

Annual Financial Review

2025



Clarington

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Introduction

About Clarington

In 1974, the Regional Municipality of Durham Act brought together 21 municipalities, creating a two-tier government structure with regional government and eight individual municipalities, including the Municipality of Clarington.

The Town of Newcastle 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 Clarington: a blend of the original Townships of Clarke and Darlington.

The Municipality of Clarington is a beautiful community that forms the eastern boundary of the Greater Toronto Area. Residents enjoy waterfront trails alongside Lake Ontario, farmlands, and the natural beauty of the Oak Ridges Moraine.

Clarington is a geographically large municipality, covering an area of approximately 611 square kilometres, with four major urban centres and 14 hamlets.

With a population of over 111,000 and growing, Clarington offers residents a blend of city living and rural charm.

Clarington's 2024-27 Strategic Plan

The Council for the Municipality of Clarington adopted a Strategic Plan in December 2023. The Strategic Plan Expected Results for the 2024 to 2027 term are highlighted below. For a full listing of the Strategic Plan priorities, goals, and progress to date, visit www.clarington.net/StrategicPlan.



Lead – Exceptional Municipal Services and Governance

- Objective – to be a leader in the delivery of efficient, effective and meaningful municipal services.

Expected Results
An employer of choice
Finances and operations are efficiently and responsibly managed
Exceptional program and service delivery
Residents are engaged and informed

Connect

- Objective – to cultivate a strong, thriving and connected community where everyone is welcome.

Expected Results
A connected community
Residents are safe and healthy
A diverse, equitable and inclusive community
Arts, culture and recreation are prioritized

Grow Responsibly

- Objective – to promote responsible and balanced growth by developing the economy while protecting the environment.

Expected Results
A strong local economy
Growth is proactively addressed
Unique community spaces are prioritized
Healthy and resilient environment

2024-27 Strategic Plan - Progress to date

- Nearly 2,500 community responses helped shape Clarington's Strategic Plan
- 94 per cent of Strategic Plan action items are in progress or complete
    - 28 Strategic Plan action items completed.
    - 65 Strategic Plan action items in progress.

Governance

Mayor and Council

Clarington's Council is comprised of the Mayor, two Regional Councillors, and four Local Councillors elected for four-year terms. Members of Council are the governing body of the Municipality and have the following responsibilities:

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

Four wards separate the Municipality for electoral purposes. Each Regional Councillor represents two wards locally, and they also represent Clarington residents at Regional Council, along with the Mayor. Each Local Councillor represents one ward.

Municipal elections were held in the fall of 2022 with a general election scheduled for October 2026. The Council for the Municipality of Clarington consists of:

- Mayor Adrian Foster
- Regional Councillors Granville Anderson (Wards 1 and 2) and Willie Woo (Wards 3 and 4)
- Local Councillors Sami Elhajjeh (Ward 1), Lloyd Rang (Ward 2), Corinna Traill (Ward 3) and Margaret Zwart (Ward 4)



Back row: Corinna Traill, Margaret Zwart, Lloyd Rang, Sami Elhajjeh

Front row: Granville Anderson, Adrian Foster, Willie Woo

Executive Leadership Team

The executive leadership team consists of the Office of the Chief Administrative Officer (CAO) and the Deputy CAOs of various departments. The executive leadership team works closely with Council to implement the critical strategic and operational initiatives 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 Clarington residents and other stakeholders.



Mary-Anne Dempster
Chief Administrative Officer (CAO)



Trevor Pinn
Deputy CAO/Treasurer, Finance and Technology Services



Robert Maciver
Deputy CAO/Solicitor, Legislative Services



Darryl Lyons
Deputy CAO, Planning and Infrastructure Services



Lee-Ann Reck
Deputy CAO, Public Services

Message from the Treasurer



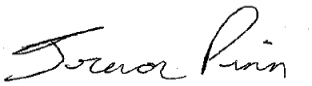
The Municipality of Clarington is proud to present its 2025 Annual Financial Report, highlighting the Municipality's financial performance and key accomplishments for the fiscal year ended December 31, 2025.

The 2025 fiscal year was one of continued growth and investment in our community. Construction of the Bowmanville Community Complex progressed significantly and remains on track for completion in 2026. During the year, the Municipality also completed a second outdoor skating surface at the Diane Hamre Recreation Complex and opened new parks in Bowmanville and Newtonville, enhancing recreational opportunities for residents.

A key highlight of 2025 was the Municipality's strong investment performance. Following the adoption of the Prudent Investor framework in 2024, Clarington continued to diversify its investment portfolio, generating additional non-tax revenue that helps support future infrastructure and service needs. These earnings strengthen reserves and reserve funds while helping to mitigate future tax pressures.

Over the past several years, the Municipality has continued to expand non-tax revenue sources, including investments, grants and user fees. This approach supports long-term financial sustainability while helping to reduce reliance on property taxation. During 2025, the Municipality also strengthened its investment in Elexicon Corporation through the conversion of promissory notes into additional shares, creating future opportunities for growth and dividend revenue.

The results presented in this report reflect Clarington's commitment to responsible financial management and long-term planning. As our community continues to grow, we remain focused on delivering services and infrastructure in a fiscally sustainable manner.



Trevor Pinn, CPA, CA
Deputy CAO/Treasurer

At a Glance

The Municipality delivers a wide range of services, programs and capital initiatives that support residents, businesses and visitors. Key highlights from the 2025 Annual Financial Review, 2025 Year in Review and municipal departmental reporting are summarized below. For a comprehensive overview of accomplishments and progress toward the Strategic Plan, please see the 2025 Year in Review.

VALUE FOR TAXPAYERS

$2.0M+

Operational efficiencies achieved since the Continuous Improvement program launched in late 2023.

$198K+

Savings and cost avoidance from parking modernization.

109

Initiatives completed.

300+

Staff contributors.

$9.3M

Investment income earned.

GROWTH, HOUSING & PLANNING

$2.8M

Received through Ontario's Building Faster Fund.

UPDATED BY-LAWS

Development Charges and Community Benefits Charges By-laws approved.

Approximately 55

Residential units secured as affordable for 25 years.

8

Planning Act application types digitized and available online.

At a Glance - continued

INFRASTRUCTURE & CAPITAL INVESTMENT

315+

Capital projects active across Clarington in 2025.

$43.5M

Invested in tangible capital assets.

11,600+

Public Works service requests received in 2025.

1,730 km

Paved roads maintained.

205 km

Unpaved roads maintained.



55

Pavement and rural-road rehabilitation projects completed.

$8.1M

Capital investment in road rehabilitation.

BRIDGES & CULVERTS

16,202 m²

Maintained across Clarington.

$1.9M

Invested in bridge and culvert infrastructure.



36

EV charging points, including Clarington's first fast charger.



FLEET RENEWAL

$10.0M

Invested in fleet replacements and additions, including heavy equipment, fire apparatus, parks vehicles and by-law enforcement vehicles.

At a Glance - continued

RECREATION & CULTURE HIGHLIGHTS



Outdoor rink at Courtice Community Complex

$15.2M

Invested in recreation facilities, cultural spaces, trails, parks, playgrounds and other community amenities.

38 km

Recreational trails maintained throughout Clarington.

20 ha

Land acquired for future Sports and Event Grounds.

53,000 m²

Indoor recreation space operated.

114,475 m²

Outdoor recreation space operated.

10,230

Swim lesson and leadership participants.

2,250+

Summer-camp participants welcomed.



Courtice Fitness Training Centre

111,200+

Total hourly visits, along with 1,600+ memberships and 120+ personal-training and nutritional assessments.

At a Glance - continued

RECREATION & CULTURE HIGHLIGHTS - CONTINUED



Canada Day 2025

More than 20,000

People attended Clarington's record-breaking Canada Day celebration.



Waverley Place

$500K

Invested in restoration work, with additional work planned for 2026.

8

Parks upgraded in 2025.

2

New parks constructed in 2025.



Rosswell Park



Stuart Park

EMERGENCY & FIRE SERVICES HIGHLIGHTS

Calls responded to

88
Structure fire calls

314
Medical calls

625
Motor vehicle calls

1:34

Average time from alarm to wheels rolling.

5

Fire stations serving residents and businesses.



Fire Station No. 1 was renovated and expanded to accommodate two full-time firefighting crews.

Financial Statement Discussion and Analysis

The accompanying financial statements are prepared following the Canadian Public Sector Accounting Standards (PSAS) published by the Public Sector Accounting Board (PSAB). 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, 2025.

There are five required financial statements:

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Remeasurement Gains and Losses
4. Statement of Changes in Net Financial Assets
5. 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, 2025.

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 comprises 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 Library, 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

The Municipality holds a 9.643 per cent share of ownership of Elexicon Corporation, which is the sole shareholder of Elexicon Energy, a local electricity distribution company. 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 required 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 Province of Ontario for the school boards within Clarington. These statements do not reflect the taxation, other revenues, expenses, assets and liabilities for the operations of the Region of Durham and the school boards.

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

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

- **Protection services -** includes protection to persons and property and 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.

- **Transportation services -** includes services provided by the Public Works 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 storm-water management, erosion control and resale of waste diversion goods.

- **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.

- **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.

- **Planning and development services -** 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.

Management Responsibility

The Municipality's management is responsible for 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 to prepare the consolidated financial statements.

Council meets with management and 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.

Deloitte LLP, an independent external auditor appointed by the Municipality, audited the consolidated financial statements. The Independent Auditor's Report, which is included in the statements, provides an unmodified opinion on the Municipality's consolidated financial statements for the year ended December 31, 2025. The report also outlines the auditors' responsibilities and the scope of their examination. In 2025, the Independent Auditor's Report includes an "Other Matter" related to the fact that the previous consolidated financial statements were audited by a different auditing firm. In 2024, the external auditors were MNP LLP.

An audit is conducted following Canadian Auditing Standards (CAS). 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 to verify the amounts and disclosures in the consolidated financial statements and assess the risk of material misstatements. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, and 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. The *Strong Mayors, Building Homes Act, 2022,* granted executive powers to the Mayor to propose the Municipality's annual budget. The Mayor, in collaboration with the Municipality's management, submitted the budget to Council for review and amendment. Citizens are involved in the budget process through surveys and public meetings. For more information, please visit http://www.clarington.net/Budget.

Risk Management and Financial Management Plans

Financial management and control of the Municipality is largely governed through by-laws and Council resolutions that prescribe purchasing, accounting, investing, 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 for its citizens. The Municipality charges user fees to recover the costs of services where it is appropriate to do so. There is also an annual update to ensure user fees increase at a reasonable yearly inflation rate. The annual fee schedule is reviewed and approved by Council.

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

Contributed assets, excluding land, are recorded when the Municipality assumes responsibility for the maintenance of municipal services such as roads, sidewalks, stormwater sewers and parks from external parties. Assumption of development 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.

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

Consolidated Statement of Financial Position

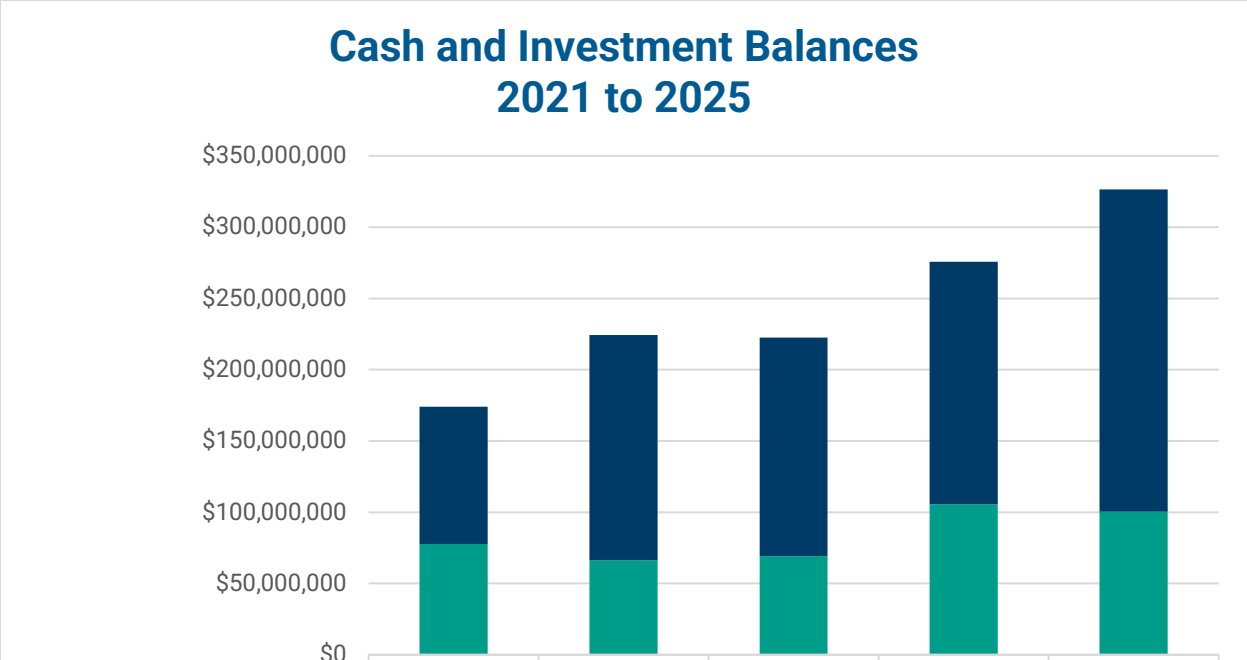
The Consolidated Statement of Financial Position is the public sector accounting equivalent of a balance sheet. The Statement of Financial Position provides a snapshot of the assets, liabilities and accumulated surplus (an indicator of service capacity) as of December 31, 2025.

Financial Assets

Cash and cash equivalents consist of cash on hand, demand deposits and other investments that can be converted to cash within 90 days. The Municipality saw a decrease in cash and cash equivalents of approximately $5.2 million. The Statement of Cash Flows highlights how the change in cash occurred.

Investments are made according to the Municipality's adopted investment policy and the legislated standards. Most investments are guaranteed investment certificates (GICs), government bonds and principal protected notes. There continues to be a shift from GICs to bonds and other deposit notes as a form of investment due to the relatively better return on investment that these instruments have had during the year. The Municipality increased investments by approximately $55.9 million. A significant reason for the increase in investments is related to increases in debenture funding received in 2025. As the costs related to these debentures will be expended in future periods, funds not immediately needed to settle expenditures were added into the investment portfolio. The Municipality also holds approximately $3.6 million in eligible corporate debt with Quebec Hydro.

The following chart shows the balance of cash and cash equivalents as well as the Municipality's investments for the period 2021 to 2025.

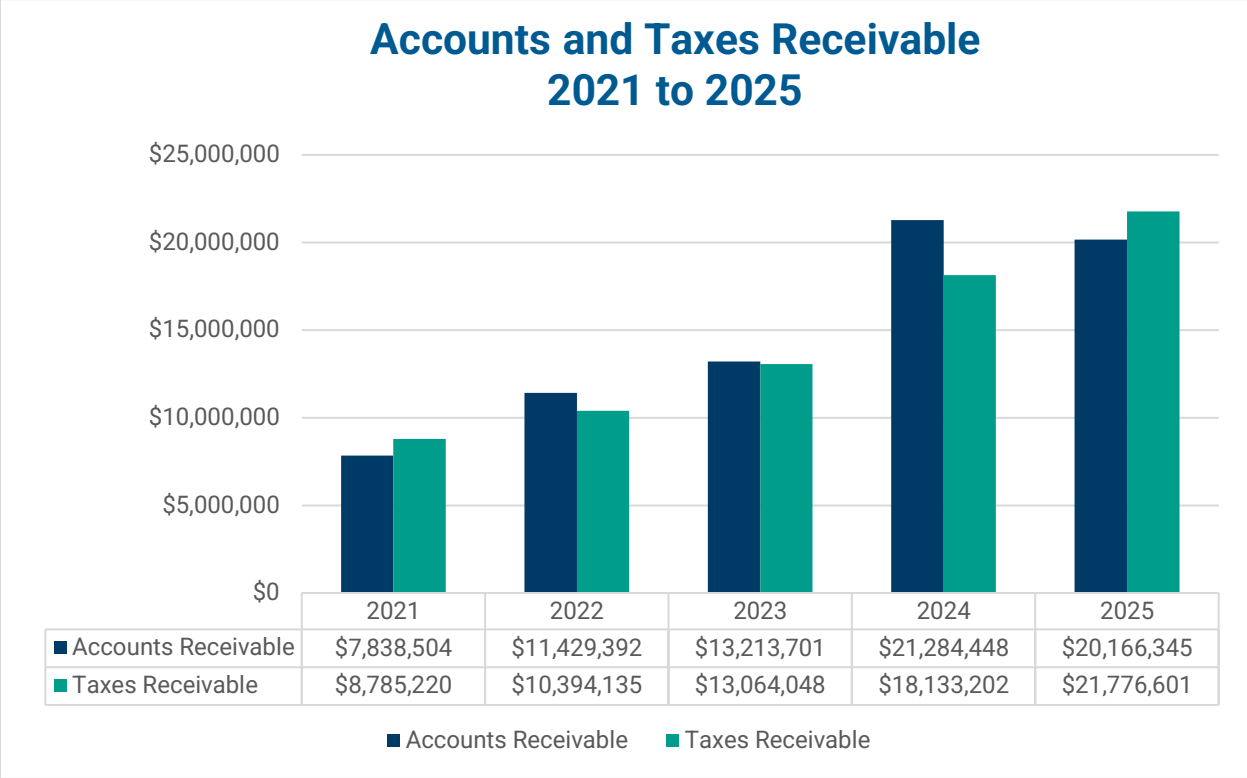


	2021	2022	2023	2024	2025
Investments	$96,426,970	$158,112,846	$153,213,884	$170,166,029	$226,108,263
Cash and Cash Equivalents	$77,658,903	$66,161,067	$69,266,929	$105,646,870	$100,443,293

Accounts receivable represents funds owed to the Municipality. Accounts receivable decreased by approximately $1.1 million during 2025, primarily due to lower HST receivables and government receivables outstanding at year-end. The most significant decrease was in the HST Refund Receivable balance, which declined by approximately $0.4 million. These reductions were partially offset by higher receivables from the Regional Municipality of Durham.

Taxes receivable represent unpaid property taxes, net of any allowance for uncollectible taxes or anticipated appeals. Of the year-over-year increase of $3.6 million, $1.7 million is tied to current year taxes and interest receivables.

