

**Municipality of Chatham-Kent**  
**Finance, Budget & Information Technology Services**  
**Financial Services**

**To:** Mayor and Members of Council  
**From:** Brock Priddle, CPA, CGA  
Manager, Corporate Accounting  
**Date:** July 7, 2020  
**Subject:** 2019 Audited Financial Statements

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**Recommendation**

It is recommended that:

1. The audited financial statements for the year ended December 31, 2019 be approved.

**Background**

Under section 286 of the Municipal Act, 2001, Finance is responsible for payments and collections, record keeping, investments and providing Council with financial information. All financial statements are prepared by municipal staff. The Auditor reviews these statements to ensure compliance with legislation, regulations and accounting standards.

Since its inception, the Municipality of Chatham-Kent has had its financial records and its financial control systems audited annually by an independent firm of external auditors appointed under contract by Council. The Senior Audit Partner provides the opportunity to meet directly with the Audit Committee in closed session at least annually, with municipal staff absent, to obtain comments and instructions. In addition to the standard audit report, the auditor conducts extra tests and examinations based on the Audit Committee's concerns. Results of the audit are shared directly with the Committee, and ultimately the statements are approved by Council in this report.

As well as investigating specific Council concerns, the external auditors' objectives are to:

- Obtain assurance that the financial statements are free of material misstatement
- Evaluate the fairness of presentation of the financial statements in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) and the Chartered Professional Accountants of Canada (CPA Canada)
- Report to Administration and Council on:
  - significant internal control weaknesses
  - errors noted during the audit

- any matters the auditor believes should be disclosed

Other statutory financial audits that can occur include:

- Canada Revenue Agency (CRA) audits of employer statutory remittances
- CRA audits of HST returns
- Ministry Program specific audits

The Municipality also engages HST/Retail Sales tax specialists for non-statutory audits to ensure the proper amount of federal and provincial sales tax is charged or claimed.

Copies of the draft audited financial statements are attached as Appendix A and a final signed version will be presented on the municipal website once approved by Council. A synopsis of the financial results will be published in local papers following acceptance of this report (section 295.1, Municipal Act).

Financial statement information is prepared using information from the Financial Information Return (FIR) which is a statutory report filed with the Ministry of Municipal Affairs and Housing annually. Copies of the FIR and financial statements are available on request, free of charge (section 295.2, Municipal Act).

### **Comments**

The external auditor has concluded a review of the records of the Corporation and has issued an unqualified audit opinion on the basis of this review. This means that there were no significant internal financial control weaknesses or material errors noted during the audit.

### **Audit Committee**

The Audit Committee met on June 24, 2020 with the Audit Partner from Deloitte and received the Year-End Communication Report detailing their findings, and reviewed the financial statements. The minutes of the meeting are included in the Consent Agenda of the July 20 Council meeting. The Committee passed the following motion:

*That the Audit Committee receive the 2019 Audited Financial Statements, and recommend the approval of the statements to Council pending the resolution of outstanding items.*

### **Reported 2019 results**

The following are additional comments regarding the financial statements.

This excerpt from the Consolidated Statement of Operations and Accumulated Surplus (see page 4 of the attached financial statement) lists the total revenues, expenses, and the resulting excess revenues over expenses.

	2019	2018
Revenues	\$377,323,705	\$372,425,585
Expenses	\$339,845,760	\$318,712,195
Excess revenues over expenses before other items	\$37,477,945	\$53,713,390
Income from subsidiary	\$6,073,584	\$3,703,923
<b>Excess revenues over expenses</b>	<b>\$43,551,529</b>	<b>\$57,417,313</b>

The Municipal 2019 year-end cash basis surplus is \$3,758,227 (\$4,655,677 in 2018). Budget and Performance Services will provide in a separate 2019 final variance report where the surplus originated and recommendations on its use. This figure is included as part of the \$43,551,529 (\$57,417,313 in 2018) excess revenue over expenses reported on the Consolidated Statement of Operations and Accumulated Surplus. The \$43.6 million surplus (under the new accounting rules introduced in 2009) is calculated using accrual accounting, whereas the balanced budget is approved by Council on the cash required basis. Previous to 2009, under modified cash accounting, investments in bridges and roads etc. were written off immediately against in-year surpluses. Under accrual accounting, the cost of capital assets is to be written off against tax revenues over the useful life of the asset. Some of the assets have a useful life of 50+ years. This results in amortization expense much less than expensed over the cash requirements for replacement. For this reason there will usually be an annual surplus in the operating statement. The following table indicates the relation between the \$43.6 million accrual accounting surplus in the financial statements to the \$3.8 million surplus as per the balanced cash budget approved by Council during the 2019 budget deliberations.

	2019	2018
<b>Accrual basis surplus as per Financial Statements</b>	<b>\$43,551,528</b>	<b>\$57,417,313</b>
Adjustments:		
Amortization	\$40,576,958	\$39,322,821
Taxation, Grant, & Other	(\$16,793,585)	(\$5,275,897)
Long-term debt repayment	(\$10,074,827)	(\$9,684,891)
Income from subsidiary	(\$6,073,584)	(\$3,703,923)
Change in employee future benefits	\$2,090,553	(\$3,217,059)
Acquisition of tangible capital assets	(\$86,252,347)	(\$30,247,743)
Gain on sale of tangible capital assets	\$384,570	(\$515,148)
Proceeds on sale of tangible capital assets	\$371,247	\$1,129,251
Change in WIP tangible capital assets	\$23,983,239	(\$32,155,361)
Change in working capital	\$12,057,091	(\$8,353,806)
Change in interest accrual on LTD	(\$62,616)	(\$59,879)
<b>Cash basis surplus as previously reported to Council</b>	<b>\$3,758,227</b>	<b>\$4,655,677</b>

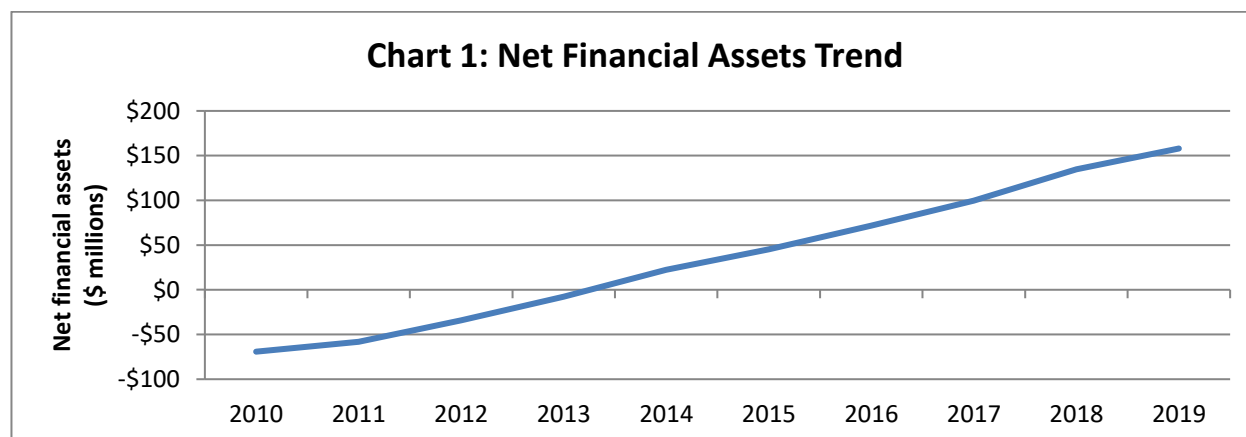
The attached consolidated municipal financial statements include the PUC (Water/Wastewater), Library, Museums, Board of Health and Police Services Board, along with all other municipal services. Separate audits for the Public Health Division, Library and Children's Services programs were also prepared as required for their specific reporting purposes and are available upon request. One time special audits are done as required for grant or loan purposes. Municipal trust activities are audited separately. Entegrus Incorporated and 2351839 Ontario Limited (WDC Rail) financial results are reflected in separate audited statements. The 2019 net income of these operations is reported on the Statement of Operations as "Income from Subsidiaries". The accumulated investment in these operations are reported as "Investment in Entegrus Inc." and "Deficiency in 2351839 Ontario Limited" on the Statement of Financial Position.

The following excerpt from the Consolidated Statement of Financial Position (see page 3 of the attached financial statement) lists the total assets, liabilities, and the resulting accumulated surplus.

	2019	2018
Financial assets	\$357,603,083	\$330,428,914
Liabilities	\$199,640,368	\$195,552,892
Net financial assets	\$157,962,715	\$134,876,022
Non-financial assets	\$882,478,376	\$862,013,540
<b>Accumulated surplus</b>	<b>\$1,040,441,093</b>	<b>\$996,889,564</b>

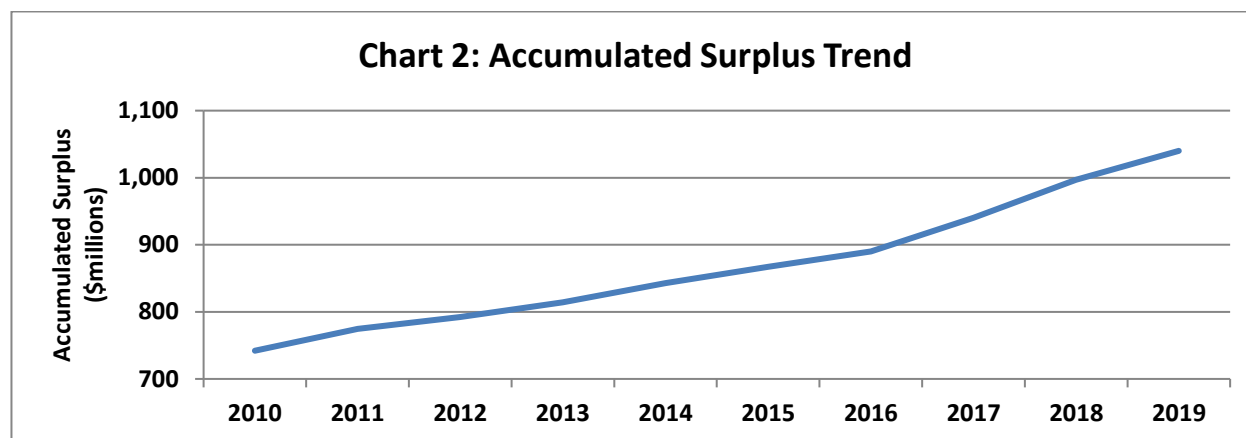
### Net Financial Assets

An important indicator of a government's financial position is its net financial assets, calculated as the difference between its liabilities and financial assets. Net financial assets provides a measure of the future revenues required to pay for past transactions and events. The net financial assets condition of the Municipality has been steadily improving over the past few years as indicated in Chart 1 below, as it has risen from the low of a \$69 million net debt position in 2010 to a positive net financial assets position of \$158 million in 2019.



### Accumulated Surplus

Accumulated Surplus includes Net Financial Assets (Debt) plus Non-Financial Assets such as capital assets, inventory and prepaid expenses. Chatham-Kent's Accumulated Surplus at December 31, 2019 was \$1,040,441,093. The accumulated surplus is the primary indicator of resources available to the Municipality to provide future services. This figure consists of the net investments in tangible capital assets, the investment in Entegrus Inc. and WDC Rail, accumulated fund balances, and reserves, less amounts to be recovered in the future. Note 15 (see page 22 of the attached financial statement) lists the various allocations of surplus. Chart 2 below indicates the trend in the accumulated surplus.



Some of the significant items included in the accumulated surplus are detailed below.

Invested in tangible capital assets is the net investment in tangible capital assets of the Municipality less any outstanding debt related to this investment. The following excerpt from Note 14 (see page 21 of the attached financial statement) lists the net book value of Chatham-Kent's assets.

