

Consolidated financial statements of

The Corporation of the Municipality of Chatham-Kent

December 31, 2024

The Corporation of the Municipality of Chatham-Kent

December 31, 2024

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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 2024 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
August 25, 2025

Matt Torance
Director of Financial Services

Gord Quinton
Treasurer

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, 2024, and the consolidated statements of operations, 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, 2024, 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.

MNP LLP

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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

August 25, 2025

Licensed Public Accountants

MNP
LLP

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of financial position

as at December 31, 2024

	2024	2023
	\$	\$
Financial assets		
Cash	133,226,348	151,075,030
Taxes receivable (Note 3)	13,935,627	12,992,004
Accounts receivable	58,394,634	57,072,132
Investments (Note 4)	231,503,303	169,311,505
Investment in Entegrus Inc. (Note 5)	62,178,851	63,644,759
Note receivable from Entegrus Inc. (Notes 5,6)	-	23,523,326
Land held for resale	1,117,294	1,117,294
Other assets	5,597,411	4,940,092
Local improvements receivable (Note 12)	33,552,522	32,454,617
	539,505,990	516,130,759
Liabilities		
Accounts payable and accrued liabilities	60,744,071	53,694,689
Accrued interest (Note 11)	126,556	194,750
Accrued employee benefits (Note 7)	51,356,808	52,021,201
Deferred revenue (Note 9)	48,918,315	45,902,512
Long-term liabilities (Note 10,11)	20,299,699	29,840,647
Asset retirement obligations (Note 14)	25,296,219	25,236,969
	206,741,668	206,890,768
Net financial assets	332,764,322	309,239,991
Non-financial assets		
Tangible capital assets (Note 13)	1,046,259,791	996,281,044
Inventory	50,646	75,646
Prepaid expenses	4,390,558	2,937,216
	1,050,700,995	999,293,906
Accumulated surplus (Note 15)	1,383,465,317	1,308,533,897

Commitments (Note 20)

Contingent liabilities (Note 23)

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, 2024

	2024	2024	2023
	Budget	Actual	Actual
	\$	\$	\$
Revenues			
Taxation and user charges			
Property taxation (Note 16)	211,709,078	208,107,588	193,163,170
User charges	85,281,295	93,559,594	93,865,895
	296,990,373	301,667,182	287,029,065
Government transfers			
Government of Canada	7,995,869	13,862,206	16,891,241
Province of Ontario	147,227,077	163,744,268	158,209,459
	155,222,946	177,606,474	175,100,700
Other			
Investment income	5,706,000	16,342,430	13,591,978
Penalties and interest on taxes	1,322,897	1,606,085	1,583,003
Contributions from landowners and developers	-	6,420,640	7,380,825
Sale of land and equipment	235,900	180,651	3,346,701
Provincial offences administration (Note 18)	1,977,500	1,737,705	1,748,283
Other	7,498,558	780,479	883,751
Gain (loss) on sale of tangible capital assets	-	(122,259)	20,027
	16,740,855	26,945,731	28,554,568
Total revenue	468,954,174	506,219,387	490,684,333
Expenses			
General government	15,771,137	23,965,258	17,553,510
Protection of persons and property	74,659,621	75,507,496	69,497,091
Transportation services	59,257,032	71,724,911	71,782,696
Environmental services	86,575,845	62,890,756	63,787,706
Health services	30,831,970	32,573,121	31,531,706
Social and family services	128,604,583	113,872,709	107,611,088
Social housing	16,981,098	17,065,807	14,823,186
Recreation and cultural services	29,721,417	32,196,433	30,332,671
Planning and development	7,371,547	8,318,812	9,860,552
Total expenses	449,774,249	438,115,303	416,780,206
Excess revenue over expenses before other items	19,179,924	68,104,084	73,904,127
Other items			
Income from Entegrus Inc.	5,392,176	6,827,336	11,343,137
Excess of revenues over expenses	24,572,100	74,931,420	85,247,264
Accumulated surplus, beginning of year	1,308,533,897	1,308,533,897	1,246,913,860
Change in accounting policy	-	-	(23,627,227)
Accumulated surplus, end of year	1,333,105,998	1,383,465,317	1,308,533,897