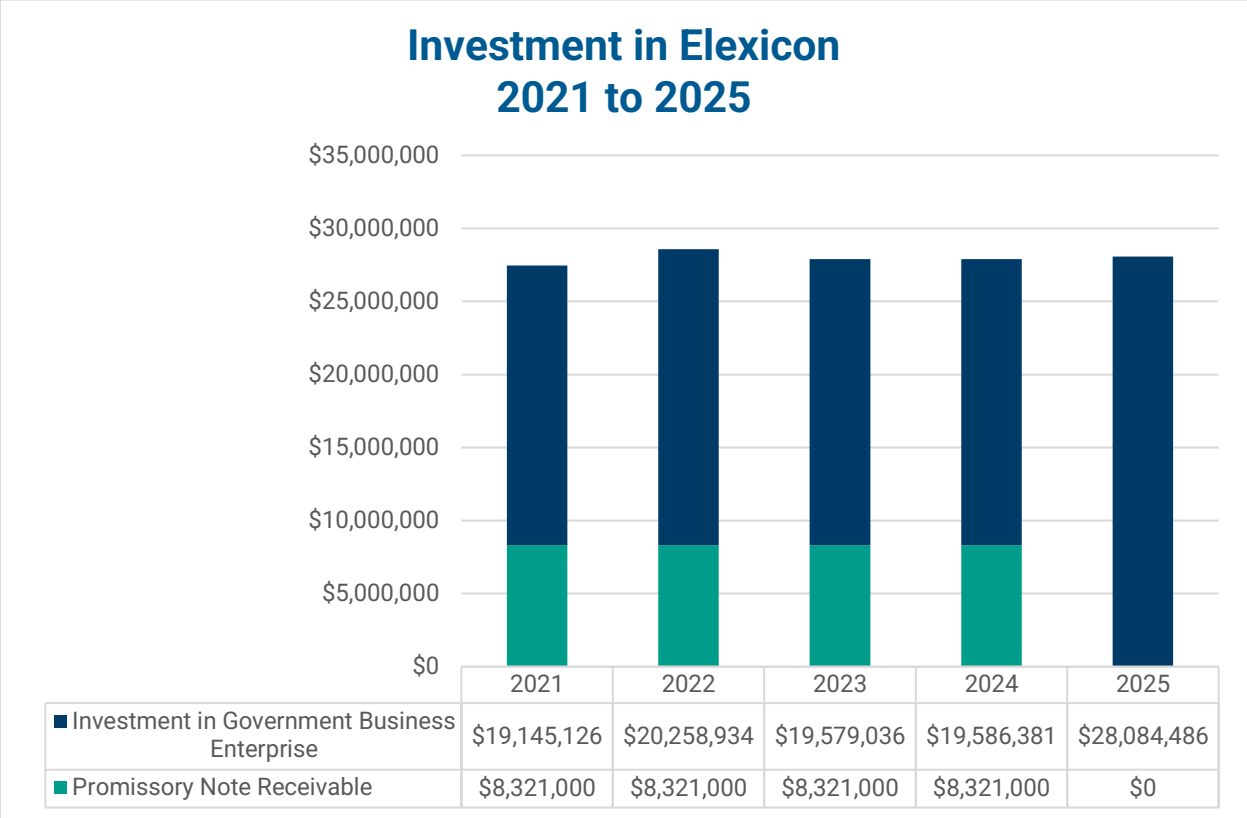
The following chart shows the balances for accounts receivable and taxes receivable at December 31 of each year from 2021 to 2025.



	2021	2022	2023	2024	2025
Accounts Receivable	$7,838,504	$11,429,392	$13,213,701	$21,284,448	$20,166,345
Taxes Receivable	$8,785,220	$10,394,135	$13,064,048	$18,133,202	$21,776,601

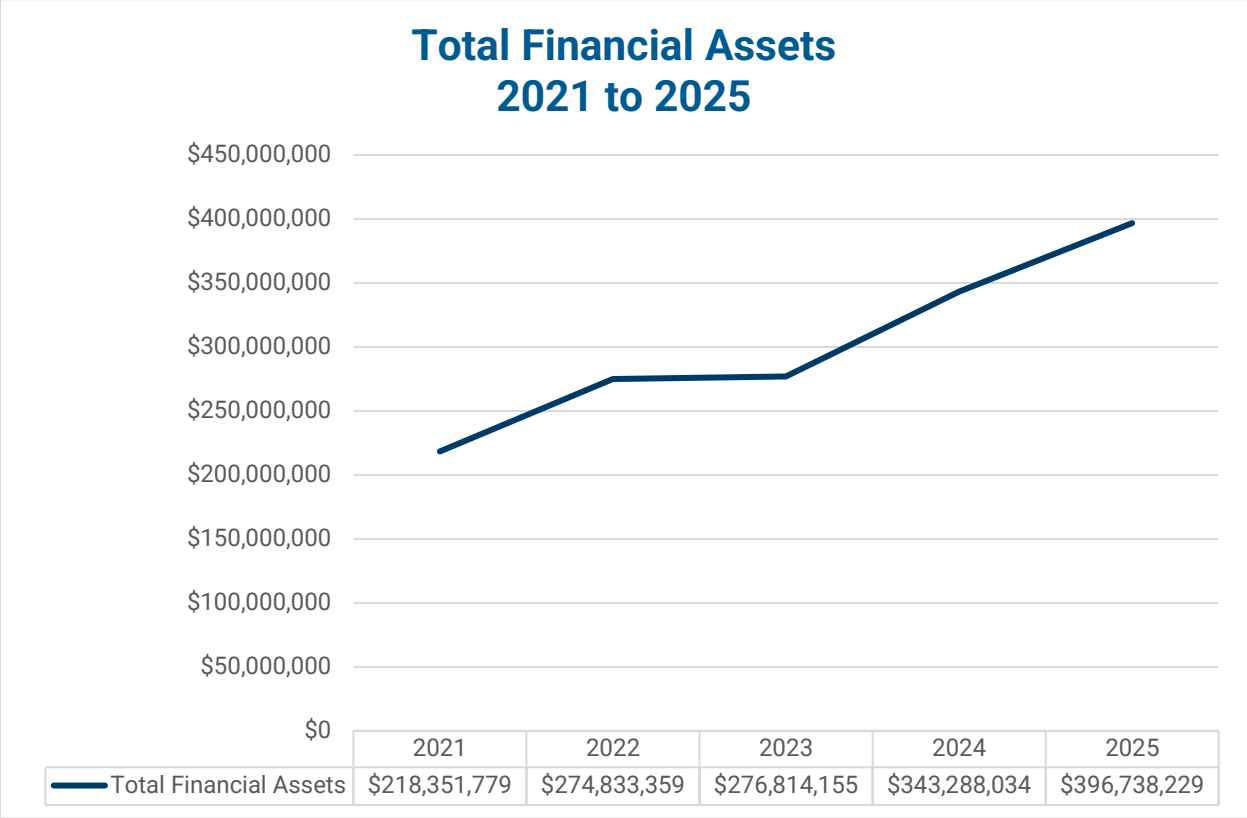
Land for resale consists of the historical cost of property that the Municipality has declared surplus and is actively marketing; it is not representative of the fair market value of that land. At December 31, 2025, land for resale consisted of property on Baseline Road at Spry Avenue.

Promissory note receivable and the investment in Elexicon Corporation relate to the Municipality's investment in the local electric distribution company. The promissory note receivable was redeemed in 2025 in exchange for newly issued common shares. The total investment in Elexicon Corporation is relatively consistent with the prior year, 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. Note 8 of the financial statements summarizes Elexicon's financial results. The investment in the Government Business and promissory notes receivable over the past five years is shown in the following chart:



	2021	2022	2023	2024	2025
Investment in Government Business Enterprise	$19,145,126	$20,258,934	$19,579,036	$19,586,381	$28,084,486
Promissory Note Receivable	$8,321,000	$8,321,000	$8,321,000	$8,321,000	$0

Overall, the Municipality's financial assets have increased by approximately $53.5 million; this compares to an increase of $54.6 million in liabilities. The Municipality's financial position continues to reflect a strong financial outlook.



	2021	2022	2023	2024	2025
Total Financial Assets	$218,351,779	$274,833,359	$276,814,155	$343,288,034	$396,738,229

Liabilities

Liabilities represent financial obligations of the Municipality resulting from events and decisions which occurred on or before December 31, 2025.

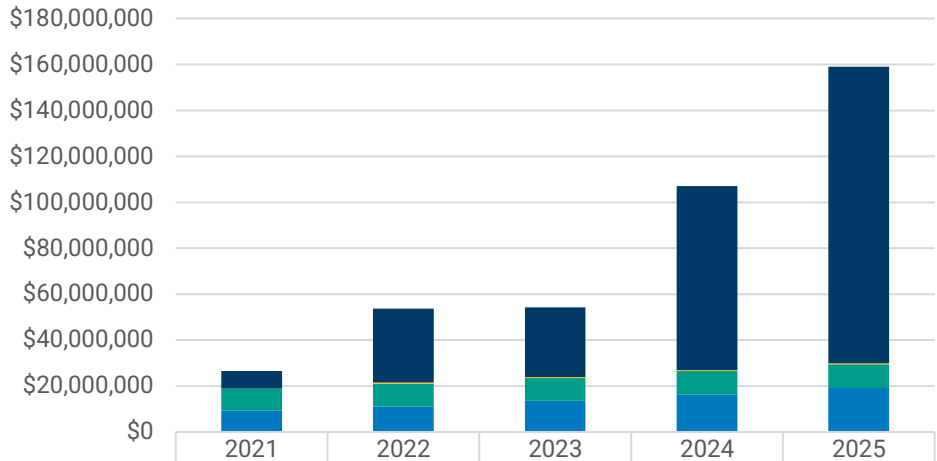
Accounts payable and accrued liabilities are short-term liabilities expected to be paid in the following fiscal year. They would consist of amounts owing to vendors for services rendered during 2025, accruals for unbilled amounts and other liabilities. Accounts payable and accrued liabilities increased by $2.8 million in 2025, primarily due to the timing of payments due for significant construction in progress at year end. This year's increase follows an approximately equal increase in 2024 of $2.8 million; the balance for any given year will fluctuate based on timing.

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 employees' service. Employees' future benefits include sick leave accumulation plans for firefighters of $1.6 million (2024: $1.4 million), other employees $0.01 million (2024: $0.02 million), and the cost to provide qualifying employees with health, dental and life benefits to the age of 65. The Municipality engages a third-party actuary to estimate the liability for employee future benefits.

Debenture debt represents the outstanding debenture obligations with the Region of Durham for capital asset investments. There are currently 12 (10 in 2024) outstanding debts with maturities between 2025 and 2044, ranging in interest rates from 1.25 per cent to 4.70 per cent. During the 2025 fiscal year, the Municipality acquired new or expanded long-term debt for construction of the Bowmanville Community Complex (formerly the South Bowmanville Recreation Centre) and the combined Operations Depot and Fire Training Centre. After year-end, the debt was used for the Aquatics Centre at the Bowmanville Community Complex, while Council deferred part of the Operations Depot and Fire Training Centre project. The 2025 repayment in debt principal was $3.8 million (2024: $2.0 million). In addition, during the 2025 fiscal year, the Municipality, through the Region of Durham, entered into a sinking fund debenture valued at $47.8 million. No contributions were made towards the principal amount of this sinking fund debenture during the year.

Guidelines established through the *Municipal Act, 2001* allow for a maximum debt payment ratio of 25 per cent of own-source revenues, which in 2025 equaled $22.1 million, leaving approximately $18.3 million in the debt servicing room. The Municipality does not expect to utilize the maximum debt capacity in the near future.

The following chart shows the accounts payable, employee future benefit liability, asset retirement obligations (ARO) liability and debenture debt balances for the period 2021 to 2025:

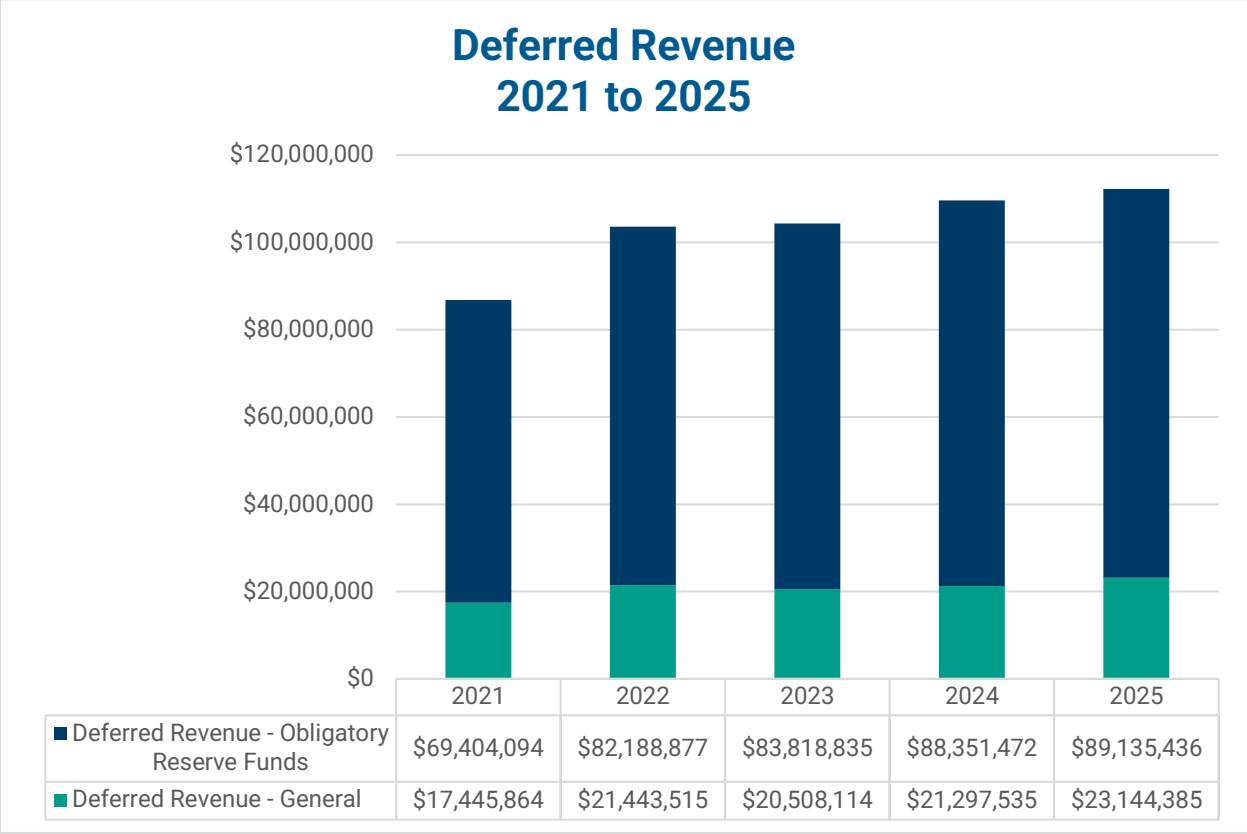


	2021	2022	2023	2024	2025
Debenture Debt	$7,686,715	$32,312,792	$30,337,689	$80,164,952	$129,120,126
Other Long-term Liabilities - ARO	$0	$437,587	$449,907	$462,416	$464,209
Employee Future Benefits Liabilities	$9,542,139	$9,902,896	$9,933,158	$10,113,440	$10,294,698
Accounts Payable and Accrued Liabilities	$9,298,615	$11,115,311	$13,531,048	$16,354,255	$19,180,790

Deferred revenue – general 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 $8.6 million (2024: $8.2 million), subdivision deposits held $8.0 million (2024: $8.5 million), deferred revenue related to PS 3400 $4.4 million (2024: $2.6 million) and Community Services related deposits $2.0 million (2024: $2.6 million).

Deferred revenue – obligatory funds of $89.1 million (2024: $88.4 million) represent funds received by the Municipality where there are legislative or contractual restrictions on the use of the funds. Provincial Infrastructure funds, Canada Community Building Fund, Parkland-cash-in-lieu, Building Permit revenue, and development charges represent the balance of these funds. Most of this balance, approximately $67.0 million (2024: $68.1 million), consists of development charges paid by developers towards the future capital cost of growth-related infrastructure costs and certain studies. In 2025, the Municipality collected $7.6 million (2024: $4.5 million) from developers, earned investment income of $5.7 million (2024: $6.3 million) and utilized $15.9 million (2024: $12.9 million). The Municipality approved its updated Development Charges Study in December 2025, which includes the growth-related capital needs for 2025 to 2035.

The following chart shows the five-year history for deferred revenue from 2021 to 2025; note much of the increase relates to the collection of development charges.



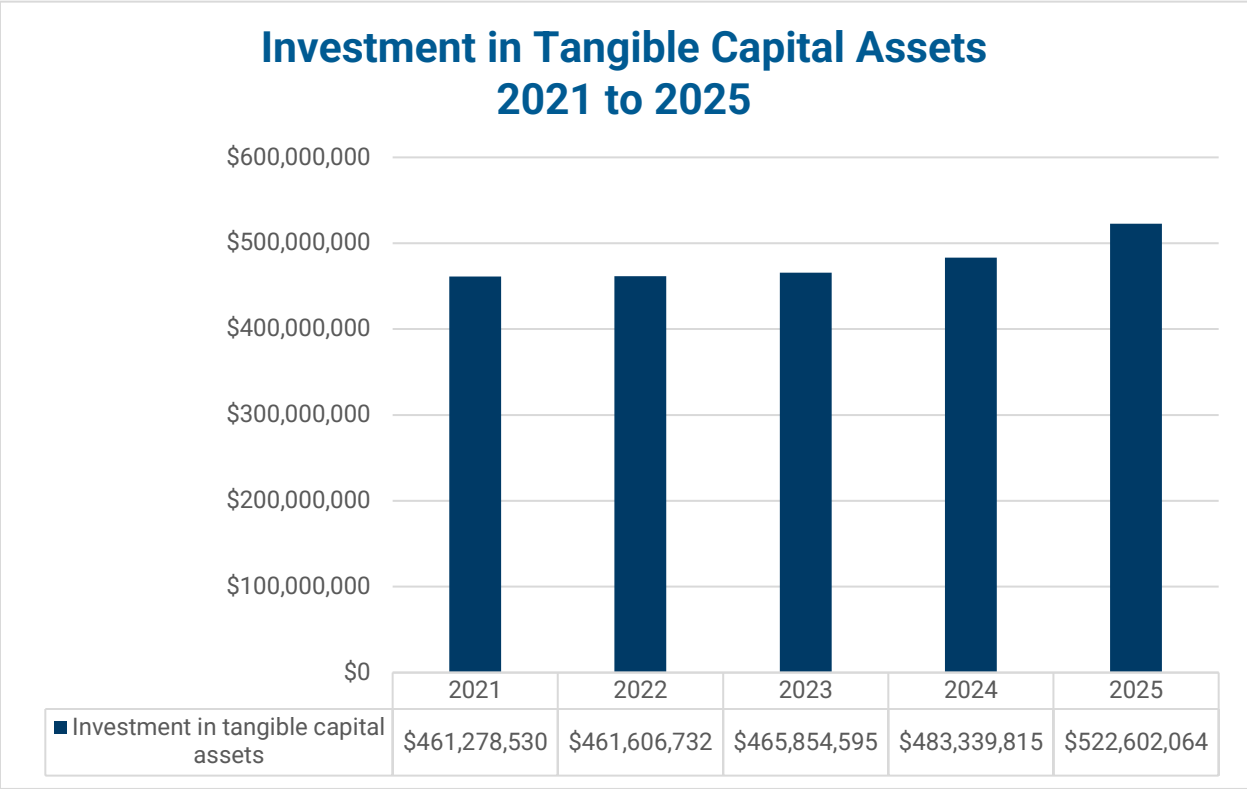
	2021	2022	2023	2024	2025
Deferred Revenue - Obligatory Reserve Funds	$69,404,094	$82,188,877	$83,818,835	$88,351,472	$89,135,436
Deferred Revenue - General	$17,445,864	$21,443,515	$20,508,114	$21,297,535	$23,144,385

The increase in total liabilities is primarily the result of an increase in debenture debt, the timing of accounts payable and accrued liabilities, and general deferred revenue.

