable totalled \$343,657 (2019 - \$359,738).

The Municipality has waived its right to demand repayment of any portion of the principal of the promissory notes payable before the date of January 1, 2022.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 8. Investment in Veridian Corporation / Elexicon Corporation

Veridian Corporation was a government business partnership which was jointly owned by the City of Pickering, Town of Ajax, Municipality of Clarington and the City of Belleville. The Municipality of Clarington owned 1,360 of the outstanding common shares of Veridian Corporation. This represented a 13.6% share of ownership.

On April 1, 2019, Veridian Corporation and Whitby Hydro Energy Corporation merged, forming Elexicon Corporation. As a previous shareholder of Veridian Corporation, the Municipality of Clarington, along with the City of Pickering, the Town of Ajax, and the City of Belleville now own 68% of Elexicon Corporation. The Town of Whitby owns the remaining 32% of Elexicon Corporation. The Municipality of Clarington holds a 9.248% share of ownership.

### (a) Veridian Corporation

The Municipality is accounting for this investment using a modified equity basis in these financial statements. The financial impact of the amalgamation to the Municipality of Clarington's investment and equity are reported below.

The following table provides condensed supplementary financial information of Veridian Corporation and its subsidiaries for the year ended March 31, 2019:

	2019 – as at March 31
	\$
<b>Financial position</b>	
Assets	
Current	65,333,000
Capital and intangibles	296,565,000
Other	147,000
Regulatory balances	7,231,000
<b>Total assets and regulatory balances</b>	<b>369,276,000</b>
Liabilities	
Current	155,284,000
Long-term debt	36,909,000
Other	36,569,000
<b>Total liabilities</b>	<b>228,762,000</b>
Shareholders' Equity	
Share capital	67,260,000
Contributed capital	25,000
Retained earnings	67,960,000
Regulatory balances	5,269,000
<b>Total shareholders' equity and regulatory balances</b>	<b>140,514,000</b>
<b>Total liabilities, equity and regulatory balances</b>	<b>369,276,000</b>

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 8. Investment in Veridian Corporation / Elexicon Corporation (continued)

### (a) Veridian Corporation (continued)

<b>Financial activities</b>	
Revenues	79,702,000
Other income	657,000
Expenses	(84,348,000)
Net movements in regulatory balances, net of tax	2,640,000
<b>Net income (loss) for the year</b>	<b>(1,349,000)</b>

### (b) Elexicon Corporation

The Municipality is accounting for this investment using a modified equity basis in these financial statements. The financial impact of the amalgamation to the Municipality of Clarington's investment and equity are reported below.

The following table provides condensed supplementary financial information of the Elexicon Corporation and its subsidiaries for the 2020 fiscal year and the period of April 1 to December 31, 2019:

	2020	2019 – April 1 to December 31
	\$	\$
<b>Financial position</b>		
<b>Assets</b>		
Current	98,525,000	84,933,000
Capital and intangibles	535,400,000	506,254,000
Other	162,000	256,000
Regulatory balances	26,912,000	15,145,000
<b>Total assets and regulatory balances</b>	<b>660,999,000</b>	<b>606,588,000</b>
<b>Liabilities</b>		
Current	88,743,000	89,180,000
Long-term debt	214,502,000	180,360,000
Other	110,913,000	89,641,000
<b>Total liabilities</b>	<b>414,158,000</b>	<b>359,181,000</b>
<b>Shareholders' Equity</b>		
Share capital	97,692,000	97,692,000
Contributed capital	25,000	25,000
Retained earnings	147,288,000	147,082,000
Regulatory balances	1,836,000	2,608,000
<b>Total shareholders' equity and regulatory balances</b>	<b>246,841,000</b>	<b>247,407,000</b>
<b>Total liabilities, equity and regulatory balances</b>	<b>660,999,000</b>	<b>606,588,000</b>



# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 8. Investment in Veridian Corporation / Elexicon Corporation (continued)

### (b) Elexicon Corporation (continued)

<b>Financial activities</b>		
Revenues	<b>553,366,000</b>	364,204,000
Other income	<b>6,482,000</b>	1,227,000
Expenses	<b>(559,888,000)</b>	(367,302,000)
Net movements in regulatory balances, net of tax	<b>11,540,000</b>	8,680,000
<b>Net income for the year</b>	<b>11,500,000</b>	<b>6,809,000</b>

### (c) Municipality's equity is represented by:

	2020	2019
	\$	\$
Promissory notes receivable (Note 7)	<b>8,321,000</b>	8,321,000
Initial investment in shares of the Corporation	<b>10,146,495</b>	10,146,495
Accumulated net income	<b>20,114,574</b>	19,051,053
Net increase in value of investment	<b>400,126</b>	400,126
Accumulated dividends received	<b>(12,080,197)</b>	(11,034,247)
<b>Total equity</b>	<b>26,901,998</b>	<b>26,884,427</b>
Municipality of Clarington's investment represented by:		
Investment in Corporation	<b>18,580,998</b>	18,563,427
Promissory notes receivable	<b>8,321,000</b>	8,321,000
	<b>26,901,998</b>	<b>26,884,427</b>

### (d) Contingencies and guarantees of Elexicon Corporation (the "Corporation") as disclosed in their financial statements are as follows:

#### (i) Insurance claims

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"), which was created on January 1, 1987. A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE provides general liability insurance to member electric utilities. MEARIE also provides vehicle and property insurance to the Corporation.

Insurance premiums charged to each member electric utility consist of a levy per \$1,000 of service revenue subject to a credit or surcharge based on each electric utility's claims experience. The maximum coverage is \$30,000,000 per occurrence for liability insurance, \$21,000,000 for vehicle insurance, and \$161,680,000 for property insurance; plus \$10,000,000 excess coverage on top of the regular liability and vehicle coverage.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 8. Investment in Veridian Corporation / Elexicon Corporation (continued)

### (ii) Contractual obligation - Hydro One Networks Inc. (continued)

The Corporation's subsidiary, Elexicon Energy Inc. (EEI), is party to a connection and cost recovery agreement with Hydro One related to the construction by Hydro One of a transformer station designated to meet EEI's anticipated electricity load growth. Construction of the project was completed during 2007 and EEI connected to the transformer station during 2008.

To the extent that the cost of the project is not recoverable from future transformation connection revenues, EEI is obligated to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to EEI. The construction costs allocated to EEI for the project are \$19,950,000.

Hydro One has performed a true-up based on actual load at the end of the tenth anniversary of the in-service date and the Corporation has paid \$2,135,000 (2019 – 637) to Hydro One and recognized the same as an intangible asset. The Corporation has also recorded a current liability and a corresponding intangible asset for \$1,533,000 as at December 31, 2019, based on management's best estimate of the future transformation connection revenues shortfall. Hydro One is expected to perform another true-up based on actual load at the end of the fifteenth anniversary of the in-service date.

### (e) Lease commitments - Elexicon Corporation

Future minimum lease payment obligations under operating leases are as follows:

	\$
2021	363,000
2022	229,000
2023	179,000
2024	124,000
2025	95,000
Thereafter	115,000
	<hr/> 1,105,000 <hr/>

## 9. Employee future benefits liabilities

### (a) Accumulated sick leave entitlement

#### (i) Firefighters

The Municipality provides two sick leave accumulation plans for firefighters. Plan A accumulates at the rate of one day per month of completed years of service to a maximum of 182 days. These employees may become entitled to a cash payment on retirement, early retirement, termination, or death, at the rate of 50% of the accumulated credit, to a maximum of one-half a year's salary. Plan B – accumulates at the rate of one day per month once the employees complete five years of service. The estimated liability at December 31, 2020 was \$1,009,061 (2019 - \$1,023,710).

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 9. Employee future benefits liabilities (continued)

### (a) Accumulated sick leave entitlement (continued)

#### (ii) Other

During the 1993 fiscal year, the Municipality negotiated an agreement with all employees (except firefighters) to terminate the sick leave benefit plan which had been in effect for many years. The Municipality agreed to pay to those employees covered by the plan and who had at least five-years' service with the Municipality a cash equivalent of 50% of sick leave days accumulated to July 1, 1993 to a maximum of 120 days of salary. Remuneration for the buying out of sick days identified will be available to the employee at any time up to the time that the employee either leaves the Corporation or retires, at the rate of remuneration in effect at July 31, 1993. The estimated liability at December 31, 2020 amounted to \$21,196 (2019 - \$18,298).

### (b) Post-employment benefits - other

The Municipality makes available to qualifying employees who retire before the age of 65 (firefighters - age 60) the opportunity of continuing their coverage for benefits such as medical (extended health), dental, and life insurance benefits. Coverage ceases at age 65.

Dependent upon the eligibility, the cost of this coverage may be a shared responsibility between the Municipality and the retired employees.

An actuarial valuation was performed as at December 31, 2020 based on data as at the valuation date and plan provisions. The accrued benefit obligation and net benefit costs (i.e. the expense) for the 2020 fiscal year end was determined by this valuation.

The significant actuarial assumptions employed for the valuation are as follows:

- (i) Discount rate will be 2.50% per annum.
- (ii) Future inflation rates will be 2.00%.
- (iii) Dental cost trend rates will be 3.00% in fiscal 2021 and remain stable at that level until 2024.
- (iv) Extended health care trend rates will be 5.37% in fiscal 2021 and remain stable at that level until 2024.

### (c) Information about the Municipality's employee future benefits liabilities is as follows:

	2020	2019
	\$	\$
<b>Accrued benefit obligation</b>		
Balance, beginning of year	9,898,089	7,321,218
Employer current service cost	541,249	414,861
Interest cost	252,516	236,833
Benefits paid	(493,252)	(626,106)
Actuarial (gain) loss	516,357	2,551,283
Balance, end of year	10,714,959	9,898,089
Unamortized net actuarial gains (losses)	(1,651,002)	(1,259,951)
<b>Employee future benefits liabilities, end of year</b>	<b>9,063,957</b>	<b>8,638,138</b>

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 10. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"). OMERS is a multi-employer defined benefit pension plan which provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The pension plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The most recent actuarial valuation of the Plan was conducted at December 31, 2020. The results of this valuation disclosed total actuarial liabilities of \$113,055 million with respect to benefits accrued for service with actuarial assets at that date of \$109,844 million indicating an actuarial deficit of \$3,211 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the Plan surplus or deficit.

The Municipality recognizes the expense related to this plan as contributions are made. The contribution rates and year's maximum pensionable earnings (YMPE) are outlined in the table below.

