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Consolidated financial statements of

**The Corporation of the
Municipality of Clarington**

December 31, 2019

The Corporation of the Municipality of Clarington

December 31, 2019

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Independent auditor's report

Grant Thornton LLP
Suite 200
15 Allstate Parkway
Markham, ON
L3R 5B4
T (416) 366-0100
F (905) 475-8906
www.GrantThornton.ca

To the Members of Council,
Inhabitants and Ratepayers of the Corporation of the Municipality of Clarington

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Clarington (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net financial assets and cash flow 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 financial position of The Corporation of the Municipality of Clarington as at December 31, 2019, and its financial performance 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 Consolidated Financial Statements* section of our report. We are independent of the Municipality 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.

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

Management is responsible for the preparation and fair presentation of these 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 Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality'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 Municipality'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 Municipality'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 Municipality 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.

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.

Markham, Canada
September 10, 2020

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants
Licensed Public Accountants

**The Corporation of the Municipality of Clarington
Consolidated statement of financial position
As at December 31, 2019**

	2019	2018
	\$	(Restated – Note 2) \$
Financial assets		
Cash and cash equivalents	55,684,429	51,845,384
Investments (Note 5)	69,279,397	71,275,833
Accounts receivable	12,329,020	8,039,628
Taxes receivable (Note 6)	8,633,327	8,183,805
Inventories for resale	27,657	32,132
Land for resale	424,898	424,918
Promissory notes receivable (Note 7)	8,321,000	8,321,000
Investment in Elexicon / Veridian Corporation (Note 8)	18,563,427	19,059,094
Total financial assets	173,263,155	167,181,794
Liabilities		
Accounts payable and accrued liabilities	8,243,375	8,128,542
Employee future benefits liabilities (Note 12)	8,638,138	8,660,527
Long-term liabilities (Note 13)	11,879,590	14,273,520
Deferred revenue - general	16,039,513	14,775,497
Deferred revenue - obligatory reserve funds (Note 9)	47,727,386	47,958,805
Total liabilities	92,528,002	93,796,891
Net financial assets	80,735,153	73,384,903
Non-financial assets		
Tangible capital assets (Note 19) (Schedule 1)	467,499,849	450,106,758
Prepaid expenses	943,127	780,086
Inventory supplies	537,950	612,377
Total non-financial assets	468,980,926	451,499,221
Accumulated surplus (Note 20)	549,716,079	524,884,124
Contingencies (Note 15)		
Contractual commitments (Note 16)		
Subsequent events (Note 24)		

The Corporation of the Municipality of Clarington
Consolidated statement of operations
For the year ended December 31, 2019

	2019 Budget (Note 22)	2019 Actual	2018 Actual (Restated – Note 2)
	\$	\$	\$
Revenues			
Taxation and user charges			
Property taxation	61,404,737	61,553,425	58,791,091
Taxation from other governments	4,561,005	4,769,303	4,783,288
User charges	9,944,241	13,702,217	14,297,146
Grants			
Government of Canada	25,500	647,219	348,138
Province of Ontario	329,481	455,498	252,161
Other			
Deferred revenue earned	16,122,377	12,934,961	8,387,241
Investment income	771,550	3,451,856	3,189,226
Penalty and interest on taxes	1,200,000	1,417,469	1,274,793
Fines	398,000	571,782	471,984
Donations and contribution from others	1,266,127	2,743,224	1,552,559
Ellexicon / Veridian Corporation			
Equity share of net income	-	446,232	1,675,384
Contributed tangible capital assets	18,912,296	18,912,296	14,522,447
Other income	-	25,290	18,541
Loss on disposal of tangible capital assets	-	(475,792)	(2,153,379)
Total revenues	114,935,314	121,154,980	107,410,620
Expenses			
General government	7,276,521	7,439,161	7,239,958
Protection to persons and property	18,912,941	18,854,337	18,300,507
Transportation services	32,328,682	32,412,917	29,909,780
Environmental services	4,333,241	4,413,890	3,533,019
Health services	354,020	383,447	397,761
Recreational and cultural services	26,503,843	26,259,737	25,413,224
Planning and development	5,233,355	6,559,536	5,332,652
Total expenses	94,942,603	96,323,025	90,126,901
Annual surplus	19,992,711	24,831,955	17,283,719
Accumulated surplus, beginning of year, as previously stated	526,929,158	524,884,124	509,832,856
Prior period adjustment (Note 2)	-	-	2,232,451
Accumulated surplus, beginning of year, as restated	526,929,158	524,884,124	507,600,405
Accumulated surplus, end of year	546,921,869	549,716,079	524,884,124