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, 2024

	2024	2023
	\$	\$
Excess of revenues over expenses	74,931,420	85,247,264
Acquisition of tangible capital assets	(79,903,130)	(58,513,604)
Increase in assets under construction	(13,414,047)	(7,422,740)
Contributed (donated) tangible capital assets	(6,420,640)	(6,085,746)
Amortization of tangible capital assets	49,403,074	47,864,552
(Gain) loss on sale of tangible capital assets	122,259	(20,027)
Proceeds of sale of tangible capital assets	233,739	487,568
Change in inventory	25,000	-
Change in prepaids	(1,453,344)	(499,909)
Change in net financial assets	23,524,331	61,057,358
 Net financial assets, beginning of year	 309,239,991	 273,467,773
 Change in accounting policy	 -	 (25,285,140)
Net financial assets, end of year	332,764,322	309,239,991

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of cash flows for the year ended December 31, 2024

	2024	2023
	Actual \$	Actual \$
Operating transactions		
Excess of revenues over expenses	74,931,420	85,247,264
Items not involving cash		
Amortization	49,403,074	47,864,552
Contributed (donated) tangible capital assets	(6,420,640)	(6,085,746)
(Gain) loss on sale of tangible capital assets	122,259	(20,027)
Income from subsidiaries	(2,680,714)	(5,051,710)
Change in taxes receivable	(943,623)	(4,108,018)
Change in accounts receivable	(1,322,502)	(15,728,728)
Change in land held for resale	-	851,000
Change in other assets	(657,319)	(943,025)
Change in local improvements receivable	(1,097,905)	276,240
Change in accounts payable and accrued liabilities	7,049,382	(2,634,920)
Change in obligations to be funded from future revenues	(732,587)	(988,983)
Change in inventory	25,000	-
Change in prepaid expenses	(1,453,344)	(499,909)
Change in asset retirement obligation	59,250	-
Change in deferred revenue	3,015,803	(2,584,954)
	119,297,554	95,593,036
Financing transactions		
Long-term debt repayment	(9,540,948)	(8,616,773)
Capital transactions		
Acquisition of tangible capital assets	(93,317,177)	(65,984,614)
Proceeds of sale of tangible capital assets	233,739	487,568
	(93,083,438)	(65,497,046)
Investing transactions		
Dividends received from Entegrus Inc.	4,146,622	6,291,427
Note payable repayment	23,523,326	-
Net purchase of investments	(62,191,798)	(30,132,513)
	(34,521,850)	(23,841,086)
Net change in cash	(17,848,682)	(2,361,869)
Cash, beginning of year	151,075,030	153,436,899
Cash, end of year	133,226,348	151,075,030

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

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.

Subsidiaries

Entegrus Inc. is 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 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.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

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 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.).

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

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

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

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.

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.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

1. Significant accounting policies (continued)

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.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension 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.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

2. Change in accounting policy

Effective January 1, 2024, the Municipality adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of revenue under PS3400 Revenue. The new standard establishes when to recognize and how to measure revenue and provides the related financial statement presentation and disclosure requirements. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, revenue was recognized when the amount is determinable, collectability is assured and the service has been provided. Under the new standard, revenue is differentiated between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions", as described in Note 1.

There was no material impact on the financial statements from the prospective application of the new accounting recommendations.

3. Taxes receivable

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

	2024	2023
	\$	\$
Taxes receivable	11,773,885	10,526,282
Penalties and interest	2,474,859	2,623,393
Allowance for uncollectible taxes	(313,117)	(157,671)
	13,935,627	12,992,004

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 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 \$231,503,303 (2023 - 169,311,505). The investments are comprised of Principally Guaranteed Pooled Investments with CIBC. The market value of these investments at December 31, 2024 amounted to \$253,088,343 (2023 - \$169,400,607).

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

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).