Year	YMPE	NRA 65 up to YMPE	NRA 65 over YMPE	NRA 60 up to YMPE	NRA 60 over YMPE
<b>2020</b>	<b>\$58,700</b>	<b>9.0%</b>	<b>14.6%</b>	<b>9.2%</b>	<b>15.8%</b>
2019	\$57,400	9.0%	14.6%	9.2%	15.8%

The amount contributed to OMERS for 2020 was \$3,308,521 (2019 - \$3,323,567) for current services and is included as an expense on the statement of operations.

## 11. Debenture debt

The debenture debt consists of several debentures that mature in the years 2021 to 2032.

(a) At the end of the year, the outstanding principal amount of this liability is \$9,545,557 (2019 - \$11,879,590).

Maturity date	Interest rate Note (i) %	Regional By-law #	2020 \$	2019 \$
July 12, 2021	5.12	52-2006	<b>103,099</b>	201,115
August 21, 2022	4.60 to 4.75	07-2007	<b>2,000,000</b>	3,500,000
July 2, 2024	1.95 to 3.35	38-2014	<b>611,000</b>	755,000
July 2, 2029	1.95 to 3.80	38-2014	<b>4,176,600</b>	4,573,600
October 17, 2031	1.25 to 2.80	48-2016	<b>750,000</b>	811,000
April 13, 2032	1.70 to 3.30	56-2017	<b>834,305</b>	893,002
April 13, 2032	1.70 to 3.30	56-2017	<b>1,070,553</b>	1,145,873
			<b>9,545,557</b>	11,879,590

Note (i) Interest rates gradually increase to the upper limits noted in the table.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 11. Debenture debt (continued)

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

	\$
2021	1,858,842
2022	1,775,923
2023	797,103
2024	818,737
2025	679,826
Thereafter	3,615,126
	<u>9,545,557</u>

(c) The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) Total interest expense related to the net long-term liabilities amounted to \$354,362 (2019 - \$445,785) and is reported on the Consolidated Statement of Operations.

## 12. Internal Loans

As a means of funding various capital acquisitions, funds are borrowed from the Municipal Capital Reserve Fund. These funds are secured by promissory notes with interest rates ranging from 2.20% to 3.30% and payment terms of 15 years. The financing arrangements and ultimate repayment are approved by Council through the budget process.

(a) The following is a summary of the individual loans:

	\$
Major Parking Lot Rehabilitation	1,560,934
LED Street lighting Conversion	2,320,066
	<u>3,881,000</u>

(b) Of the internal loans reported in (a) of this note, principal payments are as follows:

	\$
2021	250,000
2022	257,000
2023	263,000
2024	271,000
2025	279,000
Thereafter	2,561,000
	<u>3,881,000</u>

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 13. Deferred revenue - obligatory reserve funds

The continuity of “deferred revenue - obligatory reserve funds” of the Municipality is summarized as follows:

	2020	2019 (Restated – Note 2)
	\$	\$
Balance, beginning of year	47,567,505	47,965,073
Contributions		
Contributions from developers	15,080,110	3,813,009
Investment income	1,195,007	1,327,825
Federal Gas Tax	2,791,328	5,534,417
Provincial infrastructure	1,882,464	1,916,537
	<b>20,948,909</b>	<b>12,591,788</b>
Utilization:		
Transfers to operating	1,700,073	2,410,387
Acquisition of TCA - construction	5,380,694	10,578,969
	<b>7,080,767</b>	<b>12,989,356</b>
Change in deferred revenue during the year	13,868,142	(397,568)
Balance, end of year	<b>61,435,647</b>	<b>47,567,505</b>
Balance, end of year - analyzed as follows:		
Parkland cash-in-lieu	3,678,240	3,076,312
Federal gas tax	2,456,571	2,208,536
Building code act	2,780,177	2,521,357
Provincial infrastructure	2,505,444	1,437,002
Development charges (Note 14)	50,015,215	38,324,298
Total deferred revenue – obligatory reserve funds	<b>61,435,647</b>	<b>47,567,505</b>

## 14. Continuity of development charges reserve funds

	2020	2019 (Restated – Note 2)
	\$	\$
Balance at the beginning of the year	38,324,298	40,461,730
Development charges collections	15,858,733	3,361,490
Investment income	923,855	1,239,331
Tangible capital assets acquisitions and construction	(2,117,686)	(4,427,799)
Operating expenses	(2,973,985)	(2,310,454)
Balance at the end of the year	<b>50,015,215</b>	<b>38,324,298</b>

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 15. Contingencies

Various legal actions and claims have been initiated by and against the Municipality, the outcomes of which cannot be determined at the time of reporting. Accordingly, no provision has been made in these consolidated financial statements for any liability which may result. Should any gain or loss occur as a result of the above legal actions the Municipality will account for the gain/loss when it is likely that such a gain/loss will occur, and the amount is measurable.

## 16. Contractual commitments

During the year the Municipality had work done on several major projects with contract values totaling approximately \$42,939,583 (2019 - \$49,923,822). These contracts relate to the construction and expansion of certain permanent facilities. As at December 31, 2020, \$7,740,569 (2019 - \$5,313,275) relating to these contracts had not been expended.

## 17. Related party transactions and balances - Veridian Corporation / Elexicon Corporation

	2020	2019
	\$	\$
Transactions		
Dividends received	1,045,949	941,900
Interest earned on promissory notes	343,658	359,738
Property taxes	33,533	33,728
Energy and services purchases	628,746	764,974
Balances		
Promissory notes receivable	8,321,000	8,321,000
Accounts payable and accrued liabilities	86,139	57,426

## 18. Guarantees

In the normal course of business, the Municipality enters into agreements which contain guarantees. The Municipality's primary guarantees are as follows:

- (a) The Municipality has provided indemnities under lease agreements for the use of various facilities or land. Under the terms of these agreements the Municipality agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, losses, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) The Municipality indemnifies employees and elected officials for various items including, but not limited to, all costs to settle suits or actions due to association with the Municipality, subject to certain restrictions. The Municipality has purchased liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined but is limited to the period over which the indemnified party served as an employee or elected official of the Municipality. The maximum amount of any potential future payment cannot be reasonably estimated.
- (c) The Municipality has entered into agreements that may include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements,

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 18. Guarantees (continued)

engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Municipality to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these reimbursements cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Municipality from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Municipality has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in these consolidated financial statements with respect to these agreements.

## 19. Tangible capital assets

The continuity of the historical cost and accumulated amortization for various categories of tangible capital assets can be found in Schedule 1.

Further information relating to tangible capital assets is as follows:

### (a) Contributed tangible capital assets

The Municipality of Clarington records all tangible assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, parks, land, and storm sewers installed by a developer as part of a subdivision agreement. For subdivision assets, the recorded date is considered to be the date of acceptance with the exclusion of streetlights and storm sewers with the recorded date as the date of completion. In 2020, there were contributed assets of \$5,120,862 (2019 - \$18,912,296).

### (b) Works of Art and Historical Treasures

The Municipality has one historical collection. The Municipality of Clarington Joint Public Library and Museum Board collection is currently insured for \$350,000. Also included in historical treasures are the cenotaphs located in Bowmanville, Newcastle, Orono and Newtonville. Due to the rural history, there are several abandoned cemeteries located throughout the Municipality. The land is included in the Land asset account; however, all associated physical items are considered a historical treasure. This includes historical signs and cairns, or concrete structures built for old headstones.



# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 20. Accumulated surplus

Accumulated surplus is comprised of the following:

	2020	2019 (Restated – Note 2)
	\$	\$
Invested in tangible capital assets	464,092,872	467,499,849
General surplus	5,718,505	2,886,819
Capital surplus	18,517,314	18,429,199
Inventory - surplus land	221,349	424,898
Debenture debt to be recovered from future revenue	(9,545,557)	(11,879,590)
Unfunded employee benefits and post-employment liabilities	(2,799,829)	(3,053,553)
Reserves set aside for specific purposes by Council:		
Acquisition of capital assets	4,238,932	3,788,124
Legal/consulting issues	1,524,135	1,173,485
Election expenses	222,338	147,338
Fire prevention	284,552	304,552
Burketon park improvements	7,569	7,569
Samuel Wilmot nature area	1,592	492
Secondary plans	133,054	-
Clarington Heritage Committee Board	7,051	6,981
Reserve funds set aside for specific purposes by Council:		
General municipal purposes	6,857,815	5,834,785
Rate stabilization	7,325,184	6,583,056
Strategic capital	9,964,744	10,345,340
Recreation programs and facilities	394,764	427,370
Debenture repayment	568,975	437,259
Industrial development	556,028	493,934
Other cultural	132,720	115,645
Acquisition of capital assets	8,171,365	7,581,917
Newcastle Waterfront study	44,603	689
Municipal capital works	3,550,192	4,133,761
Other capital - unspecified	970,237	948,827
Road contributions	3,379,286	3,744,966
Westside Bridge/Bowmanville Marsh	(2,199)	(2,199)
Port Granby LLRW	306,129	180,689
Community Improvement Plan	137,941	122,497
Business Improvement Areas	161,766	158,984
Hampton Union Cemetery	113,642	99,966
Community Emergency Management	471,540	461,174
Equity in Elexicon / Veridian Corporation	26,901,998	26,884,427
<b>Accumulated surplus</b>	<b>552,630,607</b>	<b>548,289,250</b>

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 21. Segmented information

The Municipality provides a wide range of services to its residents. Distinguishable functional segments have been separately reported on Schedule 2. For each segment, revenues and expenses represent amounts that are directly attributable to each segment. Tax revenues are reported as part of general government.

The nature of the segments and the activities they encompass are as follows:

### (a) General government

General government is comprised of all departments that support the corporate governance, management, and program support for the Municipality.

### (b) Protection to persons and property

Protection to persons and property is comprised of Emergency and Fire Services, Municipal Law Enforcement, Animal Services and Building inspection / enforcement services. Emergency and Fire Services includes responsibility for emergency management, fire prevention and public education, fire suppression, communication, and training.

### (c) Transportation services

Transportation services includes services provided by the Engineering services and Operations departments. The primary responsibilities include the inspection, planning and maintenance of the roads, bridges, sidewalks, streetlights, roadsides, winter snow clearing, subdivision planning, traffic engineering, development, and municipal servicing reviews. Other services include fleet maintenance, parking, and school crossing guards.

### (d) Environmental services

Environmental services includes stormwater management, erosion control and resale of waste diversion goods.