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, 2019**

	2019 Budget	2019 Actual	2018 Actual
			(Restated – Note 2)
	\$	\$	\$
Annual surplus	19,992,711	24,831,955	17,283,719
Amortization of tangible capital assets	19,948,880	20,576,843	20,089,643
Acquisition of tangible capital assets	(27,618,376)	(38,546,371)	(33,057,491)
Net book value of tangible capital assets disposals/adjustments	-	576,437	2,228,199
(Increase) decrease in prepaid expenses	-	(163,041)	106,980
(Increase) decrease in inventory supplies	-	74,427	(311,749)
Increase (decrease) in net financial assets	12,323,215	7,350,250	6,339,301
Net financial assets, beginning of year	73,384,903	73,384,903	67,045,602
Net financial assets, end of year	85,708,118	80,735,153	73,384,903

The Corporation of the Municipality of Clarington
Consolidated statement of cash flows
For the year ended December 31, 2019

	2019	2018
		(Restated – Note 2)
	\$	\$
Operating activities		
Annual surplus	24,831,955	17,283,719
Non cash items		
Amortization of tangible capital assets	20,576,843	20,089,643
Loss on disposal of tangible capital assets	475,792	2,153,379
Equity share of Elexicon / Veridian Corporation net income	(446,233)	(1,675,384)
Contributed tangible capital assets recorded in revenue	(18,912,296)	(14,522,447)
Change in non-cash operating items		
Accounts receivable	(4,289,392)	338,020
Taxes receivable	(449,522)	(237,955)
Inventories for resale	4,475	12,368
Land for resale	20	-
Accounts payable and accrued liabilities	114,833	(2,769,495)
Employee future benefits liabilities	(22,389)	30,635
Deferred revenue - general	1,264,016	(3,842,426)
Deferred revenue - obligatory reserve funds	(231,419)	11,164,928
Prepaid expenses	(163,041)	106,980
Inventory supplies	74,427	(311,749)
	22,828,069	27,820,216
Capital activities		
Acquisition of tangible capital assets (net of contributed tangible capital assets)	(19,634,075)	(18,535,044)
Proceeds on disposal of tangible capital assets	100,645	74,820
	(19,533,430)	(18,460,224)
Investing activities		
Decrease (increase) in investments	1,996,436	(1,431,784)
Dividends received from Veridian Corporation	941,900	639,200
	2,938,336	(792,584)
Financing activities		
Repayment of long-term liabilities	(2,393,930)	(2,835,970)
	(2,393,930)	(2,835,970)
Net increase in cash and cash equivalents	3,839,045	5,731,438
Cash and cash equivalents, beginning of year	51,845,384	46,113,946
Cash and cash equivalents, end of year	55,684,429	51,845,384

See accompanying notes to the consolidated financial statements

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

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
- 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 2019 fiscal year, the Municipality's investment in Elexicon Corporation, Veridian Corporation and its subsidiaries is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

1. Significant accounting policies (continued)

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

PSAS for investments in government business 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 and Veridian 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, Veridian 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 consolidated 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, 2019

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, 2019

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the purchase of tangible capital assets. A requirement of the Public Sector Accounting Board of the Chartered Professional Accountants of Canada is that obligatory reserves be reported as deferred revenue. Obligatory reserves include development charges, parkland dedication, building permits and gas tax funding. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These are recorded under the classification Deferred revenue - other. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

(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, 2019, there was no liability recorded on the statement.

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

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. Taxation revenues are recorded at the time tax billings are issued.

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 in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria are met and reasonable estimates of the amounts can be made.

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.

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.