	2019	2018
Land and land improvements	\$52,125,687	\$52,186,168
Buildings	\$118,228,231	\$120,390,951
Equipment	\$45,997,244	\$47,136,682
Vehicles	\$35,812,703	\$30,227,609
Underground Linear	\$217,340,097	\$207,452,500
Plants and facilities	\$34,862,200	\$25,523,958
Bridges	\$152,779,616	\$136,553,631
Transportation	\$186,655,724	\$179,215,627
Other assets	<u>\$2,027,443</u>	<u>\$2,222,253</u>
	\$845,828,945	\$800,909,379
Assets under construction	<u>\$36,147,082</u>	<u>\$60,130,316</u>
<b>Total tangible capital assets</b>	<b>\$881,976,027</b>	<b>\$861,039,695</b>

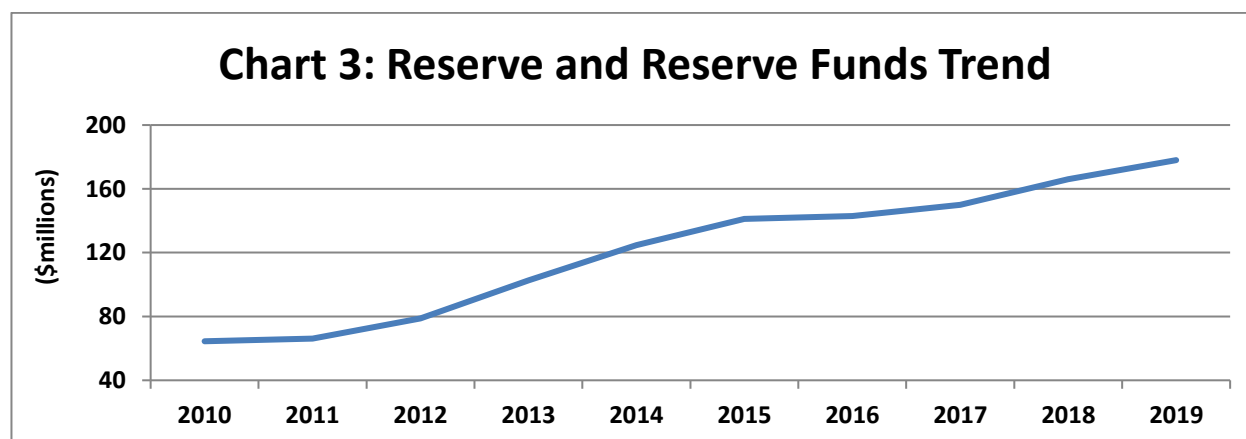
Entegrus Inc., net equity is represented by the Municipality's share of Retained Earnings plus the value of the shares and long-term note payable to the Municipality for consideration of the original transfer of net assets to Entegrus<sup>1</sup>.

<sup>1</sup> The value placed on Entegrus securities is based on cost and may not reflect market values.

	2019	2018
<b>Service Revenue</b>	\$171,861,534	\$155,746,140
<b>Cost of Power</b>	<u>\$146,578,756</u>	<u>\$132,843,659</u>
<b>Gross Margin</b>	\$25,282,778	\$22,902,480
<b>Operating Income</b>	\$30,853,005	\$28,748,235
<b>Net Earnings (100%)</b>	\$5,661,863	\$5,492,563
<b>Retained Earnings (End of Year)</b>	\$29,861,360	\$28,820,457
<b>Dividends Paid to C-K</b>	\$4,075,129	\$4,055,826
<b>Dividends Paid to Corix Utilities</b>	\$452,408	\$450,265
<b>Dividends Paid to St. Thomas Energy</b>	\$1,172,463	\$1,166,909

2351839 Ontario Ltd. (WDC Rail), net equity is the Municipality's 100% share of the accumulated 2013 through 2019 WDC Rail net loss totaling \$119,251 (\$676,960 in 2018)<sup>2</sup>.

Reserves and Reserve Funds are the reserve balances at year-end. Chart 3 below indicates the trend with total Reserves and Reserve Funds. See Appendix B for a more detailed breakdown. Reserve balances include amounts encumbered.



Unfunded are for items that are not required to be funded by current accounting regulations, but represent a future cost to the Municipality that financial statement readers should be aware of, and are required to be reported by PSAB regulations. The required disclosures include:

- Post-employment benefits such as life insurance and medical benefits that will be incurred and will potentially be due at some future time. The discount rate used by the actuarial consultant in determining the net present value of future benefits was 3.00% (3.75% in 2018)
- Estimated future liabilities as provided by Workplace Safety & Insurance Board
- Staff vacation credits that have been earned but not taken at year-end
- Interest on long-term debt accrued but not paid by year-end

<sup>2</sup> The value placed on WDC Rail securities is based on cost and may not reflect market values.

	2019	2018
<b>Revenue</b>	\$774,471	\$4,619
<b>Expenses</b>	\$216,761	\$174,038
<b>Operating Gain/(Loss)</b>	\$557,709	(\$169,419)
<b>Retained Earnings (End of Year)</b>	(\$119,251)	(\$676,960)

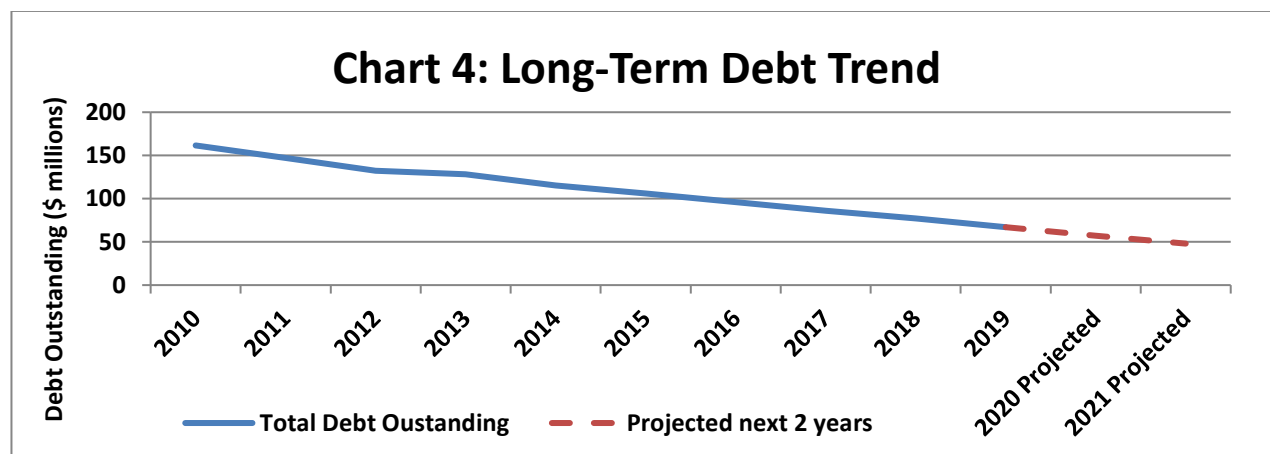
A detailed breakdown of these future obligations to be funded by tax dollars is found below:

	2019	2018
Employee future benefits	\$40,110,196	\$38,082,357
WSIB obligation	\$1,499,759	\$1,729,866
Vacation pay	\$4,248,100	\$3,955,281
<b>Total unfunded employee future benefits</b>	<b>\$45,858,055</b>	<b>\$43,767,504</b>
Interest on long-term liabilities	\$443,573	\$506,189

The Municipality provides funding for these liabilities through the budget process in the year of disbursement.

Long-Term Liabilities

Net long-term liabilities are the balances of debentures outstanding. Notes 11 and 12 (see pages 19 and 20 of the financial statement attachment) provide details of the long-term liabilities. The debt trend is indicated in Chart 4 below, and as Council has not approved any current or future projects with debt funding, two further years of reductions are indicated.



The debenture detail is provided in Figure 1 below. There was no new debt issued in 2019 (\$0 in 2018). The “Funded By” columns identify the sources of future funding to service the debt payments. The tax funded obligation is currently approximately \$11.9 million.

<b>Figure 1 Chatham-Kent Long Term Debt as at December 31, 2019</b>								
					Funded by:			
Debt Issue #	Rate %	Term	Total		PUC rates	PUC locals	Mun. Tax	Mun. Other
<b>Debt Issued by the Municipality of Chatham-Kent</b>								
2004-02	2.73	20	43,400,000	(A)	43,400,000			
2005-01	4.94	20	43,000,000	(B)			13,299,000	29,701,000
2005-02	2.53	20	22,128,742	(C)	22,128,742			
2007-01	2.52	20	2,800,000	(D)	2,800,000			
2007-02	4.94	20	5,170,000	(E)				5,170,000
2010-01	4.22	10	12,533,100	(F)			12,533,100	
2010-02	4.88	20	24,244,728	(G)	24,244,728			
2010-03	2	20	2,000,000	(H)	2,000,000			
2013-01	3.91	20	7,978,000	(I)			7,978,000	
Subtotal			163,254,570		94,573,470	0	33,810,100	34,871,000
Less Principal amounts repaid by								
	31-Dec-19		-98,412,036		-55,607,211	0	-21,834,303	-20,970,521
Chatham-Kent Issued Debt Outstanding at Dec 31, 2019			\$64,842,534		\$38,966,259	\$0	\$11,975,797	\$13,900,479
<b>Other Debt assumed by Chatham-Kent</b>								
Social Housing download								
31-Dec-19	Various	Various	1,812,826	(J)				1,812,826
<b>Total Debt Outstanding Dec 31, 2019</b>			<b>\$66,655,361</b>		<b>\$38,966,259</b>	<b>\$0</b>	<b>\$11,975,797</b>	<b>\$15,713,305</b>

(A) OMEIFA Debenture: Water \$17,725,000, Wastewater \$25,675,000

(B) OSIFA Debenture: Riverview Gardens \$40,300,000 33% tax funded, Bloomfield Business Park \$2,700,000

(C) OMEIFA Debenture: Water \$19,253,236, Wastewater \$2,875,506

(D) OMEIFA Debenture: Wastewater \$2,800,000

(E) OSIFA Debenture: Social Housing – Wallaceburg Housing Corporation purchase \$5,170,000

(F) OSIFA Debenture: Bridges \$10,533,100, Lifecycle Roads \$1,700,000, Lifecycle Buildings \$300,000

(G) OSIFA Debenture: Water \$9,200,151, Wastewater 15,044,577

(H) Federation of Canadian Municipalities Debenture \$2,000,000

(I) OILC Debenture: John D. Bradley Convention Centre \$7,645,000, Social Housing - Riverview Terrace \$333,000

(J) Debt came with the Social Housing units on transfer to the Municipality from the Province in 2001.

A component of social housing costs are tax funded. The debt is held by Provincial agencies.



Development Charges Act

Under section 43 of the Development Charges Act, 1997, the Treasurer is required to give Council a statement of activity for the Development Charges Reserve Fund. Figure 2 below is a summary of the fund activity.

<b>Figure 2 Development Charges Reserve Fund</b>						
	<b>2019</b>			<b>2018</b>		
	Roads	Water	Sewer	Roads	Water	Sewer
Opening Balance	\$0	\$0	\$0	\$0	\$0	\$0
Contribution from developers	\$0	\$583,817	\$470,478	\$0	\$210,080	\$223,799
Interest Earned	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	\$0	\$583,817	\$470,478	\$0	\$210,080	\$223,799
Use of funds:						
Investment in Capital	<u>\$0</u>	<u>\$583,817</u>	<u>\$470,478</u>	<u>\$0</u>	<u>\$210,080</u>	<u>\$223,799</u>
<b>Ending Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Budget Figures

Budget figures provided as part of the Consolidated Statement of Operations and Accumulated Surplus (see page 4 of the financial statement attachment) do not reflect the balanced 2019 Budget as approved by Council for the following reasons:

- Capital projects benefiting and assessed to landowners and developers, such as water, wastewater, drainage and sidewalks/curb and gutters, are not part of the annual budget process and are shown as a local improvement receivable on the Statement of Financial Position
- Capital projects for industrial lands are not part of the budget process and are shown as land held for resale in the Statement of Financial Position
- Under PSAB standards, transfers to/from reserves/capital are not considered as a source of expense/revenue for municipal activities and are not included in the financial statement budget
- Amortization expense is not included in the Council approved budget as it does not require cash, but is included on the financial statement budget
- Cash raised for the purpose of building or improving tangible capital assets is included as revenue in the Council approved budget and the expenditure of building the asset is included as well. However, in the financial statements, only the revenue budgets (taxes, user fees, grants) are included as the expenditure is an asset amortized over the life of the asset.