Non-Financial Assets

Non-financial assets consist of tangible capital assets used to deliver programs and services to stakeholders, prepaid expenses and inventory of supplies.

Tangible capital assets increased $39.3 million (2024: $17.5 million), which is reflective of the $25.5 million (2024: $24.1 million) in amortization, representing the utilization of assets, being lower than the investment in tangible capital assets of $43.5 million (2024: $31.2 million). The increase is also reflective of the fact that in 2025 the Municipality benefited from the contribution of $7.4 million (2024: $9.1 million) in tangible capital assets. The variance in contributed assets from year-to-year is due to the timing of the completion of subdivisions and their acceptance by the Municipality from third parties. The following chart shows the five-year balance for tangible capital assets.



	2021	2022	2023	2024	2025
Investment in tangible capital assets	$461,278,530	$461,606,732	$465,854,595	$483,339,815	$522,602,064

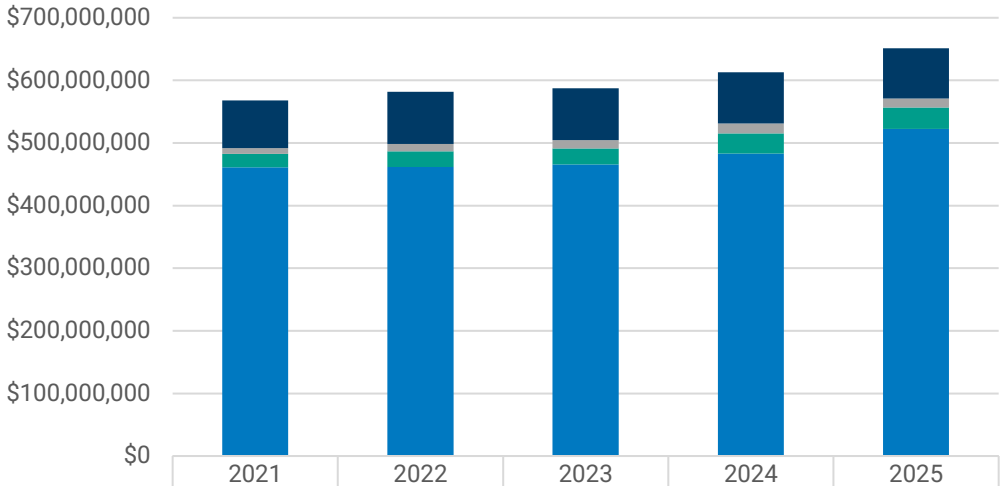
The Municipality's 2025 Asset Management Plan shows a replacement cost for assets of approximately $3.4 billion.

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 suggest that "cash or funds" are available for spending. The Municipality saw an increase of $38.1 million (2024: $26.0 million), which represents an increase in the future serviceability of the Municipality.

Note 20 "Accumulated Surplus" of the Consolidated Financial Statements presents a detailed breakdown of the accumulated surplus. The vast majority, 80.2 per cent, of the value in accumulated surplus represents the Municipality's investment in the tangible capital assets (infrastructure) required to deliver the programs and services that stakeholders expect. The five-year summary breakdown of the accumulated surplus is presented below:



	2021	2022	2023	2024	2025
Reserve Funds	$76,156,902	$83,117,931	$82,386,365	$82,180,504	$80,461,922
Reserves	$8,880,961	$12,190,710	$13,633,786	$15,625,562	$14,255,819
Other Net Accumulated Surplus	$21,427,307	$24,875,477	$25,245,563	$31,997,416	$33,952,380
Investment in tangible capital assets	$461,278,530	$461,606,732	$465,854,595	$483,339,815	$522,602,064

Overall, the Municipality has a solid financial position with a positive financial asset to financial liability ratio of 1.5:1.0 (2024: 1.6:1.0). The Municipality maintains reserves and reserve funds of $66.6 million (excluding equity in Elexicon Corporation), which, when considered alongside its strong asset base and annual operating capacity, support the management of long-term liabilities totaling $129.1 million.

Consolidated Statement of Operations

The Consolidated Statement of Operations is the public sector accounting equivalent of an income statement. The Statement of Operations summarizes revenue and expenses for the year. The annual surplus reported in 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.

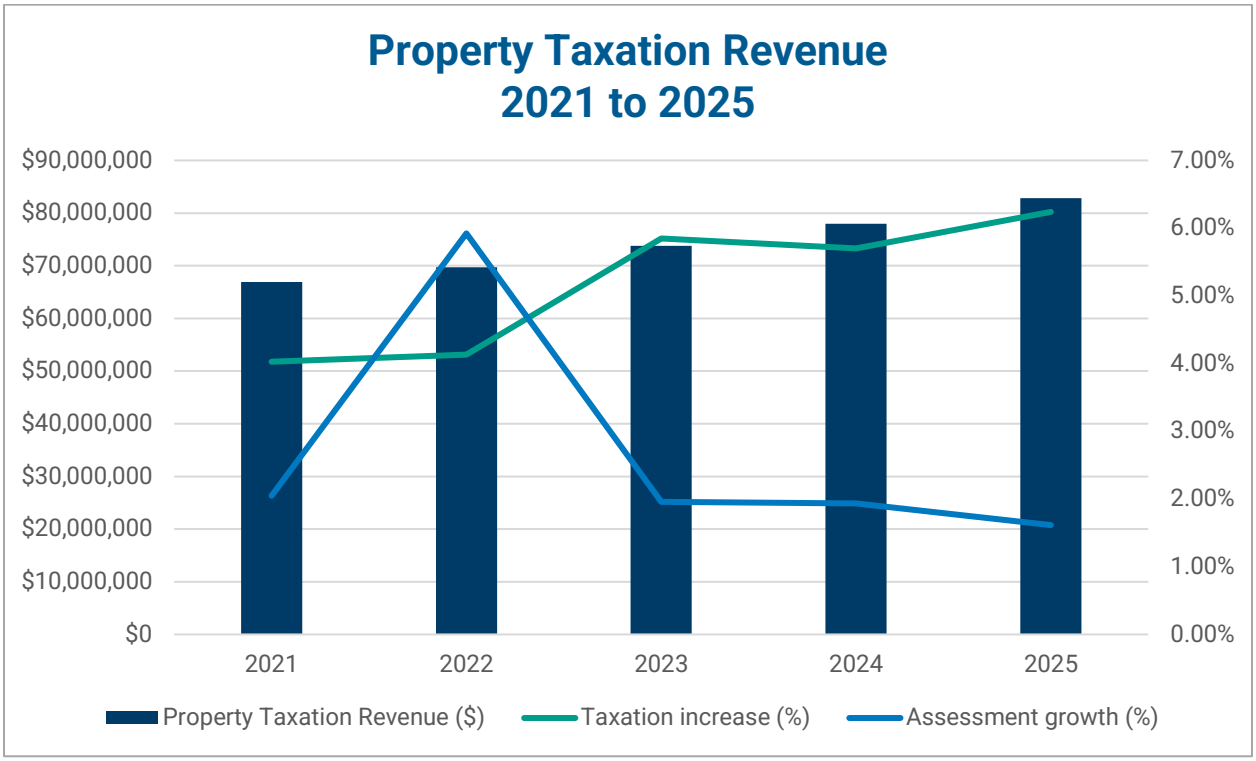
The Statement of Operations groups expenses by functional segment, as required by the Public Sector Accounting Standards. Expenses are broken down in Schedule 2, showing each segment and the expenses by accounting object (e.g., salaries, materials, contracted services).

Schedule 3 shows the budgeted breakdown by segment for each accounting object in revenues and expenses. This additional schedule should provide helpful information to users of the financial statements on how funds were budgeted and how that compares to the actual results of the Municipality.

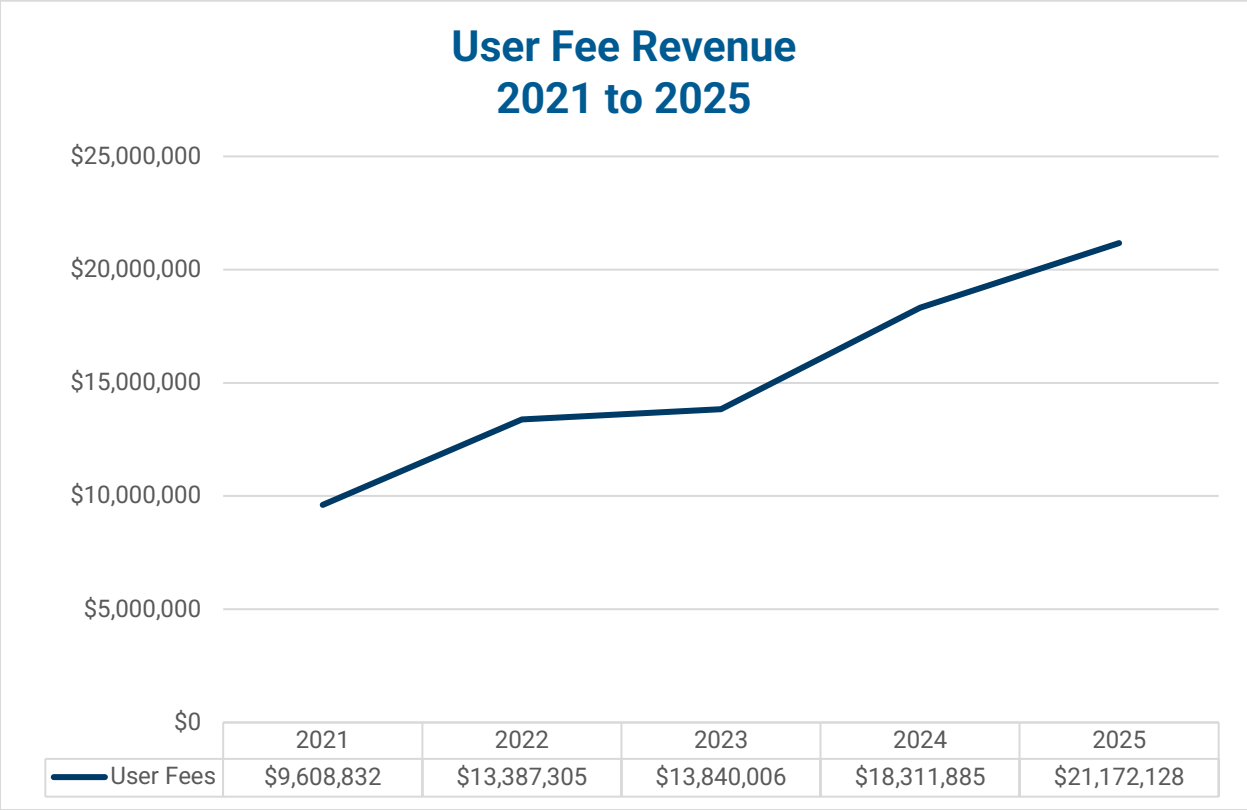
Revenues

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 of the tax bill only; taxes that the Municipality collects on behalf of other parties are not shown within the financial statements of the Municipality. Taxation was in line with the 2025 budget. User charges exceeded budget by approximately $1.9 million and increased by $2.9 million compared to 2024, reflecting continued growth in service utilization and fee-based revenues.

The following chart shows the past five years' taxation revenue, the annual increase in taxation and the assessment growth for the Municipality. The Province delayed the reassessment cycle that would typically occur every four years due to the COVID-19 pandemic. The assessed values of properties in 2025 remained the same, except if the property was altered, as in 2024 and are based on the property's fair market value on January 1, 2016. The increase in assessment relates to new properties or improvements to existing properties. The Province of Ontario has announced that the assessments in 2026 will follow the 2016 assessments; therefore, assessment growth will be purely growth-related until at least 2027.



User fee revenues in 2025 were approximately $2.9 million higher than in 2024, driven primarily by increased secondary plan cost recoveries within Planning and Development Services. Additional growth was realized in the Recreation and Cultural services segment, reflecting higher revenues from programs, lessons, ice rentals, and fitness services. General Corporate revenues also increased significantly due to surplus distributions from WSIB, insurance, and Sun Life benefit programs. Overall, user fee revenues have returned to levels comparable to those experienced prior to the pandemic.

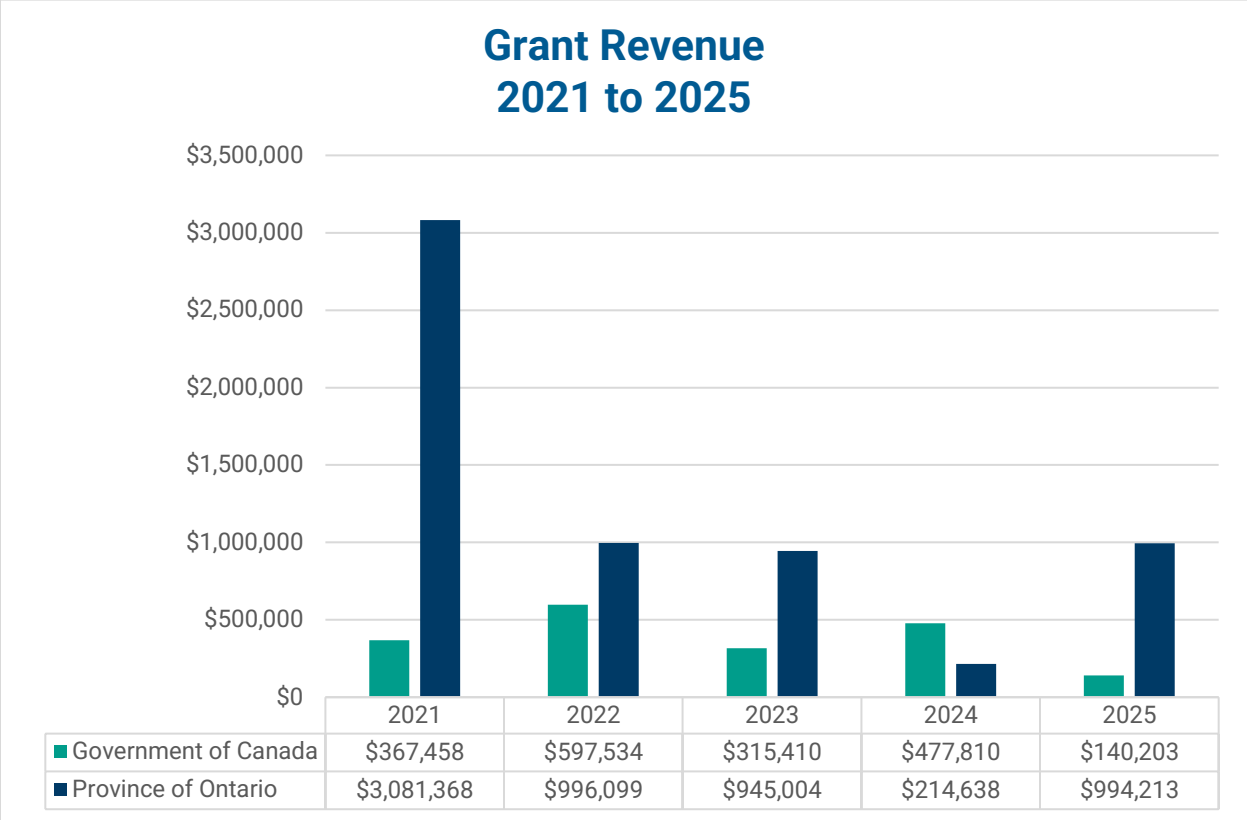


Grant revenue is comprised of funding received from the federal government and the Province of Ontario.

Government of Canada grants include funds related to specific capital projects earned in 2025 and operating grants to support summer student programs.

Grants from the Province included funds received to support operating activities including special events and seniors programming, library service grants, housing-enabling water systems funding and pay equity grants. Capital project funding received supported building improvements at the Shaw House and other smaller capital projects.

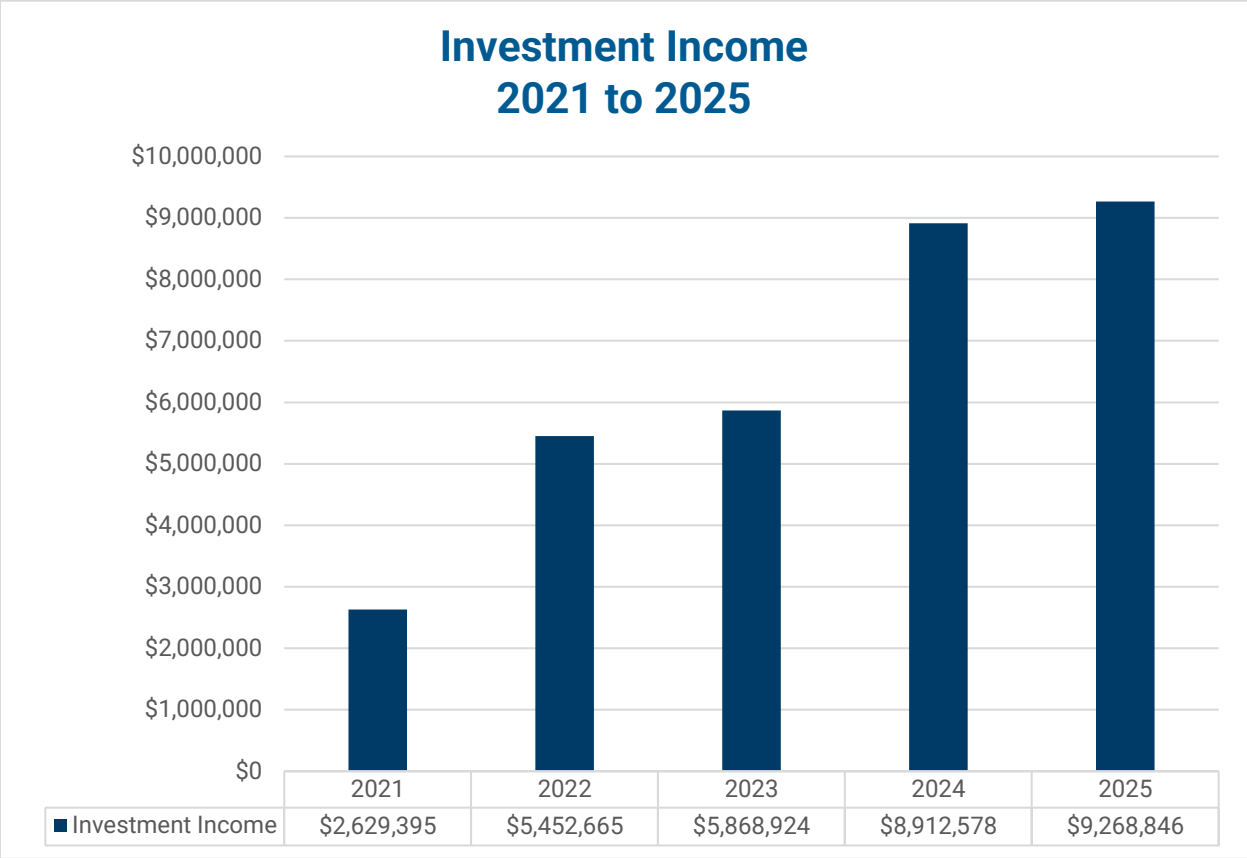
Grant revenue is not a consistent form of revenue for the Municipality and is volatile from year to year, as summarized in the chart below. Province of Ontario revenue in 2021 includes COVID-19 related grants that were one-time in nature to support the response and recovery of the COVID-19 pandemic.