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(xi) Use of estimates

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic consolidated 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 tangible capital assets that were recognized in error. The prior period adjustment impacts the year ended December 31, 2018 and prior years. As a result, the December 31, 2018 comparative figures have been restated from those previously reported as follows:

	Previously Reported	Adjustments	Restated
	\$	\$	\$
Tangible Capital Assets	452,151,792	2,045,034	450,106,758
Accumulated surplus, beginning of year	509,832,856	2,232,451	507,600,405
Amortization of tangible capital assets	20,277,060	187,417	20,089,643

3. Trust funds

Trust funds administered by the Municipality amounting to \$1,915,328 (2018 – \$1,832,849) 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 payments in lieu of property taxes on their behalf. The amounts levied and remitted are summarized below:

	School Boards	Regional Municipality of Durham
	\$	\$
2019		
Property taxes	32,367,970	89,346,215
Taxation from other governments	93,770	2,979,181
Total	32,461,740	92,325,396

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

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

	School Boards	Regional Municipality of Durham
	\$	\$
2018		
Property taxes	31,383,540	86,013,583
Taxation from other governments	97,687	3,029,478
Total	31,481,227	89,043,061

5. Investments

Total investments of \$69,279,397 (2018 - \$71,275,833) reported on the consolidated statement of financial position at cost plus accrued interest, have a market value of \$72,701,584 (2018 - \$74,182,523) 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.

	2019 Cost	2019 Market Value	2018 Cost	2018 Market Value
	\$	\$	\$	\$
GICs	51,895,933	54,705,469	61,138,905	63,752,135
Bonds	12,690,866	12,831,045	5,533,614	5,551,905
Pooled Funds Equity	500,000	1,199,929	500,000	1,014,286
Pooled Funds Bonds	4,192,598	3,965,141	4,103,314	3,864,197
Total	69,279,397	72,701,584	71,275,833	74,182,523

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 \$23,580,608 (2018 - \$30,829,637) reported on the consolidated statement of financial position.

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

6. Taxes receivable

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

	2019	2018
	\$	\$
Current year	6,992,835	6,227,011
Arrears previous years	2,390,492	2,438,220
	9,383,327	8,665,231
Allowance for uncollectible taxes	(750,000)	(481,426)
	8,633,327	8,183,805

7. Promissory notes receivable

	2019	2018
	\$	\$
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 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, 2019).	2,355,000	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 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, 2019).	5,966,000	5,966,000
	8,321,000	8,321,000

Interest revenue earned from these notes receivable totaled \$359,738 (2018 - \$407,980). Interest revenue earned from January 1 to March 31 on the Veridian notes totaled \$101,995. Interest revenue earned from April 1 to December 31 on the Elexicon notes totaled \$257,743. 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, 2021.

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

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.

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

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

(a) Veridian Corporation

The Municipality is accounting for this investment using a modified equity basis in these consolidated 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 and December 31, 2018:

	2019 – as at March 31	2018 – as at December 31
	\$	\$
Financial position		
Assets		
Current	65,333,000	70,908,000
Capital and intangibles	296,565,000	291,057,000
Other	147,000	166,000
Regulatory balances	7,231,000	7,217,000
Total assets and regulatory balances	369,276,000	369,348,000
Liabilities		
Current	155,284,000	152,979,000
Long-term debt	36,909,000	37,132,000
Other	36,569,000	33,310,000
Total liabilities	228,762,000	223,421,000
Shareholders' Equity		
Share capital	67,260,000	67,260,000
Contributed capital	25,000	25,000
Retained earnings	67,960,000	70,484,000
Regulatory balances	5,269,000	8,158,000
Total shareholders' equity and regulatory balances	140,514,000	145,927,000
Total liabilities, equity and regulatory balances	369,276,000	369,348,000
Financial activities		
Revenues	79,702,000	320,797,000
Other income	657,000	3,555,000
Expenses	(84,348,000)	(318,245,000)
Net movements in regulatory balances, net of tax	2,640,000	6,212,000
Net income (loss) for the year	(1,349,000)	12,319,000

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

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

(b) Elexicon Corporation

The Municipality is accounting for this investment using a modified equity basis in these consolidated 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 period of April 1 to December 31:

	2019 – April 1 to December 31
	\$
Financial position	
Assets	
Current	84,933,000
Capital and intangibles	506,254,000
Other	256,000
Regulatory balances	15,145,000
Total assets and regulatory balances	606,588,000
Liabilities	
Current	87,413,000
Long-term debt	180,360,000
Other	91,408,000
Total liabilities	359,181,000
Shareholders' Equity	
Share capital	97,692,000
Contributed capital	25,000
Retained earnings	147,082,000
Regulatory balances	2,608,000
Total shareholders' equity and regulatory balances	247,407,000
Total liabilities, equity and regulatory balances	606,588,000
Financial activities	
Revenues	364,204,000
Other income	1,227,000
Expenses	(367,302,000)
Net movements in regulatory balances, net of tax	8,680,000
Net income for the year	6,809,000

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

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

(c) Municipality's equity is represented by:

	2019	2018
	\$	\$
Promissory notes receivable (Note 6)	8,321,000	8,321,000
Initial investment in shares of the Corporation	10,146,495	10,146,495
Accumulated net income	19,051,053	18,604,820
Net increase in value of investment	400,126	400,126
Accumulated dividends received	(11,034,247)	(10,092,347)
Total equity	26,884,427	27,380,094
Municipality of Clarington's investment represented by:		
Investment in Corporation	18,563,427	19,059,094
Promissory notes receivable	8,321,000	8,321,000
	26,884,427	27,380,094

(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 \$164,885,000 for property insurance; plus \$10,000,000 excess coverage on top of the regular liability and vehicle coverage.

(ii) Contractual obligation - Hydro One Networks Inc.

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.

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

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

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

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 \$637,000 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:

	\$
2020	475,000
2021	363,000
2022	229,000
2023	179,000
2024	124,000
Thereafter	210,000
	<hr/> 1,580,000 <hr/>

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

9. Deferred revenue - obligatory reserve funds

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

	2019	2018
	\$	\$
Balance, beginning of year	47,958,805	36,793,877
Contributions		
Contributions from developers	3,813,009	13,803,200
Investment income	1,493,974	1,470,572
Federal Gas Tax	5,534,417	2,692,935
Provincial infrastructure	1,916,537	1,585,464
	12,757,937	19,552,171
Utilization:		
Transfers to operating	2,410,387	2,056,418
Acquisition of TCA - construction	10,578,969	6,330,825
	12,989,356	8,387,243
Change in deferred revenue during the year	(231,419)	11,164,928
Balance, end of year	47,727,386	47,958,805
Balance, end of year - analyzed as follows:		
Parkland cash-in-lieu	3,170,857	2,640,373
Federal gas tax	2,252,629	327,460
Building code act	2,607,173	3,612,814
Provincial infrastructure	1,473,168	1,016,387
Development charges (Note 10)	38,223,559	40,361,771
Total deferred revenue – obligatory reserve funds	47,727,386	47,958,805

10. Continuity of development charges reserve funds

	2019	2018
	\$	\$
Balance at the beginning of the year	40,361,771	31,141,206
Development charges collections	3,361,490	13,431,649
Investment income	1,238,551	1,286,879
Tangible capital assets acquisitions and construction	(4,427,799)	(2,530,563)
Operating expenses	(2,310,454)	(2,967,400)
Balance at the end of the year	38,223,559	40,361,771

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

11. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("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, 2019. The results of this valuation disclosed total actuarial liabilities of \$107,687 million with respect to benefits accrued for service with actuarial assets at that date of \$104,290 million indicating an actuarial deficit of \$3,397 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 rate was 9% for wages up to \$57,400 (2018 – 9%) and 14.6% for wages in excess of CPP earning limit \$57,400 (2018 – 14.6%). The amount contributed to OMERS for 2019 was \$3,323,567 (2018 - \$3,233,344) for current services and is included as an expense on the statement of operations.

12. 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, 2019 was \$1,023,710 (2018 - \$1,044,288).

(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, 2019 amounted to \$18,298 (2018 - \$12,270).

(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.

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

12. Employee future benefits liabilities (continued)

(b) Post-employment benefits – other (continued)

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, 2019 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 2019 fiscal year end was determined by this valuation.

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

- (i) Discount rate will be 3.20% per annum.
- (ii) Future inflation rates will be 2.00%.
- (iii) Dental cost trend rates will increase to 3.00% in fiscal 2019 and remain stable at that level until 2024.
- (iv) Extended health care trend rates will decrease to 5.37% in fiscal 2019 and remain stable at that level until 2024.