Public Utilities Commission

PUC operations are integrated into those of the Municipality. Its activities are audited along with municipal operations. Separate financial statements are prepared and presented annually to the Commission. A summary cash basis statement for 2019 is presented below along with the 2018 comparison.

As at December 31	Water		Wastewater	
	2019	2018	2019	2018
Revenues	\$27,209,255	\$26,196,301	\$20,109,692	\$20,103,227
Expenditures	\$24,880,669	\$22,444,945	\$18,774,641	\$17,799,930
Net Income	\$2,328,586	\$3,751,356	\$1,335,051	\$2,303,297
<b>Reserve Fund Balance (End of Year)</b>	<b>\$1,369,616</b>	<b>\$5,722,336</b>	<b>\$12,749,677</b>	<b>\$10,617,692</b>

Municipal Leasing

Under regulation 266/02 of the Municipal Act, Council established a financial leasing policy by which the Treasurer shall report annually to Council the impact on municipal finances of financial leases.

Financial leases are a form of indebtedness that if material, can impact on the municipal annual debt repayment limit.

Under the leasing policy:

Section 1. Any lease or cumulative group of leases that exceeds a term of one year that is entered into by the Municipality, being in effect at any one time, shall be considered material if collectively all leasing payments incurred in any calendar year exceeds 2% of the Municipal Annual Debt Repayment Limit as determined by the Treasurer.

Once the 2% limit has been exceeded all leases subsequently entered into by the Municipality shall be considered material.

Section 3. Leasing done for any of the following reasons with a lease term exceeding, or expected to exceed, one year shall be considered a "reportable" lease for the purpose of this policy:

- Capital items leased as a form of financing
- Like equipment with a leased value exceeding \$10,000 annually
- Goods or services only available through lease where collectively lease payments exceed \$20,000 annually
- Leases entered into following a buy versus lease analysis for any property and for any amount

Where, in the opinion of the Treasurer, a lease meets the criteria under this policy as “reportable” or, where the Chief Legal Officer considers a lease reportable for any other reason, Council reports which deal with leasing shall be reviewed and commented on, in the body of the report, by the Treasurer and (as appropriate) by the Chief Legal Officer.

<u>Materiality Calculations</u>	
Annual Debt Limit (December 31, 2019)	<sup>3</sup> \$49,018,600
2% of this limit (established by policy)	\$980,372
Financial Lease Payments 2019	
Fleet	\$290,796
Copiers	<u>\$237,373</u>
<b>Total</b>	<b>\$528,169</b>

The Municipality does not often use financial leases, as the cost of other forms of indebtedness is more advantageous. Because 2019 financial lease payments are less than 2% of the annual repayment limit established by the Province under regulation 403/02, the value of the leases is not considered material under the financial leasing policy and therefore will not be deducted from the municipal annual repayment limit for 2019.

### Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports the following areas of strategic focus:

- Economic Prosperity:  
Chatham-Kent is an innovative and thriving community with a diversified economy
- A Healthy and Safe Community:  
Chatham-Kent is a healthy and safe community with sustainable population growth
- People and Culture:  
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- Environmental Sustainability:  
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

<sup>3</sup> 2017 Annual Debt Limit Calculation (Effective January 1, 2019)

1 Gross Debt Charges		
	Principal	\$9,754,179
	Interest	\$3,631,667
	<b>Subtotal</b>	<b>\$13,385,846</b>
2 OCWA		-
3 Long term commitments		\$135,000
4 Debt Charges for Lease Purchases		-
<b>5 SUBTOTAL DEBT CHARGES</b>		<b>\$13,520,846</b>
6 Debt Charges for Utilities		-
7 Downtown Revitalization Loans		-
8 Tile Drainage & Shoreline Assistance		\$603,747
9 SUBTOTAL TO BE EXCLUDED		-
<b>10 NET DEBT CHARGES</b>		<b>\$12,917,099</b>

11 Total Revenue Fund Revenues	\$366,570,207
13 Drainage/shoreline fees	\$160,256
14 Donated TCA	\$0
15 Grants from other governments	
Ontario	\$109,404,644
Canada	\$8,615,322
Other Municipalities, other items	\$162,645
Total Grants from Governments	\$118,182,611
16 Deferred Revenue Earned (Development Charges)	\$484,544
Amounts to be deducted from revenue	\$118,667,155
17 Net Revenue Fund Funds	\$247,742,796
18 25% of net revenue fund	\$61,935,699
19 Annual Repayment Limit	\$49,018,600

At 4% interest, the Municipality has the capacity to borrow an additional \$666 million with repayment amortized over 20 years.

- Financial Sustainability:  
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- Open, Transparent and Effective Governance:  
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- Has the potential to support all areas of strategic focus & critical success factors
- Neutral issues (does not support negatively or positively)

### **Consultation**

Prior to finalization of the published statements, all departments reviewed their respective areas. The external auditor has concluded a review of the records of the Corporation and has issued an unqualified audit opinion on the basis of this review. This means that there were no significant internal financial control weaknesses or material errors noted during the audit. The Audit Committee has reviewed the statements.

### **Financial Implications**

The accumulated municipal surplus of \$3,758,227 will be addressed in a separate Budget & Performance Services report to Council. The cost of the external audit is part of the approved annual budget.

The audit is performed annually in accordance with Section 296 of the Municipal Act. As part of this review, the Auditor:

- Reviewed the accounts and transactions of the Municipality and expressed an opinion.
- Performed duties as required under the Municipal Act and as directed by Council.

A new Request for Proposal for Auditing Services was issued in 2018 with Deloitte LLP. being the successful submission for a period covering 2018 to 2022.

Prepared by:

Reviewed by:

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Brock Priddle, CPA, CGA  
Manager, Corporate Accounting

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Matt Torrance, MBA, CPA, CGA  
Director, Financial Services

Reviewed by:

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Gord Quinton, MBA, CPA, CGA  
Chief Financial Officer, Treasurer

Attachments: App A – Consolidated Financial Statements-Municipality of Chatham-Kent  
App B – Chatham-Kent Summary of Reserves

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Consolidated financial statements of

**The Corporation of the  
Municipality of Chatham-Kent**

December 31, 2019

Draft

# The Corporation of the Municipality of Chatham-Kent

December 31, 2019

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Draft

## Independent Auditor's Report

To the Members of Council, and the Citizens of  
The Corporation of the Municipality of Chatham-Kent

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Chatham-Kent (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated surplus, change 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 policies (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019, and the results of its operations, its accumulated surplus, changes in 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 Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants  
Licensed Public Accountants  
TO BE DATED

# The Corporation of the Municipality of Chatham-Kent

Consolidated statement of financial position  
as at December 31, 2019

	2019	2018
	\$	\$
<b>Financial assets</b>		
Cash	170,136,046	149,638,631
Taxes receivable	4,134,898	5,888,974
Accounts receivable	38,712,286	32,269,072
Investments (Note 2)	30,970,604	30,000,000
Investment in Entegrus Inc. (Note 3)	59,238,902	57,798,156
Note receivable from Entegrus Inc. (Notes 3,5)	23,523,326	23,523,326
Note receivable from 2351839 Ontario Limited (Notes 4,6)	4,875,000	4,875,000
Land held for resale	3,428,912	3,928,912
Other assets	571,202	521,823
Local improvements receivable (Note 13)	22,011,908	21,985,020
	<b>357,603,083</b>	<b>330,428,914</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	43,641,356	41,295,684
Accrued interest (Note 12)	443,573	506,189
Accrued employee benefits (Note 8)	45,858,055	43,767,503
Deferred revenue (Note 10)	42,922,775	32,576,369
Deficiency in 2351839 Ontario Limited (Note 4)	119,251	676,960
Long-term liabilities (Note 11)	66,655,359	76,730,187
	<b>199,640,368</b>	<b>195,552,892</b>
<b>Net financial assets</b>	<b>157,962,715</b>	<b>134,876,022</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 14)	881,976,027	861,039,695
Inventory	100,466	541,874
Prepaid expenses	401,883	431,971
	<b>882,478,376</b>	<b>862,013,540</b>
<b>Accumulated surplus (Note 15)</b>	<b>1,040,441,093</b>	<b>996,889,564</b>

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# The Corporation of the Municipality of Chatham-Kent

Consolidated statement of operations and accumulated surplus  
as at December 31, 2019

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
<b>Revenues</b>			
Taxation and user charges			
Property taxation (Note 16)	156,536,514	159,997,309	153,872,231
User charges	78,679,831	79,190,954	81,830,236
	<b>235,216,345</b>	<b>239,188,263</b>	235,702,467
Government transfers			
Government of Canada	9,102,530	7,092,822	9,907,570
Province of Ontario	122,316,398	118,305,746	114,984,256
	<b>131,418,928</b>	<b>125,398,568</b>	124,891,826
Other			
Investment income	2,351,000	6,376,043	5,253,983
Penalties and interest on taxes	1,450,000	1,337,722	1,721,877
Contributions from landowners and developers	-	1,054,295	433,879
Sale of land and equipment	90,344	718,548	605,222
Provincial offences administration (Note 18)	2,002,672	2,345,894	1,902,621
Other	846,704	1,288,942	1,398,562
Gain (loss) on disposal of tangible capital assets	-	(384,570)	515,148
	<b>6,740,720</b>	<b>12,736,874</b>	11,831,292
<b>Total revenue</b>	<b>373,375,993</b>	<b>377,323,705</b>	372,425,585
<b>Expenses</b>			
General government	10,421,693	5,725,967	8,155,095
Protection of persons and property	61,242,194	61,037,404	58,023,903
Transportation services	49,690,257	53,561,718	50,210,826
Environmental services	52,422,449	54,747,129	47,722,147
Health services	27,034,081	26,577,302	25,075,449
Social and family services	98,551,396	91,420,130	87,636,610
Social housing	15,594,672	15,062,654	13,502,208
Recreation and cultural services	25,204,787	26,084,555	23,615,900
Planning and development	5,534,631	5,628,902	4,770,057
<b>Total expenses</b>	<b>345,696,160</b>	<b>339,845,760</b>	318,712,195
Excess revenues over expenses before other items	27,679,833	37,477,945	53,713,390
Other items			
Income from subsidiaries	4,050,000	6,073,584	3,703,923
Excess of revenues over expenses	31,729,833	43,551,529	57,417,313
<b>Accumulated surplus, beginning of year</b>	<b>996,889,564</b>	<b>996,889,564</b>	939,472,251
<b>Accumulated surplus, end of year</b>	<b>1,028,619,397</b>	<b>1,040,441,093</b>	996,889,564

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# The Corporation of the Municipality of Chatham-Kent

Consolidated statement of change in net financial assets  
as at December 31, 2019

	2019	2018
	\$	\$
<b>Excess of revenues over expenses</b>	<b>43,551,529</b>	57,417,313
Acquisition of tangible capital assets	<b>(86,252,347)</b>	(30,247,743)
(Increase) decrease in assets under construction	<b>23,983,239</b>	(32,155,361)
Amortization of tangible capital assets	<b>40,576,958</b>	39,322,821
Loss (gain) on sale of tangible capital assets	<b>384,570</b>	(515,148)
Proceeds of sale of tangible capital assets	<b>371,247</b>	1,129,251
Change in inventory	<b>441,409</b>	461,033
Change in prepaids	<b>30,088</b>	(21,561)
Change in net financial assets	<b>23,086,693</b>	35,390,605
Net financial assets, beginning of year	<b>134,876,022</b>	99,485,417
<b>Net financial assets, end of year</b>	<b>157,962,715</b>	134,876,022

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# The Corporation of the Municipality of Chatham-Kent