### (e) Health services

Health services includes the maintenance and operation of the Municipality's active and abandoned cemeteries and crematorium, cemetery records management and the sale of cemetery plots, permits and headstones.

### (f) Recreation and cultural services

Recreation and cultural services includes the administration, operation and maintenance of all recreational, aquatic, arena, community recreational facilities, parks and trails. Clarington Libraries, Museums and other external cultural agencies are also included in this segment.

### (g) Planning and development

Planning and development includes the development of planning policies, urban design, development approvals, heritage preservation, real estate services and geomatics. This segment further includes business improvement areas and tourism activities.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2020

## 22. Budget amounts

The budget figures reflected in these consolidated statements are those approved by Council on March 2, 2020. Budget figures have been translated to reflect Public Sector Accounting Board standards (PSAS).

## 23. Comparative figures

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

## 24. Impact of COVID-19

In 2020, the COVID-19 pandemic severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The COVID-19 pandemic had significant impacts on the activities of the Municipality in 2020. In March of 2020, the Province of Ontario declared a state of emergency and ordered the closure of all recreation programs and facilities, outdoor amenities and parks, libraries, museums, and non-essential business. Throughout 2020, the Municipality maneuvered between various states of lockdown, and took steps to mitigate lost revenues by focusing on expense reduction and facility closures. In support of the community, the Municipality approved interest and penalty relief, provided a property tax rebate program to assist residential taxpayers and offered community improvement plan grants to small businesses to assist with adapting their businesses to address public health measures for reopening purposes.

The ultimate duration and magnitude of the impact the pandemic will have on the economy and the Municipality are not known at this time. These impacts potentially include an impact on the Municipality's ability to access and obtain capital financing, impairment of investments, reduction to operational cash flow as a result of the inability of the Municipality to fully recover on its customer accounts and potential future decreases in revenue or the profitability of the Municipality's ongoing operations.

**The Corporation of the Municipality of Clarington  
Consolidated Schedule of Tangible Capital Assets – Schedule 1  
For the year ended December 31, 2020**

2020

	General					Infrastructure							Total
	Land	Land Improvements	Buildings	Vehicles	Equipment	Land	Linear Road & Related	Linear Storm Sewers	Buildings	Vehicles	Equipment	Assets under construction	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Cost</b>													
Balance, beginning of year	70,247,117	39,544,967	107,436,329	9,653,798	14,090,194	6,007,350	405,641,185	96,087,711	2,360,968	13,944,053	62,506	15,492,887	<b>780,569,065</b>
Add: additions during the year	2,366,698	2,066,650	960,229	41,142	1,323,419	-	13,279,880	3,020,831	-	865,987	20,539	10,451,338	<b>34,396,713</b>
Less: disposals during the year	(1)	(252,227)	(229,540)	(376,086)	(796,528)	-	(7,848,349)	(493,681)	(100,000)	(234,817)	(26,854)	(13,565,125)	<b>(23,923,208)</b>
Balance, end transfers of year	72,613,814	41,359,390	108,167,018	9,318,854	14,617,085	6,007,350	411,072,716	98,614,861	2,260,968	14,575,223	56,191	12,379,100	<b>791,042,570</b>
<b>Accumulated amortization</b>													
Balance, beginning of year	-	14,454,357	49,964,192	6,455,806	8,244,923	-	204,095,858	20,091,808	1,552,127	8,185,380	24,764	-	<b>313,069,215</b>
Add: amortization during the year	-	1,226,193	3,178,263	541,889	1,304,689	-	12,749,153	1,679,094	84,784	884,515	5,829	-	<b>21,654,409</b>
Less: accumulated amortization on disposals	-	(240,868)	(196,378)	(376,086)	(789,449)	-	(5,693,817)	(122,202)	(100,000)	(234,816)	(20,310)	-	<b>(7,773,926)</b>
Balance, end of year	-	15,439,682	52,946,077	6,621,609	8,760,163	-	211,151,194	21,648,700	1,536,911	8,835,079	10,283	-	<b>326,949,698</b>
<b>Net book value of tangible capital assets</b>	72,613,814	25,919,708	55,220,941	2,697,245	5,856,922	6,007,350	199,921,522	76,966,161	724,057	5,740,144	45,908	12,379,100	<b>464,092,872</b>

**The Corporation of the Municipality of Clarington  
Consolidated Schedule of Tangible Capital Assets – Schedule 1  
For the year ended December 31, 2020**

2019

	General					Infrastructure							Total
	Land	Land Improvements	Buildings	Vehicles	Equipment	Land	Linear Road & Related	Linear Storm Sewers	Buildings	Vehicles	Equipment	Assets under construction	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Cost</b>													
Balance, beginning of year	70,601,885	33,653,769	106,281,872	9,802,323	13,703,408	3,042,876	390,397,170	90,583,363	2,360,968	11,417,048	32,525	15,149,858	<b>747,027,065</b>
Add: additions during the year	-	6,297,135	1,635,615	-	1,113,209	2,964,474	17,680,939	5,526,988	-	2,949,328	35,654	11,186,297	<b>49,389,639</b>
Less: disposals during the year	(354,768)	(405,937)	(481,158)	(148,525)	(726,424)	-	(2,436,924)	(22,641)	-	(422,323)	(5,672)	(10,843,267)	<b>(15,847,639)</b>
Balance, end transfers of year	70,247,117	39,544,967	107,436,329	9,653,798	14,090,193	6,007,350	405,641,185	96,087,710	2,360,968	13,944,053	62,507	15,492,888	<b>780,569,065</b>
<b>Accumulated amortization</b>													
Balance, beginning of year	-	13,744,636	47,131,979	6,040,673	7,703,205	-	194,244,714	18,816,611	1,467,342	7,746,863	24,284	-	<b>296,920,307</b>
Add: amortization during the year	-	1,115,658	3,150,331	563,658	1,262,285	-	12,252,848	1,280,284	84,785	860,840	6,154	-	<b>20,576,843</b>
Less: accumulated amortization on disposals	-	(405,937)	(318,119)	(148,525)	(720,567)	-	(2,401,704)	(5,087)	-	(422,323)	(5,672)	-	<b>(4,427,934)</b>
Balance, end of year	-	14,454,357	49,964,191	6,455,806	8,244,923	-	204,095,858	20,091,808	1,552,127	8,185,380	24,766	-	<b>313,069,216</b>
<b>Net book value of tangible capital assets</b>	70,247,117	25,090,610	57,472,138	3,197,992	5,845,270	6,007,350	201,545,327	75,995,902	808,841	5,758,673	37,741	15,492,888	<b>467,499,849</b>

**The Corporation of the Municipality of Clarington**  
**Consolidated Schedule of Segmented Information – Schedule 2**  
**For the year ended December 31, 2020**

	2020							
	General Government	Protection to persons and property	Transportation services	Environmental services	Health services	Recreation and cultural services	Planning and development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Operating revenue</b>								
Grants	2,268,424	27,553	842,727	820	-	217,811	75,279	<b>3,432,614</b>
Tax revenues	3,093,412	16,830,418	25,315,567	1,410,256	38,462	17,667,145	4,620,159	<b>68,975,419</b>
Other revenues	5,825,259	2,746,091	7,085,023	(255,298)	390,702	4,271,314	1,664,550	<b>21,727,641</b>
Contributed tangible capital assets	-	-	439,268	2,314,896	-	2,366,698	-	<b>5,120,862</b>
<b>Total operating revenue</b>	<b>11,187,095</b>	<b>19,604,062</b>	<b>33,682,585</b>	<b>3,470,674</b>	<b>429,164</b>	<b>24,522,968</b>	<b>6,359,988</b>	<b>99,256,536</b>
<b>Operating expenditures</b>								
Salaries and wages	4,456,815	16,681,472	9,112,487	475,506	228,771	12,329,260	3,969,783	<b>47,254,094</b>
Operating materials and supplies	643,995	852,352	5,665,111	475,785	197,463	4,598,758	420,760	<b>12,854,224</b>
Contracted services	531,120	1,014,387	4,988,905	496,737	-	2,329,434	1,963,083	<b>11,323,666</b>
Rent and financial expenses	159,907	-	-	-	-	102,285	3,499	<b>265,691</b>
External transfers to others	-	6,250	-	-	-	1,078,868	-	<b>1,085,118</b>
Amortization expense	1,021,421	1,049,601	13,645,050	2,022,646	2,930	3,909,898	2,863	<b>21,654,409</b>
Interest on long-term liabilities	32,480	-	271,032	-	-	174,465	-	<b>477,977</b>
<b>Total operating expenditures</b>	<b>6,845,738</b>	<b>19,604,062</b>	<b>33,682,585</b>	<b>3,470,674</b>	<b>429,164</b>	<b>24,522,968</b>	<b>6,359,988</b>	<b>94,915,179</b>
<b>Annual surplus (deficit)</b>	<b>4,341,357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,341,357</b>

**The Corporation of the Municipality of Clarington  
Consolidated Schedule of Segmented Information – Schedule 2  
For the year ended December 31, 2020**

	2019 (Restated – Note 2)							
	General Government	Protection to persons and property	Transportation services	Environmental services	Health services	Recreation and cultural services	Planning and development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Operating revenue</b>								
Grants	221,761	35,445	63,210	378,340	-	386,886	17,075	<b>1,102,717</b>
Tax revenues	22,391,028	14,934,057	9,154,656	-	6,607	15,753,979	4,082,401	<b>66,322,728</b>
Other revenues	5,830,842	3,884,835	14,028,584	121,022	376,840	7,388,389	2,460,060	<b>34,090,572</b>
Contributed tangible capital assets	-	-	9,166,467	7,015,346	-	2,730,483	-	<b>18,912,296</b>
<b>Total operating revenue</b>	<b>28,443,631</b>	<b>18,854,337</b>	<b>32,412,917</b>	<b>7,514,708</b>	<b>383,447</b>	<b>26,259,737</b>	<b>6,559,536</b>	<b>120,428,313</b>
<b>Operating expenditures</b>								
Salaries and wages	4,462,654	15,726,287	9,253,874	673,744	213,946	13,949,715	3,749,494	<b>48,029,714</b>
Operating materials and supplies	658,332	1,031,245	7,104,345	1,731,811	159,194	5,492,040	446,116	<b>16,623,083</b>
Contracted services	655,415	1,075,972	2,603,287	425,437	1,508	1,745,771	2,359,086	<b>8,866,476</b>
Rent and financial expenses	636,105	-	-	-	171	43,496	1,977	<b>681,749</b>
External transfers to others	-	10,000	-	-	5,647	948,808	-	<b>964,455</b>
Amortization expense	992,731	1,010,833	13,159,688	1,582,898	2,981	3,824,849	2,863	<b>20,576,843</b>
Interest on long-term liabilities	33,925	-	291,723	-	-	255,058	-	<b>580,706</b>
<b>Total operating expenditures</b>	<b>7,439,162</b>	<b>18,854,337</b>	<b>32,412,917</b>	<b>4,413,890</b>	<b>383,447</b>	<b>26,259,737</b>	<b>6,559,536</b>	<b>96,323,026</b>
<b>Annual surplus (deficit)</b>	<b>21,004,469</b>	<b>-</b>	<b>-</b>	<b>3,100,818</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,105,287</b>