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

	2019	2018
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	7,321,218	6,670,528
Employer current service cost	414,861	363,071
Interest cost	236,833	272,247
Benefits paid	(626,106)	(515,832)
Actuarial loss	2,551,283	531,204
Balance, end of year	9,898,089	7,321,218
Unamortized net actuarial gains (losses)	(1,259,951)	1,339,309
Employee future benefits liabilities, end of year	8,638,138	8,660,527

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

13. Long-term liabilities

The net long term liabilities consist 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 \$11,879,590 (2018 - \$14,273,520).

Maturity date	Interest rate	Regional By-law #	2019	2018
	%		\$	\$
	Note (i)			
July 12, 2021	5.12	52-2006	201,115	294,300
August 21, 2022	4.65 to 4.75	07-2007	3,500,000	5,083,000
July 2, 2024	2.25 to 3.35	38-2014	755,000	896,000
July 2, 2029	2.25 to 3.80	38-2014	4,573,600	4,958,600
October 17, 2031	1.32 to 2.80	48-2016	811,000	871,000
April 13, 2032	1.90 to 3.30	56-2017	893,002	950,705
April 13, 2032	1.90 to 3.30	56-2017	1,145,873	1,219,915
			11,879,590	14,273,520

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

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

	\$
2020	2,334,033
2021	1,858,842
2022	1,775,923
2023	797,103
2024	818,737
Thereafter	4,294,952
	11,879,590

- (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 \$580,706 (2018 - \$561,988) and is reported on the consolidated statement of operations.

14. 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.

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

14. Internal loans (continued)

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

	\$
Major Parking Lot Rehabilitation	1,659,472
LED Street lighting Conversion	2,466,528
	<hr/> 4,126,000

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

	\$
2020	245,000
2021	250,000
2022	257,000
2023	263,000
2024	271,000
Thereafter	2,840,000
	<hr/> 4,126,000

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 \$49,923,822 (2018 - \$35,170,058). These contracts relate to the construction and expansion of certain permanent facilities. As at December 31, 2019, \$5,313,275 (2018 - \$5,512,926) relating to these contracts had not been expended.

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

	2019	2018
	\$	\$
Transactions		
Dividends received	941,900	639,200
Interest earned on promissory notes	359,738	407,980
Property taxes	33,728	34,686
Energy and services purchases	764,974	975,147
Balances		
Promissory notes receivable	8,321,000	8,321,000
Accounts payable and accrued liabilities	57,426	80,425

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

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, 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 indemnities are not explicitly defined, and the maximum amount of any potential reimbursement 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

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

19. Tangible capital assets (continued)

(a) Contributed tangible capital assets (continued)

with the exclusion of streetlights and storm sewers with the recorded date as the date of completion. In 2019, there were contributed assets of \$18,912,296 (2018 - \$14,522,447).

(b) Works of Art and Historical Treasures

The Municipality has one historical collection. The Clarington Museums and Archives 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, 2019

20. Accumulated surplus

Accumulated surplus is comprised of the following:

	2019	2018 (Restated – Note 2)
	\$	\$
Invested in tangible capital assets	467,499,849	450,106,758
General surplus	2,784,428	4,236,776
Capital surplus	18,429,199	16,247,518
Inventory - surplus land	424,898	424,918
Long-term liabilities to be recovered from future revenue	(11,879,590)	(14,273,520)
Unfunded employee benefits and post-employment liabilities	(3,053,553)	(3,572,535)
Reserves set aside for specific purposes by Council:		
Acquisition of capital assets	3,788,124	3,668,929
Legal/consulting issues	1,173,485	1,296,357
Election expenses	147,338	22,338
Fire prevention	304,552	69,253
Burketon park improvements	7,569	7,569
Samuel Wilmot nature area	492	49
Clarington Heritage Committee Board	6,981	7,946
Reserve funds set aside for specific purposes by Council:		
General municipal purposes	5,989,031	5,090,356
Rate stabilization	6,782,242	5,443,762
Strategic capital	10,447,856	10,080,693
Recreation programs and facilities	443,886	589,834
Debenture repayment	445,810	269,907
Industrial development	510,612	522,742
Other cultural	119,367	110,324
Acquisition of capital assets	7,820,127	7,427,244
Newcastle Waterfront study	3,803	204,537
Municipal capital works	4,730,824	3,515,048
Other capital - unspecified	980,319	968,171
Road contributions	3,872,058	3,981,937
Westside Bridge/Bowmanville Marsh	(2,019)	8,532
Port Granby LLRW	186,648	181,849
Community Improvement Plan	124,154	111,207
Business Improvement Areas	165,154	202,714
Hampton Union Cemetery	103,385	104,340
Community Emergency Management	474,623	348,020
Equity in Elexicon / Veridian Corporation	26,884,427	27,380,094
Reserve funds Clarington Museum and Archives	-	100,457
Accumulated surplus	549,716,079	524,884,124