## Consolidated statement of cash flows as at December 31, 2019

	2019	2018
	\$	\$
<b>Operating transactions</b>		
Excess of revenues over expenses	43,551,528	57,417,313
Items not involving cash		
Amortization	40,576,958	39,322,821
Loss (gain) on sale of tangible capital assets	384,570	(515,148)
Income from subsidiaries	(6,073,584)	(3,703,923)
Change in Taxes Receivable	1,754,076	3,798,046
Change in Accounts Receivable	(6,443,214)	9,798,642
Change in Land Held for Resale	500,000	265,500
Change in Other Assets	(49,379)	(45,521)
Change in Local Improvements Receivable	(26,888)	(1,073,845)
Change in Accounts Payable and Accrued Liabilities	2,345,672	(1,175,375)
Change in obligations to be funded from future revenues	2,027,936	(3,276,938)
Decrease in inventory	441,408	461,034
Decrease in prepaid expenses	30,088	(21,560)
Deferred revenue	10,346,407	2,578,135
	<b>89,365,578</b>	<b>103,829,181</b>
<b>Financing transactions</b>		
New note issued	-	(75,000)
Long-term debt repayment	(10,074,827)	(9,684,891)
	<b>(10,074,827)</b>	<b>(9,759,891)</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(62,269,108)	(62,403,104)
Proceeds of sale of tangible capital assets	371,247	1,129,251
	<b>(61,897,861)</b>	<b>(61,273,853)</b>
<b>Investing transactions</b>		
Dividends received from Entegrus Inc.	4,075,129	4,055,826
Investment in Principally Protected Funds	(970,604)	(30,000,000)
	<b>3,104,525</b>	<b>(25,944,174)</b>
Net increase in cash	20,497,415	6,851,263
Cash, beginning of year	149,638,631	142,787,368
<b>Cash, end of year</b>	<b>170,136,046</b>	<b>149,638,631</b>

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# The Corporation of the Municipality of Chatham-Kent

## Notes to the consolidated financial statements December 31, 2019

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### 1. Significant accounting policies

The consolidated financial statements of The Corporation of the Municipality of Chatham-Kent (the "Municipality") have been prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Municipality are as follows:

#### *Basis of consolidation*

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity and include the activities of all committees of Council and the following local boards and municipal entities which are under the control of Council:

- Chatham-Kent Public Libraries;
- Chatham-Kent Museums;
- Public Utilities Commission for the Municipality of Chatham-Kent - Water / Wastewater Division;
- Chatham-Kent Police Services Board; and
- Chatham-Kent Board of Health.

All interfund assets and liabilities and revenues and expenses have been eliminated with the exception of loans or advances between reserve funds and any other fund of the Municipality and the resulting interest income and expenditures.

#### *Subsidiaries*

Entegrus Inc. and 2351839 Ontario Limited are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality, and inter-organizational transactions and balances are not eliminated.

#### *Accounting for school board transactions*

The taxation and other revenues with respect to the operations of the school boards are reflected in the consolidated statement of operations and accumulated surplus as a revenue and an expense, as such has no effect on the accumulated surplus.

In addition, the expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements except to the extent that any overlevies are reported on the Consolidated statement of financial position as "other current liabilities".

#### *Trust funds*

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the Trust Funds Statement of continuity and Balance sheet.

#### *Basis of accounting*

The consolidated financial statements are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable, and expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

# The Corporation of the Municipality of Chatham-Kent

## Notes to the consolidated financial statements December 31, 2019

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### 1. Significant accounting policies (continued)

#### *Tangible capital assets*

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

	Years
Land improvements	20-50
Buildings	15-40
Equipment	4-30
Vehicles	5-20
Underground linear	30-75
Plants and facilities	20-40
Bridges	50-75
Transportation	15-50
Other assets	5-10

Amortization is charged beginning in the month following when the asset was available for productive use and to the month of disposal if the disposal date is after the 15<sup>th</sup> day of the month. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and also are recorded as revenue.

Works of art, artifacts, cultural or historic assets are not recorded as assets in the financial statements.

#### *Land held for resale*

Land held for resale is recorded at the lower of cost and net realizable value. Costs include amounts for land acquisition and improvements to prepare the land for sale or servicing.

#### *Government transfers*

Government transfers are recognized in the financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

#### *Tax revenue*

Tax Revenue is recognized on all taxable properties within the Municipality that are included in the tax roll provided by the Municipal Property Assessment Corporation, using property values included in the tax roll or property values that can be reasonably estimated by the Municipality as it relates to supplementary or omitted assessments, at tax rates authorized by Council for the Municipality's own purposes in the period for which the tax is levied.

#### *Investment income*

Investment income earned on surpluses, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of deferred revenue.

# The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements  
December 31, 2019

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## 1. Significant accounting policies (continued)

### *Management estimates*

The preparation of these financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation allowances for receivables, accrued liabilities, obligations related to employee future benefits and the carrying value of tangible capital assets. Actual results could differ from those estimates.

### *Employee future benefit obligations*

The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions of mortality and termination rates, retirement age and expected inflation rates.

Actuarial gains and losses are amortized linearly over the Expected Average Remaining Service Lifetime (EARSL) of active employees.

## 2. Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise government and corporate bonds, debentures, pooled investment funds and short-term instruments of various financial institutions. Investments with original maturity dates greater than 90 days are classified as investments in the consolidated statement of financial position.

Investments held by the Municipality amounted to \$30,970,604 in 2019 (\$30,000,000 in 2018). The investments are comprised of Principally Guaranteed Pooled Investments with CIBC. The market value of these investments at December 31, 2019 amounted to \$30,370,200.

## 3. Investment in Entegrus Inc.

Chatham-Kent Energy Inc. (CKE) and its wholly-owned subsidiaries, Chatham-Kent Hydro Inc. (CKH) and Chatham-Kent Utility Services Inc., Chatham-Kent Transmission Inc., were incorporated September 22, 2000 under the *Business Corporations Act (Ontario)*.

CKE also has a wholly-owned subsidiary, Middlesex Power Distribution Corporation (MPDC), which it purchased 100% of the outstanding common shares on June 30, 2005.

Effective January 1, 2012 CKH and MPDC amalgamated to continue as Chatham Kent Hydro Inc. Effective January 19, 2012 the names of CKE and its wholly-owned subsidiaries were amended as follows:

### Former name

Chatham-Kent Energy Inc.  
Chatham-Kent Hydro Inc.  
Chatham-Kent Utility Services Inc.  
Chatham-Kent Transmission Inc.

### Amended name

Entegrus Inc. ("Entegrus")  
Entegrus Power Lines Inc. ("EPI")  
Entegrus Services Inc. ("ESI")  
Entegrus Transmission Inc. ("EFT")



# The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements  
December 31, 2019

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### 3. Investment in Entegrus Inc. (continued)

The principal activity of Entegrus and its' subsidiaries is to distribute electricity to customers within the Municipality of Chatham-Kent, Middlesex County and the County of Elgin under the license issued by the Ontario Energy Board ("OEB"). Other activities of Entegrus, and its subsidiaries, are to provide energy services, meter services, and street lighting services.

Under a municipal by-law, dated September 5, 2000, the former Public Utilities Commission of the Municipality of Chatham-Kent – Electrical Division and the Municipality transferred the assets, liabilities and employees associated with the distribution of electricity at book value effective October 1, 2000. The book value of the net assets transferred to CKE at October 1, 2000 was \$47,379,124. In consideration for the transfer, CKE issued long-term notes payable to the Municipality in the aggregate principal amount of \$23,523,326 together with shares valued at \$23,855,798.

The incorporation and subsequent reorganization was required by provisions of Bill 35, *The Energy Competition Act, 1998* enacted by the Province of Ontario to introduce competition in the electricity market.

In 2008 CKE issued 222 common shares to Corix which represents a 10% ownership.

In 2017 Entegrus issued an additional 400 shares. 360 shares were purchased by the Municipality of Chatham-Kent at a cost of \$7,740,000. The remaining 40 shares were sold to Corix at a cost of \$860,000. This additional investment did not change the percentage of ownership for the Municipality of Chatham-Kent or Corix.

Effective April 1, 2018 The Ontario Energy Board approved the merger between St. Thomas Energy Inc. (STEI) and Entegrus Powerlines Inc.

Entegrus is owned 71.49% by the Municipality of Chatham-Kent, 7.94% by Corix Utilities and 20.57% by St. Thomas Energy Inc.

# The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements  
December 31, 2019

### 3. Investment in Entegrus Inc. (continued)

The following table provides condensed supplementary consolidated financial information for Entegrus and its subsidiaries for the year ended December 31, 2019:

	2019	2018
	\$	\$
Financial position		
Assets		
Current	41,377,412	34,636,403
Capital	147,200,198	138,346,499
Other	29,855,156	29,406,606
<b>Total assets</b>	<b>218,432,766</b>	<b>202,389,508</b>
Liabilities		
Current	43,947,502	38,676,066
Notes payable to Municipality of Chatham-Kent	23,523,326	23,523,326
Other	53,374,778	42,770,895
<b>Total liabilities</b>	<b>120,845,606</b>	<b>104,970,287</b>
Equity		
Share capital	52,161,260	52,161,260
Share Premium	16,571,469	16,571,469
Hedging Reserve	(1,978,542)	(899,502)
Retained earnings	29,861,360	28,745,649
<b>Total equity</b>	<b>96,615,547</b>	<b>96,578,876</b>
Regulatory		
Regulatory credit balances	971,613	840,345
<b>Total regulatory</b>	<b>971,613</b>	<b>840,345</b>
<b>Total liabilities equity and regulatory</b>	<b>218,432,766</b>	<b>202,389,508</b>

# The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements  
December 31, 2019

## 3. Investment in Entegrus Inc. (continued)

	2019	2018
	\$	\$
Financial activities		
Revenue	177,431,761	161,591,895
Expenses	170,666,817	155,730,133
	<b>6,764,944</b>	5,861,762
Payment in lieu of taxes	408,330	885,628
Net movement in regulatory balances, net of tax	(822,892)	(1,174,367)
Remeasurement of employee benefits	72,620	(666,649)
Unrealized gain on investment	365,983	425,075
Dividends paid	5,700,000	5,673,000
Change in retained earnings	<b>1,040,903</b>	719,075
Municipality of Chatham-Kent's investment represented by:		
Investment in shares of Entegrus	31,595,798	31,595,798
Accumulated profit less dividends received	27,643,104	26,898,927
	<b>59,238,902</b>	58,494,725
Corix Utilities' investment represented by:		
Investment in shares of Entegrus	3,886,352	3,886,352
Accumulated profit less dividends received	1,856,238	1,773,622
	<b>5,742,590</b>	5,659,974
St. Thomas Energy Inc. investment represented by:		
Investment in shares of Entegrus	16,679,110	16,679,110
Accumulated profit less dividends received	362,017	147,908
	<b>17,041,127</b>	16,827,018

# The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements  
December 31, 2019

### 3. Investment in Entegrus Inc. (continued)

#### (a) Equity in Entegrus Inc.

	2019	2018
	\$	\$
Balance, beginning of year	81,321,482	81,503,966
Changes during the year		
Adjustment for prior year	696,568	-
Net earnings for the year	4,819,307	3,873,342
Dividends paid	(4,075,129)	(4,055,826)
<b>Balance, end of year</b>	<b>82,762,227</b>	<b>81,321,482</b>
	2019	2018
	\$	\$
Investment in Entegrus Inc.	59,238,902	57,798,156
Notes receivable from Entegrus Inc.	23,523,326	23,523,326
<b>Balance, end of year</b>	<b>82,762,227</b>	<b>81,321,482</b>

#### (b) Related party transactions and balances

The following summarizes the Municipality's related party transactions and balances with Entegrus for the year ended December 31, 2019 and December 31, 2018:

	2019	2018
	\$	\$
Transactions		
Revenue		
Administrative services	581,308	569,912
Interest on promissory note	1,067,964	1,067,959
Expenses		
Energy purchases (at commercial rates)	6,132,790	5,860,611
Billing and collection services - water/wastewater	2,305,728	2,302,546
Streetlight maintenance	237,486	249,171
Balances		
Amounts due from Entegrus Inc.		
Promissory note receivable	23,523,326	23,523,326
Accounts receivable	15,713,942	13,831,173

# The Corporation of the Municipality of Chatham-Kent

## Notes to the consolidated financial statements December 31, 2019

### 4. Investment in 2351839 Ontario Limited

2351839 Ontario Limited operating as WDC Rail, incorporated November 29<sup>th</sup>, 2012 under the *Canada Business Corporations Act*, owns railway land assets and is wholly owned by the Municipality of Chatham-Kent.