	2021	2022	2023	2024	2025
Government of Canada	$367,458	$597,534	$315,410	$477,810	$140,203
Province of Ontario	$3,081,368	$996,099	$945,004	$214,638	$994,213

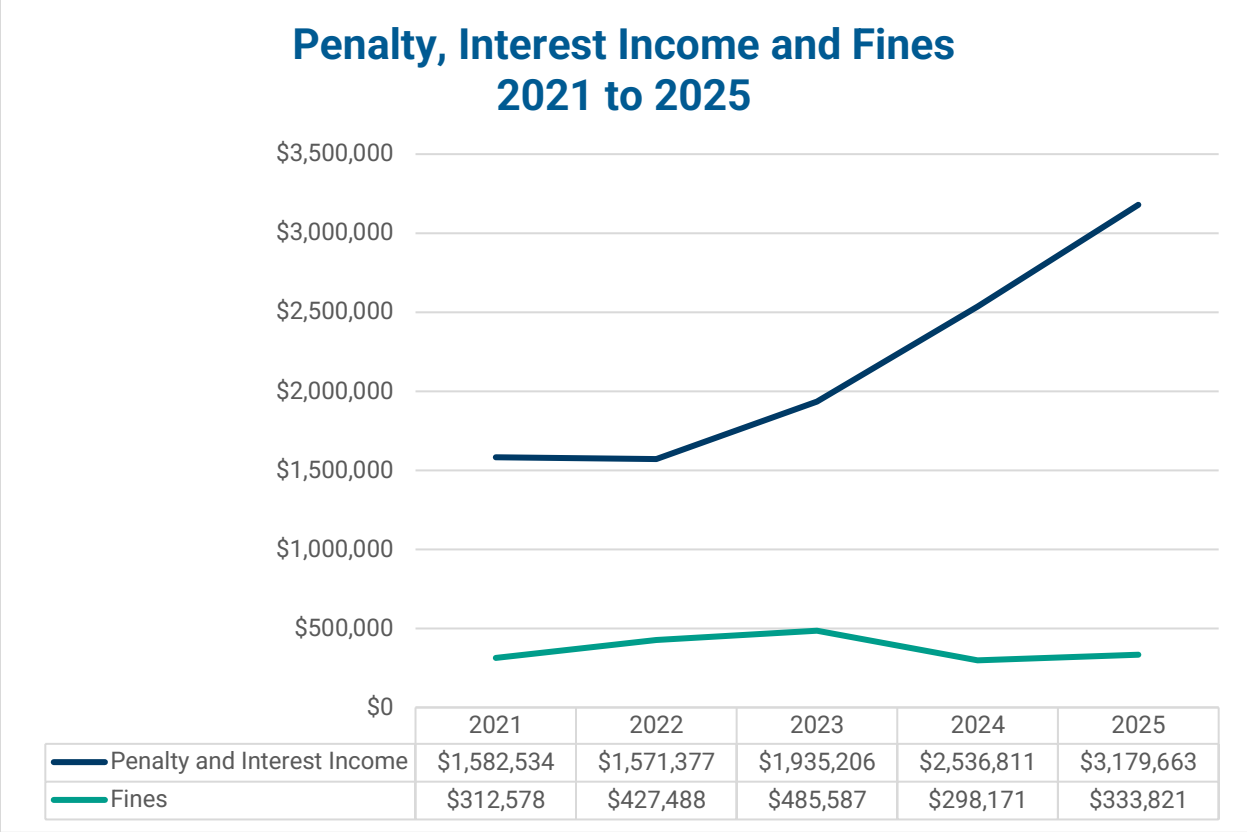
Deferred revenue earned increased by $2.6 million, primarily due to the impacts of PS3400 – the Revenue Recognition standard which defers revenues until all associated performance obligations are completed, and increased capital infrastructure project activities supported by obligatory reserve funds.

Investment income was above budget and higher than 2024. The increase is driven by growth in the Municipality's investment portfolio during 2025 and continued strong returns on those investments. The Municipality heavily invests in fixed income investments such as GICs, bonds, principal protected notes and other eligible investment instruments. Fixed income investments are impacted by the Bank of Canada's overnight rate (i.e., the "Prime Rate"). During 2025, the Municipality continued its shift away from GICs toward other eligible fixed income instruments such as principal protected notes and professionally managed investments to maximize earnings potential while protecting investment principal. This strategy, combined with the growth in the Municipality's investment portfolio, contributed to investment income of $9.3 million in 2025, compared to $8.9 million in 2024.



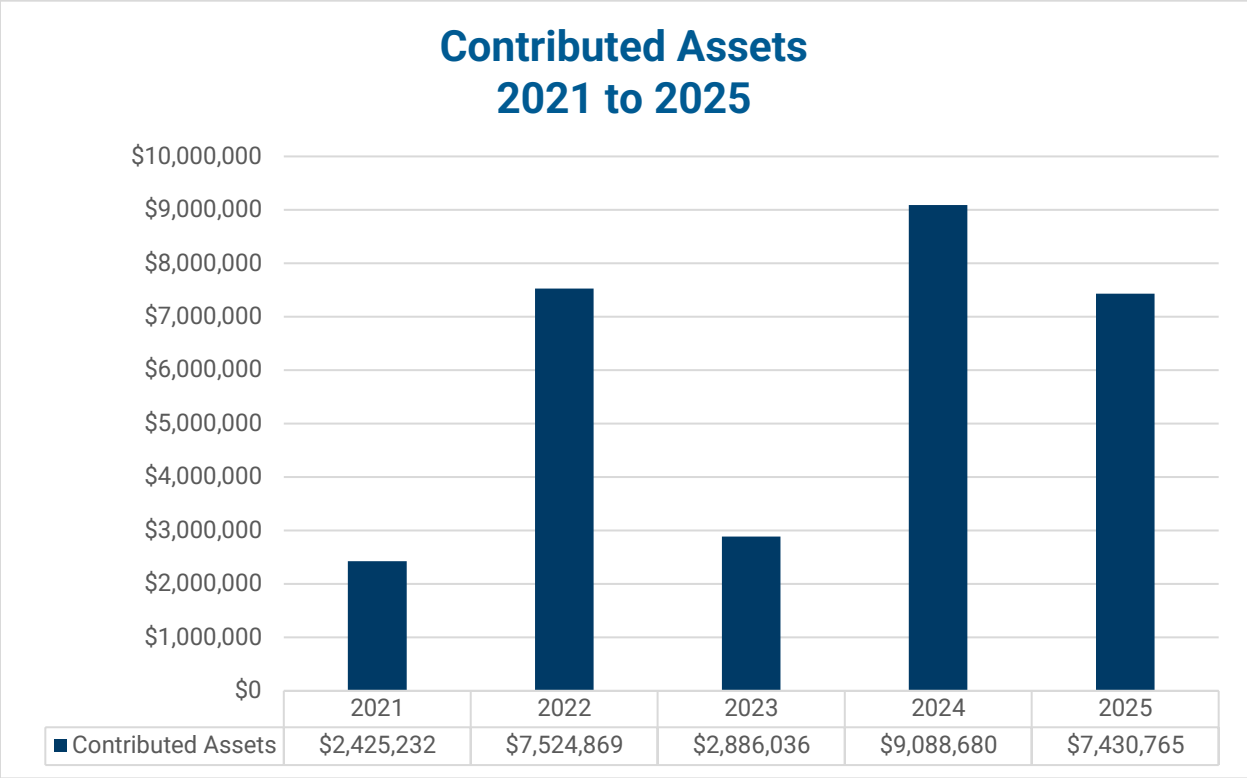
Penalties and interest on property tax in 2025 are higher than budgeted figures and higher than those from 2024.

Fines remained stable at $0.3 million in 2025.



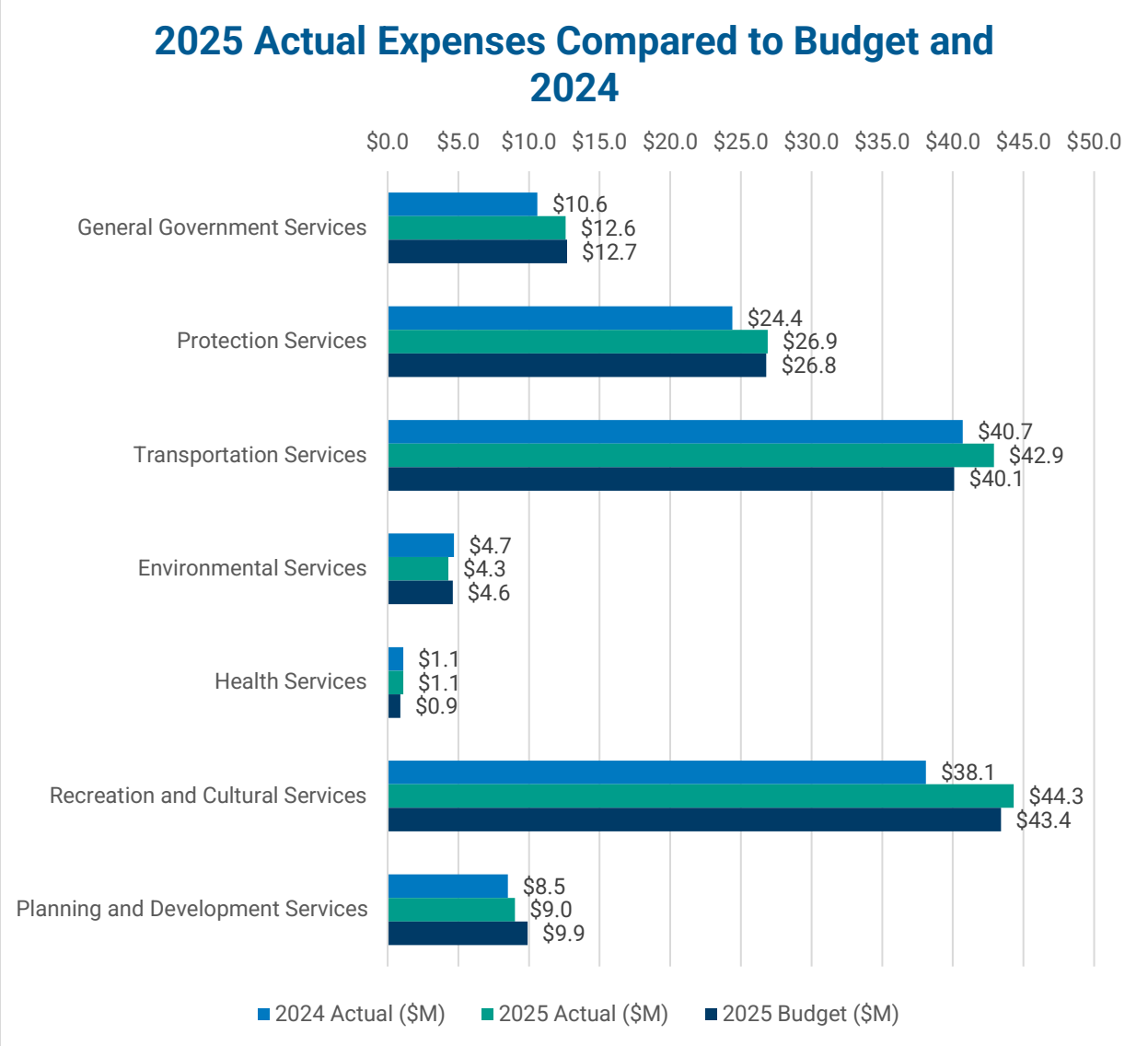
	2021	2022	2023	2024	2025
Penalty and Interest Income	$1,582,534	$1,571,377	$1,935,206	$2,536,811	$3,179,663
Fines	$312,578	$427,488	$485,587	$298,171	$333,821

During the year, the Municipality received contributed tangible capital assets with a fair market value of $7.4 million (2024: $9.1 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, stormwater management), which are now assets assumed by the Municipality. This amount will fluctuate yearly and is based on the timing of development and acceptance by the Municipality. The budget amount shown in the statement has been set, as is past practice, to agree to the actual amount. As the revenue is recognized in the year that the assets are contributed, but expensed over the useful life of the asset, there is a significant surplus in the first year which is offset by deficits tied to the asset in future years. The following chart highlights the past five years of contributed asset revenue and shows the volatility of this revenue source.

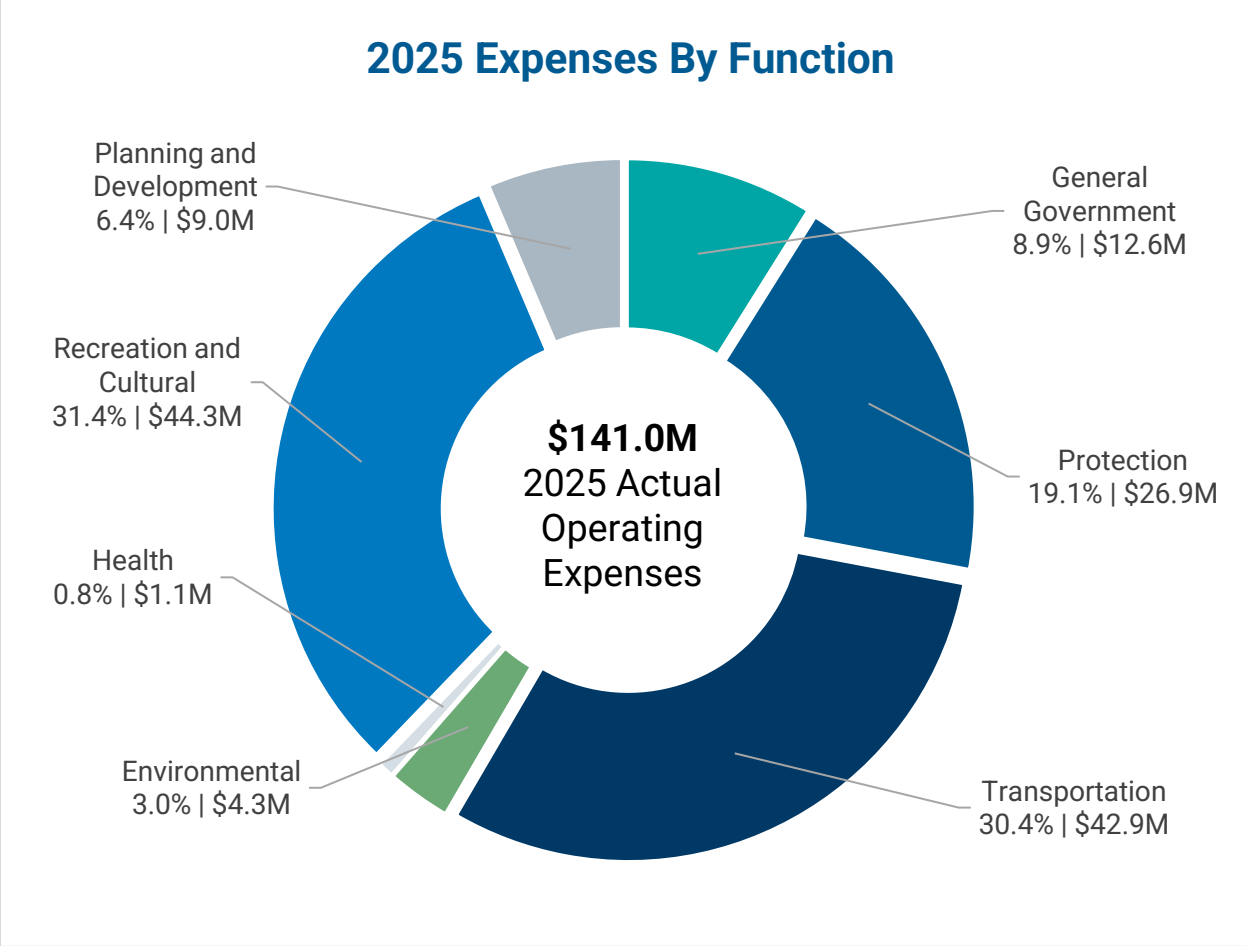

Contributed Assets
2021 to 2025
$10,000,000
$9,000,000
$8,000,000
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
2021
2022
2023
2024
2025
Contributed Assets
$2,425,232
$7,524,869
$2,886,036
$9,088,680
$7,430,765

Expenses

Expenses are presented by service function in accordance with the Financial Information Return (FIR) reporting requirements established by the Province of Ontario. The Municipality's 2025 expenses by service function are summarized below as compared to the approved budget and the prior year's actual results.

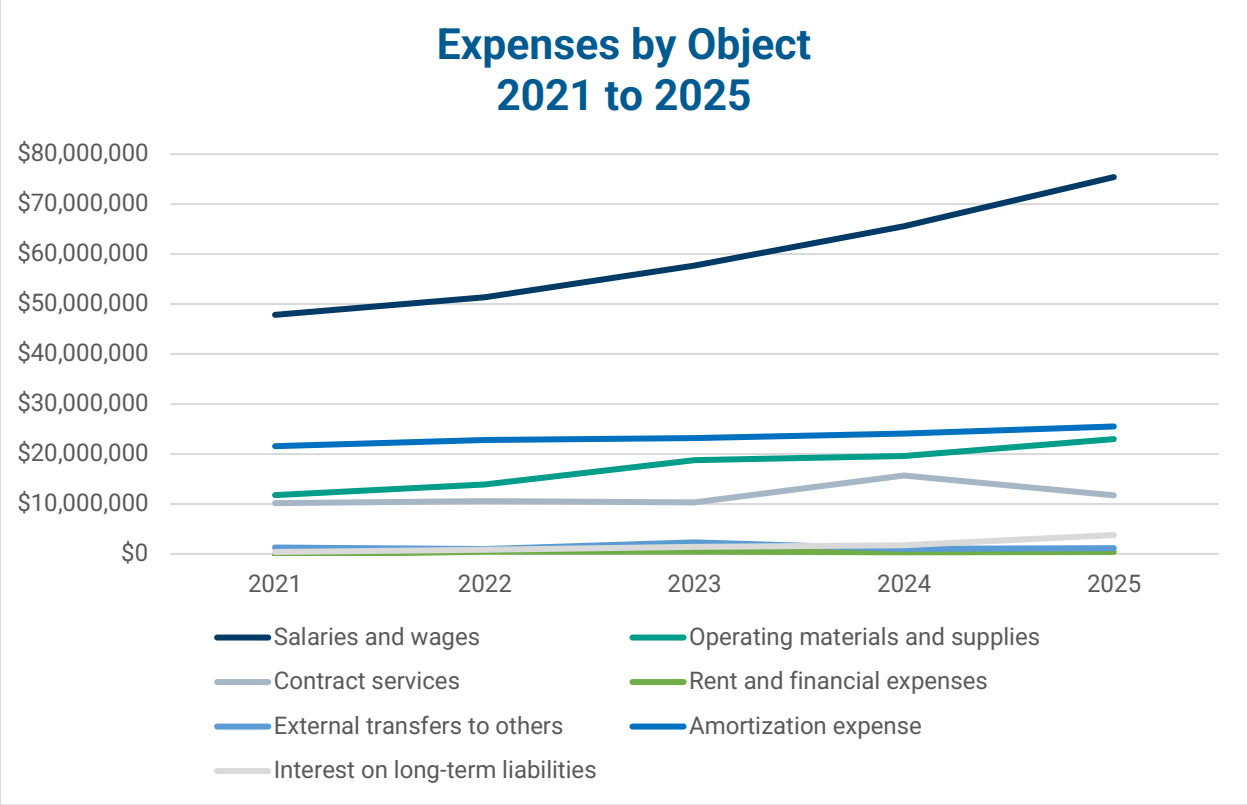


An overview by service function is provided below, illustrating how municipal funds were allocated and spent throughout 2025.