The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2019

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 Services, Municipal Law Enforcement, Animal Services and Building inspection / enforcement services.

Emergency 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 include 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, 2019

22. Budget amounts

The budget figures reflected in these consolidated statements are those approved by Council on February 25, 2019. 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 consolidated financial statement presentation adopted in the current year.

24. Subsequent events

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being 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 Municipality has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Municipality for future periods.

Subsequent to December 31, 2019, the Clarington Museum and Archives merged with the Clarington Public Library to become the Clarington Public Library, Museum and Archives. As both entities are consolidated with the Municipality, there is no expected financial reporting impact.

**The Corporation of the Municipality of Clarington
Consolidated schedule of tangible capital assets – Schedule 1
For the year ended December 31, 2019**

2019

	General					Infrastructure							Total
	Land	Land Improvements	Buildings	Vehicles	Equipment	Land	Linear Road & Related	Linear Storm Sewers	Buildings	Vehicles	Equipment	Assets under construction	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost													
Balance, beginning of year	70,601,885	33,653,769	106,281,872	9,802,323	13,703,409	3,042,876	390,397,170	90,583,364	2,360,968	11,417,048	32,524	15,149,857	747,027,065
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	35,653	11,186,297	49,389,638
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)	(15,847,639)
Balance, end transfers 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	62,505	15,492,887	780,569,064
Accumulated amortization													
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	24,283	-	296,920,306
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	-	20,576,843
Less: accumulated amortization on disposals	-	(405,937)	(318,119)	(148,525)	(720,567)	-	(2,401,704)	(5,087)	-	(422,323)	(5,672)	-	(4,427,934)
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	24,765	-	313,069,215
Net book value of tangible capital assets	70,247,117	25,090,610	57,472,138	3,197,992	5,845,271	6,007,350	201,545,327	75,995,903	808,841	5,758,673	37,740	15,492,887	467,499,849

**The Corporation of the Municipality of Clarington
Consolidated schedule of tangible capital assets – Schedule 1
For the year ended December 31, 2019**

2018
(Restated -
Note 2)

	General					Infrastructure						Total	
	Land	Land Improvements	Buildings	Vehicles	Equipment	Land	Linear Road & Related	Linear Storm Sewers	Buildings	Vehicles	Equipment		Assets under construction
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost													
Balance, beginning of year	66,296,291	31,822,986	106,915,111	9,722,196	12,161,894	3,042,876	386,678,261	81,385,588	2,394,965	11,261,174	32,525	11,940,406	723,654,273
Add: additions during the year	5,315,594	2,915,196	754,573	268,294	2,462,229	-	7,790,041	12,023,492	-	679,012	--	13,200,394	45,408,825
Less: disposals during the year	(1,010,000)	(1,084,413)	(1,387,812)	(188,167)	(920,715)	-	(4,071,132)	(2,825,717)	(33,997)	(523,138)	-	(9,990,942)	(22,036,033)
Balance, end transfers 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	747,027,065
Accumulated amortization													
Balance, beginning of year	-	11,532,962	47,108,786	5,580,534	7,024,800	-	186,044,399	18,080,067	1,416,555	7,476,787	22,275	-	284,287,165
Add: amortization during the year	-	2,534,798	1,394,881	648,306	1,410,424	-	12,080,227	1,179,945	50,787	788,266	2,009	-	20,089,643
Less: accumulated amortization on disposals	-	(323,124)	(1,371,688)	(188,167)	(732,019)	-	(3,879,912)	(443,401)	-	(518,190)	-	-	(7,456,501)
Balance, end 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	-	296,920,307
Net book value of tangible capital assets	70,601,885	19,909,133	59,149,893	3,761,650	6,000,203	3,042,876	196,152,456	71,766,752	893,626	3,670,185	8,241	15,149,858	450,106,758