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

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, 2024:

	2024	2023
	\$	\$
Financial position		
Assets		
Current	47,246,457	42,820,602
Capital	192,355,128	180,114,933
Other	38,231,363	47,282,576
	277,832,948	270,218,111
Liabilities		
Current	34,342,696	36,739,128
Notes payable to Municipality of Chatham-Kent	-	23,523,326
Other	138,277,195	97,925,313
Total liabilities	172,619,891	158,187,767
Equity		
Share capital	52,161,260	52,161,260
Share Premium	16,571,469	16,571,469
Hedging Reserve	(2,473,282)	1,449,329
Retained earnings	33,973,550	36,023,958
	100,232,997	106,206,016
Regulatory		
Regulatory credit balances	4,980,060	5,824,328
Total liabilities equity and regulatory	277,832,948	270,218,111

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

5. Investment in Entegrus Inc. (continued)

	2024	2023
	\$	\$
Financial activities		
Revenue	200,760,938	182,119,239
Expenses	195,414,484	176,124,225
	5,346,454	5,995,014
Provision for taxes	870,398	285,677
Net movement in regulatory balances, net of tax	(353,601)	(1,828,065)
Remeasurement of employee benefits	(21,660)	81,055
Unrealized loss on investment	1,101,725	390,375
Dividends paid	5,800,000	8,800,000
Change in retained earnings	(2,050,408)	(1,734,028)
Municipality of Chatham-Kent's investment represented by:		
Investment in shares of Entegrus	31,595,798	31,595,798
Accumulated profit less dividends received	30,583,053	32,048,961
	62,178,851	63,644,759
Corix Utilities' investment represented by:		
Investment in shares of Entegrus	3,886,352	3,886,352
Accumulated profit less dividends received	2,182,623	2,345,363
	6,068,975	6,231,715
St. Thomas Energy Inc. investment represented by:		
Investment in shares of Entegrus	16,679,110	16,679,110
Accumulated profit less dividends received	1,207,875	1,629,634
	17,886,985	18,308,744

(a) Equity in Entegrus Inc.

	2024	2023
	\$	\$
Balance, beginning of year	87,168,085	88,407,802
Changes during the year		
Promissory note payment	(23,523,326)	-
Net earnings for the year	2,680,714	5,051,710
Dividends paid	(4,146,622)	(6,291,427)
Balance, end of year	62,178,851	87,168,085
	2024	2023
	\$	\$
Investment in Entegrus Inc.	62,178,851	63,644,759
Notes receivable from Entegrus Inc.	-	23,523,326
Balance, end of year	62,178,851	87,168,085

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

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, 2024 and December 31, 2023:

	2024	2023
	\$	\$
Transactions		
Revenue		
Administrative services	163,177	159,978
Interest on promissory note	1,037,325	1,067,964
Expenses		
Energy purchases (at commercial rates)	6,031,283	5,626,373
Billing and collection services - water/wastewater	2,324,082	2,278,514
Streetlight maintenance	354,722	358,934
Balances		
Amounts due from Entegrus Inc.		
Promissory note receivable	-	23,523,326
Accounts receivable	8,836,992	11,780,822

6. Note receivable from Entegrus Inc.

The note receivable from Entegrus Inc. was repaid on December 20, 2024, and bore interest at 4.54% payable monthly. The Municipality received interest payments totaling \$1,037,325 in the current year (2023 – \$1,067,964).

7. Accrued employee benefits

The Municipality has accrued employee benefits as follows:

	2024	2023
	\$	\$
Employee future benefits	45,873,700	46,270,788
Workplace safety and insurance obligations	1,069,100	1,090,122
Vacation credits	4,414,008	4,660,291
	51,356,808	52,021,201

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

7. Accrued employee benefits (continued)

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, 2024 of \$45,873,700 (2023 - \$46,270,788) was determined by actuarial valuation using a discount rate of 4.60% (2023 - 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.

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

	2024	2023
	\$	\$
Accrued benefit liability as at January 1, 2024	39,218,200	37,085,296
Current benefit costs	1,522,100	1,426,363
Interest	1,770,500	1,820,230
Actuarial (gain) loss	11,460,000	1,674,079
Benefits paid	(2,973,500)	(2,787,779)
Net	11,779,100	2,132,893
Benefit obligation at end of period	50,997,300	39,218,189
Unamortized actuarial gain (loss)	(5,123,600)	7,052,599
Estimated accrued benefit liability as at December 31, 2024	45,873,700	46,270,788

Included in expenses is \$716,200 (2023 - \$994,855) for amortization of the actuarial loss. 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 2024 and thereafter.

(ii) Interest (discount) rate

The present value as at December 31, 2024 of the future benefits was determined using a discount rate of 4.60%. The expense for the year ended December 31, 2023, 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.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

7. Accrued employee benefits (continued)

(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 \$1,069,100 (2023 - \$1,090,122). 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 \$2,339,222 (2023 - \$2,475,407). 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, 2024 is \$4,414,008 (2023 - \$4,660,291) 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.