Overall, the expenses for the Municipality were higher in 2025 than the prior year, and slightly above 2025 budgeted figures. The variance from budget is primarily attributable to Transportation Services, reflecting the seasonal impacts of a challenging winter season. It should be noted that the surplus and budget shown in the statements are in accordance with PSAB and are not shown on the same basis that the Municipality budgets annually (which uses a modified cash basis).

The following chart shows the past five years' operating expenses by accounting object.



Consolidated Statement of Remeasurement Gains (Losses)

The Statement of Remeasurement Gains (Losses) outlines the overall change in financial position due to remeasurements related to unrealized gains and losses on specific financial assets and liabilities recorded at fair value. Any realized gains and losses are reclassified to the statement of operations upon derecognition, or settlement of specific financial assets and liabilities recorded at fair value. Fluctuations in market value cannot be anticipated with certainty. This statement was introduced to report on the financial impact of these fluctuations on the Municipality's financial position. Please see Note 2 of the Consolidated Financial Statements for a detailed breakdown of assets and liabilities impacted by fair value remeasurement and the Municipality's financial instrument risk management analysis.

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 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 the change in financial assets is a decrease of $1.1 million (2024: increase of $8.3 million) primarily reflecting significant investment in tangible capital assets and assets under construction during the year.

The 2025 annual surplus was higher than that of 2024. The impact of the amortization and acquisition of tangible capital assets, the investment in and capitalization of assets under construction and the disposal of tangible capital assets totals $39.3 million (2024: $17.5 million). The surplus for PSAB purposes does not reflect financial resources that are available to provide services to taxpayers as some of the surplus relates to contributed assets which will be used over a long period of time, or investment income that are related to restricted reserve funds (such as development charges). Prepaid expenses decreased and the inventory of supplies increased in 2025.

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 decreased from $105.6 million in 2024 to $100.4 million in 2025.

Operating activities in 2025 were $42.1 million (2024: $22.5 million). 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 $57.8 million (2024: $32.7 million) in cash outflows was due to the acquisition of tangible capital assets during the year.

Investing activities included dividends returned to Elexicon Group of $0.06 million (2024: $0.5 million received) and an increase in investments of $39.2 million (2024: $4.0 million).

The Municipality repaid $3.8 million (2024: $2.0 million) of its long-term debt, which is considered a financing activity. The Municipality entered into additional debenture financing in 2025 for the Bowmanville Community Complex and the combined Operations Depot and Fire Training Centre project.

Conclusion

The Municipality of Clarington remains committed to maintaining a solid financial position, effective use of tax dollars and transparent reporting. The Municipality continues to monitor current economic factors and adjusts accordingly.

All financial information contained within the 2025 Financial Report has been reviewed and approved by the Treasurer and Council.

If this information is required in an alternate format, please contact the Accessibility Co-ordinator at 905-623-3379 ext. 2563

The Corporation of the Municipality of Clarington

Consolidated Financial Statements

December 31, 2025

The Corporation of the Municipality of Clarington
December 31, 2025

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The Corporation of the Municipality of Clarington

December 31, 2025

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 audited by Deloitte 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 is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. Council 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 external auditor reviews the consolidated financial statements and discusses any significant financial reporting or internal control matters prior to the approval of the consolidated financial statements by Council.

Trevor Pinn, CPA, CA
Deputy CAO / Treasurer
August 7, 2026

Michelle Pick, CPA, CGA
Accounting Services Manager / Deputy Treasurer
August 7, 2026

Deloitte LLP
Bay Adelaide East
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Canada

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Independent Auditor's Report

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 (the "Municipality"), which comprise of the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations, the consolidated statement of remeasurement gains, the consolidated statement of changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting polices (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2025, and the results of its operations, its remeasurement gains, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Municipality 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 Matter

The financial statements for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on July 15, 2025.

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

Management is responsible for the preparation and fair presentation of the 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 Municipality'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 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 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 GAAS 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 GAAS, 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Municipality as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
August 7, 2026

The Corporation of the Municipality of Clarington
Consolidated Statement of Financial Position
As at December 31, 2025

	2025	2024
Financial assets		
Cash and cash equivalents (Note 2)	**$100,443,293**	$105,646,870
Investments (Notes 2,5)	**226,108,263**	170,166,029
Accounts receivable (Note 2)	**20,166,345**	21,284,448
Taxes receivable (Note 6)	**21,776,601**	18,133,202
Inventories for resale	**12,892**	3,755
Inventory - surplus land	**146,349**	146,349
Promissory notes receivable (Note 7)	**-**	8,321,000
Investment in Elexicon Corporation (Note 8)	**28,084,486**	19,586,381
Total financial assets	**396,738,229**	343,288,034
Liabilities		
Accounts payable and accrued liabilities (Note 2)	**19,180,790**	16,354,255
Employee future benefits liabilities (Notes 2,9)	**10,294,698**	10,113,440
Debenture debt (Notes 2,11)	**129,120,126**	80,164,952
Other long-term liabilities - Asset Retirement Obligations (Note 1)	**464,209**	462,416
Deferred revenue - general	**23,144,385**	21,297,535
Deferred revenue - obligatory reserve funds (Note 13)	**89,135,436**	88,351,472
Total liabilities	**271,339,644**	216,744,070
Net financial assets	**125,398,585**	126,543,964
Non-financial assets		
Tangible capital assets (Note 19) (Schedule 1)	**522,602,064**	483,339,815
Prepaid expenses	**2,089,087**	2,235,181
Inventory supplies	**1,182,448**	1,024,337
Total non-financial assets	**525,873,599**	486,599,333
Accumulated surplus (Note 20)	**651,272,184**	613,143,297
Accumulated surplus comprised of:		
Accumulated operating surplus	**622,358,437**	600,978,504
Accumulated remeasurement gains	**28,913,747**	12,164,793
Accumulated surplus	**$651,272,184**	$613,143,297

Contingencies (Note 15) and Contractual Commitments (Note 16)

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

The Corporation of the Municipality of Clarington
Consolidated Statement of Operations
For the year ended December 31, 2025

	2025 Budget (Note 22)	2025 Actual	2024 Actual
Revenues			
Taxation and user charges			
Property taxation	**$ 83,339,712**	**$ 82,841,026**	$ 77,975,507
Taxation from other governments	**5,013,347**	**5,072,780**	4,881,256
User charges	**19,305,380**	**21,172,128**	18,311,885
Grants			
Government of Canada	**10,500**	**140,203**	477,810
Province of Ontario	**107,481**	**994,213**	214,638
Other			
Deferred revenue earned	**24,838,801**	**15,881,723**	12,934,534
Investment income	**3,271,750**	**9,268,846**	8,912,578
Penalty and interest on taxes	**1,900,000**	**3,179,663**	2,536,811
Fines	**313,100**	**333,821**	298,171
Donations and contribution from others	**140,698**	**15,621,289**	4,342,432
Elexicon Corporation			
Equity share of net income	**-**	**466,722**	512,524
Contributed tangible capital assets (Note 19 (a))	**7,430,765**	**7,430,765**	9,088,680
Other income	**-**	**5,594**	639,399
Loss on disposal of tangible capital assets	**-**	**(59,842)**	(25,812)
Total revenue	**145,671,534**	**162,348,931**	141,100,413
Expenses			
General government services	**12,730,776**	**12,559,135**	10,558,263
Protection services	**26,768,609**	**26,883,768**	24,392,258
Transportation services	**40,100,252**	**42,893,150**	40,741,414
Enviromental services	**4,640,442**	**4,280,312**	4,701,428
Health services	**948,993**	**1,072,279**	1,132,418
Recreation and cultural services	**43,370,426**	**44,270,144**	38,063,189
Planning and development services	**9,888,748**	**9,010,210**	8,481,765
Total expenses	**138,448,246**	**140,968,998**	128,070,735
Annual surplus	**7,223,288**	**21,379,933**	13,029,678
Accumulated surplus, beginning of year	**600,978,504**	**600,978,504**	587,948,826
Accumulated surplus, end of year	**$608,201,792**	**$622,358,437**	$600,978,504

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

The Corporation of the Municipality of Clarington
Consolidated Statement of Remeasurement Gains
For the Year Ended December 31, 2025

	2025	2024
Remeasurement gains / losses	**$ 12,164,793**	$ (828,517)
Unrealized gains attributable to:		
Portfolio investments	**28,913,747**	11,880,255
Remeasurement gains	**28,913,747**	11,880,255
Amounts reclassified to the consolidated statement of operations:		
Portfolio investments	**(12,164,793)**	1,113,055
Amounts reclassified to the consolidated statement of operations	**(12,164,793)**	1,113,055
Proportion of other comprehensive income from investment in Elexicon Corporation	**-**	-
Accumulated remeasurement gains, end of year	**$ 28,913,747**	$ 12,164,793

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

The Corporation of the Municipality of Clarington
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2025

	2025 Budget	2025 Actual	2024 Actual
Annual surplus	**$ 7,223,288**	**$ 21,379,933**	$ 13,029,678
Amortization of tangible capital assets	**24,979,788**	**25,511,407**	24,078,934
Acquisition of tangible capital assets	**(26,441,056)**	**(43,486,617)**	(31,232,882)
Investment in assets under construction	**-**	**(38,980,568)**	(19,777,532)
Assets under construction transferred to tangible capital assets	**-**	**17,199,446**	9,230,417
Net book value of tangible capital assets disposals / adjustments	**-**	**494,083**	215,843
Decrease (increase) in prepaid expenses	**-**	**146,094**	(29,738)
Increase in inventory supplies	**-**	**(158,111)**	(199,470)
Net change in remeasurement gains for the year	**-**	**16,748,954**	12,993,310
Increase (decrease) in net financial assets	**5,762,020**	**(1,145,379)**	8,308,560
Net financial assets, beginning of year	**126,543,964**	**126,543,964**	118,235,404
Net financial assets, end of year	**$ 132,305,984**	**$125,398,585**	$126,543,964

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

The Corporation of the Municipality of Clarington
Consolidated Statement of Cash Flows
For the year ended December 31, 2025

	2025	2024
Operating activities		
Annual surplus	**$ 21,379,933**	$ 13,029,678
Non-cash items		
Amortization of tangible capital assets	**25,511,407**	24,078,934
Loss on disposal of tangible capital assets	**59,842**	25,812
Equity share of Elexicon Corporation net income	**(466,722)**	(512,524)
Contributed tangible capital assets recorded in revenue	**(7,430,765)**	(9,088,680)
Accretion expense	**1,793**	12,509
Change in non-cash operating items		
Accounts receivable	**1,118,103**	(8,070,747)
Taxes receivable	**(3,643,399)**	(5,069,154)
Inventories for resale	**(9,137)**	5,453
Accounts payable and accrued liabilities	**2,826,535**	2,823,207
Employee future benefits liabilities	**181,258**	180,282
Deferred revenue - general	**1,846,850**	789,421
Deferred revenue - obligatory reserve funds	**783,964**	4,532,637
Prepaid expenses	**146,094**	(29,738)
Inventory supplies	**(158,111)**	(199,470)
	42,147,645	22,507,620
Capital activities		
Acquisition of tangible capital assets (net of contributed)	**(57,836,974)**	(32,691,317)
Proceeds on disposal of tangible capital assets	**434,241**	190,031
	(57,402,733)	(32,501,286)
Investing activities		
Increase in investments	**(39,193,280)**	(3,958,835)
Elexicon equity investment change	**351,196**	-
Dividends (returned) received from Elexicon Corporation	**(61,579)**	505,179
	(38,903,663)	(3,453,656)
Financing activities		
Repayment of long term liabilities	**(3,794,826)**	(2,039,737)
Proceeds of debenture issue	**52,750,000**	51,867,000
	48,955,174	49,827,263
Net (decrease) increase of cash and cash equivalents	**(5,203,577)**	36,379,941
Cash and cash equivalents, beginning of year	**105,646,870**	69,266,929
Cash and cash equivalents, end of year	**$100,443,293**	$105,646,870

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

The Corporation of the Municipality of Clarington
Notes to the Consolidated Financial Statements
December 31, 2025

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").

a. Significant accounting policies adopted are as follows:

i. Reporting entity

These consolidated financial statements reflect financial assets, liabilities, operating revenues and expenses, and the 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 and Clarington Museums and Archives
- Bowmanville Santa Claus Parade Committee
- Newcastle Arena Board
- Newcastle Community Hall Board
- Solina Hall Board
- Tyrone Community Hall Board
- Clarington Heritage Committee

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

ii. Investment in Elexicon Corporation

The Municipality of Clarington, along with the City of Pickering, the Town of Ajax, the City of Belleville and the Town of Whitby own Elexicon Corporation. The Municipality of Clarington holds a 9.6433% (2024 - 9.248%) share of ownership. This share interest changed in 2025 with the redemption of promissory notes and subsequent conversion to newly issued common shares 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. 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

1. Significant accounting policies (continued)

a. Significant accounting policies adopted are as follows: (continued)

ii. Investment in Elexicon Corporation (continued)

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 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".

vi. Financial Instruments

Cash and cash equivalents and investments quoted in an active market are measured at fair value. All other investments are measured at cost. Accounts receivable, promissory notes receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the Consolidated Statement of Financial Position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Consolidated Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Consolidated Statement of Remeasurement Gains and Losses and recognized in the Consolidated Statement of Operations. Interest and dividends attributable to financial instruments are reported in the Consolidated Statement of Operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate

1. Significant accounting policies (continued)

a. Significant accounting policies adopted are as follows: (continued)

vi. Financial Instruments (continued)

method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Consolidated Statement of Operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

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. 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

1. Significant accounting policies (continued)

b. Basis of accounting (continued)

ii. Non-financial assets (continued)

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.

Works of art and historic assets
The Municipality holds various works of art and historical trasures pertaining to the heritage and history of the Municipality. These items are not recognized as tangible caital assets in the consolidated financial statements as a reasonable estimate of the future benefits associated with such property cannot be made.

(b) Inventories

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

iii. 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.

iv. 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

1. Significant accounting policies (continued)

b. Basis of accounting (continued)

iv. Deferred revenues (continued)

service is performed.

v. 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.

vi. 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 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, 2025, there was no liability recorded on the statement.

vii. 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 uncollectible amounts.

A normal part of the assessment process is the issuance of supplementary

1. Significant accounting policies (continued)

b. Basis of accounting (continued)

vii. Revenue recognition (continued)

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 issued / billed as 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 consolidated 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 for licenses and permits are recognized when the services are performed, good are delivered, all performance obiligations are satisfied and there is reasonable assurance of collection. All other user fees 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.

viii. Inventory for resale

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

1. Significant accounting policies (continued)

b. Basis of accounting (continued)

viii. Inventory for resale (continued)

cost basis.

ix. 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.

x. Asset retirement obligations

Asset retirement obligations (ARO's) are provisions for legal obligations for the retirement of the Municipality's tangible capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:

(a) there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a tangible capital asset;

(b) the past transaction or event giving rise to the liability has occurred;

(c) it is expected that future economic benefits will be given up; and

(d) a reasonable estimate of the amount can be made.

The Municipality recognizes asset retirement obligations in the period in which it incurs a statutory, contractual, or legal obligation associated with the retirement of tangible capital assets resulting from acquisition, construction, development, and or normal operation of tangible capital assets.

The liabilities are measured initially at management’s best estimate of the discounted future cash flows required to settle the retirement obligation. For tangible capital assets that are still in productive use, the estimated retirement costs are capitalized and amortized on the same basis as the related tangible capital asset. For assets that are no longer in productive use, the liability is expensed in the period.

In subsequent periods, the liability is accreted over time. The asset retirement obligations estimates are adjusted, if necessary, for changes in the liability estimate or timing of the future cash flows, as applicable. Accretion expenses are included in the Consolidated Statement of Operations. Actual costs incurred are charged against the asset retirement obligation to the extent of the liability recorded. Differences between actual costs incurred and the liability, if any are recognized in the Consolidated Statement of Operations when remediation is complete.

2. Financial Instruments

a. Classification

The carrying value of each class of the Municipality's financial instruments is provided in the following tables, based on their measurement method.

	Fair Value	Cost / Amortized Cost	2025 Total
Cash and cash equivalents	**$100,443,293**	**$ -**	**$ 100,443,293**
Investments	**95,684,588**	**130,423,675**	**226,108,263**
Accounts receivable	**-**	**20,166,345**	**20,166,345**
Promissory notes	**-**	**-**	**-**
Accounts payable and accrued liabilities	**-**	**(19,180,790)**	**(19,180,790)**
Debenture debt	**-**	**(129,120,126)**	**(129,120,126)**
Balance at the end of the year	**$196,127,881**	**$ 2,289,104**	**$ 198,416,985**

	Fair Value	Cost / Amortized Cost	2024 Total
Cash and cash equivalents	$105,646,870	$ -	$105,646,870
Investments	40,196,827	129,969,202	170,166,029
Accounts receivable	-	21,284,448	21,284,448
Promissory notes	-	8,321,000	8,321,000
Accounts payable and accrued liabilities	-	(16,354,255)	(16,354,255)
Debenture debt	-	(80,164,952)	(80,164,952)
Balance at the end of the year	$145,843,697	$ 63,055,443	$208,899,140

The only financial instruments that are measured subsequent to initial recognition at fair value are cash and cash equivalents and certain equity investments quoted in an active market. These are fair value measurements that are derived from quoted prices (unadjusted) in the active markets for identical assets or liabilities using the last bid price.

2. Financial Instruments (continued)

b. Financial Instrument Fair Value Measurement

The following table provides an analysis of financial instruments that are measured at fair value, using a fair value hierarchy of levels 1 to 3. The levels reflect the significance of the inputs used in making the fair value measurements, as described below:

• Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

• Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

• Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	**Level 2**	**Level 3**	**2025 Total**
Cash and cash equivalents	**$100,443,293**	**$ -**	**$ -**	**$100,443,293**
Investments	**95,684,588**	**-**	**-**	**95,684,588**
Total	**$196,127,881**	**$ -**	**$ -**	**$196,127,881**

	Level 1	Level 2	Level 3	2024 Total
Cash and cash equivalents	$105,646,870	$ -	$ -	$105,646,870
Investments	40,196,827	-	-	40,196,827
Total	$145,843,697	$ -	$ -	$145,843,697

There were no transfers between Level 1 and Level 2 for the year ended December 31, 2025. There were also no transfers in or out of Level 3.

c. Financial Instrument Risk Management

The Municipality is exposed to credit risk, liquidity risk, interest rate risk and other price risk from its financial instruments. This note describes the Municipality's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these consolidated financial statements.

