Consolidated financial statements of

The Corporation of the Municipality of Chatham-Kent

December 31, 2025

The Corporation of the Municipality of Chatham-Kent

December 31, 2025

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MANAGEMENT'S REPORT

The management of The Corporation of the Municipality of Chatham-Kent (the “Municipality”) is responsible for the integrity, objectivity and accuracy of the financial information in the accompanying consolidated financial statements.

The Consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The Municipality employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Audit Committee, a sub-committee of Municipality Council ("Council”), reviews and approves the consolidated financial statements before they are submitted to Council.

The 2025 consolidated financial statements have been examined by the Municipality of Chatham-Kent external auditors, MNP LLP, and their report precedes the consolidated financial statements.

Chatham, Canada
September 14, 2026

Matt Torance
Director of Financial Services

Gord Quinton
Treasurer

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the Corporation of the Municipality of Chatham-Kent (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

MNP LLP

London, Ontario — Chartered Professional Accountants

September 14, 2026 — Licensed Public Accountants

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of financial position
as at December 31, 2025

	2025	2024
	$	$
Financial assets		
Cash	**198,019,189**	133,226,348
Taxes receivable (Note 3)	**16,560,178**	13,935,627
Accounts receivable	**49,811,890**	58,394,634
Investments (Note 4)	**239,542,538**	231,503,303
Investment in Entegrus Inc. (Note 5)	**62,066,568**	62,178,851
Land held for resale	**1,292,779**	1,117,294
Other assets	**4,991,235**	5,597,411
Local improvements receivable (Note 11)	**31,019,389**	33,552,522
	603,303,766	539,505,990
Liabilities		
Accounts payable and accrued liabilities	**71,556,733**	60,744,071
Accrued interest (Note 10)	**95,803**	126,556
Accrued employee benefits (Note 6)	**54,647,941**	51,356,808
Deferred revenue (Note 8)	**54,839,831**	48,918,315
Long-term liabilities (Note 9, 10)	**14,619,565**	20,299,699
Asset retirement obligations (Note 13)	**25,296,219**	25,296,219
	221,056,092	206,741,668
Net financial assets	**382,247,674**	332,764,322
Non-financial assets		
Tangible capital assets (Note 12)	**1,071,951,568**	1,046,259,791
Inventory	**50,646**	50,646
Prepaid expenses	**4,539,188**	4,390,558
	1,076,541,402	1,050,700,995
Accumulated surplus (Note 14)	**1,458,789,076**	1,383,465,317

Commitments (Note 19)
Contingent liabilities (Note 22)

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

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of operations and accumulated surplus for the year ended December 31, 2025

	2025 Budget	2025 Actual	2024 Actual
	$	$	$
Revenues			
Taxation and user charges			
Property taxation (Note 15)	**224,300,107**	**222,038,879**	208,107,588
User charges	**85,643,654**	**105,007,144**	93,559,594
	309,943,761	**327,046,023**	301,667,182
Government transfers			
Government of Canada	**10,092,488**	**15,916,152**	13,862,206
Province of Ontario	**159,195,127**	**164,409,451**	163,744,268
	169,287,615	**180,325,603**	177,606,474
Other			
Investment income	**5,706,000**	**20,941,939**	16,342,430
Penalties and interest on taxes	**1,322,897**	**1,470,076**	1,606,085
Contributions from landowners and developers	**-**	**-**	6,420,640
Sale of land and equipment	**240,431**	**492,883**	180,651
Provincial offences administration (Note 17)	**1,977,500**	**1,690,406**	1,737,705
Other	**7,693,858**	**971,851**	780,479
Loss on sale of tangible capital assets	**-**	**(785,517)**	(122,259)
	16,940,686	**24,781,638**	26,945,731
Total revenue	**496,172,062**	**532,153,264**	506,219,387
Expenses			
General government	**17,646,591**	**12,461,177**	23,965,258
Protection of persons and property	**78,118,342**	**84,334,593**	75,507,496
Transportation services	**59,189,061**	**74,337,726**	71,724,911
Environmental services	**88,639,036**	**65,198,335**	62,890,756
Health services	**32,094,541**	**33,285,571**	32,573,121
Social and family services	**137,294,477**	**128,724,110**	113,872,709
Social housing	**15,524,761**	**15,585,781**	17,065,807
Recreation and cultural services	**29,917,630**	**41,321,654**	32,196,433
Planning and development	**6,883,447**	**9,761,115**	8,318,812
Total expenses	**465,307,886**	**465,010,062**	438,115,303
Excess revenue over expenses before other items	**30,864,176**	**67,143,202**	68,104,084
Other items			
Income from Entegrus Inc.	**5,291,376**	**8,180,557**	6,827,336
Excess of revenues over expenses	**36,155,552**	**75,323,759**	74,931,420
Accumulated surplus, beginning of year	**1,383,465,317**	**1,383,465,317**	1,308,533,897
Accumulated surplus, end of year	**1,419,620,869**	**1,458,789,076**	1,383,465,317

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

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of change in net financial assets
for the year ended December 31, 2025