**The Corporation of the Municipality of Clarington  
Consolidated Schedule of Segmented Information – Schedule 3  
For the year ended December 31, 2020**

	<b>2020 - Budget</b>							
	<b>General Government</b>	<b>Protection to persons and property</b>	<b>Transportation services</b>	<b>Environmental services</b>	<b>Health services</b>	<b>Recreation and cultural services</b>	<b>Planning and development</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Operating revenue</b>								
Grants	-	22,000	118,900	-	-	136,181	-	<b>277,081</b>
Tax revenues	8,494,617	18,037,990	21,067,237	-	-	16,364,088	4,643,295	<b>68,607,227</b>
Other revenues	2,908,000	2,079,332	12,933,458	5,069,304	419,600	9,332,757	879,800	<b>33,622,251</b>
Contributed tangible capital assets	-	-	439,268	2,314,896	-	2,366,698	-	<b>5,120,862</b>
<b>Total operating revenue</b>	<b>11,402,617</b>	<b>20,139,322</b>	<b>34,558,863</b>	<b>7,384,200</b>	<b>419,600</b>	<b>28,199,724</b>	<b>5,523,095</b>	<b>107,627,421</b>
<b>Operating expenditures</b>								
Salaries and wages	4,666,423	16,863,735	9,981,905	487,838	268,358	15,016,932	4,099,722	<b>51,384,913</b>
Operating materials and supplies	1,066,047	1,361,502	5,183,476	427,574	119,494	5,725,069	698,760	<b>14,581,922</b>
Contracted services	296,600	943,982	5,720,794	490,786	-	2,322,995	717,511	<b>10,492,668</b>
Rent and financial expenses	205,000	-	-	-	-	51,919	11,000	<b>267,919</b>
External transfers to others	-	10,000	-	207,195	-	1,180,304	(6,761)	<b>1,390,738</b>
Amortization expense	1,013,395	960,103	13,525,271	1,403,146	2,442	3,728,041	2,863	<b>20,635,261</b>
Interest on long-term liabilities	32,480	-	147,417	-	-	174,464	-	<b>354,361</b>
<b>Total operating expenditures</b>	<b>7,279,945</b>	<b>20,139,322</b>	<b>34,558,863</b>	<b>3,016,539</b>	<b>390,294</b>	<b>28,199,724</b>	<b>5,523,095</b>	<b>99,107,782</b>
<b>Annual surplus (deficit)</b>	<b>4,122,672</b>	<b>-</b>	<b>-</b>	<b>4,367,661</b>	<b>29,306</b>	<b>-</b>	<b>-</b>	<b>8,519,639</b>



**The Corporation of the Municipality of Clarington  
Consolidated Schedule of Segmented Information – Schedule 3  
For the year ended December 31, 2020**

	<b>2019 - Budget</b>							
	<b>General Government</b>	<b>Protection to persons and property</b>	<b>Transportation services</b>	<b>Environmental services</b>	<b>Health services</b>	<b>Recreation and cultural services</b>	<b>Planning and development</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Operating revenue</b>								
Grants	-	22,000	195,000	-	-	137,481	-	<b>354,481</b>
Tax revenues	21,787,127	17,030,609	7,877,260	-	31,670	14,854,721	4,384,355	<b>65,965,742</b>
Other revenues	2,691,000	1,860,332	15,089,955	108,500	322,350	8,781,158	849,000	<b>29,702,295</b>
Contributed tangible capital assets	-	-	9,166,467	7,015,346	-	2,730,483	-	<b>18,912,296</b>
<b>Total operating revenue</b>	<b>24,478,127</b>	<b>18,912,941</b>	<b>32,328,682</b>	<b>7,123,846</b>	<b>354,020</b>	<b>26,503,843</b>	<b>5,233,355</b>	<b>114,934,814</b>
<b>Operating expenditures</b>								
Salaries and wages	4,586,928	15,694,073	9,562,723	685,060	242,837	14,095,999	3,877,401	<b>48,745,021</b>
Operating materials and supplies	1,000,219	1,221,868	5,692,526	1,784,665	106,917	5,593,682	630,773	<b>16,030,650</b>
Contracted services	377,000	886,868	3,659,934	395,851	-	1,766,269	715,918	<b>7,801,840</b>
Rent and financial expenses	239,398	-	-	-	150	41,376	6,400	<b>287,324</b>
External transfers to others	-	10,000	-	83,500	2,000	1,078,773	-	<b>1,174,273</b>
Amortization expense	1,039,051	1,100,132	13,256,697	1,384,165	2,116	3,672,686	2,863	<b>20,457,710</b>
Interest on long-term liabilities	33,925	-	156,802	-	-	255,058	-	<b>445,785</b>
<b>Total operating expenditures</b>	<b>7,276,521</b>	<b>18,912,941</b>	<b>32,328,682</b>	<b>4,333,241</b>	<b>354,020</b>	<b>26,503,843</b>	<b>5,233,355</b>	<b>94,942,603</b>
<b>Annual surplus (deficit)</b>	<b>17,201,606</b>	<b>-</b>	<b>-</b>	<b>2,790,605</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,992,211</b>

If this information is required in an alternate format, please contact the Accessibility Co-ordinator at 905-623-3379 ext. 2131

Financial statements of

**The Corporation of the  
Municipality of Clarington  
Public Library Board and the  
Clarington Museums and  
Archives**

December 31, 2020

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## Independent Auditor's Report

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To the Members of the Board of Directors of the Corporation of the Municipality of Clarington Public Library Board and the Clarington Museums and Archives

### Opinion

We have audited the accompanying financial statements of the Corporation of the Municipality of Clarington Public Library Board and the Clarington Museums and Archives (the Entity), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, its change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Other Matters

The financial statements of the Municipality of Clarington Public Library Board for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on July 22, 2020.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Lindsay, Ontario

September 23, 2021

**The Corporation of the Municipality of Clarington Public Library Board  
and the Clarington Museums and Archives  
Statement of Financial Position  
as at December 31, 2020**

	<b>2020</b>	2019
	\$	\$
<b>Financial assets</b>		
Cash	<b>1,871,644</b>	1,324,456
Accounts receivable	<b>11,721</b>	9,602
Inventory	<b>9,623</b>	-
Due from Government of Canada	<b>48,872</b>	58,340
<b>Total financial assets</b>	<b>1,941,860</b>	1,392,398
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<b>213,841</b>	234,134
Payable to Municipality of Clarington	<b>422,789</b>	386,536
Employee future benefits liabilities (Note 5)	<b>170,538</b>	154,525
Deferred revenue	<b>92,499</b>	6,000
<b>Total liabilities</b>	<b>899,667</b>	781,195
<b>Net financial assets</b>	<b>1,042,193</b>	611,203
<b>Non-financial assets</b>		
Tangible capital assets – net (Note 7)	<b>1,773,345</b>	1,760,651
Prepaid expenses	<b>86,249</b>	95,554
<b>Total non-financial assets</b>	<b>1,859,594</b>	1,856,205
<b>Accumulated surplus</b>	<b>2,901,787</b>	2,467,408

Assumption of Clarington Museums and Archives (Note 2), and Impact of COVID-19 (Note 10)

See accompanying notes to the financial statements

**The Corporation of the Municipality of Clarington Public Library Board  
and the Clarington Museums and Archives  
Statement of Operations  
year ended December 31, 2020**

	(Note 9)	2020	2019
	Budget	Actual	Actual
	\$	\$	\$
<b>Revenues</b>			
Municipal tax levy	3,515,599	3,515,599	3,138,585
Contribution from Reserves – Municipality of Clarington	-	391,765	230,000
Province of Ontario grant	112,481	103,481	82,908
Government of Canada grant	23,700	46,417	58,724
Fines, fees, sales, discards	147,500	38,304	106,941
Donations & bequests	4,000	2,846	721
Interest	29,000	15,949	47,903
Miscellaneous	-	3,060	47,708
<b>Total revenues</b>	<b>3,832,280</b>	<b>4,117,421</b>	<b>3,713,490</b>
<b>Expenses</b>			
Personnel costs	2,868,316	2,479,531	2,594,840
Operating and materials	353,651	-	-
Facility support	209,331	197,067	160,845
Products & supplies	32,393	144,480	64,093
Public programs	42,560	23,846	36,437
Contracted services	164,068	146,642	132,588
Computer expenses	81,840	83,420	93,806
Staff development	35,616	22,935	34,094
Amortization expense	541,205	541,205	506,295
Transfer to operating – Municipality of Clarington	-	-	-
Transfer to Reserve Fund - Municipality of Clarington	44,505	44,205	50,742
<b>Total expenses</b>	<b>4,373,485</b>	<b>3,683,331</b>	<b>3,673,740</b>
<b>Annual surplus (deficit)</b>	<b>(541,205)</b>	<b>434,090</b>	<b>39,750</b>
<b>Accumulated surplus, beginning of year</b>	<b>2,467,697</b>	<b>2,467,697</b>	<b>2,427,658</b>
<b>Accumulated surplus, end of year</b>	<b>1,926,492</b>	<b>2,901,787</b>	<b>2,467,408</b>

Assumption of Clarington Museum and Archives (Note 2) and Impact of COVID-19 (Note 10)

See accompanying notes to the financial statements.