2. Financial Instruments (continued)

c. Financial Instrument Risk Management (continued)

Credit Risk

Credit risk is the risk of financial loss to the Municipality if a debtor fails to make payments of interest and principal when due. The Municipality is exposed to this risk relating to its cash and cash equivalents, investments, and accounts receivable. The Municipality holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Municipality's cash accounts are insured up to $100,000.

Accounts receivable are primarily due from the federal and provincial governments, as well as various developers and residents. Credit risk is mitigated by the financial solvency of the Provincial government and the highly diversified nature of the receivables.

The Municipality measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance for accounts receivable of $12,000 (2024 - $11,000) and taxes receivable of $100,000 (2024 - $100,000) is set up based on the Municipality's historical experience regarding collections. It is management's opinion that the Municipality is not exposed to significant credit risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and equity risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Municipality is not exposed to currency risk.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Municipality is exposed to this risk through its municipal debt and interest bearing

2. Financial Instruments (continued)

c. Financial Instrument Risk Management (continued)

investments.

The Municipality holds investments which consist of guaranteed investment certificates (GICs), fixed income securities, principal protected notes and investments managed by Prudent Investor with varying maturities from January 2026 to November 2035 (2024 - January 2025 to August 2034) and bearing interest rates between 1.40% and 8.45% (2024 - 0.95% to 12.0%). Investments with a maturity of less than 90 days as at the Consolidated Statement of Financial Position date are reported within cash and cash equivalents, due to the highly liquid nature of these investments.

The Municipality holds municipal debt with variable interest rates which involve risks of default on interest and principal and price changes due to, without limitation, such factors as interest rate changes and general economic conditions.

The Municipality structures its finances so as to stagger the maturities of debt, thereby minimizing exposure to interest rate fluctuations.

There has been an increase in interest rate risk in the December 31, 2025 year end as the amount invested in the investment portfolio increased in the year.

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Municipality is exposed to this risk for investments measured at fair value. Refer to note 5 for a breakdown of investments by type.

Liquidity Risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting its obligation associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Municipality will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Municipality is exposed to this risk mainly in respect of accounts payable and accrued liabilities and long-term debt. The Municipality's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. There have not been any changes to these risks from the prior year.

Unless otherwise noted, the expected cash outflows are within one year. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

2. Financial Instruments (continued)

c. Financial Instrument Risk Management (continued)

	Within 6 months	6 months to 1 year	1 to 5 years	Over 5 years
2025				
Accounts payable and accrued liabilities	**$ 18,756,794**	**$ 423,997**	**$ -**	**$ -**
Debenture debt	**-**	**6,190,263**	**32,087,146**	**90,842,717**
	$ 18,756,794	**$ 6,614,260**	**$ 32,087,146**	**$ 90,842,717**
2024				
Accounts payable and accrued liabilities	$ 16,008,759	$ 345,496	$ -	$ -
Debenture debt	-	3,794,826	20,617,419	55,752,707
	$ 16,008,759	$ 4,140,322	$ 20,617,419	$ 55,752,707

3. Trust funds

Trust funds administered by the Municipality amounting to $2,452,278 (2024 – $2,380,220) 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:

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

	School Boards	Regional Municipality of Durham
2025		
Property taxes	**$ 35,018,973**	**$129,307,584**
Taxation from other governments	**107,011**	**3,742,390**
Total	**$ 35,125,984**	**$133,049,974**
2024		
Property taxes	$ 34,697,695	$119,368,139
Taxation from other governments	107,011	3,446,298
Total	$ 34,804,706	$122,814,437

5. Investments

Total investments consist of investments pursuant to provisions of the Municipality's investment policy and comprise guaranteed investment certificates (GICs), principal protected notes, government bonds issued by various financial institutions and investments managed by Prudent Investor. It is the Municipality's intention to hold these investments until maturity.

	2025	2024
GICs	**$ 10,722,953**	$ 19,466,866
Principal Protected Notes	**116,189,100**	86,117,800
Bonds	**48,298,105**	52,416,570
Prudent Investments	**21,984,358**	-
Subtotal	**197,194,516**	158,001,236
Adjustment to Fair Value	**28,913,747**	12,164,793
Total	**$226,108,263**	$170,166,029

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 $6,112,139 (2024 - $18,138,354) as included in cash and cash equivalents on the Consolidated

5. Investments (continued)

Statement of Financial Position.

6. Taxes receivable

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

	2025	2024
Current year taxes	**$ 14,970,070**	$ 13,224,917
Previous year taxes	**6,906,531**	5,008,285
	21,876,601	18,233,202
Allowance for uncollectible taxes	**(100,000)**	(100,000)
	$ 21,776,601	$ 18,133,202

7. Promissory notes receivable

	2025	2024
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% for the current year).	**$ -**	$ 2,355,000
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 a annual basis to maturity (4.13% for the current year).	**-**	5,966,000
	$ -	$ 8,321,000

Elexicon Corporation and Elexicon Energy Inc promissory notes were redeemed in August of 2025 and converted to common shares. Interest revenue earned from these notes receivable totaled $229,105 (2024 - $343,658).

8. Investment in Elexicon Corporation

a. Investment in Elexicon Corporation

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

The following table provides condensed supplementary financial information of Elexicon Corporation and its subsidiaries for the year ended December 31:

8. Investment in Elexicon Corporation (continued)

a. Investment in Elexicon Corporation (continued)

	2025	2024
Financial position		
Assets		
Current	**$ 134,275,000**	$ 124,314,000
Capital and intangibles	**858,960,000**	786,041,000
Other	**168,000**	701,000
Regulatory balances	**60,426,000**	53,757,000
Total assets and regulatory balances	**1,053,829,000**	964,813,000
Liabilities		
Current	**134,517,000**	193,653,000
Long-term debt	**340,341,000**	283,463,000
Other	**232,891,000**	218,555,000
Total liabilities	**707,749,000**	695,671,000
Shareholders' equity		
Share capital	**159,844,000**	97,692,000
Contributed capital	**25,000**	25,000
Retained earnings	**158,609,000**	156,746,000
Regulatory balances	**27,602,000**	14,679,000
Total shareholders' equity and regulatory balances	**346,080,000**	269,142,000
Total liabilities, equity and regulatory balances	**1,053,829,000**	964,813,000

8. Investment in Elexicon Corporation (continued)

a. Investment in Elexicon Corporation (continued)

	2025	2024
Financial activities		
Revenues	**590,295,000**	564,962,000
Other income	**12,799,000**	9,721,000
Expenses	**(593,465,000)**	(563,200,000)
Net movements in regulatory balances, net of tax	**(8,431,000)**	(5,941,000)
Net income for the year	**$ 1,198,000**	$ 5,542,000

b. Municipality's equity is represented by:

	2025	2024
Promissory notes receivable (Note 7)	**$ -**	$ 8,321,000
Initial investment in shares of the Corporation	**10,146,495**	10,146,495
Investment in additional common shares of the Corporation	**7,969,805**	-
Accumulated net income	**24,319,658**	24,204,131
Net increase in value of investment	**751,321**	400,126
Accumulated dividends received	**(15,102,793)**	(15,164,371)
Total equity	**28,084,486**	27,907,381
Municipality of Clarington's investment represented by:		
Investment in Corporation	**28,084,486**	19,586,381
Promissory notes receivable	**-**	8,321,000
	$ 28,084,486	$ 27,907,381

c. 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.

8. Investment in Elexicon Corporation (continued)

c. Contingencies and guarantees of Elexicon Corporation (the "Corporation") as disclosed in their financial statements are as follows: (continued)

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.

(ii) Contractual obligation - Hydro One Networks Inc.

The Corporation's subsidiary, Elexicon Energy Inc. (EE), 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 EE's anticipated electricity load growth. Construction of the project was completed during 2007 and EE connected to the transformer station during 2008.

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

Hydro One has performed a final true-up in 2024 based on actual load at the end of the fifteenth anniversary of the in-service date. The shortfall of connection transformation revenue for Hydro One resulted in an accrual recorded in 2024 of $4,062,000 and EE recognized this amount as an intangible asset. The final true-up payment was made in January 2025 and there is no further obligation with respect to this agreement.

d. Lease commitments - Elexicon Corporation

Future minimum non-cancellable lease payment obligations under finance leases are as follows:

2026	**$**	**71,000**
2027		**44,000**
	$	**115,000**

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

9. Employee future benefits liabilities (continued)

a. Accumulated sick leave entitlement (continued)

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, 2025 was $1,578,122 (2024 - $1,405,844) and is included in the Consolidated Statement of Financial Position in the Employee future benefits liabilties.

(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, 2025 amounted to $12,911 (2024 - $15,405) and is included in the Consolidated Statement of Financial Position in the Employee future benefits liabilities.

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, 2025 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 2025 fiscal year end was determined by this valuation.

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

(i) Discount rate will be 4.10% per annum, raising to 4.30% in 2026.
(ii) Future inflation rates will be 3.75% for 2026, and 3.25% thereafter
(iii) Dental cost trend rates will be 3.30% in fiscal 2025 and will increase to 4.0% for 2027 through 2030.
(iv) Extended health care trend rates will be 6.58% in fiscal 2025; and remain stable at that level through to 2030.

9. Employee future benefits liabilities (continued)

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

	2025	2024
Accrued benefit obligation		
Balance, beginning of year	**$ 8,477,448**	$ 8,314,232
Employer current service cost	**532,862**	511,874
Interest cost	**355,260**	345,967
Benefits paid	**(529,038)**	(533,140)
Actuarial (gain) loss	**(488,749)**	(161,485)
Balance, end of year	**8,347,783**	8,477,448
Unamortized net actuarial gains	**1,946,915**	1,635,992
Employee future benefits liabilities, end of year	**$ 10,294,698**	$ 10,113,440

	2025	2024
Post retirement non-pension benefits	**$ 8,384,439**	$ 8,379,213
Retiree cash bonus benefits	**147,727**	131,787
Sick leave entitlement benefits	**1,591,033**	1,421,249
Council severance benefits	**169,499**	181,191
Employee future benefits liabilities, end of year	**$ 10,292,698**	$ 10,113,440

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, 2025. The results of this valuation disclosed total going concern actuarial obligations of $151,365 million with respect to benefits accrued for service with actuarial net assets at that date of $150,043 million indicating an actuarial deficit of $1,322 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are the 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

10. Pension agreements (continued)

contribution rates and year's maximum pensionable earnings (YMPE) are outlined in the table below.

Year		YMPE	NRA 65 up to YMPE	NRA 65 up to YMPE	NRA 60 up to YMPE	NRA 60 over YMPE
2025	**$**	**71,300**	**9.00 %**	**14.60 %**	**9.20 %**	**15.80 %**
2024	$	71,300	9.00 %	14.60 %	9.20 %	15.80 %

The amount contributed to OMERS for 2025 was $5,553,830 (2024 – $4,516,416) for current services and is included as an expense on the Consolidated Statement of Operations.

11. Debenture Debt

The debenture debt consists of several debentures that mature in the years 2029 to 2045. In 2025, the Municipality, through the Region of Durham, entered into a sinking fund debenture valued at $47,750,000. As at December 31, 2025, the Municipality and Region have not made any contributions towards the principal amount of this sinking fund debenture.

11. Debenture Debt (continued)

a. Debenture debt details

At the end of the year, the outstanding principal amount of this liability is $129,120,126 (2024 - $80,164,952).

Maturity Date	Interest Rate %[1]	Regional By-law #	**2025**	2024
July 2, 2029	**1.25 to 2.80**	**38-2014**	**$ 1,997,600**	$ 2,460,600
October 17, 2031	**1.70 to 3.30**	**48-2016**	**430,000**	496,000
April 13, 2032	**1.70 to 3.30**	**56-2017**	**520,122**	586,182
April 13, 2032	**1.70 to 3.30**	**56-2017**	**667,404**	752,170
July 5, 2042	**3.35 to 4.30**	**32-2022**	**18,009,000**	18,698,000
July 5, 2032	**3.70 to 4.60**	**32-2022**	**4,727,000**	5,305,000
October 25, 2044	**3.40 to 4.60**	**2024-044**	**38,568,000**	40,000,000
October 25, 2044	**3.40 to 4.60**	**2024-044**	**591,000**	650,000
October 25, 2044	**3.40 to 4.60**	**2024-044**	**3,100,000**	3,217,000
October 25, 2044	**3.40 to 4.60**	**2024-044**	**7,760,000**	8,000,000
June 27, 2045	**2.75 to 4.70**	**2025-023**	**5,000,000**	-
October 25, 2044 - Sinking Fund	**3.75**	**2025-039**	**47,750,000**	-
			129,120,126	80,164,952
Less: sinking fund assets			**-**	-
Less: value of Region sinking fund deposits			**-**	-
Total debenture debt			**$129,120,126**	$ 80,164,952

[1] Interest rates gradually increase to the upper limits noted in the table.

11. Debenture Debt (continued)

b. Principal payments

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

	Debenture Payments	Sinking Fund Deposits	Total Principal Payments
2026	$ 4,124,915	$ 2,065,348	$ 6,190,263
2027	4,263,458	2,065,348	6,328,806
2028	4,409,001	2,065,348	6,474,349
2029	4,559,598	2,065,348	6,624,946
2030	4,186,449	2,065,348	6,251,797
Thereafter	59,826,705	37,423,260	97,249,965
	$ 81,370,126	**$ 47,750,000**	**$ 129,120,126**

c. Principal and interest

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.

Principal payments include sinking fund contributions. To date, $nil of contributions were made related to the sinking fund debenture.

d. Interest expense

Total interest expense related to the debenture debt amounted to $3,705,235 (2024 - $1,660,494) 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	$ 1,030,031
LED Street lighting Conversion	1,530,969
	$ 2,561,000

12. Internal Loans (continued)

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

2026	$ 287,000
2027	296,000
2028	304,000
2029	314,000
2030	324,000
Thereafter	1,036,000
	$ 2,561,000

13. Deferred revenue - obligatory reserve funds

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

	2025	2024
Balance, beginning of year	**$ 88,351,472**	$ 83,818,835
Contributions:		
Contributions from developers	**7,635,555**	4,533,465
Investment Income	**5,708,385**	6,345,996
Canada community-building	**3,321,747**	3,234,339
Provincial infrastructure	**-**	3,353,372
	16,665,687	17,467,172
Utilization:		
Transfer to operating	**2,635,981**	3,554,483
Acquisition of TCA - construction	**13,245,742**	9,380,051
	15,881,723	12,934,534
Change in deferred revenue during the year	**783,964**	4,532,637
Balance, end of year	**89,135,436**	88,351,472
Balance, end of year - analyzed as follows:		
Parkland cash-in-lieu	**10,309,036**	9,251,640
Canada community-building	**5,340,929**	3,821,009
Building code act (1)	**-**	(2,448,667)
Provincial infrastructure	**6,474,853**	9,630,972
Development charges (Note 14)	**67,010,618**	68,096,518
Total deferred revenue – obligatory reserve funds	**$ 89,135,436**	$ 88,351,472

(1) Building Division expenditures have exceeded revenues for fiscal 2025 ($1,691,711) and 2024 ($2,448,667), due to the cyclical nature of building permit activities. In 2025, the total deficit of $4,140,378 was offset by a transfer from the Rate Stabilization reserve fund. The Rate Stabilization reserve fund will be replenished in future years, when building permit revenues exceed expenditures.

14. Continuity of development charges reserve funds

	2025	2024
Balance at the beginning of the year	**$ 68,096,518**	$ 64,217,390
Development charges collections	**6,911,605**	4,975,087
Investment income	**5,004,807**	5,623,697
Tangible capital assets acquisitions and construction	**(7,917,664)**	(4,620,206)
Operating expenses (incl debenture payments)	**(5,084,648)**	(2,099,450)
Balance at the end of the year	**$ 67,010,618**	$ 68,096,518

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 $13,825,262 (2024 - $23,669,084). These contracts relate to the construction and expansion of certain permanent facilities. As at December 31, 2025, $51,266,433 (2024 - $3,000,121) relating to these contracts had not been expended.

17. Related party transactions and balances - Elexicon Corporation

The Municipality's investment in Elexicon Corporation is accounted for on a modified equity basis. Transactions of a non-investment nature are recorded at cost.

	2025	2024
Transactions		
Dividends (returned) received	**$ (61,579)**	$ 505,179
Interest earned on promissory notes	**229,105**	343,658
Property taxes	**40,110**	36,607
Energy and services purchases	**738,265**	670,152
Balances		
Promissory notes receivable	**-**	8,321,000
Accounts payable and accrued liabilities	**$ 57,882**	$ 54,010

18. Guarantees

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

(i) 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.

(ii) 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.

(iii) 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

19. Tangible capital assets (continued)

a. Contributed tangible capital assets (continued)

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 sewer lines 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 with the recorded date as the date of completion. In 2025, there were contributed assets of $7,430,765 (2024 - $9,088,680).

b. Works of Art and Historical Treasures

The Municipality has one historical collection. The Clarington Museums and Archives collection is currently insured for $287,800. 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. All associated physical items, including historical signs and cairns, or concrete structures build for old headstones, are considered a historical treasure.

20. Accumulated surplus

Accumulated surplus is comprised of the following:

	2025	2024
Tangible capital assets	**$ 522,602,064**	$ 483,339,815
General surplus	**1,840,370**	3,521,819
Capital surplus	**131,663,037**	96,796,437
Inventory - surplus land	**146,349**	146,349
Debenture debt	**(129,120,126)**	(80,164,952)
Over (Unfunded) employee benefits and post-employment liabilities	**973,212**	(4,614)
Other long-term liabilities - ARO	**(464,209)**	(462,416)
Accumulated remeasurement gains	**28,913,747**	12,164,793
Reserves set aside for specific purposes by Council:		
Acquisition of capital assets reserves	**9,557,937**	10,060,101
Legal / consulting	**3,223,152**	3,240,304
Election expenses	**516,965**	391,965
Fire prevention	**305,489**	305,489
Burketon park improvements	**7,569**	7,569
Samuel Wilmot nature area	**7,166**	3,373

20. Accumulated surplus (continued)

	2025	2024
Secondary plans	**8,101**	24,093
Clarington Heritage committee board	**13,762**	12,262
Library and Museum	**615,678**	1,580,406
Reserve funds set aside for specific purposes by Council:		
General municipal purposes	**5,676,290**	7,459,135
Rate stabilization	**4,957,409**	13,750,978
Strategic capital	**8,928,764**	8,753,953
Parks and cemeteries	**4,365,606**	836,751
Debenture repayment	**971,687**	940,489
Economic development	**998,983**	683,111
Other cultural	**-**	38,508
Acquisition of capital assets reserve funds	**8,873,787**	6,484,077
Transportation Infrastructure	**637,982**	5,995
Miscellaneous capital	**9,099,570**	8,608,758
Engineering, bridges & culverts	**2,975,281**	2,898,375
Climate Action	**322,074**	184,104
Port Granby	**347,166**	336,016
Community improvement plan	**3,312,071**	2,204,883
Business improvement areas	**133,962**	129,680
Cemetery perpetual care	**-**	149,818
Community emergency management	**776,804**	880,661
Equity in Elexicon Corporation	**28,084,486**	27,835,212
Accumulated surplus	**$ 651,272,184**	$ 613,143,297

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:

21. Segmented information (continued)

a. General government services

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

b. Protection services

Protection services includes protection to persons and property and 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 Public Works 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.

d. Environmental services

Environmental services includes storm-water 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 services

Planning and development services 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.