	2025	2024
	$	$
Excess of revenues over expenses	**75,323,759**	74,931,420
Acquisition of tangible capital assets	**(95,867,146)**	(79,903,130)
Decrease (increase) in assets under construction	**18,323,404**	(13,414,047)
Contributed (donated) tangible capital assets	**-**	(6,420,640)
Amortization of tangible capital assets	**50,869,969**	49,403,074
Loss on sale of tangible capital assets	**785,517**	122,259
Proceeds of sale of tangible capital assets	**196,483**	233,739
Change in inventory	**-**	25,000
Change in prepaids	**(148,634)**	(1,453,344)
Change in net financial assets	**49,483,352**	23,524,331
Net financial assets, beginning of year	**332,764,322**	309,239,991
Net financial assets, end of year	**382,247,674**	332,764,322

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

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of cash flows
for the year ended December 31, 2025

	2025	2024
	Actual	Actual
	$	$
Operating transactions		
Excess of revenues over expenses	**75,323,759**	74,931,420
Items not involving cash		
Amortization	**50,869,969**	49,403,074
Contributed (donated) tangible capital assets	**-**	(6,420,640)
Loss on sale of tangible capital assets	**785,517**	122,259
Income from Entegrus Inc.	**(4,034,137)**	(2,680,714)
Change in taxes receivable	**(2,624,551)**	(943,623)
Change in accounts receivable	**8,582,744**	(1,322,502)
Change in land held for resale	**(175,485)**	-
Change in other assets	**606,176**	(657,319)
Change in local improvements receivable	**2,533,133**	(1,097,905)
Change in accounts payable and accrued liabilities	**10,812,662**	7,049,382
Change in obligations to be funded from future revenues	**3,260,380**	(732,587)
Change in inventory	**-**	25,000
Change in prepaid expenses	**(148,634)**	(1,453,344)
Change in asset retirement obligations	**-**	59,250
Change in deferred revenue	**5,921,516**	3,015,803
	151,713,049	119,297,554
Financing transactions		
Long-term debt repayment	**(5,680,134)**	(9,540,948)
Capital transactions		
Acquisition of tangible capital assets	**(77,543,742)**	(93,317,177)
Proceeds of sale of tangible capital assets	**196,483**	233,739
	(77,347,259)	(93,083,438)
Investing transactions		
Dividends received from Entegrus Inc.	**4,146,420**	4,146,622
Note payable repayment	**-**	23,523,326
Net purchase of investments	**(8,039,235)**	(62,191,798)
	(3,892,815)	(34,521,850)
Net increase (decrease) in cash	**64,792,841**	(17,848,682)
Cash, beginning of year	**133,226,348**	151,075,030
Cash, end of year	**198,019,189**	133,226,348

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

1. Significant accounting policies

The consolidated financial statements of 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.

Investment in government business enterprises

Entegrus Inc., a government business enterprise, is accounted for on a modified equity basis, consistent with Canadian generally accepted accounting principles as recommended by PSAB for investments in 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. The Municipality recognizes its equity interest in the annual income or loss of Entegrus Inc. in its consolidated statement of operations and accumulated surplus with the corresponding increase or decrease in its investment account. Any dividends the Municipality receives from Entegrus Inc. will be reflected as reductions in the investment account.

Accounting for school board transactions

The taxation and other revenues with respect to the operations of the school boards are not reflected in the Consolidated statement of operations and 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 under-levies or over-levies are reported on the Consolidated statement of financial position as “accounts receivable“ or “accounts payable and accrued liabilities”.

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.

1. Significant accounting policies (continued)

Non-financial assets

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

Tangible capital assets

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 15th 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 are also recorded as revenue.

Works of art, artifacts, cultural or historic assets are not recorded as assets in the consolidated 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 transfer revenue is recorded once it is authorized by the transferring government. The Municipality is eligible to receive the transfer and the amount can be reasonably estimated. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Canadian Public Sector Accounting handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

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.

The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

Taxation revenues in any year may also be reduced as a result of reductions in assessment values arising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals and other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

1. Significant accounting policies (continued)

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

Revenue recognition

The Municipality recognizes revenue from fines and penalties on late tax payments and parking fines. These non-exchange transactions have no performance obligations and are recognized at their realizable value when the Municipality has the authority to claim or retain economic inflows based on a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized when the Municipality satisfies a performance obligation by providing the promised goods or services to a payor. The performance obligation is evaluated as being satisfied either over a period of time or at a point in time. The Municipality recognizes revenues from utilities, licenses and permits, certificates, recreational programs, ticket sales and facility rentals at a point in time, which occurs when the goods and/or services have been provided. In determining the transaction price, the Municipality measures revenue based on the consideration that is expected to receive in exchange for providing the goods and/or services.

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, the carrying value of tangible capital assets and asset retirement obligations. Actual results could differ from those estimates.

Financial instruments

Financial instruments are classified in one of the following categories: (i) fair value; (ii) cost or amortized cost. The Municipality determines the classification of its financial instruments at initial recognition.

Unsecured debentures and other long-term debt are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Transaction costs related to the issuance of long-term debt are capitalized and amortized over the term of the debt.