8. Pension agreement

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer plan, on behalf of 1557 (2023 - 1514) 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 2024 calendar year at rates ranging from 9.0% to 15.8% (2023 - 9.0% to 15.8%) depending on the member's designated retirement age and level of earnings. The amount contributed to OMERS for 2024 was \$12,036,150 (2023 - \$11,260,422) for current service and this is included on the Consolidated statement of operations and accumulated surplus. As at December 31, 2024 the OMERS plan is in a deficit of \$2.9 Billion (2023 - deficit of \$4.2 Billion), which will be addressed through temporary contribution rate increases, benefit reductions, and investment returns.

9. 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 Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

9. Deferred revenue - obligatory reserve funds (continued)

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 31-2024 and Dec 31-2023 respectfully:

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-buildling 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	6,833,832	4,732,644	4,416,415
Other	6,779,174	11,950,204	11,373,857	7,355,520
Total deferred revenue	45,902,512	42,981,501	39,965,697	48,918,315

2023	Balance at 31-Dec-22	Inflow	Revenue Earned	Balance at 31-Dec-23
	\$	\$	\$	\$
For development charges Municipal	324,314	2,093,904	98,397	2,319,821
For development charges PUC	166,114	1,240,532	1,406,646	-
For building code act	6,928,733	186,517	248,065	6,867,185
For parkland purposes	347,952	34,610	20,449	362,113
For Canada community-buildling fund	26,071,343	34,159,120	37,190,772	23,039,691
For Provincial gas tax	2,065,374	1,335,622	1,382,558	2,018,438
Deferred revenue - obligatory reserve funds	35,903,830	39,050,305	40,346,887	34,607,248

Other deferred revenue				
Deferred taxes	1,965,740	17,951,159	17,716,036	2,200,863
Deferred grants	2,385,795	4,543,290	4,613,859	2,315,227
Other	8,232,101	10,043,163	11,496,090	6,779,174
Total deferred revenue	48,487,466	71,587,917	74,172,872	45,902,512

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

10. 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:

	2024	2023
	\$	\$
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.	<u>20,299,699</u>	<u>29,840,647</u>

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

	2025 to 2029	2030 to 2033
	\$	\$
From general municipal revenue	2,745,776	2,123,708
From benefiting landowners	3,264,162	531,818
From benefiting water ratepayers	4,318,915	354,164
From benefiting wastewater ratepayers	<u>6,261,989</u>	<u>699,167</u>
	<u>16,590,842</u>	<u>3,708,857</u>

- (c) Included in the principal amount in a) is \$1,422,729 (2023 - \$1,917,204) 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, 2024

11. Charges for net long-term liabilities

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

	2024	2023
	\$	\$
Beginning balance	29,840,647	38,457,420
Principal payments	(9,540,948)	(8,616,773)
Ending balance	20,299,699	29,840,647

Net interest payments related to long-term liabilities in the current year were \$1,111,891 (2023 - \$1,493,371) 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 \$126,556 (2023 - \$194,750) and is reported as an accrued liability on the Consolidated statement of financial position.

12. 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.

	2024	2023
	\$	\$
Local improvements receivable for capital projects on tax roll		
Wastewater	304,250	377,527
Water	819,663	952,785
Drainage	32,406,622	31,066,181
Other	21,987	58,124
	33,552,522	32,454,617

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

13. Tangible capital assets

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

	2024	2023
	\$	\$
Land and land improvements	59,331,219	54,871,898
Buildings	102,816,845	103,794,904
Equipment	45,271,834	47,126,479
Vehicles	42,453,169	43,664,908
Underground linear	250,215,096	242,148,671
Plants and facilities	46,206,340	47,944,893
Bridges	181,743,304	157,819,472
Transportation	206,015,334	200,255,305
Other assets	2,775,043	2,636,954
	936,828,184	900,263,484
Assets under construction	109,431,607	96,017,560
	1,046,259,791	996,281,044

During the year, additions to assets under construction were \$93,071,984 (2023 - \$65,936,344) and \$79,693,605 (2023 - \$58,513,604) was transferred to the other tangible capital asset classes.