**The Corporation of the Municipality of Clarington Public Library Board  
and the Clarington Museums and Archives  
Statement of Change in Net Financial Assets  
for the year ended December 31, 2020**

	2020		2019
	Budget	Actual	Actual
	\$	\$	\$
Annual (deficit) surplus	(541,205)	434,379	39,750
Acquisition of tangible capital assets	(541,681)	(541,682)	(551,333)
Acquisition of net financial assets from restructuring (Note 2)	-	(12,217)	-
Amortization of tangible capital assets	541,205	541,205	506,295
Decrease (increase) in prepaid expenses	-	9,305	(38,429)
Increase (decrease) in net financial assets	(541,681)	430,990	(43,717)
Net financial assets, beginning of year	611,203	611,203	654,920
Net financial assets, end of year	69,522	1,042,193	611,203

See accompanying notes to the financial statements

**The Corporation of the Municipality of Clarington Public Library Board  
and the Clarington Museums and Archives  
Statement of Cash Flows  
for the year ended December 31, 2020**

	2020	2019
	\$	\$
<b>Operating activities</b>		
Annual surplus	434,379	39,750
Non cash items		
Amortization of tangible capital assets	541,205	506,295
Change in non-cash operating items		
Accounts receivable	(2,119)	113,323
Due from Government of Canada	9,468	(24,632)
Inventory for resale	(9,623)	-
Deferred revenue	86,499	(19,700)
Accounts payable and accrued liabilities	(20,293)	83,046
Payable to Municipality of Clarington	36,253	63,852
Employee future benefits liability	16,013	13,249
Prepaid expenses	9,305	(38,429)
	<b>1,101,087</b>	<b>736,754</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(541,682)	(551,333)
Assets acquired on restructuring	(12,217)	-
	<b>(553,899)</b>	<b>(551,333)</b>
Net increase in cash	547,188	185,421
<b>Cash, beginning of year</b>	<b>1,324,456</b>	<b>1,139,035</b>
<b>Cash, end of year</b>	<b>1,871,644</b>	<b>1,324,456</b>

See accompanying notes to the financial statement



# The Corporation of the Municipality of Clarington Public Library Board and the Clarington Museums and Archives

Notes to the financial statements

December 31, 2020

The Corporation of the Municipality of Clarington Public Library Board and Clarington Museums and Archives (the “Board”) is a Municipal Local Board in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Affairs Act, the Public Library Act, the Ontario Heritage Act and related legislation.

## 1. Significant accounting policies

The financial statements of the Board are the representations of management prepared in accordance with Canadian public sector accounting standards (“PSAS”).

Significant accounting policies adopted by the Board are as follows:

### (i) *Accrual basis of accounting*

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

### (ii) *Cash and cash equivalents*

Cash and cash equivalents are comprised of cash on hand, demand deposits and bankers acceptances, all of which are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of less than 90 days.

### (iii) *Investment income*

Investment income earned (other than on restricted funds) is reported as revenue in the period earned.

### (iv) *Government transfers*

Government transfers are recognized in the financial statements as revenue in the financial period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be determined.

### (v) *Revenue Recognition*

Revenues attributable to grants and contributions received for operating expenses and tangible capital assets are recognized as revenue in the year in which the related expenses are incurred.

# The Corporation of the Municipality of Clarington Public Library Board and the Clarington Museums and Archives

Notes to the financial statements  
December 31, 2020

## 1. Significant accounting policies (continued)

(v) Revenue Recognition (continued)

Revenues from donations, fundraising events, fines, and fees are recognized when the cash is collected.

(vi) *Non-financial assets*

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(vii) *Tangible capital assets*

Tangible capital assets are recorded at historical cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the tangible capital asset. The cost, less residual value, of the tangible capital asset is amortized on a straight-line basis over the estimated useful life as follows:

Collections	–	7 years
Computer hardware	–	4 years
Computer software	–	5 to 10 years
Furniture and Fixtures (major projects)	–	15 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal.

(viii) *Employee future benefits liabilities*

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs.

(ix) *Use of estimates*

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of financial assets, tangible capital assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Accounts involving significant estimates include the recording of accrued liabilities and estimates

# The Corporation of the Municipality of Clarington Public Library Board and the Clarington Museums and Archives

Notes to the financial statements

December 31, 2020

## 1. Significant accounting policies (continued)

(x) *Use of estimates (continued)*

relating to the useful life of tangible capital assets. Actual results could differ from these estimates.

## 2. Assumption of Clarington Museums and Archives

On January 1, 2020, the Clarington Public Library Board assumed control of the Clarington Museums and Archives. The 2019 figures presented in the statements reflect the audit Clarington Public Library Board statements only, as the 2019 Clarington Museums and Archives board statements were unaudited.

## 3. Pension agreements

The Board makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS). OMERS is a multi-employer defined benefit pension plan which provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The pension plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The most recent actuarial valuation of the Plan was conducted at December 31, 2020. The results of this valuation disclosed total actuarial liabilities of \$113,055 million with respect to benefits accrued for service with actuarial assets at that date of \$109,844 million indicating an actuarial deficit of \$3,211 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are joint responsibility of Ontario municipal organizations and their employees. As a result The Library does not recognize any share of the Plan surplus or deficit.

The Board recognizes the expense related to this plan as contributions are made. The contribution rate was 9% for wages up to \$58,700 (2019 - 9%) and 14.6% for wages in excess of CPP earning limit \$58,700 (2019 – 14.6%). The amount contributed to OMERS for 2020 was \$160,788 (2019 - \$175,190) for current services and is included as an expense on the statement of operations.

## 4. Transfers to Municipality of Clarington

During the year, the Board transferred \$44,205 (2019 - \$50,742) to the Municipality of Clarington for Library Reserve Funds and Museum Reserve Funds.

## 5. Employee future benefits liabilities

The Board makes available to Library employees who retire before the age of 65, the opportunity of continuing their coverage for such benefits as medical (extended health), dental and life insurance benefits. Coverage ceases at age 65. Dependent

# The Corporation of the Municipality of Clarington Public Library Board and the Clarington Museums and Archives

Notes to the financial statements

December 31, 2020

## 5. Employee future benefits liabilities (continued)

upon the eligibility, the cost of this coverage may be a shared financial responsibility between the Municipality and the retired employees. Currently these benefits are not extended to Museum employees.

An actuarial valuation was performed as at December 31, 2020 based on data as at the valuation date and plan provisions. The accrued benefit obligation and net benefit costs (i.e., the expense) for the 2020 fiscal year end was determined by the valuation.

The significant actuarial assumptions employed for the valuation are as follows:

- (i) Discount rate will be 2.50% per annum.
- (ii) Future inflation rates will be 2.00%.
- (iii) Dental cost trend rates will increase to 3.00% in fiscal 2020 and remain stable at that level until 2024.
- (iv) Extended health care trend rates will decrease to 5.37% in fiscal 2020 and remain stable at that level until 2024.

Information about the Library Board's employee future benefits liabilities is as follows:

	2020	2019
<b>Accrued benefit obligation</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of year	209,256	132,990
Employer current service cost	13,993	8,800
Interest cost	5,525	4,537
Benefits paid	(7,912)	-
Actuarial (gain) loss	23,673	62,929
Balance, end of year	244,535	209,256
Unamortized net actuarial gains (losses)	(73,997)	(54,731)
Employee future benefits liabilities, end of year	170,538	154,525

## 6. Related party transactions

The Municipality of Clarington provides contributions to the operations and capital projects of the Board through municipal contributions as noted on the statement of operations.

# The Corporation of the Municipality of Clarington Public Library Board and the Clarington Museums and Archives

Notes to the financial statements

December 31, 2020

## 6. Related party transactions (continued)

The Statement of Operations does not reflect the contribution from the Municipality for maintenance, utility and supply charges which are provided for nil consideration.

## 7. Tangible capital assets (TCA)

The continuity of the historical cost and accumulated amortization for various categories of tangible capital assets are outlined in the below table.

	<b>2020</b>				
	Collections	Computer Software	Computer Hardware	Furniture and Fixtures	Total
Cost:	\$	\$	\$	\$	\$
Balance, beginning of year	3,294,664	285,610	319,291	16,660	3,916,225
Add: additions during the year	428,453	-	113,229	-	541,682
Less: disposals during the year	(263,593)	-	(74,570)	-	(338,163)
<b>Balance, end of year</b>	<b>3,459,524</b>	<b>285,610</b>	<b>357,940</b>	<b>16,660</b>	<b>4,119,744</b>
Accumulated amortization:					
Balance, beginning of year	1,705,408	215,428	218,078	4,443	2,143,357
Add: amortization during the year	438,679	26,081	75,334	1,111	541,205
Less: accumulated amortization on disposals	(263,593)	-	(74,570)	-	(338,163)
<b>Balance, end of year</b>	<b>1,880,494</b>	<b>241,509</b>	<b>218,842</b>	<b>5,554</b>	<b>2,346,399</b>
<b>Net book value of TCA</b>	<b>1,579,030</b>	<b>44,101</b>	<b>139,108</b>	<b>11,106</b>	<b>1,773,345</b>
					<b>2019</b>
	Collections	Computer Software	Computer Hardware	Furniture and Fixtures	Total
Cost:	\$	\$	\$	\$	\$
Balance, beginning of year	3,075,159	285,610	300,925	-	3,661,694
Add: additions during the year	493,301	-	58,032	-	551,333
Less: disposals during the year	(273,796)	-	(39,666)	-	(313,462)
<b>Balance, end of year</b>	<b>3,294,664</b>	<b>285,610</b>	<b>319,291</b>	<b>-</b>	<b>3,899,565</b>
Accumulated amortization:					
Balance, beginning of year	1,562,603	188,982	194,496	-	1,946,081
Add: amortization during the year	416,601	26,446	63,248	-	506,295
Less: accumulated amortization on disposals	(273,796)	-	(39,666)	-	(313,462)
<b>Balance, end of year</b>	<b>1,705,408</b>	<b>215,428</b>	<b>218,078</b>	<b>-</b>	<b>2,138,914</b>
<b>Net book value of TCA</b>	<b>1,589,256</b>	<b>70,182</b>	<b>101,213</b>	<b>-</b>	<b>1,760,651</b>

### (i) Works of Art and Historical Treasures

The Municipality has one historical collection. The Board collection is currently insured for \$350,000.

# The Corporation of the Municipality of Clarington Public Library Board and the Clarington Museums and Archives

Notes to the financial statements

December 31, 2020

## 8. Accumulated surplus

Accumulated surplus consists of the following:

	2020	2019
Invested in tangible capital assets	1,773,345	1,760,651
General revenue fund	1,007,801	663,782
Capital fund – internal	120,641	42,975
<b>Accumulated surplus</b>	<b>2,901,787</b>	<b>2,467,408</b>

## 9. Budget figures

The 2020 budget figures were approved by the Board on October 28, 2020. The budget was prepared on a modified accrual basis in accordance with Canadian Public Sector Accounting Standards (PSAS). PSAS require the budget to be prepared on a full accrual basis. As a result, the budget figures presented in the Statements of Operations and Changes in Net Financial Assets represent the budget approved by the Board with the following adjustments:

An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original Board approved budget.

Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on management's best estimate of the value of contributed tangible capital assets determined at the beginning of the year. Neither the cost of the contributed tangible capital assets nor the revenue was included in the original Board approved budget.

Amounts included in the original Board approved capital budget which are not recognized as tangible capital assets are included in the Statement of Operations under the appropriate functional expenses' category, whereas those recognized as tangible capital assets are included in the Statement of Change in Net Financial Assets.

# The Corporation of the Municipality of Clarington Public Library Board and the Clarington Museums and Archives

Notes to the financial statements

December 31, 2020

## 9. Budget figures (continued)

Approved operating budget revenues	<b>(3,832,280)</b>
Operating budget expenses	<b>3,787,775</b>
Transfers to Reserve Funds – Municipality of Clarington	<b>44,505</b>
Approved operating budget expenses	<b>3,832,280</b>
PSAB reporting adjustments	
Amortization of tangible capital assets	<b>541,205</b>
Net operating budget expenses	<b>4,373,485</b>
Net deficit before capital investment	<b>541,205</b>

## 10. Impact of COVID-19

In 2020, the COVID-19 pandemic severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, included travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The COVID-19 pandemic had significant impacts on the activities of the Library in 2020. The Library's facilities were closed, and in-person services were suspended at all branches beginning in March 2020. Despite the restrictions, staff worked from home and in the closed buildings in order to provide virtual service to the public. In June 2020, several branches re-opened to offer curbside pick-up service. Appointment-based computer access was added in mid-July. In August 2020, limited lobby service and increased public computer access, branded as Grab and Go, became available. As of October 2020, all branches were opened with limited capacity. On December 29th in response to the province-wide shut down, the Library shifted back to contactless curbside pick-ups and suspended public computer access.

# The Corporation of the Municipality of Clarington Public Library Board and the Clarington Museums and Archives

Notes to the financial statements

December 31, 2020

## **10. Impact of COVID-19 (continued)**

Throughout the entire year, the Library was able to provide service by offering access to electronic collections, virtual programs, online reference and readers' advisory, and virtual community partnerships. The Library has continued to receive its annual contribution from the Municipality; however, the initial and subsequent closures have impacted the Library's fines, fees, and program revenue for the year.

The Museum was closed to the public from March 14 to September 13, 2020. Limited virtual assistance and program/events continued to be available for the duration of the closure. Effective from September 14, 2020, the Museum re-opened by appointment only until the December 29th province wide shut down. The initial and subsequent closures have impacted the Museums' sponsorships, donations, programming, and events revenue for the year.

Although the Board cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Library's and the Museum's results of future operations, financial position, and liquidity in the fiscal year 2021.

## **11. Comparative Figures**

The comparative figures have been restated to conform with the current year presentation.



**The Corporation of the Municipality of Clarington Public Library Board  
and the Clarington Museums and Archives  
Supplementary Schedule - Statement of Operations - Library  
year ended December 31, 2020**

	2020	2019
	Actual	Actual
	\$	\$
<b>Revenues</b>		
Municipal tax levy	3,201,357	3,138,585
Municipality of Clarington – capital grant	141,765	-
Contribution from reserve funds	250,000	230,000
Contribution from operations	-	-
Province of Ontario grant	78,320	82,908
Government of Canada grant	17,387	58,724
Fines, fees, sales, discards, programming, events, sponsorships	34,394	106,941
Donations and bequests	2,241	721
Interest	13,515	47,903
Miscellaneous	828	47,708
Gain/loss on sale of tangible capital assets	-	-
<b>Total revenues</b>	<b>3,739,807</b>	<b>3,713,490</b>
<b>Expenses</b>		
Personnel costs	2,318,580	2,594,840
Facility support	173,008	160,845
Products & supplies	135,841	64,093
Public programs, exhibits, collections, events, gift shop purchases	16,784	36,437
Contracted services	116,453	132,588
Computer expenses	76,728	93,806
Staff development	21,495	34,094
Amortization expense	540,094	506,295
Transfer to operating	-	-
Transfer to capital fund – Municipality of Clarington	-	-
Transfer to reserve fund - Municipality of Clarington	35,900	50,742
<b>Total expenses</b>	<b>3,434,883</b>	<b>3,673,740</b>
<b>Annual surplus (deficit)</b>	<b>304,924</b>	<b>39,750</b>
<b>Accumulated surplus (deficit), beginning of year</b>	<b>2,467,408</b>	<b>2,427,658</b>
<b>Accumulated surplus (deficit), end of year</b>	<b>2,772,332</b>	<b>2,467,408</b>

Impact of COVID-19 (Note 10)

See accompanying notes to the financial statements.

**The Corporation of the Municipality of Clarington Public Library Board  
and the Clarington Museums and Archives  
Supplementary Schedule - Statement of Operations - Museum  
year ended December 31, 2020**

	<b>2020</b>	2019
	<b>Actual</b>	Actual
	\$	\$
<b>Revenues</b>		
Municipal tax levy	<b>314,242</b>	308,080
Municipality of Clarington – capital grant	-	-
Contribution from reserve funds	-	107,726
Contribution from operations	-	5,028
Province of Ontario grant	<b>25,161</b>	25,161
Government of Canada grant	<b>29,030</b>	45,664
Fines, fees, sales, discards, programming, events, sponsorships	<b>3,910</b>	51,308
Donations and bequests	<b>605</b>	5,485
Interest	<b>2,434</b>	6,408
Miscellaneous	<b>2,232</b>	-
Gain/loss on sale of tangible capital assets	-	-
<b>Total revenues</b>	<b>377,614</b>	<b>554,860</b>
<b>Expenses</b>		
Personnel costs	<b>160,951</b>	385,160
Facility support	<b>24,059</b>	19,171
Products & supplies	<b>8,639</b>	12,408
Public programs, exhibits, collections, events, gift shop purchases	<b>7,062</b>	84,610
Contracted services	<b>30,189</b>	35,619
Computer expenses	<b>6,692</b>	2,357
Staff development	<b>1,440</b>	2,314
Amortization expense	<b>1,111</b>	1,111
Transfer to operating	-	107,726
Transfer to capital fund – Municipality of Clarington	-	-
Transfer to reserve fund - Municipality of Clarington	<b>8,305</b>	5,028
<b>Total expenses</b>	<b>248,448</b>	<b>655,504</b>
<b>Annual surplus (deficit)</b>	<b>129,166</b>	(100,644)
<b>Accumulated surplus (deficit), beginning of year</b>	<b>289</b>	100,933
<b>Accumulated surplus (deficit), end of year</b>	<b>129,455</b>	289

Impact of COVID-19 (Note 10)

See accompanying notes to the financial statements.

If this information is required in an alternate format, please contact the Accessibility Coordinator at (905) 623-3379 ext. 2131.

Financial statements of

**The Corporation of the  
Municipality of Clarington  
Board of Management for  
Historic Downtown Bowmanville  
Business Improvement Area**

December 31, 2020



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PO Box 358  
Lindsay ON K9V 4S3 Canada

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## Independent Auditor's Report

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To the Members of the Corporation of the Municipality of Clarington Board of Management for Historic Downtown Bowmanville Business Improvement Area, Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Clarington

### Qualified Opinion

We have audited the accompanying financial statements of the Historic Downtown Bowmanville Business Improvement Area of the Corporation of the Municipality of Clarington (the Entity), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Qualified Opinion

The Entity derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to event and donation revenue, annual surplus, and cash flows from operations for the years ended December 31, 2020 and 2019, net financial assets as at December 31, 2020 and 2019, and accumulated surplus as at January 1 and December 31 for both the 2020 and 2019 years. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Other Matters

The financial statements of the Historic Downtown Bowmanville Business Improvement Area of the Corporation of the Municipality of Clarington for the year ended December 31, 2019 were audited by another auditor who expressed a qualified opinion on those statements on September 10, 2020 on the same basis described above.



## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Lindsay, Ontario  
August 4, 2021

# The Corporation of the Municipality of Clarington Board of Management for Historic Downtown Bowmanville Business Improvement Area

## Statement of Financial Position

as at December 31, 2020

	2020	2019
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	64,732	24,484
Accounts receivable	-	-
HST receivable	5,529	8,250
<b>Total financial assets</b>	<b>70,261</b>	<b>32,734</b>
<b>Liabilities</b>		
Accounts payable	18	4,592
<b>Total liabilities</b>	<b>18</b>	<b>4,592</b>
 Net financial assets	 <b>70,243</b>	 28,142
 <b>Accumulated surplus (deficit)</b>	 <b>70,243</b>	 28,142

Impact of COVID-19 (Note 2)

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

# The Corporation of the Municipality of Clarington Board of Management for Historic Downtown Bowmanville Business Improvement Area

## Statement of Operations as at December 31, 2020

	Budget	2020	2019
	\$	\$	\$
<b>Revenues</b>			
Taxation - Municipality of Clarington	167,439	167,439	174,200
Interest		666	816
Fundraising		1,570	61,797
<b>Total revenues</b>	<b>167,439</b>	<b>169,675</b>	236,813
<b>Expenses</b>			
Administration	11,000	3,481	1,876
Events and promotion	71,000	50,278	118,202
Salaries and wages	58,200	56,750	47,700
Streetscape	34,000	17,065	24,014
Capital works	16,300	-	32,269
<b>Total expenses</b>	<b>190,500</b>	<b>127,574</b>	224,061
Annual surplus (deficit)	(23,061)	42,101	12,752
Accumulated surplus, beginning of year	28,142	28,142	15,390
<b>Accumulated surplus (deficit), end of year</b>	<b>5,081</b>	<b>70,243</b>	28,142

Impact of COVID-19 (Note 2)

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



# The Corporation of the Municipality of Clarington Board of Management for Historic Downtown Bowmanville Business Improvement Area

## Statement of Change in Net Financial Assets as at December 31, 2020

	Budget	2020	2019
	\$	\$	\$
<b>Annual surplus (deficit)</b>	<b>(23,061)</b>	<b>42,101</b>	12,752
Change in prepaid expenses		-	-
Change in net financial assets	<b>(23,061)</b>	<b>42,101</b>	12,752
Net financial assets, beginning of year	<b>28,142</b>	<b>28,142</b>	15,390
<b>Net financial assets (liabilities), end of year</b>	<b>5,081</b>	<b>70,243</b>	28,142