Financial Instrument	Measurement Method
Cash	Cost
Taxes receivable	Cost
Accounts receivables	Cost
Investments	Amortized Cost
Local improvement receivable	Amortized Cost
Accounts payable and accrued liabilities	Cost
Accrued interest	Cost
Long-term liabilities	Amortized Cost

1. Significant accounting policies (continued)

Financial instruments (continued)

Other financial instruments, including cash, accounts receivable, taxes receivable, accounts payable and accrued liabilities are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment. The above table provides the carrying amount information of the Municipality's financial instrument by category.

Upon standard implementation, amortized cost will be measured using the effective interest rate method, as opposed to the straight-line method.

Fair value category: The Municipality manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the consolidated statement of remeasurement gains and losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the consolidated statement of operations and related balances reverses from the consolidated statement of remeasurement gains and losses. As the Municipality has no applicable financial instruments recognized at fair value, the Municipality does not have a Statement of Remeasurement Gains and Losses.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price at the trade date, which is the fair value of the consideration given or received. After initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Amortized cost category: Amounts are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category.

Cost category: Amounts are measured at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the consolidated statement of operations.

1. Significant accounting policies (continued)

Employee future benefit obligations

Employee benefits include vacation entitlement, workplace safety and insurance obligations (WSIB) and certain post- employment benefits. Vacation entitlements are accrued as entitlements are earned. WSIB and other post-employment benefits that accumulate over the period of service provided by the employees are subject to actuarial valuations. 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.

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates. The contributions to the plan are expensed when contributions are due.

Related party transactions

Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties.

Disclosure is made when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the consolidated financial statements.

Accumulated surplus

Accumulated surplus represents the Municipality's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Municipality has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

Budget

The Municipality completes separate budget reviews for tax supported operating and capital, as well as water and wastewater budgets each year. Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board (PSAB), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

Deferred revenue

The Municipality receives contributions pursuant to legislation, regulations or agreements that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

Asset retirement obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed

2. Future Accounting Standards

Effective April 1, 2026, the Municipality will adopt the Public Sector Accounting Board's ("PSAB") revised Section PS 1202, Financial Statement Presentation, along with the related Conceptual Framework for Financial Reporting in the Public Sector.

PS 1202 establishes a revised financial reporting model and introduces changes to the presentation and structure of financial statements, including:

- A new Statement of Net Financial Assets (Net Financial Liabilities)
- A new Statement of Changes in Net Assets (Net Liabilities)
- A revised Statement of Financial Position, including updated classifications of financial and non-financial assets and liabilities; and
- Updated terminology and enhanced disclosure requirements aligned with the revised conceptual framework.

The Municipality is currently assessing the impact of the standard. The adoption is expected to result in changes to financial presentation and disclosure; however, it is not expected to have a material impact on the Municipality's accumulated surplus or annual results.

3. Taxes receivable

As at December 31 2025, the taxes receivable balances are as follows:

	2025	2024
	$	$
Tax receivable	**14,941,090**	11,773,885
Penalties and interest	**2,082,234**	2,474,859
Allowance for uncollectable taxes	**(463,146)**	(313,117)
	16,560,178	13,935,627

4. 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 of 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 $239,542,538 (2024 - $231,503,303). The investments are comprised of Principally Guaranteed Pooled Investments, and bonds with CIBC. The market value of these investments at December 31, 2025 amounted to $277,144,564 (2024 - $253,088,343).

5. 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.

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. This note receivable was repaid in full on December 20, 2024.

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 financial statements of Entegrus Inc. were prepared in accordance with International Financial Reporting Standards (IFRS).

5. 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, 2025:

	2025	2024
	$	$
Financial postion		
Assets		
Current	**48,513,674**	47,246,457
Capital	**210,679,265**	192,355,128
Other	**35,111,952**	38,231,363
Total assets	**294,304,891**	277,832,948
Liabilities		
Current	**30,701,515**	34,342,696
Other	**158,574,494**	138,277,195
Total liabilities	**189,276,009**	172,619,891
Equity		
Share capital	**52,161,260**	52,161,260
Share Premium	**16,571,469**	16,571,469
Hedging Reserve	**355,772**	(2,473,282)
Retained earnings	**33,816,214**	33,973,550
Total equity	**102,904,715**	100,232,997
Regulatory		
Regulatory credit balances	**2,124,167**	4,980,060
Total liabilities equity and regulatory	**294,304,891**	277,832,948

5. Investment in Entegrus Inc. (continued)

	2025	2024
	$	$
Financial activities		
Revenue	**211,414,125**	200,760,938
Expenses	**201,685,043**	195,414,484
	9,729,082	5,346,454
Provision for taxes	**(629,490)**	870,398
Net movement in regulatory balances, net of tax	**3,369,963**	(353,601)
Remeasurement of employee benefits	**530,495**	(21,660)
Unrealized gain on investment	**815,450**	1,101,725
Dividends paid	**5,800,000**	5,800,000
Change in retained earnings	**(157,336)**	(2,050,408)
Municipality of Chatham-Kent's investment represented by:		
Investment in shares of Entegrus	**31,595,798**	31,595,798
Accumulated profit less dividends received	**30,470,770**	30,583,053
	62,066,568	62,178,851
Corix Utilities' investment represented by:		
Investment in shares of Entegrus	**3,886,352**	3,886,352
Accumulated profit less dividends received	**2,170,135**	2,182,623
	6,056,487	6,068,975
St. Thomas Energy Inc. investment represented by:		
Investment in shares of Entegrus	**16,679,110**	16,679,110
Accumulated profit less dividends received	**1,175,512**	1,207,875
	17,854,622	17,886,985

(a) Equity in Entegrus Inc.