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

14. 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, 2024 is as follows:

	2024	2023
	\$	\$
Asset retirement obligation, beginning of year	25,236,969	-
Additions to asset retirement obligations	59,250	25,236,969
Asset retirement obligation, end of year	25,296,219	25,236,969

The undiscounted future expenditures are \$25,296,219 (2023 - \$25,236,969). Due to the 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.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

15. Accumulated surplus

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

	2024	2023
	\$	\$
Surplus		
Invested in tangible capital assets	1,036,656,998	987,676,844
Entegrus, net equity	62,178,851	87,168,085
Prelevies for benefitting landowners	97,648	57,649
Other	28,358,708	5,747,617
Obligations to be funded from future years	(114,529)	(330,790)
Unfunded		
Asset retirement obligations	(25,296,219)	(25,236,969)
Employee future benefits, workplace safety and vacation	(48,977,273)	(49,551,571)
Accrued interest on long-term liabilities	(126,556)	(194,750)
Accrued Environmental Liability	(200,000)	(200,000)
	1,052,577,628	1,005,136,115
Surplus allocated to reserves		
For acquisition of tangible capital assets	149,414,236	137,884,048
For public liability insurance	3,701,402	3,074,014
For various programs, facilities	89,410,637	82,185,058
For strategic and community development	21,413,682	24,547,159
For water	22,342,884	17,601,163
For wastewater	44,328,632	37,838,574
	330,611,473	303,130,016
Surplus allocated to reserve funds		
For parking purposes	276,216	267,766
Total accumulated surplus	1,383,465,317	1,308,533,897

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

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:

	2024	2023
	\$	\$
Taxation	25,756,947	24,975,074
Requisitions	(25,756,947)	(24,975,074)
Net levy for the year	-	-

Included in accounts payable are levies owing to the school board totaling \$46,569 (2023 - \$350,740 in levies were owing from the school board).

b) Taxation revenue by major tax class

2024	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2024 Total
	\$	\$	\$	\$	
Residential	130,929,923	578,489	2,878,800	(1,527,408)	132,859,804
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	(4,411,144)	208,107,588

2023	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2023 Total
	\$	\$	\$	\$	
Residential	121,533,934	601,422	2,065,757	(1,712,756)	122,488,357
Multi-Residential	7,277,018	-	51,858	(50,901)	7,277,975
Commercial	32,560,865	2,872,140	448,672	(2,718,526)	33,163,151
Industrial	7,209,936	8,423	75,966	(127,429)	7,166,896
Pipelines	2,950,097	-	12,598	(11,990)	2,950,705
Landfill	312,720	-	-	-	312,720
Farmlands	18,471,075	4,570	103,748	270,183	18,849,576
Managed Forests	15,334	-	-	-	15,334
Other	363,843	621,983	13,109	(77,763)	921,172
Capping program	-	-	-	17,284	17,284
Total tax revenue	190,694,822	4,108,538	2,771,708	(4,411,898)	193,163,170

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

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 \$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, 2024 amounted to \$5,803,062 (2023 - \$4,993,432) and is reported on the Consolidated statement of financial position under reserves. The provision for the year of \$1,224,079 (2023 - \$1,209,079) less claims settled \$1,040,034 (2023 - \$957,260) 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 -\$625,585 (2023 - \$1,064,286) have been transferred to/from the reserve.

18. Provincial Offences Administration

The Municipality cannot reliably estimate the collections of Provincial Offenses 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 2024 were \$1,737,705 (2023 - \$1,748,283) and net loss was \$226,179 (2023 net revenue - \$115,603).

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 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.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

19. 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.

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:

	\$
2025	22,930,546
2026	9,928,150
2027	8,547,513
2028	6,718,195
2029	240,698
2030	240,698
	<hr/> <u>48,605,800</u>

- (b) The table below shows the Municipality's outstanding long-term commitments:

	\$
2025	4,758,000
2026	900,000
2027	900,000
	<hr/> <u>6,558,000</u>

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

21. 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:

2024					
	Current	31-60 days	61-90 days	>90 days	Total
	\$	\$	\$	\$	\$
Tax receivable	-	-	-	13,935,627	13,935,627
Account receivable	58,125,385	21,124	12,850	235,275	58,394,634
Local improvement receivable	-	-	-	33,552,522	33,552,522
	58,125,385	21,124	12,850	47,723,424	105,882,783

