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Auditors' Report

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

We have audited the consolidated statement of financial position of the Corporation of the Municipality of Clarington as at December 31, 2008 and the consolidated statements of financial activities and fund balance and of changes in financial position for the year then ended. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2008 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Licensed Public Accountants
June 12, 2009

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON

**GENERAL NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008**

1. These condensed consolidated financial statements reflect the assets, liabilities, revenue, and expenditures of the current fund, capital fund, reserve funds and reserves and include the activities of all committees of Council and the following local boards, which are under the control of Council:
 - Clarington Museum and Archives
 - Clarington Public Library Board
 - Board of Management for the Bowmanville Central Business District Improvement Area
 - Board of Management for the Newcastle Central Business District Improvement Area
 - Board of Management for the Orono Central Business District Improvement Area
 - Bowmanville Santa Claus Parade Committee
 - Clarington Heritage Committee
 - Clarington Older Adult Centre Board
 - Newcastle Arena Board
 - Newcastle Community Hall Board
 - Orono Arena and Community Centre Board
 - Orono Cemetery Board
 - Solina Hall Board
 - Tyrone Community Hall Board

2. The data presented here has been extracted from financial statements audited by Deloitte and Touche, LLP. Detailed financial statements and the Auditors' Report thereon, for the Municipality, are available from the Finance Department.

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCE
For the year ended December 31, 2008

	2008		2008	2008	2008	2007
	<u>CURRENT FUND</u>	<u>ACTUAL</u>	<u>CAPITAL FUND</u>	<u>RESERVE AND</u>	<u>CONSOLIDATED</u>	<u>CONSOLIDATED</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>RESERVE FUNDS</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	\$	\$	\$	\$	\$	\$
REVENUES						
Taxation and user charges						
Property taxation	33,934,464	34,448,144	-	-	34,448,144	32,486,378
Taxation from other governments	3,364,478	3,337,237	-	-	3,337,237	3,383,529
User charges	9,038,902	9,519,957	-	-	9,519,957	10,281,542
Grants						
Government of Canada	69,452	72,880	-	-	72,880	49,551
Province of Ontario	258,098	341,277	7,745,873	-	8,087,150	401,098
Other						
Investment income	534,458	497,565	505,051	2,332,848	3,335,464	3,508,550
Penalty and interest on taxes	1,040,000	1,465,160	-	-	1,465,160	1,319,003
Fines	121,500	225,252	-	-	225,252	294,298
Donations and contribution from others	85,173	159,491	339,098	835,889	1,134,478	2,429,960
Deferred revenue earned	2,977,784	2,986,714	3,865,558	-	8,852,272	10,775,314
Sale of land and equipment	-	-	78,028	-	78,028	70,574
Total revenues	51,420,287	53,053,877	12,531,606	2,968,737	68,554,020	64,979,797
EXPENDITURES						
General government	8,870,253	8,405,308	486,479	-	8,891,787	8,480,730
Protection to persons and property	6,963,395	9,820,789	237,431	-	10,058,200	11,412,705
Transportation services	9,545,918	11,267,535	7,327,826	-	18,595,381	22,332,441
Environmental services	99,500	99,872	-	-	99,872	446,383
Health services	235,659	230,780	9,503	-	240,283	218,904
Recreational and cultural services	15,456,645	15,465,903	9,438,143	-	24,902,046	26,495,682
Planning and development	3,871,259	3,793,219	44,850	-	3,836,069	3,478,215
Total expenditures	46,842,827	49,083,386	17,542,232	-	66,825,818	72,865,040
Veridian Corporation						
Share of net earnings	-	-	-	1,185,749	1,185,749	1,212,264
Net (expenditure) revenue	4,577,860	3,970,291	(5,010,626)	4,154,486	3,114,151	(6,672,979)
Net financing and transfers	(2,551,519)	(3,765,006)	3,937,483	(172,477)	-	-
Increase (decrease) in amounts to be recovered						
Debt principal repayments	(2,026,141)	(1,835,435)	-	-	(1,835,435)	(1,458,801)
Increase in unfunded employee future benefit liabilities	-	405,710	-	-	405,710	642,780
Proceeds of debenture issue	-	-	1,084,000	-	1,084,000	17,325,000
Net increase (decrease) in amounts to be recovered	(2,026,141)	(1,429,725)	1,084,000	-	(345,725)	16,508,979
(Decrease) increase in non-financial assets	-	(61,358)	-	-	(61,358)	(27,643)
Change in fund balance	-	(1,285,798)	10,857	3,982,009	2,707,068	9,808,357
Fund balance, beginning of year	-	564,050	13,203,250	55,283,304	69,050,604	59,242,247
Fund balance, end of year	-	(721,748)	13,214,107	59,285,313	71,757,672	69,050,604