	2025	2024
	$	$
Balance, beginning of year	**62,178,851**	87,168,085
Changes during the year		
Promissory note payment	**-**	(23,523,326)
Net earnings for the year	**4,034,137**	2,680,714
Dividends paid	**(4,146,420)**	(4,146,622)
Balance, end of year	**62,066,568**	62,178,851

5. Investment in Entegrus Inc. (continued)

(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, 2025 and December 31, 2024:

	2025	2024
	$	$
Transactions		
Revenue		
Administrative services	**166,440**	163,177
Interest on promissory note	**-**	1,037,325
Expenses		
Energy purchases (at commercial rates)	**6,387,990**	6,031,283
Billing and collection services - water/wastewater	**2,370,565**	2,324,082
Streetlight maintenance	**253,258**	354,722
Balances		
Amounts due from Entegrus Inc.		
Accounts receivable	**4,667,801**	8,836,992

6. Accrued employee benefits

The Municipality has accrued employee benefits as follows:

	2025	2024
	$	$
Employee future benefits	**48,990,000**	45,873,700
Workplace safety and insurance obligations	**1,049,600**	1,069,100
Vacation credits	**4,608,341**	4,414,008
	54,647,941	51,356,808

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, 2025 of $48,990,000 (2024 - $45,873,700) was determined by actuarial valuation using a discount rate of 4.70% (2024– 4.60%). A comprehensive actuarial valuation of the future liability for employee future benefits was conducted as at December 31, 2024. The next required valuation will be as of December 31, 2027.

6. Accrued employee benefits (continued)

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

	2025	2024
	$	$
Accrued benefit liability as at January 1, 2024	**50,997,300**	39,218,200
Current benefit costs	**2,486,300**	1,522,100
Interest	**2,352,200**	1,770,500
Actuarial (gain) loss	**(514,300)**	11,460,000
Benefits paid	**(2,219,400)**	(2,973,500)
Net	**2,104,800**	11,779,100
Benefit obligation at end of period	**53,102,100**	50,997,300
Unamortized actuarial gain (loss)	**(4,112,100)**	(5,123,600)
Estimated accrued benefit liability as at December 31, 2025	**48,990,000**	45,873,700

Included in expenses is $497,200 (2024 – $716,200 of actuarial losses) for amortization of the actuarial gains. 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 2025 and thereafter.

(ii) *Interest (discount) rate*

The present value as at December 31, 2025 of the future benefits was determined using a discount rate of 4.60%. The expense for the year ended December 31, 2024, was determined using a discount rate of 4.60%.

(iii) *Health costs*

Drug costs were assumed to increase at 5.5% in 2026 decreasing 0.1% to an ultimate rate of 4.0% per year thereafter.

(iv) *Dental costs*

Dental costs were assumed to increase at 4% annually.

(b) *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 period amounted to $1,049,600 (2024 - $1,069,100). 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 $1,173,425 (2024 - $2,339,222). 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) *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, 2025 is $4,608,341 (2024 - $4,414,008) 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.

7. Pension agreement

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer plan, on behalf of 1620 (2024 - 1557) 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 2025 calendar year at rates ranging from 9.0% to 15.8% (2024 - 9.0% to 15.8%) depending on the member's designated retirement age and level of earnings. The amount contributed to OMERS for 2025 was $13,526,560 (2024 - $12,036,150) for current service and this is included on the Consolidated statement of operations and accumulated surplus. As at December 31, 2025 the OMERS plan is in a deficit of $1.3 Billion (2024 - deficit of $2.9 Billion), which will be addressed through temporary contribution rate increases, benefit reductions, and investment returns.

8. Deferred revenue - obligatory reserve funds

A requirement of the Public Sector Accounting Standards (PSAS) is that obligatory reserve funds be reported as deferred revenue. The Municipality of Chatham-Kent has an obligatory reserve fund for the Canada Community-Building Fund (CCBF) Grant (previously known as Federal Gas Tax Grant) and the Provincial Gas Tax Grant. Additionally, the Municipality has an obligatory reserve fund for Parkland purposes, for the Building Code Act, and for Municipal and PUC development charges collected. These aforementioned reserve funds are considered obligatory as Provincial and Federal legislation restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

The balances in the obligatory reserve funds and other deferred revenue for the Municipality are summarized in the following two charts for the year ended Dec 31, 2025 and Dec 31, 2024 respectfully:

2025	Balance at 31-Dec-24	Inflow	Revenue Earned	Balance at 31-Dec-25
	$	$	$	$
For development charges Municipal	1,487,100	1,950,410	408,735	3,028,775
For development charges PUC	1,863,191	2,485,240	-	4,348,431
For building code act	6,234,744	-	1,326,114	4,908,630
For parkland purposes	459,697	140,873	124,279	476,291
For Canada community-building fund	22,937,361	7,565,247	6,694,189	23,808,420
For Provincial gas tax	2,189,667	1,054,630	897,726	2,346,571
Deferred revenue - obligatory reserve funds	35,171,760	13,196,400	9,451,042	38,917,118
Other deferred revenue				
Deferred taxes	1,974,620	2,050,997	1,974,620	2,050,997
Deferred grants	2,284,922	4,989,752	4,974,236	2,300,437
Other	9,487,013	12,221,479	10,137,215	11,571,279
Total deferred revenue	48,918,315	32,458,628	26,537,113	54,839,831

8. Deferred revenue - obligatory reserve funds (continued)

2024	Balance at 31-Dec-23	Inflow	Revenue Earned	Balance at 31-Dec-24
	$	$	$	$
For development charges Municipal	2,319,821	108,853	941,574	1,487,100
For development charges PUC	-	1,863,191	-	1,863,191
For building code act	6,867,185	-	632,441	6,234,744
For parkland purposes	362,113	97,584	-	459,697
For Canada community-building fund	23,039,691	11,367,569	11,469,899	22,937,361
For Provincial gas tax	2,018,438	1,073,803	902,574	2,189,667
Deferred revenue - obligatory reserve funds	34,607,248	14,511,000	13,946,488	35,171,760
Other deferred revenue				
Deferred taxes	2,200,863	9,686,465	9,912,708	1,974,620
Deferred grants	2,315,227	4,702,339	4,732,644	2,284,922
Other	6,779,174	14,081,697	11,373,857	9,487,013
Total deferred revenue	45,902,512	42,981,501	39,965,697	48,918,315

9. 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:

	2025	2024
	$	$
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.	**14,619,565**	20,299,699

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

	2026 to 2030	**2031 to 2035**
	$	**$**
From general municipal revenue	**2,319,473**	**1,623,210**
From benefiting landowners	**1,693,425**	**502,098**
From benefiting water ratepayers	**2,900,078**	**-**
From benefiting wastewater ratepayers	**5,581,281**	**-**
	12,494,257	**2,125,308**

9. Net long-term liabilities (continued)

(c) Included in the principal amount in a) is $975,091 (2024 - $1,422,729) 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%.

10. Charges for net long-term liabilities

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

	2025	2024
	$	$
Beginning balance	**20,299,699**	29,840,647
Principal payments	**(5,680,134)**	(9,540,948)
Ending balance	**14,619,565**	20,299,699

Net interest payments related to long-term liabilities in the current year were $742,633 (2024 - $1,111,891) 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 $95,803 (2024 - $126,556) and is reported as an accrued liability on the Consolidated statement of financial position.

11. 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. These receivables are non-interest bearing and have no specific terms of repayment.

	2025	2024
	$	$
Local improvements receivable for capital projects on tax roll		
Wastewater	**226,277**	304,250
Water	**659,298**	819,663
Drainage	**30,119,005**	32,406,622
Other	**14,809**	21,987
	31,019,389	33,552,522

12. Tangible capital assets

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

	2025	2024
	$	$
Land and land improvements	**64,069,440**	59,331,219
Buildings	**117,209,926**	102,816,845
Equipment	**43,307,343**	45,271,834
Vehicles	**44,407,216**	42,453,169
Underground linear	**255,399,132**	250,215,096
Plants and facilities	**49,042,438**	46,206,340
Bridges	**188,268,502**	181,743,304
Transportation	**216,266,961**	206,015,334
Other assets	**2,872,407**	2,775,043
	980,843,365	936,828,184
Assets under construction	**91,108,203**	109,431,607
	1,071,951,568	1,046,259,791

During the year, additions to assets under construction were $77,421,191 (2024 - $93,071,984) and $95,867,150 (2024 - $79,693,605) was transferred to the other tangible capital asset classes.

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

13. Asset retirement obligations

The Municipality’s financial statements include an asset retirement obligation for the remediation of asbestos and other designated substances contained within buildings. The related asset retirement costs are being amortized on a straight-line basis over the remaining productive useful life of the buildings. The estimate of the liability represents the fair value for the remediation of the asbestos which is expected to be settled at the end of the buildings’ productive useful lives.

The carrying amount of the liability at December 31, 2025 is as follows:

	2025	2024
	$	$
Asset retirement obligation, beginning of year	**25,296,219**	25,236,969
Additions to asset retirement obligations	**-**	59,250
Asset retirement obligation, end of year	**25,296,219**	25,296,219

The undiscounted future expenditures are $25,296,219 (2024 - $25,296,219). Due to unknown timing of retirement, no discount rate was used when estimating the costs.

Note that the total amount of the liability may change due to changes in estimates, such as estimated total undiscounted future expenditures and expected remediation date.