The following table provides condensed supplementary financial information for WDC Rail for the year ended December 31:

	2019	2018
	\$	\$
Financial position		
Assets		
Current	-	41,609
Capital	-	4,461,931
<b>Total assets</b>	<b>-</b>	<b>4,503,540</b>
Liabilities		
Current	<b>119,250</b>	305,499
Note payable to Municipality of Chatham-Kent	-	4,875,000
<b>Total liabilities</b>	<b>119,250</b>	<b>5,180,499</b>
Equity		
Share capital	1	1
Deficit	<b>(119,251)</b>	<b>(676,960)</b>
<b>Total deficit</b>	<b>(119,250)</b>	<b>(676,959)</b>
<b>Total liabilities and equity</b>	<b>-</b>	<b>4,503,540</b>
	2019	2018
	\$	\$
Financial activities		
Revenue	<b>774,470</b>	4,619
Expenses	<b>216,761</b>	174,038
	<b>557,709</b>	<b>(169,419)</b>
<b>Change in retained earnings</b>	<b>557,709</b>	<b>(169,419)</b>
Municipality of Chatham-Kent's investment represented by:		
Balance, beginning of year	<b>(676,960)</b>	(507,541)
Changes during year		
Investment in shares of company		
Net gain (loss) for the year	<b>557,709</b>	(169,419)
<b>Balance, end of year</b>	<b>(119,251)</b>	<b>(676,960)</b>

# The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements  
December 31, 2019

## 4. Investment in 2351839 Ontario Limited (continued)

### (a) Equity in WDC Rail

	2019	2018
	\$	\$
Balance, beginning of year	323,041	492,460
Changes during the year		
Investment in the Company		
Note receivable issued to the Company		
Net gain (loss) for the year	557,709	(169,419)
<b>Balance, end of year</b>	<b>880,750</b>	<b>323,041</b>
	2019	2018
	\$	\$
Investment in the Company	(119,251)	(676,960)
Notes receivable from the Company	4,875,000	4,875,000
<b>Balance, end of year</b>	<b>4,755,749</b>	<b>4,198,040</b>

### (b) Related party transactions and balances

The following summarizes the Municipality's related party transactions with WDC Rail for the year ended December 31, 2019 and December 31, 2018:

	2019	2018
	\$	\$
Transactions		
Revenue		
Interest on promissory note	121,875	100,594
Drainage Assessments	2,302	4,098
Balances		
Amounts due from the Company		
Promissory note receivable	4,875,000	4,875,000
Accounts receivable	424,366	302,491

## 5. Note receivable from Entegrus Inc.

Note receivable is due from Entegrus Inc. with no set repayment terms and interest payable monthly at 4.54%. The Municipality received an interest payment in the current year of \$1,067,964 (2018 - \$1,067,959).

# The Corporation of the Municipality of Chatham-Kent

## Notes to the consolidated financial statements December 31, 2019

### 6. Note receivable from 2351839 Ontario Limited

Note receivable is due from 2351839 Ontario Limited with no set repayment terms and interest payable at a rate equal to the interest amount payable by the Municipality on funds borrowed from its financial institution in the year for which the interest is charged (2019 Prime – 1.45%). The Municipality recorded revenue for interest in the current year of \$121,875 (2018 - \$100,594).

### 7. Trust funds

Trust funds administered by the Municipality amounting to \$6,199,873 (2018 - \$6,022,703) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

### 8. Accrued employee benefits

The Municipality has accrued employee benefits as follows:

	2019	2018
	\$	\$
Employee future benefits	40,110,196	38,082,357
Workplace safety and insurance obligations	1,499,759	1,729,866
Vested sick leave	58,081	58,081
Vacation credits	4,190,019	3,897,200
	<b>45,858,055</b>	<b>43,767,504</b>

The accrued benefits above are described as follows:

#### (a) Employee future benefits

The Municipality pays certain medical and life insurance benefits on behalf of its retired and current employees. The accrued benefit liability at December 31, 2019 of \$40,110,196 (2018 - \$38,082,357) was determined by actuarial valuation using a discount rate of 3.00% (2018 – 3.75%). A comprehensive actuarial valuation of the future liability for employee future benefits was conducted as at December 31, 2018. The next required valuation will be as of December 31, 2021.

Information about the Municipality's life and health plan is as follows:

	2019	2018
	\$	\$
Accrued benefit liability as at January 1, 2019	38,082,357	35,873,476
Expense for the period	3,450,717	3,378,210
Benefits paid during the period	(1,422,878)	(1,169,329)
<b>Estimated accrued benefit liability as at December 31, 2019</b>	<b>40,110,196</b>	<b>38,082,357</b>

# The Corporation of the Municipality of Chatham-Kent

## Notes to the consolidated financial statements December 31, 2019

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### 8. Accrued employee benefits (continued)

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

(i) General inflation

Future inflation levels, as measured by changes in the Consumers Price Index ("CPI"), were assumed to be 2.5% in 2018 and thereafter.

(ii) Interest (discount) rate

The present value as at December 31, 2019 of the future benefits was determined using a discount rate of 3.00%. The expense for the year ended December 31, 2018, was determined using a discount rate of 3.75%.

(iii) Health costs

Drug costs were assumed to increase at 6.5% per year grading down to 4% over 7 years.

(iv) Dental costs

Dental costs were assumed to increase at 4% annually.

(a) Workplace safety and insurance obligations

Effective January 1, 2010, the Municipality became a Schedule I employer under the Workplace Safety and Insurance Act for most of its divisions. The Municipality remits payments to the Workplace Safety & Insurance Board (WSIB) as required to fund and administer disability payments.

For the period of January 1, 2001 to December 31, 2009, the Municipality was a Schedule II employer for most of its divisions. The estimated future liability relating to WSIB for this time period amounted to \$1,499,759 (2018 - \$1,729,866) and an accrual has been recorded for 2019. A Workplace Safety and Insurance Reserve relating to Schedule II claims has also been established to protect against any unknown future liability, and has a balance of \$2,293,096 (2018 - \$2,432,562). The Municipality also maintained an insurance policy, which protects the Municipality against financial exposure to a catastrophic loss in excess of \$1,000,000 while Schedule II was in place.

(c) Vested sick leave

Under some of the pre-amalgamation municipal sick leave benefit plans, unused sick leave could accumulate and employees may become entitled to a cash payment when they leave the Municipality's employment. The Municipality has not offered vested sick leave and thus the amounts will no longer accumulate.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to \$58,081 (2018 - \$58,081) at the end of the year and is reported as an accrued liability on the Consolidated statement of financial position. An amount of \$0 (2017 - \$0) was paid to employees who left the Municipality's employment during the current year.

(d) Vacation credits

Under the provisions of certain employee vacation plans, some vacation credits are earned as at December 31 but are generally unavailable for use until a later date. In addition, the provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits as at December 31, 2019 is \$4,190,019 (2018 - \$3,897,200) and is reported as an accrued liability on the Consolidated Statement of Financial Position.

Funding for these benefits will be provided through taxation in the year of disbursement.



# The Corporation of the Municipality of Chatham-Kent

## Notes to the consolidated financial statements December 31, 2019

### 9. Pension agreement

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer plan, on behalf of 1351 (2018 - 1352) members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Contributions were made in the 2019 calendar year at rates ranging from 9.0% to 15.8% (2018 - 9.0% to 15.8%) depending on the member's designated retirement age and level of earnings. The amount contributed to OMERS for 2019 was \$9,623,163 (2018 - \$9,500,603) for current service and this is included on the Consolidated Statement of Operations and Accumulated Surplus. As at December 31, 2019 the OMERS plan is in a deficit of \$3.4 Billion (2018 - \$4.2 Billion), which will be addressed through temporary contribution rate increases, benefit reductions, and investment returns.

### 10. Deferred revenue - obligatory reserve funds

A requirement of the public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Municipality are summarized as follows:

	2019	2018
	\$	\$
For building code act	3,328,456	2,596,193
For parkland purposes	145,524	118,465
For Federal gas tax	25,045,516	15,859,604
For Provincial gas tax	4,720,818	4,738,311
Deferred revenue - obligatory reserve funds	<b>33,240,313</b>	23,312,573
Other deferred revenue		
Deferred taxes	1,050,245	1,307,276
Deferred grants	2,864,227	3,310,305
Other	5,767,990	4,646,215
Total deferred revenue	<b>42,922,775</b>	32,576,369

# The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements  
December 31, 2019

## 11. Net long-term liabilities

- (a) The balance of net long-term liabilities reported on the Consolidated statement of financial position is made up of the following:

	2019	2018
	\$	\$
Total long-term liabilities incurred by the Municipality including those incurred on behalf of former municipalities and municipal enterprises and outstanding at the end of the year.	<b>68,248,939</b>	78,643,445
Of the long-term liabilities shown above, the Municipality is contingently liable for long-term liabilities with respect to tile drainage and shoreline property assistance loans. The responsibility for payment of principal and interest charges has been assumed by individual landowners.	<b>(1,593,580)</b>	(1,913,258)
<b>Net long-term liabilities at the end of the year</b>	<b>66,655,359</b>	76,730,187

- (b) Principal due on net long-term liabilities reported in a), is summarized as follows:

	2020 to 2024	2025 to 2029	2030 and thereafter
	\$	\$	\$
From general municipal revenue	7,106,312	2,745,776	2,123,708
From benefiting landowners	13,323,527	2,389,778	-
From benefiting water ratepayers	13,424,193	4,318,915	354,164
From benefiting wastewater ratepayers	13,907,831	6,261,988	699,167
	<b>47,761,863</b>	<b>15,716,458</b>	<b>3,177,040</b>

- (c) Included in the principal amount in a) is \$4,752,761 (2018 - \$5,559,682) related to the Non-Profit Social Housing division.
- (d) All net long-term liabilities on the Consolidated statement of financial position are payable in Canadian dollars.
- (e) The long-term liabilities listed in a) were issued in the name of the Municipality or former municipalities approved by Council and have received approval of the Ontario Municipal Board prior to January 1, 1993. Those issues approved by Council after December 31, 1992 have been approved by by-law. 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.
- (f) The municipal long-term liabilities listed in a) are repayable at rates ranging from 2.0% to 8.1%, and the tile drainage and shoreline property assistance loans are repayable at rates up to 6%.

# The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements  
December 31, 2019

## 12. Charges for net long-term liabilities

Total activity for the year for net long-term liabilities is as follows:

	2019	2018
	\$	\$
Beginning balance	76,730,187	86,415,078
Principal payments	(10,074,827)	(9,684,891)
New debt issued	-	-
Ending balance	<b>66,655,359</b>	76,730,187

Net interest payments related to long-term liabilities in the current year were \$3,005,136 (2018 - \$3,395,071) and are reported in the Consolidated statement of operations and accumulated surplus.

### *Accrual of interest on net long-term liabilities*

A provision for the interest on long-term debt that has been accrued but not paid in the current year is estimated to be \$443,573 (2018 - \$506,189) and is reported as an accrued liability on the Consolidated statement of financial position.

## 13. Local improvements receivable

Improvements to infrastructure are often requested by residents, such as extending waterlines, sewers, sidewalks, curb and gutters to new areas, or repairs and upgrades to municipal drains. The Municipality records the outstanding ratepayer funding of these local improvements as a receivable in the Consolidated Statement of Financial Position.