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
	\$	\$
ASSETS		
Financial assets		
Cash and cash equivalents	36,351,438	40,013,015
Investments	24,254,090	18,256,014
Accounts receivable	6,812,529	8,377,760
Taxes receivable	9,985,973	10,014,983
Inventories for resale	52,474	72,805
Promissory notes receivable	8,321,000	8,321,000
Investment in Veridian Corporation	12,815,618	12,201,069
Total financial assets	<u>98,593,122</u>	<u>97,256,646</u>
LIABILITIES		
Accounts payable and accrued liabilities	8,012,140	9,616,455
Employee future benefit liabilities	3,352,951	2,829,424
Net long-term liabilities	34,536,404	35,287,839
Deferred revenue - general	5,103,422	5,475,058
Deferred revenue - obligatory reserve funds	13,202,663	12,776,479
Total liabilities	<u>64,207,580</u>	<u>65,985,255</u>
Net financial assets	<u>34,385,542</u>	<u>31,271,391</u>
Non-financial assets		
Prepaid expenses	575,146	606,867
Inventory supplies	316,544	346,181
Total non-financial assets	<u>891,690</u>	<u>953,048</u>
Net assets	<u>35,277,232</u>	<u>32,224,439</u>
MUNICIPAL POSITION		
Fund balances		
Current fund	(721,748)	564,050
Capital fund	13,214,107	13,203,250
Reserves	3,369,082	3,330,104
Reserve funds-general	33,176,693	29,917,103
Reserve fund-Veridian Corporation net equity	22,719,538	22,036,097
Total fund balances	<u>71,757,672</u>	<u>69,050,604</u>
Amounts to be recovered from future revenues	<u>(36,480,440)</u>	<u>(36,826,165)</u>
Municipal position	<u>35,277,232</u>	<u>32,224,439</u>

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON

**CONDENSED CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUND BALANCES
AS AT DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
	\$	\$
Reserves set aside for specific purpose by Council:		
Acquisition of capital assets	2,233,935	2,290,268
Capital improvements	87,971	90,818
Working funds, contingencies and other	<u>1,047,176</u>	<u>949,018</u>
	<u>3,369,082</u>	<u>3,330,104</u>
Reserve Funds set aside for specific purposes by Council:		
Industrial development and Bowmanville BIA	192,262	174,107
Debt management and general municipal purposes	10,522,127	9,663,199
Acquisition of capital assets	6,678,297	6,527,485
Capital improvements	14,990,202	12,865,477
Recreation and culture	<u>793,805</u>	<u>686,835</u>
	<u>33,176,693</u>	<u>29,917,103</u>
Municipal government business partnership - Veridian Corporation	<u>22,719,538</u>	<u>22,036,097</u>
	<u>59,265,313</u>	<u>55,283,304</u>

**CONDENSED SCHEDULE OF TRUST FUND BALANCES
AS AT DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
	\$	\$
Cemeteries	1,053,222	992,420
Vanderveer Legacy	1,000	1,000
Montague Trust	20,025	19,192
Host Community Fund	10,000,000	10,000,000
Irene Rinch Trust	<u>156,031</u>	<u>149,544</u>
Total Trust Funds	<u>11,230,278</u>	<u>11,162,156</u>