2023					
	Current	31-60 days	61-90 days	>90 days	Total
	\$	\$	\$	\$	\$
Tax receivable	-	-	-	12,992,004	12,992,004
Account receivable	56,710,656	38,629	13,222	309,625	57,072,132
Note receivable from Entegrus Inc.	-	-	-	23,523,326	23,523,326
Local improvement receivable	-	-	-	32,454,617	32,454,617
	56,710,656	38,629	13,222	69,279,572	126,042,079

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

21. 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):

	2024			
	Within 1 year	1-5 years	Over 5 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	60,692,748	51,323	-	60,744,071
Deferred revenue	6,301,852	4,973,358	37,643,105	48,918,315
Long-term liabilities	5,869,664	10,721,177	3,708,858	20,299,699
	72,864,264	15,745,858	41,351,963	129,962,085

	2023			
	Within 1 year	1-5 years	Over 5 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	53,689,310	3,286	2,093	53,694,689
Deferred revenue	2,617,374	14,712,925	28,572,213	45,902,512
Long-term liabilities	10,107,848	13,848,830	5,883,969	29,840,647
	66,414,532	28,565,041	34,458,275	129,437,848

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 its long-term liabilities with a fixed rates and maturities as described in Note 10.

22. 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.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2024

23. 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

as at December 31, 2024

	Land and land improvements	Buildings	Equipment	Vehicles	Underground linear	Plants and facilities	Bridges	Transportation	Other assets	Total 2024	Total 2023
Municipal Cost											
Balance, beginning of the year	67,046,136	190,462,577	45,734,206	76,235,181	137,364,716	3,614,166	243,580,021	534,273,460	4,679,147	1,302,989,610	1,263,159,418
Add: Additions during the year	5,871,370	4,962,088	3,583,823	3,812,895	6,653,553	-	28,159,055	22,394,142	707,363	76,144,289	45,430,439
Less: Disposals during the year	-	485,266	1,235,031	1,615,197	209,823	-	445,944	29,176,996	311,520	33,479,777	5,600,247
Balance, end of the year	72,917,506	194,939,399	48,082,998	78,432,879	143,808,446	3,614,166	271,293,132	527,490,606	5,074,990	1,345,654,122	1,302,989,610
Accumulated amortization											
Balance, beginning of the year	19,083,706	111,369,960	26,935,888	33,546,869	71,367,529	2,156,418	85,760,549	334,018,155	2,042,192	686,281,266	655,506,952
Add: Amortization for the year	1,412,048	3,872,118	2,964,600	4,861,545	2,378,751	62,314	4,211,991	16,634,113	569,275	36,966,755	35,907,021
Less: Accumulated amortization on disposals	-	485,266	1,136,523	1,380,939	209,823	-	422,712	29,176,996	311,520	33,123,779	5,132,707
Balance, end of the year	20,495,754	114,756,812	28,763,965	37,027,475	73,536,457	2,218,732	89,549,828	321,475,272	2,299,947	690,124,242	686,281,266
Net book value of municipal assets	52,421,752	80,182,587	19,319,033	41,405,404	70,271,989	1,395,434	181,743,304	206,015,334	2,775,043	655,529,880	616,708,344
Waterworks Cost											
Balance, beginning of the year	2,232,112	26,251,390	39,942,331	1,014,945	197,987,608	55,908,761	-	-	-	323,337,147	307,734,414
Add: Additions during the year	-	-	378,949	209,700	3,776,303	605,137	-	-	-	4,970,089	15,810,679
Less: Disposals during the year	-	-	-	94,351	5,353,642	10,087	-	-	-	5,458,080	207,946
Balance, end of the year	2,232,112	26,251,390	40,321,280	1,130,294	196,410,269	56,503,811	-	-	-	322,849,156	323,337,147
Accumulated amortization											
Balance, beginning of the year	-	17,763,531	25,728,735	606,386	75,705,633	20,255,689	-	-	-	140,059,974	133,729,380
Add: Amortization for the year	-	537,919	1,719,718	90,478	2,755,415	1,823,363	-	-	-	6,926,893	6,538,540
Less: Accumulated amortization on disposals	-	-	-	94,351	5,353,642	-	-	-	-	5,447,993	207,946
Balance, end of the year	-	18,301,450	27,448,453	602,513	73,107,406	22,079,052	-	-	-	141,538,874	140,059,974
Net book value of waterworks assets	2,232,112	7,949,940	12,872,827	527,781	123,302,863	34,424,759	-	-	-	181,310,282	183,277,173
Wastewater Cost											
Balance, beginning of the year	4,677,355	60,138,636	49,783,811	962,627	109,426,380	21,481,702	-	-	-	246,470,511	243,177,793
Add: Additions during the year	-	-	496,550	-	4,599,822	123,110	-	-	-	5,219,482	3,358,232
Less: Disposals during the year	-	-	-	21,907	23,414	-	-	-	-	45,321	65,514
Balance, end of the year	4,677,355	60,138,636	50,280,361	940,720	114,002,788	21,604,812	-	-	-	251,644,672	246,470,511
Accumulated amortization											
Balance, beginning of the year	-	43,924,208	35,669,244	394,590	55,556,872	10,647,630	-	-	-	146,192,544	140,839,066
Add: Amortization for the year	-	1,530,110	1,531,143	48,053	1,829,086	571,035	-	-	-	5,509,427	5,418,992
Less: Accumulated amortization on disposals	-	-	-	21,907	23,414	-	-	-	-	45,321	65,514
Balance, end of the year	-	45,454,318	37,200,387	420,736	57,362,544	11,218,665	-	-	-	151,656,650	146,192,544
Net book value of wastewater assets	4,677,355	14,684,318	13,079,974	519,984	56,640,244	10,386,147	-	-	-	99,988,022	100,277,967
Assets under construction	-	-	-	-	-	-	-	-	-	109,431,607	96,017,560
Total value of tangible capital assets	59,331,219	102,816,845	45,271,834	42,453,169	250,215,096	46,206,340	181,743,304	206,015,334	2,775,043	1,046,259,791	996,281,044