	2019	2018
	\$	\$
Local improvements receivable for capital projects on tax roll		
Wastewater	436,246	503,743
Water	902,729	1,137,712
Drainage	20,494,004	20,198,319
Other	178,927	145,246
	<b>22,011,908</b>	21,985,020

# The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements  
December 31, 2019

## 14. Tangible capital assets

The net book value of the tangible capital assets is comprised of the following:

	2019	2018
	\$	\$
Land and land improvements	52,125,687	52,186,168
Buildings	118,228,231	120,390,951
Equipment	45,997,244	47,136,682
Vehicles	35,812,703	30,227,609
Underground linear	217,340,097	207,452,500
Plants and facilities	34,862,200	25,523,958
Bridges	152,779,616	136,553,631
Transportation	186,655,724	179,215,627
Other assets	2,027,443	2,222,253
	<b>845,828,945</b>	<b>800,909,379</b>
Assets under construction	<b>36,147,082</b>	<b>60,130,316</b>
	<b>881,976,027</b>	<b>861,039,695</b>

For additional information, see the Consolidated schedule of tangible capital assets.

# The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements  
December 31, 2019

## 15. Accumulated surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2019	2018
	\$	\$
Surplus		
Invested in tangible capital assets	820,274,465	787,332,204
Entegrus, net equity	82,762,229	81,321,680
WDC Rail	(119,251)	(676,960)
Business Improvement Area	-	-
Prelevies for benefitting landowners	76,222	109,170
Other	5,444,719	6,342,937
Obligations to be funded from future years	(1,315,713)	(1,582,803)
Unfunded		
Employee future benefits, workplace safety and vacation	(44,331,395)	(42,059,289)
Accrued interest on long-term liabilities	(443,573)	(506,189)
Accrued Environmental Liability	(200,000)	(200,000)
	<b>862,147,702</b>	<b>830,080,750</b>
Surplus allocated to reserves		
For acquisition of tangible capital assets	93,132,324	68,698,292
For public liability insurance	3,493,067	2,968,476
For various programs, facilities	59,862,722	61,205,141
For strategic and community development	5,604,947	9,173,950
For water	1,369,616	5,722,336
For wastewater	12,749,677	10,617,692
	<b>176,212,353</b>	<b>158,385,886</b>
Surplus allocated to reserve funds		
For community investment	1,847,072	8,197,411
For parking purposes	233,966	225,516
	<b>2,081,038</b>	<b>8,422,927</b>
<b>Total accumulated surplus</b>	<b>1,040,441,093</b>	<b>996,889,564</b>

# The Corporation of the Municipality of Chatham-Kent

## Notes to the consolidated financial statements December 31, 2019

### 16. Taxation revenue

#### a) Taxation collected on behalf of school boards

The net taxation levies collected on behalf of the school boards are comprised of the following:

	2019	2018
	\$	\$
Taxation	28,680,788	28,470,716
Requisitions	(28,680,788)	(28,470,716)
<b>Net levy for the year</b>	<b>-</b>	<b>-</b>

Included in accounts payable are levies due to the school board totaling \$20,754 and included in accounts receivable are levies due from the school board of \$2,163 (2018 \$325,981 in levies were owing from the school board).

#### b) Taxation revenue by major tax class

2019	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2019 Total
	\$	\$	\$	\$	\$
Residential	98,915,656	572,842	1,035,328	(1,037,378)	99,486,448
Multi-Residential	5,942,859	-	17,184	(23,186)	5,936,857
Commercial	27,878,115	2,147,370	805,957	(697,216)	30,134,226
Industrial	5,823,082	5,411	305,393	(88,804)	6,045,082
Pipelines	2,509,809	-	6,739	(38,668)	2,477,880
Landfill	212,797	-	-	-	212,797
Farmlands	14,821,832	6,004	39,528	109,738	14,977,102
Managed Forests	9,337	-	-	(379)	8,958
Other	384,828	729,168	4,700	(291,279)	827,417
Capping program	(114,699)	-	-	5,241	(109,458)
<b>Total tax revenue</b>	<b>156,383,616</b>	<b>3,460,795</b>	<b>2,214,829</b>	<b>(2,061,931)</b>	<b>159,997,309</b>

2018	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2018 Total
	\$	\$	\$	\$	\$
Residential	96,348,221	599,007	724,987	(1,056,750)	96,615,465
Multi-Residential	5,945,406	-	46,866	(19,756)	5,972,516
Commercial	27,353,861	2,163,333	334,730	(1,746,793)	28,105,131
Industrial	5,842,633	5,253	167,383	(86,208)	5,929,061
Pipelines	1,698,238	-	886,646	(214)	2,584,670
Landfill	193,409	-	-	-	193,409
Farmlands	13,538,218	5,536	36,143	109,356	13,689,253
Managed Forests	6,705	-	-	-	6,705
Other	396,346	578,535	47,966	(125,487)	897,360
Capping program	(233,888)	-	-	112,549	(121,339)

# The Corporation of the Municipality of Chatham-Kent

## Notes to the consolidated financial statements December 31, 2019

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### 17. Self-insurance

In recent years, there have been substantial increases in the premiums charged by the insurance industry for public liability insurance. As a result, the Municipality has undertaken some portion of the risk, which would normally have been covered by outside insurers.

The Municipality is self-insured for property damage claims up to \$100,000 and for liability claims up to \$250,000 for any individual claim. Outside coverage is in place for claims in excess of these limits.

The Municipality has made a provision for a reserve for self-insurance which as at December 31, 2019 amounted to \$5,066,379 (2018 - \$4,296,057) and is reported on the consolidated statement of financial position under reserves. The provision for the year of \$1,209,079 (2018 - \$1,309,079) less claims settled \$347,928 (2018 - \$714,765) has been reported as an expenditure on the Consolidated statement of operations and accumulated surplus.

Other Operating Surpluses/Deficits, related to insurance, in the amount of \$90,829 (2018 - \$218,219) have been transferred to/from the reserve.

### 18. Provincial offences administration

The Municipality cannot reliably estimate the collections of Provincial Offences Administration revenue, accordingly, revenue is recognized on the cash basis.

The Ministry of the Attorney General requires the following disclosure of all municipal partners administering Provincial Offences Administration. The gross revenues collected at the Provincial Offences Court in 2019 were \$2,345,894 (2018 - \$1,902,621) and net revenue was \$744,126 (2018 - \$356,205).

### 19. Segmented information

The Municipality provides a diverse range of services to its citizens. The Consolidated schedule of segment disclosure has grouped various services into segments to provide a further breakdown of the revenues and expenses attributable to each segment. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The services included in each segment are as follows:

#### *General government*

General government is comprised of governance, corporate management and program support.

#### *Protection services*

Protection is comprised of fire, police, conservation authority, protective inspection and control, emergency measures and provincial offenses.

#### *Transportation services*

Transportation is comprised of roads, winter control, transit, parking, street lighting and air transportation.

#### *Environmental services*

Environmental is comprised of storm sewer systems, waste collection, waste disposal, and recycling.

#### *Health services*

Health is comprised of public health, hospital support, ambulance and cemeteries.

#### *Social and family services*

Social and family is comprised of Ontario Works, assistance to aged persons and child care.

# The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements  
December 31, 2019

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## 19. Segmented information (continued)

### *Social housing*

Social housing provides for a variety of housing services.

### *Recreation and cultural services*

Recreation and culture is comprised of parks, recreation programs, recreation facilities, libraries and cultural services.

### *Planning and development services*

Planning and development is comprised of planning and zoning, commercial and industrial development, residential development, agricultural and reforestation, and tile drainage and shoreline assistance.

### *Water and wastewater services*

Water and wastewater provides safe drinking water and collects and treats wastewater.

### *Other items and corporations*

Other items and corporations is comprised of the revenue from subsidiaries and items not related specifically to the other categories.

## 20. Commitments

- (a) The Municipality has entered into several contracts for the provision of various services. The obligation over the remaining life of the contracts are:

	\$
2020	19,356,940
2021	17,702,543
2022	1,660,951
2023	1,165,809
2024	429,572
2025	165,039
2026	184,933
2027	165,039
	<u>40,830,828</u>

- (b) The Municipality has entered into several other long-term commitments. The obligation over the remaining life of the contracts are:

	\$
2020	3,157,945
	<u>3,157,945</u>



# The Corporation of the Municipality of Chatham-Kent

## Notes to the consolidated financial statements December 31, 2019

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### 21. Budget figures

The approved operating and capital budgets are reflected on the Consolidated statement of operations and accumulated surplus for municipal projects. Those capital projects benefiting and assessed to landowners and developers, for example water, wastewater, drainage, and industrial lands, are not budgeted for. The budgets established for capital fund operations are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year amounts.

### 22. Contingent liabilities

From time to time, when it is likely a claim will result in a material exposure and the amount of a claim will result in a material exposure and the amount of a claim is quantifiable, provisions for loss are made based on management's assessment of likely outcome. The Municipality does not provide for claims that are unlikely to result in a significant loss, when the outcome is not determinable or when the claim amount cannot be reasonably estimated. Any litigation outstanding, if successful, would not have a material impact on the consolidated financial statement.

### 23. Subsequent events

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results of the Municipality in future periods. The pandemic has caused significant volatility in the global and Canadian capital markets, changes in interest rates and fluctuations in foreign currency exchange rates, consequently affecting the valuation and performance of investments. As at June 1, 2020 the Municipality anticipates a decrease in interest income from budgeted amounts as interest rates have decreased from 2.5% to 1%, the estimated impact of this decrease in interest rates is a \$600,000 decrease in interest income in 2020.

# The Corporation of the Municipality of Chatham-Kent

Consolidated schedule of tangible capital assets

year ended December 31, 2019

as at December 31, 2019	Land and land improvements	Buildings	Equipment	Vehicles	Underground linear	Plants and facilities	Bridges	Transportation	Other assets	Total 2019	Total 2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Municipal</b>											
<b>Cost</b>											
Balance, beginning of the year	59,168,327	155,517,128	39,195,154	56,474,302	115,268,549	3,272,370	206,504,205	454,470,849	6,152,381	1,096,023,265	1,075,060,390
Add: Additions during the year	969,263	3,552,647	2,313,669	9,464,458	7,650,020	-	19,425,450	21,057,145	415,563	64,848,216	28,691,357
Less: Disposals during the year	-	6,801	612,024	4,789,305	-	-	1,187,611	5,242,957	2,183,252	14,021,950	7,728,481
Balance, end of the year	60,137,590	159,062,974	40,896,799	61,149,455	122,918,569	3,272,370	224,742,044	470,285,037	4,384,692	1,146,849,531	1,096,023,265
<b>Accumulated amortization</b>											
Balance, beginning of the year	13,891,626	69,767,265	22,223,749	26,970,194	60,331,446	1,844,411	69,950,574	275,255,223	3,930,128	544,164,616	521,895,919
Add: Amortization for the year	1,029,744	3,586,980	3,042,732	3,667,188	2,075,098	75,537	3,019,075	13,317,765	610,374	30,424,492	29,383,075
Less: Accumulated amortization on disposals	-	6,801	606,420	4,518,764	-	-	1,007,221	4,943,675	2,183,252	13,266,134	7,114,379
Balance, end of the year	14,921,370	73,347,444	24,660,061	26,118,617	62,406,544	1,919,948	71,962,428	283,629,313	2,357,249	561,322,974	544,164,616
Net book value of municipal assets	45,216,220	85,715,531	16,236,738	35,030,838	60,512,025	1,352,422	152,779,616	186,655,724	2,027,443	585,526,557	551,858,649
<b>Waterworks</b>											
<b>Cost</b>											
Balance, beginning of the year	2,232,112	25,692,984	34,179,286	674,687	167,524,780	32,584,398	-	-	-	262,888,248	261,915,850
Add: Additions during the year	-	-	1,303,711	78,113	5,551,802	7,873,521	-	-	-	14,807,148	1,056,088
Less: Disposals during the year	-	-	3,890	48,525	-	-	-	-	-	52,415	83,690
Balance, end of the year	2,232,112	25,692,984	35,479,107	704,275	173,076,582	40,457,920	-	-	-	277,642,980	262,888,247
<b>Accumulated amortization</b>											
Balance, beginning of the year	-	15,036,149	18,819,760	442,542	63,404,860	14,275,202	-	-	-	111,978,513	107,185,626
Add: Amortization for the year	-	556,231	1,119,760	33,543	2,282,086	956,556	-	-	-	4,948,176	4,876,577
Less: Accumulated amortization on disposals	-	-	3,890	48,525	-	-	-	-	-	52,415	83,690
Balance, end of the year	-	15,592,380	19,935,630	427,560	65,686,946	15,231,758	-	-	-	116,874,274	111,978,513
Net book value of waterworks assets	2,232,112	10,100,604	15,543,477	276,716	107,389,636	25,226,162	-	-	-	160,768,706	150,909,734
<b>Wastewater</b>											
<b>Cost</b>											
Balance, beginning of the year	4,677,355	60,138,637	43,505,354	887,833	95,337,842	13,893,335	-	-	-	218,440,356	218,002,449
Add: Additions during the year	-	-	824,699	74,478	2,721,898	2,975,901	-	-	-	6,596,975	500,299
Less: Disposals during the year	-	-	2,594	52,192	-	-	-	-	-	54,786	62,392
Balance, end of the year	4,677,355	60,138,637	44,327,459	910,119	98,059,740	16,869,236	-	-	-	224,982,545	218,440,356
<b>Accumulated amortization</b>											
Balance, beginning of the year	-	36,154,385	28,699,603	396,477	46,942,364	8,106,532	-	-	-	120,299,361	115,298,584
Add: Amortization for the year	-	1,572,156	1,413,421	60,684	1,678,939	479,088	-	-	-	5,204,288	5,063,169
Less: Accumulated Amortization on Disposals	-	-	2,594	52,192	-	-	-	-	-	54,786	62,392
Balance, end of the year	-	37,726,541	30,110,430	404,969	48,621,303	8,585,620	-	-	-	125,448,863	120,299,361
Net book value of wastewater assets	4,677,355	22,412,096	14,217,029	505,150	49,438,437	8,283,616	-	-	-	99,533,682	98,140,996
Assets under construction	-	-	-	-	-	-	-	-	-	36,147,082	60,130,316
<b>Total value of tangible capital assets</b>	<b>52,125,687</b>	<b>118,228,231</b>	<b>45,997,244</b>	<b>35,812,703</b>	<b>217,340,097</b>	<b>34,862,200</b>	<b>152,779,616</b>	<b>186,655,724</b>	<b>2,027,443</b>	<b>881,976,027</b>	<b>861,039,695</b>