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

# The Corporation of the Municipality of Clarington Board of Management for Historic Downtown Bowmanville Business Improvement Area

## Statement of Cash Flows

for the year ended December 31, 2020

	2020	2019
	\$	\$
<b>Operating activities</b>		
<b>Annual surplus</b>	<b>42,101</b>	12,752
Non cash items		
Amortization of tangible capital assets	-	-
Changes in non-cash operating items		
Decrease (increase) in accounts receivable	-	140
Decrease (increase) HST receivable	<b>2,721</b>	(8,250)
Increase (decrease) in accounts payable and accrued liabilities	<b>(4,574)</b>	4,567
	<b>40,248</b>	9,209
<b>Capital activity</b>		
Acquisition of tangible capital assets	-	-
<b>Net increase in cash</b>	<b>40,248</b>	9,209
<b>Cash, beginning of year</b>	<b>24,484</b>	15,275
<b>Cash, end of year</b>	<b>64,732</b>	24,484

# The Corporation of the Municipality of Clarington Board of Management for the Historic Downtown Bowmanville Business District Improvement Area

Notes to the financial statements  
December 31, 2020

The Corporation of the Municipality of Clarington Board of Management for Historic Downtown Bowmanville Business Improvement Area is a Municipal Local Board (the "Board") in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

## 1. Significant accounting policies

The financial statements of the Board are the representations of management prepared in accordance with Canadian public sector accounting standards ("PSAS").

The focus of the financial statements is on the financial position of the Board and the changes thereto. The Statement of Financial Position includes the assets and liabilities of the Board.

Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations.

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Accumulated surplus represents the difference between assets and liabilities of the Board. This provides information about the Board's overall future revenue requirements and its ability to finance operations and meet its obligations.

### a) Revenue recognition

Taxation revenue is recorded when earned and is based on a special assessment. Fundraising and other revenues are recorded in the period in which transactions or events occurred that gave rise to the revenues.

### b) Use of estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect 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 revenue and expenses during the year. Actual results could differ from those estimates.

### c) Cash and cash equivalents

Cash and cash equivalents are made up of cash held in financial institutions as well as temporary investments with maturities of 90 days or less.

# The Corporation of the Municipality of Clarington Board of Management for the Historic Downtown Bowmanville Business District Improvement Area

Notes to the financial statements  
December 31, 2020

## 2. Impact of COVID-19

In 2020, the COVID-19 pandemic severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, included travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The COVID-19 pandemic had significant impacts on the activities of the Bowmanville BIA. All in-person community events scheduled after March 13, 2020 had to be cancelled or modified to be a virtual offering. The Bowmanville BIA shifted its focus from community events to the marketing, décor and on-line promotion of the BIA area.

Although the Bowmanville BIA cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Bowmanville BIA's results of future operations, financial position, and liquidity in the fiscal year 2021.

If this information is required in an alternate format, please contact the Accessibility Coordinator at (905) 623-3379 ext. 2131

Financial statements of

**The Corporation of the  
Municipality of Clarington  
Board of Management for the  
Newcastle Central Business  
District Improvement Area**

December 31, 2020



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## Independent Auditor's Report

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To the Members of the Corporation of the Municipality of Clarington Board of Management for the Newcastle Central Business District Improvement Area, Members of Council, Inhabitants and Ratepayers of the Municipality of Clarington

### Qualified Opinion

We have audited the accompanying financial statements of the Newcastle Central Business District Improvement Area of the Corporation of the Municipality of Clarington (the Entity), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Qualified Opinion

The Entity derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to event and donation revenue, annual surplus, and cash flows from operations for the years ended December 31, 2020 and 2019, net financial assets as at December 31, 2020 and 2019, and accumulated surplus as at January 1 and December 31 for both the 2020 and 2019 years. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Other Matters

The financial statements of the Newcastle Central Business District Improvement Area of the Corporation of the Municipality of Clarington for the year ended December 31, 2019 were audited by another auditor who expressed a qualified opinion on those statements on September 10, 2020 on the same basis described above.



## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Lindsay, Ontario  
August 4, 2021



# The Corporation of the Municipality of Clarington Board of Management for the Newcastle Central Business District Improvement Area

## Statement of financial position

as at December 31, 2020

	2020	2019
	\$	\$
<b>Financial assets</b>		
Cash	33,775	13,034
Accounts receivable	1,202	7,781
<b>Total financial assets</b>	<b>34,977</b>	<b>20,815</b>
<b>Liabilities</b>		
Accounts payable	-	2,562
Deferred revenue	2,000	-
<b>Total liabilities</b>	<b>2,000</b>	<b>2,562</b>
<b>Net financial assets (liabilities)</b>	<b>32,977</b>	<b>18,253</b>
<b>Accumulated surplus (deficit)</b>	<b>32,977</b>	<b>18,253</b>

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

# The Corporation of the Municipality of Clarington Board of Management for the Newcastle Central Business District Improvement Area

## Statement of operations

year ended December 31, 2020

		2020	2019
	Budget	Actual	Actual
	\$	\$	\$
<b>Revenues</b>			
Taxation - Municipality of Clarington	40,000	40,000	35,000
Grant - Municipality of Clarington			2,000
Grant - Government of Canada			5,000
Fundraising		1,202	28,738
Transfer from Municipality of Clarington			10,000
Miscellaneous			200
<b>Total revenues</b>	<b>40,000</b>	<b>41,202</b>	<b>80,938</b>
<b>Expenses</b>			
Administration	2,000	1,461	1,407
Advertising	10,000	10,768	10,810
Events	5,000	1,434	28,736
Downtown safety and décor	23,000	12,815	17,242
<b>Total expenses</b>	<b>40,000</b>	<b>26,478</b>	<b>58,195</b>
Annual surplus (deficit)	-	14,724	22,743
Accumulated surplus, beginning of year	18,253	18,253	(4,490)
<b>Accumulated surplus, end of year</b>	<b>18,253</b>	<b>32,977</b>	<b>18,253</b>

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

# The Corporation of the Municipality of Clarington Board of Management for Newcastle Central Business District Improvement Area

## Statement of change in net financial assets as at December 31, 2020

	Budget	2020	2019
	\$	\$	\$
<b>Annual surplus (deficit)</b>	-	<b>14,724</b>	22,743
Change in net financial assets	-	<b>14,724</b>	22,743
Net financial assets, beginning of year	<b>18,253</b>	<b>18,253</b>	(4,490)
<b>Net financial assets (liabilities), end of year</b>	<b>18,253</b>	<b>32,977</b>	18,253

# The Corporation of the Municipality of Clarington Board of Management for the Newcastle Central Business District Improvement Area

## Statement of cash flows

for the year ended December 31, 2020

	2020	2019
	\$	\$
<b>Operating activities</b>		
<b>Annual surplus</b>	<b>14,724</b>	22,743
Non cash items		
Amortization of tangible capital assets	-	-
Changes in non-cash operating items		
Decrease (increase) in accounts receivable	<b>6,579</b>	(7,281)
Increase (decrease) in accounts payable and accrued liabilities	<b>(2,562)</b>	(2,484)
Increase (decrease) in deferred revenue	<b>2,000</b>	-
	<b>20,741</b>	12,978
<b>Capital activity</b>		
Acquisition of tangible capital assets	-	-
<b>Net increase in cash</b>	<b>20,741</b>	12,978
<b>Cash, beginning of year</b>	<b>13,034</b>	56
<b>Cash, end of year</b>	<b>33,775</b>	13,034

# The Corporation of the Municipality of Clarington Board of Management for the Newcastle Central Business District Improvement Area

Notes to the financial statements

December 31, 2020

The Corporation of the Municipality of Clarington Board of Management for the Newcastle Central Business District Improvement Area is a Municipal Local Board in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

## 1. Significant accounting policies

The financial statements of the Board are the representations of management prepared in accordance with Canadian public sector accounting standards (“PSAS”).

The focus of the financial statements is on the financial position of the Board and the changes thereto. The Statement of Financial Position includes the assets and liabilities of the Board.

Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations.

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Accumulated surplus represents the difference between assets and liabilities of the Board. This provides information about the Board’s overall future revenue requirements and its ability to finance operations and meet its obligations.

### a) Revenue recognition

Taxation revenue is recorded when earned and is based on a special assessment. Other revenues are recorded in the period in which transactions or events occurred that gave rise to the revenues.

### b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenue and expenses during the year. Actual results could differ from those estimates.

## 2. Impact of COVID-19

In 2020, the COVID-19 pandemic severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, included travel bans,

# The Corporation of the Municipality of Clarington Board of Management for the Newcastle Central Business District Improvement Area

Notes to the financial statements

December 31, 2020

## 2. Impact of COVID-19 (con't)

quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The COVID-19 pandemic had significant impacts on the activities of the Newcastle BIA. All in-person community events scheduled after March 13, 2020 had to be cancelled or modified to be a virtual offering. The Newcastle BIA shifted its focus from community events to the marketing, décor and on-line promotion of the BIA area.

Although the Newcastle BIA cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Newcastle BIA's results of future operations, financial position, and liquidity in the fiscal year 2021.

If this information is required in an alternate format, please contact the Accessibility Coordinator at (905) 623-3379 ext. 2131.

Financial statements of

**The Corporation of the  
Municipality of Clarington  
Board of Management for the  
Orono Central Business  
District Improvement Area**

December 31, 2020



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## Independent Auditor's Report

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To the Members of the Corporation of the Municipality of Clarington Board of Management for Orono Central Business District Improvement Area, Members of Council, Inhabitants and Ratepayers of the Municipality of Clarington

### Qualified Opinion

We have audited the accompanying financial statements of the Orono Central Business District Improvement Area of the Corporation of the Municipality of Clarington (the Entity), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Qualified Opinion

The Entity derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to event and donation revenue, annual surplus, and cash flows from operations for the years ended December 31, 2020 and 2019, net financial assets as at December 31, 2020 and 2019, and accumulated surplus as at January 1 and December 31 for both the 2020 and 2019 years. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Other Matters

The financial statements of the Orono Central Business District Improvement Area of the Corporation of the Municipality of Clarington for the year ended December 31, 2019 were audited by another auditor who expressed a qualified opinion on those statements on September 10, 2020 on the same basis described above.





## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Lindsay, Ontario  
August 4, 2021

# The Corporation of the Municipality of Clarington Board of Management for the Orono Central Business District Improvement Area

## Statement of Financial Position as at December 31, 2020

	2020	2019
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	23,202	36,501
Accounts receivable	-	401
<b>Total financial assets</b>	<b>23,202</b>	<b>36,902</b>
<b>Liabilities</b>		
Accounts payable	80	408
<b>Total liabilities</b>	<b>80</b>	<b>408</b>
<b>Net financial assets</b>	<b>23,122</b>	<b>36,494</b>
<b>Accumulated surplus (deficit)</b>	<b>23,122</b>	<b>36,494</b>

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

# The Corporation of the Municipality of Clarington Board of Management for the Orono Central Business District Improvement Area

## Statement of Operations

year ended December 31, 2020

	Budget	2020	2019
	\$	\$	\$
<b>Revenues</b>			
Taxation - Municipality of Clarington (Note 1)	6,000	6,000	6,000
Grants - Municipality of Clarington	22,141	-	22,141
Grants - Other	-	10,830	-
Donations/fundraising/miscellaneous	17,500	769	21,158
<b>Total revenues</b>	<b>45,641</b>	<b>17,599</b>	49,299
<b>Expenses</b>			
Advertising and promotion	18,100	5,440	17,789
Landscaping	25,640	24,569	3,856
Miscellaneous	1,547	962	6,912
<b>Total expenses</b>	<b>45,287</b>	<b>30,971</b>	28,557
Annual surplus (deficit)	354	(13,372)	20,742
Accumulated surplus, beginning of year	36,494	36,494	15,752
<b>Accumulated surplus, end of year</b>	<b>36,848</b>	<b>23,122</b>	36,494

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

**The Corporation of the Municipality of Clarington  
Board of Management for Orono Central  
Business District Improvement Area  
Statement of Change in Net Financial Assets  
as at December 31, 2020**

	<b>Budget</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Annual surplus (deficit)</b>	<b>354</b>	<b>(13,372)</b>	<b>20,742</b>
Net financial assets, beginning of year	<b>36,494</b>	<b>36,494</b>	15,752
<b>Net financial assets (liabilities), end of year</b>	<b>36,848</b>	<b>23,122</b>	<b>36,494</b>

# The Corporation of the Municipality of Clarington Board of Management for the Orono Central Business District Improvement Area

## Statement of Cash Flows year ended December 31, 2020

	2020	2019
	\$	\$
<b>Operating activities</b>		
<b>Annual surplus</b>	<b>(13,372)</b>	20,742
Non cash items		
Amortization of tangible capital assets	-	-
Changes in non-cash operating items		
Decrease (increase) in accounts receivable	<b>401</b>	199
Increase (decrease) in accounts payable and accrued liabilities	<b>(328)</b>	105
	<b>(13,299)</b>	21,046
<b>Capital activity</b>		
Acquisition of tangible capital assets	-	-
<b>Net increase in cash</b>	<b>(13,299)</b>	21,046
<b>Cash, beginning of year</b>	<b>36,501</b>	15,455
<b>Cash, end of year</b>	<b>23,202</b>	36,501

# The Corporation of the Municipality of Clarington Board of Management for the Orono Central Business District Improvement Area

December 31, 2020

The Corporation of the Municipality of Clarington Board of Management for the Orono Central Business District Improvement Area is a Municipal Local Board in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

## 1. Significant accounting policies

The financial statements of the Board are the representations of management prepared in accordance with Canadian public sector accounting standards (“PSAS”).

The focus of the financial statements is on the financial position of the Board and the changes thereto. The Statement of Financial Position includes the assets and liabilities of the Board.

Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations.

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Accumulated surplus represents the difference between assets and liabilities of the Board. This provides information about the Board’s overall future revenue requirements and its ability to finance operations and meet its obligations.

### a) Revenue recognition

Taxation revenue is recorded when earned and is based on a special assessment. Other revenues are recorded in the period in which transactions or events occurred that gave rise to the revenues.

### b) Use of estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect 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 revenue and expenses during the year. Actual results could differ from those estimates.

## 2. Impact of COVID-19

In 2020, the COVID-19 pandemic severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, included travel bans,

# The Corporation of the Municipality of Clarington Board of Management for the Orono Central Business District Improvement Area

Notes to the financial statements

December 31, 2020

## 2. Impact of COVID-19 (con't)

quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The COVID-19 pandemic had significant impacts on the activities of the Orono BIA. All in-person community events scheduled after March 13, 2020 had to be cancelled or modified to be a virtual offering. The Orono BIA shifted its focus from community events to the marketing, décor and on-line promotion of the BIA area.

Although the Orono BIA cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Orono BIA's results of future operations, financial position, and liquidity in the fiscal year 2021.



Financial statements of

**The Corporation of the  
Municipality of Clarington  
Trust Funds**

December 31, 2020

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## Independent Auditor's Report

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To the Members of Council of the Corporation of the Municipality of Clarington

### Opinion

We have audited the financial statements of the Corporation of the Municipality of Clarington Trust Funds (the Entity), which comprise the statement of financial position as at December 31, 2020, and the statement of operations and accumulated surplus for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its operations for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matters

The consolidated financial statements of the Entity for the year ended December 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on September 10, 2020 on the same basis described above.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Lindsay, Ontario

August 4, 2021

**The Corporation of the Municipality of Clarington**  
**Trust Funds**  
**Statement of financial position**  
**as at December 31, 2020**

	Cash	Investments (Note 3)	Interest revenue receivable	Due (to) from Municipality of Clarington	Net Financial Assets and Accumulated Surplus
Advent Cemetery	-	918	22	(22)	918
Bondhead Cemetery	-	196,661	4,373	4,844	205,878
Bowmanville Cemetery	-	1,201,723	4,504	(14,169)	1,192,058
Hampton Cemetery	-	45,394	122	2,994	48,510
Lovekin Cemetery	-	10,000	6	(44)	9,962
Orono Cemetery	1,440	282,705	2,864	(23,758)	263,251
St. George's Cemetery	-	45,861	116	(539)	45,438
Trulls Cemetery	-	1,774	42	(16)	1,800
Vanderveer Legacy Trust	-	1,000	-	(24)	976
	1,440	1,786,036	12,049	(30,734)	1,768,791
Estate of Irene Rinch/Newcastle Community Hall	-	5,228	658	6,551	12,437
Montague Trust	-	133,537	8,548	9,698	151,783
<b>Total - 2020</b>	<b>1,440</b>	<b>1,924,801</b>	<b>21,255</b>	<b>(14,485)</b>	<b>1,933,011</b>
Total - 2019	237,493	1,674,976	35,558	(32,699)	1,915,328

Impact of COVID-19 (Note 5)

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

**The Corporation of the Municipality of Clarington  
Trust Funds  
Statement of operations and accumulated surplus  
as at December 31, 2020**

	Balance beginning of year	Revenues			Less: Contribution to cemeteries	Investments in Capital	Excess (shortfall) of revenues over expenses	Accumulated surplus, end of year
		Care and maintenance receipts (Note 4)	Interest earned	Total				
Advent Cemetery	913	-	23	23	24	-	(1)	912
Bondhead Cemetery	191,356	11,957	3,251	15,208	3,915	-	11,293	202,649
Bowmanville Cemetery	1,182,078	39,807	20,330	60,137	50,309	-	9,828	1,191,906
Hampton Cemetery	44,795	3,217	492	3,709	(485)	-	4,194	48,989
Lovekin Cemetery	9,843	-	182	182	429	-	(247)	9,596
Orono Cemetery	275,583	1,894	(3,920)	(2,026)	7,287	-	(9,313)	266,270
St. George's Cemetery	46,248	520	945	1,465	2,008	-	(543)	45,705
Trulls Cemetery	1,827	-	45	45	46	-	(1)	1,826
Vanderveer Legacy Trust	983	-	18	18	43	-	(25)	938
	1,753,607	57,395	21,366	78,761	63,576	-	15,185	1,768,791
Estate of Irene Rinch	150,314	-	94	94	-	-	94	150,408
Montague Trust	11,408	-	2,404	2,404	-	-	2,404	13,812
<b>Total - 2020</b>	<b>1,915,328</b>	<b>57,395</b>	<b>23,864</b>	<b>81,259</b>	<b>63,576</b>	-	<b>17,683</b>	<b>1,933,011</b>
Total - 2019	1,832,849	63,288	32,733	96,021	13,542	-	82,479	1,915,328

The accompanying notes are an integral part of these financial statements

The Corporation of the Municipality of Clarington Trust Funds consist of various trust funds administered by the Municipality of Clarington. The funds include holdings related to the care and maintenance of cemeteries and funds bequest to the Newcastle Community Hall.

## **1. Significant accounting policies**

The financial statements of the Corporation of Municipality of Clarington Trust Funds are the representations of management prepared in accordance with Canadian public sector accounting standards and reflect the following policies:

### *Basis of accounting*

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue.

Expenditures are recorded in the period the goods and services are acquired and a liability is incurred. Refunds are reported in the period issued.

### *Investments*

Investments are recorded at cost which approximates fair value.

### *Use of estimates*

The preparation of the financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the year. Actual results could differ from these estimates.

## **2. Statement of cash flows**

A statement of cash flows has not been included in these financial statements as the information is readily determinable from the financial statements presented.

## **3. Investments**

The total investments held by the trust funds of \$1,924,802 (2019 – \$1,674,976) reported on the Statement of Financial Position at cost have a fair value of \$1,944,406 (2019 - \$1,710,860) at the end of the year. The investments consist of holdings pursuant to the provisions of the Municipality's investment policy and comprise government bonds and guaranteed investment certificates (GICs) issued by various financial institutions. It is the Municipality's intention to hold these investments until maturity.

#### **4. Care and maintenance funds**

The Care and Maintenance Funds administered by the Municipality are funded by the sale of cemetery plots. These funds are invested and the interest earned is used to perform care and maintenance to the Municipality's cemeteries. The operations and investments of the Funds are undertaken by the Municipality in accordance with the regulations of the Cemeteries Act.

#### **5. Impact of COVID-19**

In 2020, the COVID-19 pandemic severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The main impact on the Trusts stemming from the COVID-19 pandemic were lower levels of interest earned on investments.

The ultimate duration and magnitude of the impact the pandemic will have on the economy and the Trusts are not known at this time. These impacts potentially include a further impairment of investments and a reduction to the transfers to the Municipality for the operational maintenance of the cemeteries.