14. Accumulated surplus

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

	2025	2024
	$	$
Surplus		
Invested in tangible capital assets	**1,147,984,077**	1,036,656,998
Entegrus, net equity	**62,066,568**	62,178,851
Prelevies for benefitting landowners	**121,153**	97,648
Other	**33,430,344**	28,358,708
Obligations to be funded from future years	**-**	(114,529)
Unfunded		
Asset Retirement Obligation	**(25,296,219)**	(25,296,219)
Employee future benefits, workplace safety and vacation	**(52,368,258)**	(48,977,273)
Accrued interest on long-term liabilities	**(95,803)**	(126,556)
Accrued Environmental Liability	**(200,000)**	(200,000)
	1,165,641,862	1,052,577,628
Surplus allocated to reserves		
For acquisition of tangible capital assets	**105,201,774**	149,414,236
For public liability insurance	**4,701,114**	3,701,402
For various programs, facilities	**88,606,764**	89,410,637
For strategic and community development	**22,669,846**	21,413,682
For water	**22,759,374**	22,342,884
For wastewater	**48,923,674**	44,328,632
	292,862,546	330,611,473
Surplus allocated to reserve funds		
For parking purposes	**284,666**	276,216
Total accumulated surplus	**1,458,789,076**	1,383,465,317

15. 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:

	2025	2024
	$	$
Taxation	**26,253,689**	25,756,947
Requisitions	**(26,253,689)**	(25,756,947)
Net levy for the year	**-**	-

Included in accounts payable are levies owed to the school boards totaling $259,619 (2024 - $46,569).

b) Taxation revenue by major tax class

2025	**Taxes - own purpose**	**Payments in lieu**	**Supplem-entary taxes**	**Rebates & Write-offs**	**2025 Total**
	$	**$**	**$**	**$**	**$**
Residential	**139,941,364**	**600,544**	**2,042,383**	**(1,125,137)**	**141,459,154**
Multi-Residential	**8,486,420**	**-**	**469,265**	**206,989**	**9,162,674**
Commercial	**36,649,317**	**2,847,849**	**385,938**	**(3,266,580)**	**36,616,524**
Industrial	**8,438,465**	**12,360**	**85,338**	**(209,136)**	**8,327,027**
Pipelines	**3,303,947**	**-**	**746,749**	**(6,493)**	**4,044,203**
Landfill	**375,467**	**-**	**-**	**-**	**375,467**
Farmlands	**20,983,438**	**4,548**	**(218,156)**	**140,269**	**20,910,099**
Managed Forests	**18,196**	**-**	**-**	**(13)**	**18,183**
Aggregate	**93,307**	**-**	**-**	**-**	**93,307**
Other	**1,033,281**	**205,068**	**-**	**(206,108)**	**1,032,241**
Total tax revenue	**219,323,202**	**3,670,369**	**3,511,517**	**(4,466,209)**	**222,038,879**

2024	Taxes - own purpose	Payments in lieu	Supplem-entary taxes	Rebates & Write-offs	2024 Total
	$	$	$	$	$
Residential	130,929,923	578,489	2,878,800	(1,527,407)	132,859,805
Multi-Residential	7,905,773	-	56,550	(17,661)	7,944,662
Commercial	34,759,164	2,493,392	160,486	(2,680,838)	34,732,204
Industrial	7,790,717	6,150	292,882	(33,103)	8,056,646
Pipelines	3,144,717	-	5,972	(1,992)	3,148,697
Landfill	343,195	-	-	-	343,195
Farmlands	20,081,018	4,343	(258,989)	232,515	20,058,887
Managed Forests	16,344	-	-	-	16,344
Other	407,661	907,597	14,548	(382,657)	947,149
Capping program	-	-	-	-	-
Total tax revenue	205,378,512	3,989,971	3,150,249	(4,411,143)	208,107,589

16. 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 $250,000 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, 2025 amounted to $7,015,147 (2024 - $5,803,062) and is reported on the Consolidated statement of financial position under reserves. The provision for the year of $1,224,079 (2024 - $1,224,079) less claims settled $949,366 (2024 - $1,040,034) 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 a $937,373 surplus (2024 – $625,585 surplus) have been transferred to/from the reserve.

17. Provincial Offences Administration

The Municipality cannot reliably estimate the collections of Provincial Offenses Administration revenue, accordingly, revenue is recognized on a 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 2025 were $1,690,406 (2024 - $1,737,705) and net loss was $476,644 (2024 net loss - $226,179).

18. 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 of persons and property

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.

Social housing

Social housing provides for a variety of housing services.

18. Segmented information (continued)

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.

19. Commitments

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

	$
2026	50,767,010
2027	13,137,727
2028	7,742,218
2029	240,698
2030	240,698
	72,128,351

(b) The Municipality has agreed to provide funding to various organizations in the community. The table below shows the Municipality's outstanding funding commitments:

	$
2026	5,258,000
2027	900,000
	6,158,000

20. Financial instruments and risks

Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant risks. There have been no changes in the Municipality's risk exposures from the prior year.

Credit risk

The Municipality is exposed to credit risk through its cash, taxes receivable, accounts receivable, notes receivable, and local improvement receivable. There is a possibility of non-collection of its accounts receivable. The majority of the Municipality's receivables are from rate payers and government entities. The Municipality mitigates its exposure to credit loss by placing its cash with major financial institutions.

Accounts receivable credit risk is resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

The Municipality manages its credit risk by limiting the amount of days aged in accounts receivable before appropriate action is taken.

The Municipality’s maximum exposure to credit risk at the financial statement date is the carrying value of accounts receivable and other accounts receivable as presented on the statement of financial position.