# The Corporation of the Municipality of Chatham-Kent

Consolidated schedule of segment disclosure  
year ended December 31, 2019

as at December 31, 2019	General government	Protection services	Transportation services	Environmental services	Health services	Social and family services	Social housing	Recreation and cultural services	Planning and development services	Water and wastewater services	Other items and corporations	Eliminations	2019 Consolidated	2018 Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>														
Taxation	5,095,344	58,453,586	40,990,893	12,684,972	9,912,947	13,824,781	7,481,542	20,394,878	3,601,586			(12,443,219)	159,997,309	153,872,231
User charges	577,319	475,598	1,422,635	4,504,543	806,293	8,893,533	2,849,725	4,929,594	842,950	48,227,958	5,660,806	-	79,190,954	81,830,236
Government transfers	53,308	2,108,220	11,148,190	25,427	15,858,062	68,701,816	4,731,386	760,085	1,184,367	383,314	20,444,393	-	125,398,568	124,891,818
Other	-	-	-	-	-	-	-	-	-	-	18,810,459	-	18,810,459	15,020,075
	<b>5,725,971</b>	<b>61,037,404</b>	<b>53,561,718</b>	<b>17,214,942</b>	<b>26,577,302</b>	<b>91,420,130</b>	<b>15,062,653</b>	<b>26,084,557</b>	<b>5,628,903</b>	<b>48,611,272</b>	<b>44,915,658</b>	<b>(12,443,219)</b>	<b>383,397,290</b>	<b>375,614,368</b>
<b>Expenses</b>														
Salaries and benefits	19,538,026	45,580,960	10,859,317	2,293,837	9,245,731	33,670,537	2,163,883	11,158,435	3,140,861	8,150,916	-	-	145,802,500	138,761,372
Goods and services	14,442,207	3,953,589	17,509,380	11,747,220	13,527,264	15,522,632	5,924,909	7,396,491	1,744,558	15,204,826	-	-	106,973,076	93,514,520
Interest	1,705	-	69,457	-	-	805,081	299,561	237,248	159,373	1,475,531	-	-	3,047,956	3,476,040
Transfers (to) from other segments	(29,184,542)	7,355,031	7,060,365	1,107,034	2,851,600	4,332,896	160,427	3,469,249	558,175	2,289,765	-	-	-	-
External transfers	-	1,218,523	-	-	235,000	35,787,866	5,956,541	629,796	2,115	-	-	-	43,829,841	43,637,444
Amortization	931,886	2,767,641	18,644,644	2,066,851	693,411	1,301,118	557,332	3,186,033	23,821	10,404,221	-	-	40,576,958	39,322,819
Loss (gain) on disposal of tangible capital assets	(3,311)	161,660	(581,445)	-	24,296	-	-	7,305	-	6,928	-	-	(384,570)	(515,148)
	<b>5,725,971</b>	<b>61,037,404</b>	<b>53,561,718</b>	<b>17,214,942</b>	<b>26,577,302</b>	<b>91,420,130</b>	<b>15,062,653</b>	<b>26,084,557</b>	<b>5,628,903</b>	<b>37,532,187</b>	<b>-</b>	<b>-</b>	<b>339,845,761</b>	<b>318,197,047</b>
<b>Net surplus</b>	-	-	-	-	-	-	-	-	-	<b>11,079,085</b>	<b>44,915,658</b>	<b>(12,443,219)</b>	<b>43,551,529</b>	<b>57,417,313</b>

**Appendix B - Chatham-Kent Summary of Reserve**

<b>CHATHAM-KENT SUMMARY OF RESERVES</b>			
As At December 31, 2019			
		<b>Actuals</b>	<b>Actuals</b>
		<b>Dec 31</b>	<b>Dec 31</b>
		<b>2019</b>	<b>2018</b>
<b>Per Audited Financial Statements</b>			
	Reserves - General	(101,579,670.75)	(89,444,168.49)
	Reserves - Lifecycle	(18,677,940.89)	(13,149,530.83)
	Reserves - Lifeamp	(55,954,741.21)	(55,792,186.97)
	Reserve Funds	(2,081,038.22)	(8,422,927.26)
	Deferred Revenue - Obligatory Reserve Funds	(33,240,313.16)	(23,312,573.08)
		<u>(211,533,704)</u>	<u>(190,121,387)</u>
<b>Details</b>	Assigned	(171,654,124.34)	(160,302,814.62)
	Mandated	(39,879,579.89)	(29,818,572.01)
		<u>(211,533,704)</u>	<u>(190,121,387)</u>
<b>MANDATED:</b>			
<u>Dept</u>	<u>Division</u>	<u>Details</u>	
CD	Building Code Act	BUILDING CODE ACT RESERVE FUND	(3,328,455.56)
CD	Planning Services	RES MUNIC LEADERSHIP-BRWNSFLD	(479,257.07)
CHS	Child Care & Early Years	RES CS MITIGATION GRANT	(3,747,375.55)
CHS	Housing Services	RES SH MIN FINANCE PLN-WALLACE	(514,526.52)
CHS	Housing Services	RES SOC HOUSING IAH	(88,266.26)
CHS	Housing Services	RES SOC HOUS DOOR LIFECYCLE	(62,700.00)
IES	Engineering, Transportation Services	FEDERAL GAS TAX RESERVE FUND	(25,045,516.07)
IES	Engineering, Transportation Services	PROVINCIAL GAS TAX RESERVE FUND	(4,720,817.69)
IES	Engineering, Transportation Services	RES TRANSIT	(281,444.03)
IES	Engineering, Transportation Services	RES TRANSIT (CHAT CONV)	(1,359,487.17)
IES	Planning Act	PARKLAND RESERVE FUND	(145,523.84)
IES	Rec Facilities - Wheatley	RES REC-WHEATLEY POOL	(32,042.54)
POL	Police Services	RES POLICE SERVICE BOARD	(74,167.59)
<b>TOTAL MANDATED:</b>		-	<b>39,879,580 -</b>
<b>ASSIGNED GENERAL:</b>			<b>29,818,572</b>
<u>Dept</u>	<u>Division</u>	<u>Details</u>	
IES	Parking	PARKING RESERVE FUND	(233,966.24)
NON	Community Investment Fund	COMMUNITY INVESTMENT RESERVE FUND	(1,847,071.98)
CAO	Fire Services	RES FIRE HEALTH CARE	(150,398.38)
CAO	Land Ambulance	RES AMBULANCE GENERAL	(698,441.87)
CAO	Land Ambulance	RES AMB OPERATIONS CK/PROV	(192,324.22)
CAO	Partnership Development and PMO	RES COMMUNITY PARTNERSHIPS	(149,641.44)
CAO	Strategic Planning	RES STRATEGIC PLANNING	(95,352.00)
CD	Economic Development Services	RES ECIP (Employment Community Improvement Plan)	(250,000.00)
CD	Legal Services	RES INSURANCE RISK	(3,493,066.83)
CD	Planning Services	RES SPECIAL PROJECTS PLANNING	-
CD	Planning Services	RES COMMUNITY IMPROVEMENT	(677,323.65)

Appendix B - Chatham-Kent Summary of Reserve

CHATHAM-KENT SUMMARY OF RESERVES			Actuals	Actuals
As At December 31, 2019			Dec 31	Dec 31
			2019	2018
CHS	Child Care & Early Years	RES CHILDREN'S SERVICES	-	(7,072.00)
CHS	Community Attraction & Leisure Services	RES RECREATION SPECIAL POP.	(83,278.67)	(78,507.67)
CHS	Community Attraction & Leisure Services	RES RECREATION COMMUNITY PROG.	(70,248.97)	(68,810.34)
CHS	Community Attraction & Leisure Services	RES CAPITOL IMPROVEMENT FUND	(289,479.78)	(247,549.47)
CHS	Community Attraction & Leisure Services	RES THEATRE IMPROVEMENT FUND	(179,629.69)	(177,431.97)
CHS	Community Attraction and Leisure Services	RES CULTURE ACTION TEAMS	(17,561.44)	(17,561.44)
CHS	Community Attraction and Leisure Services	RES TOURISM	(484,662.50)	(480,419.71)
CHS	Employment & Social Services	RES OW CORPORATE INITIATIVES	(3,757,667.99)	(5,189,020.53)
CHS	Employment & Social Services	RES OW FUTURE ECONOMIC DWNTURN	(5,659,295.76)	(4,981,749.30)
CHS	Public Health	RES MUNICIPAL CHS	(661,069.76)	(631,696.36)
CHS	Seniors Services	RES SENIOR SERV OPERATIONAL	(1,505,823.84)	(1,272,068.98)
CHS	Seniors Services	RES SENIORS CNTR CONTINGENCY	(79,069.39)	(70,130.39)
CHS	Seniors Services	RES SENIOR SERVICES WSIB	(731,497.68)	(793,260.45)
CHS	Housing Services	RES HOUSING SERV OPERATIONS	(6,189,233.23)	(5,470,075.62)
CHS	Housing Services	CK AFFORDABLE HOUSING RESERVE	(2,280,233.39)	(1,472,500.00)
CS	Municipal Governance	RES ANIMAL SHELTER FAC. MAINT.	(40,419.68)	(24,420.97)
FBIS	Financial Services	RES PROPERTY DISPOSITION	(673,612.54)	(502,754.73)
FBIS	Information Technology Services	RES ERP PROJECT DELTA	(1,033,814.43)	(547,152.39)
IES	Drainage, Asset, Waste Management	RES RECYCLING WDO	(1,587,759.31)	(1,328,499.59)
IES	Drainage, Asset, Waste Management	RES HAUL ROUTE ROAD MTCE	(12,074.44)	(147,336.79)
IES	Engineering, Transportation Services	RES DMAF (Disaster Mitigation and Adaptation Fund)	(1,623,169.20)	-
IES	Engineering, Transportation Services	RES INFRASTRUCTURE BACKLOG	-	(2,006,659.65)
IES	Public Works	RES PW WINTER CONTROL	(2,648,162.94)	(3,270,886.95)
IES	Public Works	RES GRASS CUTTING TENDER	-	(144,900.00)
IES	Public Works	RES LED LIGHTING	(447,448.92)	(447,448.92)
IES	Public Works	RES KENT CONDO 12 U5 CH PW GAR	(117,636.23)	(117,636.23)
IES	Public Works	RES ROAD SIDE ASSESSMENT	1,753,331.00	(403,518.28)
IES	Rec Facilities & Parks and Open Spaces	RES CLEARVILLE PARK	(228,084.54)	(170,606.54)
IES	Rec Facilities & Parks and Open Spaces	RES CASO RAIL TRAIL	(510,423.76)	(202,477.66)
IES	Rec Facilities & Parks and Open Spaces	RES COLUMBARIA	(256,736.70)	(169,726.92)
IES	Rec Facilities & Parks and Open Spaces	RES EMERALD ASH BORER	(162,037.17)	(162,037.17)
IES	Rec Facilities & Parks and Open Spaces	RES MULTIPURPOSE SPORT COMPLEX	(18,500,000.00)	-
MAY	Office of the Mayor/ Council	RES MAYOR END OF SERVICE	(5,000.00)	-
NON	Encumbrances	RES ENCUMBRANCES	(2,801,138.68)	(3,254,077.65)
NON	All Depts	RES GREEN ENERGY INITIATIVES	(625,133.68)	(625,133.68)
NON	All Depts	RES ENERGY PRICE FLUCTUATION	(523,653.97)	(1,974,682.51)
NON	In camera	CONTRACT ISSUES	(14,665,745.95)	(12,642,314.37)
NON	Strategic Development	RES STRATEGIC DEVELOPMENT	(1,903,372.60)	(5,769,450.24)
NON	Strategic	RES COMMUNITY SUPPORT	(2,050,000.00)	(2,185,000.00)
NON	Strategic	RES WDC RAIL	(1,050,000.00)	(1,050,000.00)
NON	WSIB Risk Reserve	RES WORKERS COMP MUNICIPAL	(643,993.45)	(649,821.21)
POL	Police Services	RES POLICE MANDATORY ISSUES	(104,181.72)	(192,319.83)