The Corporation of the Municipality of Clarington
Consolidated schedule of segmented information – Schedule 2
For the year ended December 31, 2019

								2019
	General Government	Protection to persons and property	Transportation services	Environmental services	Health services	Recreation and cultural services	Planning and development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Operating revenue								
Grants	221,761	35,445	63,210	378,340	-	386,886	17,075	1,102,717
Tax revenues	66,322,728	-	-	-	-	-	-	66,322,728
Other revenues	6,557,509	3,884,835	14,028,584	121,022	376,840	7,388,389	2,460,060	34,817,239
Contributed tangible capital assets	-	-	9,166,467	7,015,346	-	2,730,483	-	18,912,296
Total operating revenue	73,101,998	3,920,280	23,258,261	7,514,708	376,840	10,505,758	2,477,135	121,154,980
Operating expenditures								
Salaries and wages	4,462,653	15,726,287	9,253,874	673,744	213,946	13,949,715	3,749,494	48,029,713
Operating materials and supplies	658,332	1,031,245	7,104,345	1,731,811	159,194	5,492,040	446,116	16,623,083
Contracted services	655,415	1,075,972	2,603,287	425,437	1,508	1,745,771	2,359,086	8,866,476
Rent and financial expenses	636,105	-	-	-	171	43,496	1,977	681,749
External transfers to others	-	10,000	-	-	5,647	948,808	-	964,455
Amortization expense	992,731	1,010,833	13,159,688	1,582,898	2,981	3,824,849	2,863	20,576,843
Interest on long-term liabilities	33,925	-	291,723	-	-	255,058	-	580,706
Total operating expenditures	7,439,161	18,854,337	32,412,917	4,413,890	383,447	26,259,737	6,559,536	96,323,025
Annual surplus (deficit)	65,662,837	(14,934,057)	(9,154,656)	3,100,818	(6,607)	(15,753,979)	(4,082,401)	24,831,955

**The Corporation of the Municipality of Clarington
Consolidated schedule of segmented information – Schedule 2
For the year ended December 31, 2019**

2018
(Restated -
Note 2)

	General Government	Protection to persons and property	Transportation services	Environmental services	Health services	Recreation and cultural services	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Operating revenue								
Grants	53,396	25,738	29,810	164,701	-	316,065	10,589	600,299
Tax revenues	63,574,379	-	-	-	-	-	-	63,574,379
Other revenues	7,357,776	2,973,364	9,560,538	(572,018)	377,887	7,655,793	1,360,155	28,713,495
Contributed tangible capital assets	-	-	1,004,703	8,543,686	-	4,974,058	-	14,522,447
Total operating revenue	70,985,551	2,999,102	10,595,051	8,136,369	377,887	12,945,916	1,370,744	107,410,620
Operating expenses								
Salaries and wages	4,488,902	15,264,949	8,625,545	805,207	230,345	13,431,602	3,622,975	46,469,525
Operating materials and supplies	1,041,946	1,024,439	5,303,316	876,710	158,710	5,664,645	522,063	14,591,829
Contracted services	493,413	1,037,494	2,802,925	396,339	5,237	1,496,717	1,178,080	7,410,205
Rent and financial expenses	187,998	-	-	-	488	34,008	6,671	229,165
External transfers to others	-	10,000	-	-	-	726,322	-	736,322
Amortization expense	992,456	963,625	12,974,998	1,454,763	2,981	3,697,957	2,863	20,089,643
Interest on long-term liabilities	35,243	-	202,996	-	-	361,973	-	600,212
Total operating expenses	7,239,958	18,300,507	29,909,780	3,533,019	397,761	25,413,224	5,322,652	90,126,901
Annual surplus (deficit)	63,745,592	(15,301,405)	(19,314,729)	4,603,350	(19,874)	(12,467,308)	(3,961,908)	17,283,719