At year end, the amounts outstanding for the Municipality’s accounts receivable are as follows:

2025	**Current**	**31-60 days**	**61-90 days**	**>90 days**	**Total**
	$	**$**	**$**	**$**	**$**
Tax receivable	**-**	**-**	**-**	**16,560,178**	**16,560,178**
Account receivable	**48,584,000**	**72,147**	**776,952**	**378,791**	**49,811,890**
Other assets	**-**	**-**	**-**	**4,991,235**	**4,991,235**
Local improvement receivable	**-**	**-**	**-**	**31,019,389**	**31,019,389**
	48,584,000	**72,147**	**776,952**	**52,949,593**	**102,382,692**

2024	Current	31-60 days	61-90 days	>90 days	Total
	$	$	$	$	$
Tax receivable	-	-	-	13,935,627	13,935,627
Account receivable	58,124,885	21,124	12,850	235,775	58,394,634
Other assets	-	-	-	5,597,411	5,597,411
Local improvement receivable	-	-	-	33,552,522	33,552,522
	58,124,885	21,124	12,850	53,321,335	111,480,194

20. Financial instruments and risks (continued)

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its obligations as they become due. The Municipality is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, deferred revenue and long-term liabilities. The Municipality manages this risk by establishing budgets and funding plans to fund its expenses and debt repayments. The Municipality also maintains certain credit facilities, which can be drawn upon as needed.

The following tables sets out the expected maturities (representing undiscounted contractual cash-flow of financial liabilities):

2025	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	**71,482,977**	**73,756**	**-**	**71,556,733**
Accrued interest	**95,803**	**-**	**-**	**95,803**
Long-term liabilities	**2,686,486**	**9,807,771**	**2,125,308**	**14,619,565**
	74,265,266	**9,881,527**	**2,125,308**	**86,272,101**

2024	Within 1 year	1-5 years	Over 5 years	Total
	$	$	$	$
Accounts payable and accrued liabilities	60,692,748	51,323	-	60,744,071
Accrued interest	126,556	-	-	126,556
Long-term liabilities	5,869,665	10,721,177	3,708,858	20,299,700
	66,688,969	10,772,500	3,708,858	81,170,327

Interest rate risk

Interest rate risk is the risk of potential loss caused by fluctuations in fair value of cashflow of financial instruments due to the changes in market interest rates. The Municipality is exposed to this risk through its interest-bearing investments and long-term debt. The Municipality manages this risk through investing in fixed-rate securities of various term maturities and plans to hold the securities to maturity, as well as entering into fixed-rate debt agreements.

The Municipality is exposed to interest rate risk with respect to it's long-term liabilities with a fixed rates and maturities as described in Note 9.

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 that 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.

The Corporation of the Municipality of Chatham-Kent

Consolidated schedule of tangible capital assets
for the year ended December 31, 2025