The Corporation of the Municipality of Chatham-Kent

Consolidated schedule of segment disclosure
year ended December 31, 2024

	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	2024 Consolidated	2023 Consolidated
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Taxation	8,964,913	68,311,738	46,412,427	13,288,765	12,458,665	12,764,968	10,840,856	26,127,830	5,662,164	-	3,275,262	208,107,588	193,163,170
User charges	1,261,087	557,537	1,249,427	5,413,582	1,034,805	9,260,961	3,327,863	5,633,838	761,831	57,068,669	7,989,994	93,559,594	93,865,895
Government transfers	13,739,258	6,638,221	24,063,057	-	19,079,651	91,846,780	2,897,088	434,765	1,894,817	-	17,012,837	177,606,474	175,100,700
Other	-	-	-	-	-	-	-	-	-	-	33,773,067	33,773,067	39,897,705
	23,965,258	75,507,496	71,724,911	18,702,347	32,573,121	113,872,709	17,065,807	32,196,433	8,318,812	57,068,669	62,051,160	513,046,723	502,027,470
Expenses													
Salaries and benefits	30,576,024	52,990,989	12,381,460	3,478,627	9,865,895	41,567,816	3,355,013	13,530,635	4,317,440	8,632,078	-	180,695,977	166,672,103
Goods and services	24,583,431	7,147,905	32,668,178	11,865,802	17,764,836	29,686,709	10,077,256	8,264,890	1,564,148	19,701,106	-	163,324,261	161,704,102
Interest	-	-	-	-	-	144,756	90,525	169,467	72,677	629,252	-	1,106,677	1,489,551
Transfers (to) from other segments	(32,425,416)	11,029,511	2,524,084	1,019,203	2,443,683	6,328,304	10,334	5,718,273	809,030	2,542,994	-	-	-
External transfers	108,723	1,499,102	-	-	1,700,000	34,819,211	3,002,013	934,452	1,521,813	-	-	43,585,314	39,049,898
Amortization	1,122,496	2,839,989	24,151,189	2,338,715	798,707	1,325,913	530,666	3,578,716	33,704	12,682,979	-	49,403,074	47,864,552
	23,965,258	75,507,496	71,724,911	18,702,347	32,573,121	113,872,709	17,065,807	32,196,433	8,318,812	44,188,409	-	438,115,303	416,780,206
Net surplus	-	-	-	-	-	-	-	-	-	12,880,260	62,051,160	74,931,420	85,247,264