Appendix B - Chatham-Kent Summary of Reserve

CHATHAM-KENT SUMMARY OF RESERVES				
As At December 31, 2019				
			Actuals	Actuals
			Dec 31	Dec 31
			2019	2018
POL	Police Services	RES POLICE LITIGATION	(742,103.37)	(568,480.66)
POL	Police Services	RES POLICE IT LIFECYCLE	(670,947.25)	(608,097.72)
POL	Police Services	RES POLICE COMMUNICATION CENTR	(285,895.63)	(285,895.63)
POL	Police Services	RES POLICE BUSINESS PLAN	(224,753.03)	(260,371.12)
POL	Police Services	RES POLICE ISSUES	(18,073.00)	(213,269.00)
POL	Police Services	RES POLICE QM LIFECYCLE	(148,852.52)	(74,113.28)
POL	Police Services	RES POLICE HEALTH CARE	(574,503.80)	(422,857.83)
POL	Police Services	RES POL 911 EVOLUTION NETWORK	(412.96)	(50,000.00)
POL	Police Services	RES POLICE HEALTH BENEFITS	-	(239,480.52)
PUC	Wastewater		(12,749,676.86)	(10,617,691.95)
PUC	Water		(1,369,616.21)	(5,722,336.35)
<b>ASSIGNED LIFEAMP &amp; LIFECYCLE:</b>				
CAO	Fire Services	RES LIFEAMP FIRE EQUIPMENT	-	-
CAO	Land Ambulance	RES LIFECYCLE AMB EQUIPMENT	(751,129.96)	(544,700.30)
CAO	Land Ambulance	RES LIFECYCLE AMB STATIONS	(373,516.60)	(317,628.09)
CHS	Employment & Social Services	RES LIFEAMP OW COMPUTERS	(875,604.22)	(857,378.22)
CHS	Seniors Services	RES LIFEAMP SEN SERV CAP HOMES	(1,428,233.22)	(1,633,178.75)
CHS	Seniors Services	RES LIFEAMP RVG EQUIPMENT	-	-
CS	Municipal Governance	RES LIFEAMP ELECTION	(263,466.10)	(155,232.05)
FBIS	Information Technology Services	RES ITS CK LIFEAMP WORKSTN	(1,204,527.45)	(1,153,233.66)
FBIS	Information Technology Services	RES ITS LIFEAMP GIS SYSTEMS	(720,430.15)	(608,911.84)
FBIS	Information Technology Services	RES ITS LIFEAMP COPY/PRINT EQP	(524,341.89)	(487,855.35)
FBIS	Information Technology Services	RES ITS LIFEAMP SERVER/STORAGE	(1,910,690.78)	(1,571,066.78)
FBIS	Information Technology Services	RES ITS LIFEAMP COMP SOFTWARE	(4,414,259.93)	(3,988,272.21)
FBIS	Information Technology Services	RES ITS LIFEAMP COMP NETWORK	(3,929,775.76)	(3,388,827.29)
FBIS	Information Technology Services	RES LIFEAMP ITS APPLICATIONS	(986,471.30)	(767,898.61)
FBIS	Information Technology Services	RES LIFEAMP ITS CORP TECH BUS	(140,207.09)	(113,957.09)
FBIS	Information Technology Services	RES ITS LIFEAMP GIS DATA	(90,634.58)	(81,417.58)
FBIS	Information Technology Services	RES ITS STRATEGIC PLAN	(383,873.38)	(415,774.49)
FBIS	Information Technology Services	RES ITS WEB	(304,253.72)	(304,253.72)
FBIS	Information Technology Services	RES ITS TELECOMMUNICATIONS	(646,545.65)	(668,657.65)
FBIS	Information Technology Services	RES ITS PUC LIFECY WORKSTN	(102,586.00)	(96,926.00)
IES	Drainage, Asset, Waste Management	RES LIFEAMP BUILDINGS	(6,348,124.53)	(5,569,999.54)
IES	Drainage, Asset, Waste Management	RES FACILITY REPLACEMENT	-	(1,261,010.00)
IES	Engineering, Transportation Services	RES LIFEAMP TRAFFIC SIGNAL	(300,789.25)	(173,848.00)
IES	Engineering, Transportation Services	RES LIFEAMP TRAFFIC PRK EQP	(30,000.00)	(15,000.00)
IES	Engineering, Transportation Services	RES LIFEAMP PAVED ROADS	(1,843,244.21)	(3,707,936.68)
IES	Engineering, Transportation Services	RES LIFEAMP BRIDGES	(10,091,361.74)	(7,169,658.99)
IES	Engineering, Transportation Services	RES LIFEAMP CULVERTS	(2,426,562.35)	(2,101,619.49)
IES	Engineering, Transportation Services	RES LIFEAMP SIDEWALKS	(166,195.76)	(3,937.94)
IES	Engineering, Transportation Services	RES LIFEAMP TRANS ASSETS	(27,000.00)	(15,000.00)
IES	Engineering, Transportation Services	RES LIFEAMP WISH CENTRE	(827,442.61)	(708,039.12)
IES	Engineering, Transportation Services	RES LIFEAMP STORM SWR COLLECT	(3,933,788.70)	(3,015,307.04)
IES	Engineering, Transportation Services	RES LIFEAMP PARKING LOTS	(283,673.12)	(367,777.00)

**Appendix B - Chatham-Kent Summary of Reserve**

<b>CHATHAM-KENT SUMMARY OF RESERVES</b>			<b>Actuals</b>	<b>Actuals</b>
As At December 31, 2019			<b>Dec 31</b>	<b>Dec 31</b>
			<b>2019</b>	<b>2018</b>
IES	Engineering, Transportation Services	RES CONVENTION CENTRE	10,714.84	(429,678.22)
IES	Engineering, Transportation Services	RES LIFEAM/FM ENGINEERING	(83,062.54)	(83,062.54)
IES	Engineering, Transportation Services	RES LIFECYCLE CAPITAL BUD	(15,838,469.38)	(10,755,588.26)
IES	Fleet Management	RES LIFEAMP FLEET SHOP EQPT	(271,967.85)	(237,481.85)
IES	Fleet Management	FLT RES AMBULANCES	(189,819.15)	(654,266.37)
IES	Fleet Management	FLT RES MUNICIPAL FLEET	(1,814,622.36)	(4,133,538.36)
IES	Fleet Management	FLT RES POLICE	(968,657.22)	(691,697.42)
IES	Housing Services Management	RES LIFEAMP SOC HOUSING BLDGS	(325,821.49)	(747,394.26)
IES	Public Works	RES LIFEAMP GRAVEL ROADS	(108,872.99)	(294,636.85)
IES	Public Works	RES LIFEAMP RAIL XING SIG	(438,033.43)	(473,602.62)
IES	Public Works	RES LIFEAMP STREETLIGHT POLES	(436,403.94)	(360,962.37)
IES	Public Works	RES LIFEAMP PUBLIC WORK EQUIPM	-	-
IES	Public Works	RES LIFEAMP RD SFTY/GUIDE RAIL	(1,339,274.75)	(1,090,755.34)
IES	Public Works	RES LIFEAMP 401 CORRIDOR	(60,000.00)	(40,000.00)
IES	Public Works	RES LIFEAMP AIRPORT	(90,528.21)	(48,322.21)
IES	Public Works	RES LIFEAMP CURB & GUTTER	(31,361.75)	(20,000.00)
IES	Public Works	RES LIFEAMP RAIL XING RUBBER	-	(60,000.00)
IES	Public Works	RES LIFEAMP STORM PUMP STN	(215,000.00)	(70,000.00)
IES	Public Works	RES LIFEAMP STORM SEWERS TDS	(395,000.00)	(190,000.00)
IES	Public Works	RES LIFEAMP STORM SWR COMB/SEP	(165,842.92)	(113,752.89)
IES	Public Works	RES LIFEAMP STORM WTR MGMT	(173,000.00)	(15,000.00)
IES	Public Works	RES LIFEAMP STREETLIGHTS	(35,000.00)	(15,000.00)
IES	Public Works	RES GRAVEL PIT	(0.51)	(0.51)
IES	Public Works	RES LIFECYCLE WIND FARMS	(297,003.22)	(247,003.22)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP PLAYGROUND EQUIP	(617,657.88)	(611,506.14)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP PARKS	(1,294,383.54)	(897,249.21)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP OUTDOOR POOLS	(339,855.40)	(454,759.25)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP TRAILS	(459,520.80)	(648,562.93)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP CEMETERY	(178,919.61)	(458,666.25)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP TRAILS - CAPITAL	(469,277.73)	(545,550.73)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP HALLS - REC FAC	(65,706.00)	(37,853.00)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP PARKS - REC FAC	(288,803.67)	(123,000.00)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP POOLS BLDG REPL	(30,000.00)	(20,000.00)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP SPLASHPADS MNT	(10,000.00)	(5,000.00)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP SPORT FIELDS	(125,000.00)	(80,000.00)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP ARENAS	(777,351.23)	(1,378,060.55)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP INDOOR POOLS	(64,459.80)	(107,371.80)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP COMMUNITY HALLS	(301,595.13)	(315,268.78)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP SPLASHPADS	(190,300.00)	(153,300.00)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP ARENAS (REPL)	(65,414.00)	(429,612.00)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP PARKS & REC BUILD	-	(216,878.00)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP FIT PARKS	(148,066.00)	(148,066.00)
IES	Rec Facilities & Parks and Open Spaces	RES LIFEAMP REFORESTATION	(360,614.39)	(274,966.39)
IES	Rec Facilities & Parks and Open Spaces	RES LIFECYCLE ARENA(NEW BUILD)	(250,000.00)	-
POL	Police Services	RES LIFEAMP POLICE EQUIPMENT	-	-

**TOTAL ASSIGNED:** - **171,654,124** - **160,302,815**