22. Budget amounts

The 2025 budgeted adopted by Council was prepared using the traditional fund accounting basis, whereas the financial statements are prepared on a full accrual basis. As a result, the approved 2025 budget figures have been adjusted to align with full accrual accounting for financial reporting purposes. These adjustments include recognizing amortization of tangible capital assets and other capital-related items, removing transfers to and from reserves and reserve funds, and incorporating post-employment benefit expenses. A reconciliation of the originally adopted budget to the figures presented in the consolidated financial statements is provided below.

	Budget adopted by Council	Consolidated entities adjustments	PSAB Adjustments	Budget presented in statements
Taxation	$ 88,353,059	$ -	$ -	$ 88,353,059
User charges	18,744,658	560,722	-	19,305,380
Grants	113,981	4,000	-	117,981
Other revenues	28,259,702	95,207	2,109,440	30,464,349
Contributed TCA	-	-	7,430,765	7,430,765
Total revenue	135,471,400	659,929	9,540,205	145,671,534
General government	38,407,999	-	(25,677,223)	12,730,776
Protection	22,699,237	-	4,069,372	26,768,609
Transportation	20,656,718	-	19,443,534	40,100,252
Environmental	2,530,000	-	2,110,442	4,640,442
Health	759,893	-	189,100	948,993
Recreation & cultural	41,848,122	568,661	953,643	43,370,426
Planning & development	8,569,431	115,272	1,204,045	9,888,748
Total expenses	135,471,400	683,933	2,292,913	138,448,246
Annual surplus	**$ -**	**$ (24,004)**	**$ 7,247,292**	**$ 7,223,288**

23. Comparative figures

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

The Corporation of the Municipality of Clarington
Consolidated Schedule of Tangible Capital Assets - Schedule 1
For the Year Ended December 31, 2025

	General					Infrastructure							2025
	Land	Land Improvements	Buildings	Vehicles	Equipment	Land	Linear Road & Related	Linear Storm Sewers	Buildings	Vehicles	Equipment	Assets under construction	Total
Cost													
Balance, beginning of year (note 23)	$ 72,823,374	$ 53,321,753	$118,380,784	$ 10,436,805	$ 16,935,910	$ 15,074,254	$445,103,425	$104,051,594	$ 2,510,405	$ 16,922,068	$ 480,648	$ 26,983,361	**$883,024,381**
Add: additions during the year	-	4,054,432	11,889,548	3,322,776	1,172,576	1,661,900	12,495,599	1,833,185	108,486	6,816,672	120,318	38,980,568	**82,456,060**
Less: disposals during the year	-	(83,754)	(573,724)	(582,520)	(806,634)	-	(2,061,404)	-	-	(1,762,535)	-	(17,199,446)	**(23,070,017)**
Balance, end of year	72,823,374	57,292,431	129,696,608	13,177,061	17,301,852	16,736,154	455,537,620	105,884,779	2,618,891	21,976,205	600,966	48,764,483	**942,410,424**
Accumulated amortization													
Balance, beginning of year	-	20,373,193	64,266,010	7,590,255	10,705,276	-	257,681,641	27,069,563	1,861,421	9,996,784	140,423	-	**399,684,566**
Add: amortization during the year	-	1,807,049	3,692,851	838,276	1,392,183	-	14,659,919	1,403,824	63,468	1,589,545	64,292	-	**25,511,407**
Less: accumulated amortization on disposals	-	(52,814)	(328,888)	(582,520)	(792,610)	-	(1,868,246)	-	-	(1,762,535)	-	-	**(5,387,613)**
Balance, end of year	-	22,127,428	67,629,973	7,846,011	11,304,849	-	270,473,314	28,473,387	1,924,889	9,823,794	204,715	-	**419,808,360**
Net book value of tangible capital assets	$ 72,823,374	$ 35,165,003	$ 62,066,635	$ 5,331,050	$ 5,997,003	$ 16,736,154	$185,064,306	$ 77,411,392	$ 694,002	$ 12,152,411	$ 396,251	$ 48,764,483	**$522,602,064**

The Corporation of the Municipality of Clarington
Consolidated Schedule of Tangible Capital Assets - Schedule 1
For the Year Ended December 31, 2025

2024

	General					Infrastructure							
	Land	Land Improvements	Buildings	Vehicles	Equipment	Land	Linear Road & Realated	Linear Storm Sewers	Buildings	Vehicles	Equipment	Assets under construction	Total
Cost													
Balance, beginning of year	$ 72,823,374	$ 47,987,193	$113,436,785	$ 9,796,389	$ 16,200,670	$ 9,448,254	$437,788,911	$102,632,133	$ 2,510,405	$ 17,881,727	$ 358,577	$ 16,436,245	**$847,300,663**
Add: additions during the year	-	5,502,891	5,766,435	943,710	1,668,524	5,626,000	9,067,297	1,419,461	-	1,121,491	122,071	19,777,533	**51,015,413**
Less: disposals during the year	-	(168,331)	(822,436)	(486,731)	(933,284)	-	(1,752,783)	-	-	(1,897,713)	-	(9,230,417)	**(15,291,695)**
Balance, end of year	72,823,374	53,321,753	118,380,784	10,253,368	16,935,910	15,074,254	445,103,425	104,051,594	2,510,405	17,105,505	480,648	26,983,361	**883,024,381**
Accumulated amortization													
Balance, beginning of year	-	18,920,560	61,620,810	7,397,468	10,273,847	-	244,881,085	25,688,128	1,776,797	10,795,019	92,354	-	**381,446,068**
Add: amortization during the year	-	1,620,964	3,430,305	635,775	1,364,713	-	14,376,551	1,381,435	84,624	1,136,498	48,069	-	**24,078,934**
Less: accumulated amortization on disposals	-	(168,331)	(785,105)	(486,731)	(933,284)	-	(1,575,995)	-	-	(1,890,990)	-	-	**(5,840,436)**
Balance, end of year	-	20,373,193	64,266,010	7,546,512	10,705,276	-	257,681,641	27,069,563	1,861,421	10,040,527	140,423	-	**399,684,566**
Net book value of tangible capital assets	$ 72,823,374	$ 32,948,560	$ 54,114,774	$ 2,706,856	$ 6,230,634	$ 15,074,254	$187,421,784	$ 76,982,031	$ 648,984	$ 7,064,978	$ 340,225	$ 26,983,361	**$483,339,815**

The Corporation of the Municipality of Clarington
Consolidated Schedule of Segmented Information - Schedule 2
For the Year Ended December 31, 2025

	2025							
	General government services	Protection services	Transportation services	Environmental services	Health services	Recreation and cultural services	Planning and development	Consolidated
Operating revenue								
Taxation and user charges	$ 90,657,870	$ 1,368,693	$ 6,683,799	$ 175,704	$ 375,772	$ 7,292,841	$ 2,531,255	**$ 109,085,934**
Grants	56,033	64,014	(25,378)	51,813	-	553,184	434,750	**1,134,416**
Other	26,636,168	450,966	10,395,403	-	65,096	6,565,784	171,925	**44,285,342**
Elexicon Corporation	466,722	-	-	-	-	-	-	**466,722**
Contributed tangible capital assets	-	-	4,524,781	1,415,984	-	1,490,000	-	**7,430,765**
Other income	2,590	-	1,415	-	-	62	1,527	**5,594**
Loss on disposal of tangible capital assets	1,999	-	243,700	-	-	(305,541)	-	**(59,842)**
Total operating revenue	117,821,382	1,883,673	21,823,720	1,643,501	440,868	15,596,330	3,139,457	**162,348,931**
Operating expenses								
Salaries and wages	8,658,207	23,116,647	11,869,641	696,325	560,849	23,732,431	6,772,513	**75,406,613**
Operating materials and supplies	769,501	1,602,719	10,664,220	1,151,635	442,707	7,858,254	490,209	**22,979,245**
Contract services	1,557,823	1,073,762	3,541,061	623,540	-	3,236,232	1,689,643	**11,722,061**
Rent and financial expenses	234,393	-	12,204	-	-	123,376	-	**369,973**
External transfers to others	-	-	-	-	-	1,186,478	-	**1,186,478**
Amortization expense	1,316,388	1,090,640	16,335,004	1,808,812	68,723	4,833,995	57,845	**25,511,407**
Interest on long-term liabilities	22,823	-	471,020	-	-	3,299,378	-	**3,793,221**
Total operating expenses	12,559,135	26,883,768	42,893,150	4,280,312	1,072,279	44,270,144	9,010,210	**140,968,998**
Annual surplus (deficit)	$ 105,262,247	$ (25,000,095)	$ (21,069,430)	$ (2,636,811)	$ (631,411)	$ (28,673,814)	$ (5,870,753)	**$ 21,379,933**

The Corporation of the Municipality of Clarington
Consolidated Schedule of Segmented Information - Schedule 2
For the Year Ended December 31, 2025

								2024
	General government services	Protection services	Transportation services	Environmental services	Health services	Recreation and cultural services	Planning and development	Consolidated
Operating revenue								
Taxation and user charges	$ 83,671,952	$ 1,244,922	$ 5,660,407	$ 139,328	$ 474,117	$ 6,906,084	$ 3,071,838	**$ 101,168,648**
Grants	41,906	-	344,909	-	-	318,133	(12,500)	**692,448**
Other	11,342,195	3,353,874	9,989,127	2,679	133,374	3,912,260	291,017	**29,024,526**
Elexicon Corporation	512,524	-	-	-	-	-	-	**512,524**
Contributed tangible capital assets	-	-	2,355,332	1,107,348	-	5,626,000	-	**9,088,680**
Other income	994	-	9,905	-	-	-	628,500	**639,399**
Loss on disposal of tangible capital assets	7,516	-	3,924	-	-	(37,252)	-	**(25,812)**
Total operating revenue	95,577,087	4,598,796	18,363,604	1,249,355	607,491	16,725,225	3,978,855	**141,100,413**
Operating expenses								
Salaries and wages	7,084,749	20,849,909	10,399,607	726,205	491,999	19,619,843	6,394,917	**65,567,229**
Operating materials and supplies	791,886	1,245,087	7,497,743	1,419,864	588,071	7,616,138	461,497	**19,620,286**
Contract services	1,276,466	1,243,363	7,071,595	775,674	-	3,754,665	1,574,294	**15,696,057**
Rent and financial expenses	192,269	-	13,615	-	-	147,523	-	**353,407**
External transfers to others	-	-	-	-	-	1,036,941	-	**1,036,941**
Amortization expense	1,187,802	1,053,899	15,566,055	1,779,685	52,348	4,388,088	51,057	**24,078,934**
Interest on long-term liabilities	25,091	-	192,799	-	-	1,499,991	-	**1,717,881**
Total operating expenses	10,558,263	24,392,258	40,741,414	4,701,428	1,132,418	38,063,189	8,481,765	**128,070,735**
Annual surplus (deficit)	$ 85,018,824	$ (19,793,462)	$ (22,377,810)	$ (3,452,073)	$ (524,927)	$ (21,337,964)	$ (4,502,910)	**$ 13,029,678**

The Corporation of the Municipality of Clarington
Consolidated Schedule of Segmented Information - Schedule 3
For the Year Ended December 31, 2025

	2025 - Budget							
	General government services	Protection services	Transportation services	Environmental services	Health services	Recreation and cultural services	Planning and development	Consolidated
Operating revenue								
Taxation and user charges	$ 88,952,359	$ 2,609,400	$ 6,357,550	$ 154,300	$ 382,600	$ 6,781,660	$ 2,420,570	**$ 107,658,439**
Grants	-	-	-	-	-	113,981	4,000	**117,981**
Other	5,102,600	1,531,684	18,066,962	-	-	5,688,646	74,457	**30,464,349**
Contributed tangible capital assets	-	-	4,524,781	1,415,984	-	1,490,000	-	**7,430,765**
Total operating revenue	94,054,959	4,141,084	28,949,293	1,570,284	382,600	14,074,287	2,499,027	**145,671,534**
Operating expenses								
Salaries and wages	9,733,647	22,733,779	11,149,102	533,071	497,164	22,291,577	7,885,039	**74,823,379**
Operating materials and supplies	851,042	1,493,196	9,207,820	1,272,123	432,512	7,858,187	689,200	**21,804,080**
Contract services	698,195	1,445,738	3,275,575	1,062,740	-	4,126,560	1,269,857	**11,878,665**
Rent and financial expenses	234,900	-	11,335	-	-	131,308	-	**377,543**
External transfers to others	-	-	-	-	-	1,152,356	-	**1,152,356**
Amortization expense	1,189,644	1,095,896	16,279,222	1,772,508	19,317	4,578,549	44,652	**24,979,788**
Interest on long-term liabilities	23,348	-	177,198	-	-	3,231,889	-	**3,432,435**
Total operating expense	12,730,776	26,768,609	40,100,252	4,640,442	948,993	43,370,426	9,888,748	**138,448,246**
Annual surplus (deficit)	$ 81,324,183	$ (22,627,525)	$ (11,150,959)	$ (3,070,158)	$ (566,393)	$ (29,296,139)	$ (7,389,721)	**$ 7,223,288**

The Corporation of the Municipality of Clarington
Consolidated Schedule of Segmented Information - Schedule 3
For the Year Ended December 31, 2025

	General government services	Protection services	Transportation services	Environmental services	Health services	Recreation and cultural services	Planning and development	2024 - Budget Consolidated
Operating revenue								
Taxation and user charges	$ 83,537,052	$ 2,503,200	$ 781,500	$ 154,300	$ 382,600	$ 6,198,270	$ 2,470,970	**$ 96,027,892**
Grants	-	-	-	-	-	113,981	-	**113,981**
Other	4,102,800	807,911	7,683,550	-	-	1,643,214	63,000	**14,300,475**
Contributed tangible capital assets	-	-	2,355,332	1,107,348	-	5,626,000	-	**9,088,680**
Other Income	-	-	5,054,750	-	-	-	-	**5,054,750**
Total operating revenue	87,639,852	3,311,111	15,875,132	1,261,648	382,600	13,581,465	2,533,970	**124,585,778**
Operating expenses								
Salaries and wages	7,261,958	20,129,219	11,162,589	545,632	481,289	19,138,698	7,826,129	**66,545,514**
Operating materials and supplies	909,123	1,178,300	7,193,418	1,148,234	508,341	8,107,937	618,613	**19,663,966**
Contracted services	792,975	1,458,087	7,633,035	1,048,267	-	3,713,361	1,067,061	**15,712,786**
Rent and financial expenses	162,300	-	11,374	-	-	127,726	-	**301,400**
Enternal transfers to others	-	-	-	-	-	1,044,519	-	**1,044,519**
Amortization expense	1,189,644	1,095,896	16,279,222	1,772,508	19,317	4,578,549	44,652	**24,979,788**
Interest on long-term liabilities	25,574	-	200,240	-	-	1,127,472	-	**1,353,286**
Total operating expense	10,341,574	23,861,502	42,479,878	4,514,641	1,008,947	37,838,262	9,556,455	**129,601,259**
Annual surplus (deficit)	$ 77,298,278	$ (20,550,391)	$ (26,604,746)	$ (3,252,993)	$ (626,347)	$ (24,256,797)	$ (7,022,485)	**$ (5,015,481)**

Statement of Operations - Library

Supplementary Schedule
for the year ended December 31, 2025

	2025 Actual	2024 Actual (Note 23)
	$	$
Revenues		
Municipality of Clarington – operating grant	**4,617,291**	3,989,337
Province of Ontario grant	**107,111**	125,911
Government of Canada grant	**20,191**	-
Grants from others	**24,498**	-
Fines, fees, sales, discards	**50,037**	44,142
Donations and bequests	**16,126**	8,008
Interest	**136,349**	184,678
Miscellaneous	**40,815**	10,011
Contributions from reserves	**729,384**	78,511
Contributions from reserve funds	**81,604**	-
Total revenues	**5,823,406**	4,440,598
Expenses		
Personnel costs	**4,945,810**	3,379,237
Collections, operating and materials	**219,112**	188,816
Facility support	**307,642**	199,623
Products & supplies	**44,139**	44,390
Programs	**31,412**	41,826
Contracted services	**76,967**	107,879
Information Technology	**142,720**	188,810
Staff development	**55,604**	44,396
Amortization expense	**514,647**	544,073
Transfer to reserves	**-**	256,916
Total expenses	**6,338,053**	4,995,966
Annual deficit	**(514,647)**	(555,368)

Statement of Operations - Museum

Supplementary Schedule
for the year ended December 31, 2025

	2025 Actual	2024 Actual (Note 23)
	$	$
Revenues		
Municipality of Clarington – operating grant	**421,911**	328,114
Province of Ontario grant	**-**	39,353
Government of Canada grant	**-**	8,394
Grants from others	**25,161**	-
Fines, fees, sales, discards	**3,016**	2,795
Donations and bequests	**1,469**	441
Interest	**25,100**	35,750
Miscellaneous	**4,368**	6
Contributions from reserves	**200,844**	-
Contributions from reserve funds	**53,173**	65,185
Total revenues	**734,542**	480,038
Expenses		
Personnel costs	**580,567**	319,021
Collections, operating and materials	**43,576**	1,477
Facility support	**76,775**	57,081
Products & supplies	**10,568**	4,729
Programs	**4,436**	5,686
Contracted services	**18,039**	91,715
Information Technology	**809**	1,954
Staff development	**1,071**	1,078
Total expenses	**735,841**	482,741
Annual deficit	**(1,299)**	(2,703)

Financial statements of

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

December 31, 2025

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Independent Auditor's Report

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

Qualified Opinion

We have audited the financial statements of The Board of Management for the Historic Downtown Bowmanville Business Improvement Area (the "BIA"), which comprise of the statement of financial position as at December 31, 2025, 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 polices (collectively referred to as the "financial statements").

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 BIA as at December 31, 2025, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The BIA derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the BIA and we were not able to determine whether any adjustments might be necessary to fundraising revenue, annual surplus, and cash flows from operations for the years ended December 31, 2025 and 2024, financial assets as at December 31, 2025 and 2024, and net financial assets as at January 1 and December 31 for both the 2025 and 2024 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 BIA 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 opinion.

Other Matter

The financial statements for the year ended December 31, 2024 were audited by another auditor who expressed a qualified opinion on those statements on July 14, 2025 for the reasons described in the *Basis for Qualified Opinion* section of our report.