	Land and land improvements	Buildings	Equipment	Vehicles	Underground linear	Plants and facilities	Bridges	Transportation	Other assets	Total 2025	Total 2024
	$	$	$	$	$	$	$	$	$		
Municipal											
Cost											
Balance, beginning of the year	72,917,506	194,939,399	48,082,997	78,432,879	143,808,447	3,614,166	271,293,132	527,490,606	5,074,990	1,345,654,122	1,302,989,610
Add: Additions during the year	6,052,959	20,254,070	4,069,270	7,913,527	6,663,745	-	11,095,151	27,423,090	677,169	84,148,980	76,144,289
Less: Disposals during the year	170,941	189,185	2,504,069	2,733,670	3,938,728	-	486,390	25,726,736	848,034	36,597,753	33,479,777
Balance, end of the year	78,799,524	215,004,284	49,648,199	83,612,736	146,533,463	3,614,166	281,901,893	529,186,959	4,904,125	1,393,205,349	1,345,654,122
Accumulated amortization											
Balance, beginning of the year	20,495,753	114,850,150	28,763,965	37,027,476	73,536,457	2,218,732	89,549,828	321,475,272	2,299,947	690,217,580	686,281,266
Add: Amortization for the year	1,314,739	3,844,231	3,148,244	5,165,495	2,498,355	56,129	4,415,702	17,171,462	579,805	38,194,161	36,966,755
Less: Accumulated amortization on disposals	170,941	174,996	2,356,489	2,067,690	3,938,728	-	332,139	25,726,736	848,034	35,615,753	33,123,779
Balance, end of the year	21,639,551	118,519,384	29,555,720	40,125,281	72,096,083	2,274,862	93,633,391	312,919,998	2,031,718	692,795,988	690,124,242
Net book value of municipal assets	57,159,973	96,484,900	20,092,479	43,487,455	74,437,380	1,339,304	188,268,502	216,266,961	2,872,407	700,409,361	655,529,880
Waterworks											
Cost											
Balance, beginning of the year	2,232,112.00	26,251,389.79	40,309,003.80	1,132,482.32	196,410,268.60	56,513,898.44	-	-	-	322,849,155	323,337,147
Add: Additions during the year	-	126,662	12,716.66	-	3,041,796	3,944,785	-	-	-	7,125,959	4,970,089
Less: Disposals during the year	-	-	2,830	16,571	7,120,982	-	-	-	-	7,140,382	5,458,080
Balance, end of the year	2,232,112	26,378,052	40,318,891	1,115,912	192,331,083	60,458,683	-	-	-	322,834,732	322,849,156
Accumulated amortization											
Balance, beginning of the year	-	18,301,450	27,448,453	602,513	73,107,405	22,079,052	-	-	-	141,538,874	140,059,974
Add: Amortization for the year	-	538,183	1,732,792	93,760	2,812,275	1,840,726	-	-	-	7,017,736	6,926,893
Less: Accumulated amortization on disposals	-	-	2,830	16,571	7,120,982	-	-	-	-	7,140,382	5,447,993
Balance, end of the year	-	18,839,633	29,178,415	679,703	68,798,699	23,919,778	-	-	-	141,416,228	141,538,874
Net book value of waterworks assets	2,232,112	7,538,419	11,140,476	436,209	123,532,384	36,538,905	-	-	-	181,418,504	181,310,282
Wastewater											
Cost											
Balance, beginning of the year	4,677,355	60,138,637	50,280,361	940,721	114,002,789	21,604,812	-	-	-	251,644,672	246,470,511
Add: Additions during the year			526,955		2,682,893	1,382,362	-	-	-	4,592,215	5,219,482
Less: Disposals during the year			159,512	11,047	2,552,346	22,160	-	-	-	2,745,066	45,321
Balance, end of the year	4,677,355	60,138,637	50,647,804	929,673	114,133,335	22,965,014	-	-	-	253,491,820	251,644,672
Accumulated amortization											
Balance, beginning of the year	-	45,454,318	37,200,912	420,737	57,362,545	11,218,140	-	-	-	151,656,652	146,192,544
Add: Amortization for the year	-	1,497,712	1,532,017	36,432	1,893,768	604,805	-	-	-	5,564,734	5,509,427
Less: Accumulated amortization on disposals	-	-	159,512	11,047	2,552,346	22,160	-	-	-	2,745,066	45,321
Balance, end of the year	-	46,952,030	38,573,417	446,121	56,703,967	11,800,785	-	-	-	154,476,320	151,656,650
Net book value of wastewater assets	4,677,355	13,186,607	12,074,387	483,552	57,429,369	11,164,229	-	-	-	99,015,501	99,988,022
Assets under construction		-	-	-	-	-	-	-	-	91,108,202	109,431,607
Total value of tangible capital assets	64,069,440	117,209,926	43,307,343	44,407,216	255,399,132	49,042,438	188,268,502	216,266,961	2,872,407	1,071,951,568	1,046,259,791

The Corporation of the Municipality of Chatham-Kent

Consolidated schedule of segment disclosure
for the year ended December 31, 2025

	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	2025 Consolidated	2024 Consolidated
	$	$	$	$	$	$	$	$	$	$	$		
Revenues													
Taxation	8,306,190	74,496,786	50,214,054	12,604,849	12,730,054	18,139,701	8,549,743	33,695,002	3,302,500		-	222,038,879	208,107,588
User charges	1,562,824	667,469	2,865,330	6,060,962	1,096,245	9,479,484	3,603,223	6,173,217	729,884	64,288,191	8,480,315	105,007,144	93,559,594
Government transfers	2,380,126	7,268,614	19,976,498	68,000	19,134,304	100,641,862	3,214,561	593,283	5,644,426	-	21,403,929	180,325,603	177,606,474
Other	212,037	1,901,724	1,281,844	321,771	324,968	463,063	218,254	860,152	84,305	-	27,294,077	32,962,195	33,773,067
	12,461,177	84,334,593	74,337,726	19,055,582	33,285,571	128,724,110	15,585,781	41,321,654	9,761,115	64,288,191	57,178,321	540,333,821	513,046,723
Expenses													
Salaries and benefits	28,149,646	61,616,441	13,544,644	3,504,245	10,923,722	48,538,222	3,570,614	15,048,289	4,949,789	10,112,303	-	199,957,915	180,695,977
Goods and services	27,587,392	5,538,145	25,502,128	12,016,182	18,542,402	34,209,170	8,168,596	14,857,234	1,451,165	20,061,517	-	167,933,931	163,324,261
Interest	-	-	-	-	-	27,215	64,275	154,263	84,731	464,303	-	794,787	1,106,677
Transfers (to) from other segments	(44,417,866)	12,444,507	10,260,853	1,096,338	2,719,532	8,047,972	(229,851)	6,634,542	768,784	2,675,189	-	-	-
External transfers	(5,187)	1,705,801	-	-	330,000	36,510,398	3,412,381	1,027,125	2,472,942	-	-	45,453,460	43,585,314
Amortization	1,147,192	3,029,699	25,030,101	2,438,817	769,915	1,391,133	599,766	3,600,201	33,704	12,829,441	-	50,869,969	49,403,074
	12,461,177	84,334,593	74,337,726	19,055,582	33,285,571	128,724,110	15,585,781	41,321,654	9,761,115	46,142,753	-	465,010,062	438,115,303
Net surplus	-	-	-	-	-	-	-	-	-	18,145,438	57,178,321	75,323,759	74,931,420