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

Management is responsible for the preparation and fair presentation of the 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 BIA'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 BIA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BIA'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 GAAS 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 GAAS, 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 BIA'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 BIA'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 BIA 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
July 23, 2026

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

Statement of financial position

As at December 31, 2025

	Notes	2025 $	2024 $
Financial assets			
Cash and cash equivalents		**114,066**	103,997
Harmonized Sales Tax receivable		**4,507**	4,473
		118,573	108,470
Liabilities			
Accounts payable		**577**	4,903
Net financial assets		**117,996**	103,567
Accumulated surplus		**117,996**	103,567

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

Approved on behalf of the Board

_____ Chair

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

Statement of operations

Year ended December 31, 2025

	Notes	Budget $ (Note 2)	2025 $	2024 $ (Note 5)
Revenues				
Taxation - Municipality of Clarington	3	**184,821**	**184,821**	180,314
Fundraising		**68,957**	**86,856**	79,445
		253,778	**271,677**	259,759
Expenses				
Administration		**24,853**	**6,243**	5,853
Events and promotion		**134,000**	**127,469**	105,000
Salaries and wages		**43,150**	**82,498**	73,700
Streetscape		**46,950**	**41,038**	40,238
Capital works		**29,850**	**—**	—
		278,803	**257,248**	224,791
Annual (deficit) surplus		**(25,025)**	**14,429**	34,968
Accumulated surplus, beginning of year		**103,567**	**103,567**	68,599
Accumulated surplus, end of year		**78,542**	**117,996**	103,567

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

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

Statement of change in net financial assets

As at December 31, 2025

	Budget	2025	2024
	$	$	$
	(Note 2)		
Annual (deficit) surplus	**(25,025)**	**14,429**	34,968
Net financial assets, beginning of year	**103,567**	**103,567**	68,599
Net financial assets, end of year	**78,542**	**117,996**	103,567

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

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

Statement of cash flows

Year ended December 31, 2025

	2025 $	2024 $
Operating activities		
Annual surplus	**14,429**	34,968
Changes in non-cash operating items		
Harmonized Sales Tax receivable	**(34)**	(515)
Accounts payable	**(4,326)**	4,903
	10,069	39,356
Net increase in cash	**10,069**	39,356
Cash, beginning of year	**103,997**	64,641
Cash, end of year	**114,066**	103,997

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 (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 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.

(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.

(d) Accounts receivable

Accounts receivable includes amounts to be received that can be reasonably estimated and collection is reasonably assured.

2. Budget data

As per the Board's By-laws, the budget information presented in these financial statements is based on the budget approved by the Board Members on February 11, 2025.

3. Related party transactions

The Board is controlled by The Corporation of the Municipality of Clarington (the "Municipality") and is dependent on the Municipality for funding through taxes levied by the Municipality on behalf of the Board on an annual basis.

During the year, the Board received $184,821 ($180,314 in 2024) of taxes levied by the Municipality on behalf of the Board.

4. Risk management

The Board has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk.

(a) Credit risk

Credit risk is the risk of a financial loss to the Board if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Board consisting of accounts receivable. The Board's exposure to credit risk associated with accounts receivable is assessed as low because they are due from governments.

(b) Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they become due. The Board's objective is to have sufficient liquidity to meet these liabilities when due. The Board monitors its cash balance and cash flows generated from operations to meet its liquidity requirements. The liquidity risk arises from the financial liabilities consisting of accounts payable.

5. Comparative amounts

Certain of the prior year comparative amounts have been reclassified to conform to the current year's financial statement presentation.

Financial statements of

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

December 31, 2025

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Independent Auditor's Report

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

Qualified Opinion

We have audited the financial statements of The Board of Management for the Newcastle Central Business Improvement Area (the "BIA"), which comprise of the statement of financial position as at December 31, 2025, 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 polices (collectively referred to as the "financial statements").

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 BIA as at December 31, 2025, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The BIA derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the BIA and we were not able to determine whether any adjustments might be necessary to fundraising revenue, annual deficit, and cash flows from operations for the years ended December 31, 2025 and 2024, financial assets as at December 31, 2025 and 2024, and net financial assets as at January 1 and December 31 for both the 2025 and 2024 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 BIA 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 opinion.

Other Matter

The financial statements for the year ended December 31, 2024 were audited by another auditor who expressed a qualified opinion on those statements on July 14, 2025 for the reasons described in the *Basis for Qualified Opinion* section of our report.

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

Management is responsible for the preparation and fair presentation of the 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 BIA'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 BIA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BIA'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 GAAS 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 GAAS, 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 BIA'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 BIA'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 BIA 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
July 23, 2026

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, 2025

	Notes	2025 $	2024 $
Financial assets			
Cash and cash equivalents		**42,348**	82,021
Inventory for resale		**6,086**	—
		48,434	82,021
Liabilities			
Accounts payable		**565**	1,723
Net financial assets		**47,869**	80,298
Non-financial assets			
Tangible capital assets	3	**14,401**	—
Prepaid expense		**2,500**	—
Total non-financial assets		**16,901**	—
Accumulated surplus		**64,770**	80,298

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

Approved on behalf of the Board

_____, Chair

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, 2025

	Notes	Budget $ (Note 2)	2025 Actual $	2024 Actual $
Revenues				
Taxation - Municipality of Clarington	4	**40,000**	**40,000**	40,000
Fundraising		**—**	**64,351**	50,231
		40,000	**104,351**	90,231
Expenses				
Administration		**2,000**	**3,795**	5,296
Advertising		**10,000**	**12,019**	9,764
Events		**5,000**	**80,679**	53,695
Downtown safety and décor		**23,000**	**20,986**	22,148
Amortization expense		**—**	**2,400**	—
		40,000	**119,879**	90,903
Annual deficit		**—**	**(15,528)**	(672)
Accumulated surplus, beginning of year		**80,298**	**80,298**	80,970
Accumulated surplus, end of year		**80,298**	**64,770**	80,298

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 change in net financial assets

As at December 31, 2025

	Budget $ (Note 2)	2025 $	2024 $
Annual deficit	**—**	**(15,528)**	(672)
Acquisition of tangible capital assets	**—**	**(16,801)**	—
Amortization of tangible capital assets	**—**	**2,400**	—
Acquisition of prepaid expenses	**—**	**(2,500)**	—
Decrease in net financial assets	**—**	**(32,429)**	(672)
Net financial assets, beginning of year	**80,298**	**80,298**	80,970
Net financial assets, end of year	**80,298**	**47,869**	80,298

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 cash flows

Year ended December 31, 2025

	2025 $	2024 $
Operating activities		
Annual deficit	**(15,528)**	(672)
Non-cash item		
Amortization of tangible capital assets	**2,400**	—
Changes in non-cash operating items		
Inventory for resale	**(6,086)**	—
Accounts payable	**(1,158)**	847
Prepaid expense	**(2,500)**	—
	(22,872)	175
Capital activity		
Acquisition of tangible capital assets	**(16,801)**	—
Net (decrease) increase in cash	**(39,673)**	175
Cash, beginning of year	**82,021**	81,846
Cash, end of year	**42,348**	82,021

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 (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 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. Amounts requiring estimates and assumptions include amortization of tangible capital assets.

(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.

(e) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in first-out method.

1. Significant accounting policies (continued)

(f) Tangible capital assets

Tangible capital 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.

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization tangible capital assets is provided on a straight-line basis as follows:

Equipment	7 years

2. Budget data

As per the Board's By-laws, the budget information presented in these financial statements is based on the budget approved by the Board Members on January 28, 2025.

3. Tangible capital assets

	Cost $	Accumulated amortization $	2025 Net book value $
Equipment	**16,801**	**2,400**	**14,401**

4. Related party balances and transactions

The Board is controlled by The Corporation of the Municipality of Clarington (the "Municipality") and is dependent on the Municipality for funding through taxes levied by the Municipality on behalf of the Board on an annual basis.

During the year, the Board received $40,000 ($40,000 in 2024) of taxes levied by the Municipality on behalf of the Board.

5. Risk management

The Board has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk.

(a) Credit risk

Credit risk is the risk of a financial loss to the Board if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Board consisting of accounts receivable. The Board's exposure to credit risk associated with accounts receivable is associated as low because the Board assesses, on a continuous basis, amounts receivable on the basis of amounts for which ultimate collection is reasonably assured.

5. Risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they become due. The Board's objective is to have sufficient liquidity to meet these liabilities when due. The Board monitors its cash balance and cash flows generated from operations to meet its liquidity requirements. The liquidity risk arises from the financial liabilities consisting of accounts payable.

Financial statements of

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

December 31, 2025

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Independent Auditor's Report

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

Qualified Opinion

We have audited the financial statements of The Board of Management for the Orono Central Business Improvement Area (the "BIA"), which comprise of the statement of financial position as at December 31, 2025, 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 polices (collectively referred to as the "financial statements").

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 BIA as at December 31, 2025, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The BIA derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the BIA and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, annual surplus, and cash flows from operations for the years ended December 31, 2025 and 2024, financial assets as at December 31, 2025 and 2024, and net financial assets as at January 1 and December 31 for both the 2025 and 2024 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 BIA 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 opinion.

Other Matter

The financial statements for the year ended December 31, 2024 were audited by another auditor who expressed a qualified opinion on those statements on July 14, 2025 for the reasons described in the *Basis for Qualified Opinion* section of our report.

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

Management is responsible for the preparation and fair presentation of the 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 BIA'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 BIA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BIA'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 GAAS 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 GAAS, 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 BIA'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 BIA'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 BIA 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
July 23, 2026

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, 2025

	Notes	2025 $	2024 $
Financial assets			
Cash and cash equivalents		**4,934**	14,362
Accounts receivable	3	**3,641**	—
		8,575	14,362
Liabilities			
Accounts payable		**164**	—
Net financial assets		**8,411**	14,362
Accumulated surplus		**8,411**	14,362

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

Approved on behalf do the Board

_____ Chair

_____

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, 2025

	Notes	Budget $ (Note 2)	2025 $	2024 $
Revenues				
Taxation - Municipality of Clarington	4	**6,000**	**6,000**	6,000
Grants - Provincial		**4,000**	**2,000**	—
Donations, fundraising and miscellaneous		**5,500**	**8,013**	9,891
Contribution from reserve funds		**—**	**—**	10,000
		15,500	**16,013**	25,891
Expenses				
Advertising and promotion		**21,850**	**16,755**	14,692
Landscaping		**4,200**	**3,565**	3,464
Miscellaneous		**1,240**	**1,644**	3,522
		27,290	**21,964**	21,678
Annual (deficit) surplus		**(11,790)**	**(5,951)**	4,213
Accumulated surplus, beginning of year		**14,362**	**14,362**	10,149
Accumulated surplus, end of year		**2,572**	**8,411**	14,362

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 change in net financial assets

As at December 31, 2025

	Budget $ (Note 2)	2025 $	2024 $
Annual (deficit) surplus	**(11,790)**	**(5,951)**	4,213
Net financial assets, beginning of year	**14,362**	**14,362**	10,149
Net financial assets, end of year	**2,572**	**8,411**	14,362

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 cash flows

Year ended December 31, 2025

	2025 $	2024 $
Operating activities		
Annual (deficit) surplus	**(5,951)**	4,213
Changes in non-cash operating items		
Accounts receivable	**(3,641)**	—
Accounts payable	**164**	(1,480)
	(9,428)	2,733
Net (decrease) increase in cash	**(9,428)**	2,733
Cash, beginning of year	**14,362**	11,629
Cash, end of year	**4,934**	14,362

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 (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 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.

Grant revenue is recognized as revenue as funds are spent in accordance with the grant restriction and reasonably estimated and collection is reasonably assured.

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.

(d) Accounts receivable

Accounts receivable includes amounts to be received that can be reasonably estimated and collection is reasonably assured.

2. Budget data

As per the Board's By-laws, the budget information presented in these financial statements is based on the budget approved by the Board Members on September 22, 2023 as part of the 2022 to 2027 multiyear budget submission.

3. Accounts receivable

As of December 31, 2025, $1,116 (nil in 2024) is receivable from customers for merchandise sales and $2,525 (nil in 2024) relate to donations which were collected subsequent to the year-end.

4. Related party balances and transactions

The Board is controlled by The Corporation of the Municipality of Clarington (the "Municipality") and is dependent on the Municipality for funding through taxes levied by the Municipality on behalf of the Board on an annual basis.

During the year, the Board received $6,000 ($6,000 in 2024) of taxes levied by the Municipality on behalf of the Board.

5. Risk management

The Board has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk.

(a) Credit risk

Credit risk is the risk of a financial loss to the Board if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Board consisting of accounts receivable. The Board's exposure to credit risk associated with accounts receivable is assessed as low because the Board assesses, on a continuous basis, amounts receivable on the basis of amounts for which ultimate collection is reasonably assured.

(b) Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they become due. The Board's objective is to have sufficient liquidity to meet these liabilities when due. The Board monitors its cash balance and cash flows generated from operations to meet its liquidity requirements. The liquidity risk arises from the financial liabilities consisting of accounts payable.

Financial statements of

The Corporation of the Municipality of Clarington Trust Funds

December 31, 2025

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Independent Auditor's Report

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 "Trust Funds"), which comprise of the statement of financial position as at December 31, 2025, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting polices (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2025, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Trust Funds 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 Matter

The financial statements for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on July 15, 2025.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 Trust Funds' 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 Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Funds' 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 GAAS 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 GAAS, 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 Trust Funds' 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 Trust Funds' 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 Trust Funds 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
July 23, 2026

The Corporation of the Municipality of Clarington Trust Funds

Statement of financial position

As at December 31, 2025

		Current assets		
	Investments	Interest receivable	Due from Municipality of Clarington	Fund balances
	$	$	$	$
	(Note 3)			
Advent Cemetery	**918**	**2**	**—**	**920**
Bondhead Cemetery	**296,870**	**578**	**—**	**297,448**
Bowmanville Cemetery	**1,457,820**	**2,836**	**3,918**	**1,464,574**
Hampton Cemetery	**53,101**	**103**	**—**	**53,204**
Lakeview Cemetery	**70,044**	**137**	**—**	**70,181**
Lovekin Cemetery	**10,000**	**19**	**—**	**10,019**
Orono Cemetery	**320,242**	**623**	**—**	**320,865**
St. George's Cemetery	**50,390**	**98**	**—**	**50,488**
Trulls Cemetery	**1,774**	**3**	**—**	**1,777**
Vanderveer Legacy Trust	**1,000**	**2**	**—**	**1,002**
	2,262,159	**4,401**	**3,918**	**2,270,478**
Montague Trust	**12,225**	**118**	**—**	**12,343**
Estate of Irene Rinch/Newcastle Community Hall	**167,834**	**1,623**	**—**	**169,457**
Total - 2025	**2,442,218**	**6,142**	**3,918**	**2,452,278**
Total - 2024	2,366,306	8,841	5,073	2,380,220
Total - January 1, 2024 (Note 2)	2,196,265	12,176	10,315	2,218,756

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

The Corporation of the Municipality of Clarington Trust Funds

Statement of operations and changes in fund balances

Year ended December 31, 2025

	Fund balances beginning of year $	Revenues				Less: contribution to cemeteries $	Excess (deficiency) of revenues over expenses $	Fund balances end of year $
		Care and maintenance receipts $	Interest $	Other contributions $	Total $			
	(Note 2)	(Note 4)						
Advent Cemetery	921	—	26	—	26	27	(1)	920
Bondhead Cemetery	286,133	11,517	8,243	—	19,760	8,445	11,315	297,448
Bowmanville Cemetery	1,412,800	52,806	40,788	—	93,594	41,820	51,774	1,464,574
Hampton Cemetery	52,533	712	1,507	—	2,219	1,548	671	53,204
Lakeview Cemetery	69,857	379	1,992	—	2,371	2,047	324	70,181
Lovekin Cemetery	10,028	—	286	—	286	295	(9)	10,019
Orono Cemetery	318,744	2,370	9,108	—	11,478	9,357	2,121	320,865
St. George's Cemetery	50,529	—	1,437	—	1,437	1,478	(41)	50,488
Trulls Cemetery	1,779	—	51	—	51	53	(2)	1,777
Vanderveer Legacy Trust	1,003	—	27	—	27	28	(1)	1,002
	2,204,327	67,784	63,465	—	131,249	65,098	66,151	2,270,478
Montague Trust	11,942	—	401	—	401	—	401	12,343
Estate of Irene Rinch/Newcastle Community Hall	163,951	—	5,506	—	5,506	—	5,506	169,457
Total - 2025	2,380,220	67,784	69,372	—	137,156	65,098	72,058	2,452,278
Total - 2024	2,218,756	86,758	108,991	69,466	265,215	103,751	161,464	2,380,220

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

The Corporation of the Municipality of Clarington Trust Funds

Statement of cash flows

Year ended December 31, 2025

	2025	2024
	$	$
		(Note 2)
Operating activities		
Excess of revenue over expenses	**72,058**	161,464
Change in non-cash working capital items		
Interest receivable	**2,699**	3,335
Due from Municipality of Clarington	**1,155**	5,242
	75,912	170,041
Investing activity		
Purchase of investments	**(75,912)**	(170,041)
Net increase in cash	**—**	—
Cash, beginning of year	**—**	—
Cash, end of year	**—**	—

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

1. Significant accounting policies

The financial statements of the Trust Funds are the representations of management prepared in accordance with Canadian accounting standards for not-for-profit organizations 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. Interest revenue is recorded as earned.

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

Financial instruments

The Trust Funds has selected the following classifications and measurements for its financial instruments assets and liabilities:

Asset/liability	Category
Cash	Fair value
Investments	Cost
Interest receivable	Amortized cost
Due from Municipality of Clarington	Amortized cost

Financial assets and financial liabilities are initially recognized at fair value when the Trust Funds becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities originated or exchanged in related party transactions are initially measured at cost. When the instrument has repayment terms, cost is determined using its undiscounted cash flows, excluding interest payments, less any impairment losses. Otherwise, the cost is determined using the consideration transferred or received by the Trust Funds.

Subsequently, all financial instruments are measured at amortized cost, with the exception of cash.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the statement of operations and changes in fund balances.

Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations, 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. There are no significant estimates in these financial statements.

2. Impact of the change in the basis of accounting

These financial statements are the first financial statements for which the Trust Funds applied Canadian accounting standards for not-for-profit organizations as the financial reporting framework. Prior to January 1, 2025, the Trust Funds followed Canadian Public Sector Accounting Standards. First-time adoption of this basis of accounting had no impact on the statement of financial position as at the transition date, January 1, 2024, or on the excess of revenue over expenses for the year ended December 31, 2024. However, adopting these standards resulted in the addition of a statement of cash flows for the year ended December 31, 2024, which is unaudited.

3. Investments

The total investments held by the trust funds of $2,442,218 ($2,366,306 in 2024) reported on the Statement of Financial Position at cost have a fair value of $2,447,303 ($2,372,583 in 2024) at the end of the year. The investments consist of holdings pursuant to the provisions of the Municipality's investment policy and comprise guaranteed investment certificates issued by a financial institution. It is the Trust Funds' intention to hold these investments until maturity. The investments have interest rates ranging from 2.05% to 2.40% (2.75% to 4.03% in 2024) with maturity dates ranging from August 6, 2026, to September 4, 2026 (from August 6, 2025 to September 8, 2025 in 2024).

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 these funds are undertaken by the Municipality in accordance with the regulations of the Cemeteries Act.

5. Related party transactions

Related party transactions include $3,918 ($5,073 in 2024) receivable from the Municipality as at December 31, 2025.

6. Government remittances

There are no amounts outstanding with regards to government remittances as at December 31, 2025 and 2024.

7. Risk management

Credit risk

Credit risk is the risk of a financial loss to the Trust Fund if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from the Trust Funds' accounts receivable. The Trust Funds' exposure to credit risk is assessed as low because amounts are receivable from a reputable financial institution and the Municipality, and therefore ultimate collection is reasonably assured.

7. Risk management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and equity risk.

a) Currency risk:

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Trust Funds are not exposed to currency risk.

b) Interest risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Trust Funds are exposed to this risk through its interest-bearing investments.

c) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Trust Funds are not exposed to equity risk.

There were no changes to risk exposures from the prior year.