

Consolidated financial statements of

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

December 31, 2021

The Corporation of the Municipality of Chatham-Kent

December 31, 2021

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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 accompanying 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, 2021, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Chatham-Kent as at December 31, 2021 and the results of its operations, changes in 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Council for the Financial Statements

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

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

Council is responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Chartered Professional Accountants
Licensed Public Accountants
TO BE DATED

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of financial position as at December 31, 2021

	2021	2020
	\$	\$
		(Note 20)
Financial assets		
Cash	210,452,171	171,168,086
Taxes receivable	8,883,714	8,196,661
Accounts receivable	44,449,683	44,147,569
Investments (Note 2)	64,783,177	66,225,362
Investment in Entegrus Inc. (Note 3)	60,577,560	59,967,156
Note receivable from Entegrus Inc. (Notes 3,4)	23,523,326	23,523,326
Land held for resale	3,101,544	3,202,012
Other assets	1,987,807	719,880
Local improvements receivable (Note 10)	27,693,298	24,633,839
	445,452,280	401,783,891
Liabilities		
Accounts payable and accrued liabilities	48,183,172	43,895,262
Accrued interest (Note 9)	323,781	384,044
Accrued employee benefits (Note 5)	51,429,222	48,227,011
Deferred revenue (Note 7)	50,817,679	49,615,578
Long-term liabilities (Note 8)	47,909,944	57,077,925
	198,663,798	199,199,820
Net financial assets	246,788,482	202,584,071
Non-financial assets		
Tangible capital assets (Notes 11,20)	933,165,094	900,480,203
Inventory	83,928	90,491
Prepaid expenses	462,303	260,735
	933,711,325	900,831,429
Accumulated surplus (Note 12)	1,180,499,807	1,103,415,500

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, 2021

	2021	2021	2020
	Budget	Actual	Actual
	\$	\$	\$
	(Note 18)		(Note 20)
Revenues			
Taxation and user charges			
Property taxation (Note 13)	164,202,507	172,825,136	164,434,351
User charges	79,952,766	80,628,806	78,995,023
	244,155,273	253,453,942	243,429,374
Government transfers			
Government of Canada	9,037,077	17,162,639	8,447,445
Province of Ontario	121,289,172	134,783,385	124,617,369
	130,326,249	151,946,024	133,064,814
Other			
Investment income	2,851,000	4,256,482	3,826,281
Penalties and interest on taxes	1,200,000	1,040,354	1,237,878
Contributions from landowners and developers (Note 20)	-	14,920,380	3,384,599
Sale of land and equipment	90,739	1,374,206	261,819
Provincial offences administration (Note 15)	1,977,500	1,571,592	1,363,177
Other	807,221	1,019,519	1,011,277
Loss on sale of tangible capital assets	-	(100,138)	(1,563,330)
	6,926,460	24,082,395	9,521,701
Total revenue	381,407,982	429,482,361	386,015,889
Expenses			
General government	12,048,553	9,248,418	3,054,864
Protection of persons and property	66,880,086	75,781,010	69,389,003
Transportation services (Note 20)	55,693,904	58,473,671	55,699,440
Environmental services (Note 20)	54,864,385	54,245,775	52,962,333
Health services	28,583,890	27,195,724	24,213,278
Social and family services	96,708,278	88,279,739	84,718,772
Social housing	12,913,666	13,677,907	14,242,511
Recreation and cultural services	25,284,358	23,088,779	21,296,596
Planning and development	6,843,111	7,164,057	11,983,282
Total expenses	359,820,231	357,155,080	337,560,079
Excess revenue over expenses before other items	21,587,751	72,327,281	48,455,810
Other items			
Income from Entegrus Inc.	4,050,000	4,757,026	4,994,126
Excess of revenues over expenses	25,637,751	77,084,307	53,449,936
Accumulated surplus, beginning of year (Note 20)	1,103,415,500	1,103,415,500	1,049,965,564
Accumulated surplus, end of year	1,129,053,251	1,180,499,807	1,103,415,500

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, 2021

	2021	2020
	\$	\$ (Note 20)
Excess of revenues over expenses	77,084,307	53,449,936
Acquisition of tangible capital assets	(37,119,263)	(42,296,189)
Increase in assets under construction	(26,932,960)	(10,101,829)
Contributed tangible capital assets	(11,755,280)	(1,709,284)
Amortization of tangible capital assets	42,588,145	43,032,474
Loss on sale of tangible capital assets	100,138	1,563,330
Proceeds of sale of tangible capital assets	434,329	531,794
Change in inventory	6,563	9,973
Change in prepaids	(201,568)	141,148
Change in net financial assets	44,204,411	44,621,353
Net financial assets, beginning of year	202,584,071	157,962,718
Net financial assets, end of year	246,788,482	202,584,071

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of cash flows for the year ended December 31, 2021

	2021	2020
	Actual	Actual
	\$	\$
		(Note 20)
Operating transactions		
Excess of revenues over expenses	77,084,307	53,449,936
Items not involving cash		
Amortization	42,588,145	43,032,474
Contributed tangible capital assets	(11,755,280)	(1,709,284)
Loss on sale of tangible capital assets	100,138	1,563,330
Income from subsidiaries	(4,757,026)	(4,994,126)
Change in Taxes Receivable	(687,053)	(4,061,763)
Change in Accounts Receivable	(302,114)	(5,435,283)
Change in Land Held for Resale	100,468	226,900
Change in Other Assets	(1,267,927)	(148,678)
Change in Local Improvements Receivable	(3,059,459)	(2,621,931)
Change in Accounts Payable and Accrued Liabilities	4,287,910	253,910
Change in obligations to be funded from future revenues	3,141,948	2,309,427
Decrease in inventory	6,563	9,973
(Increase) decrease in prepaid expenses	(201,568)	141,148
Deferred revenue	1,202,101	6,692,802
	106,481,153	88,708,835
Financing transactions		
Long-term debt repayment	(9,167,981)	(9,577,435)
	(9,167,981)	(9,577,435)
Capital transactions		
Acquisition of tangible capital assets	(64,052,223)	(52,398,018)
Proceeds of sale of tangible capital assets	434,329	531,794
	(63,617,894)	(51,866,224)
Investing transactions		
Dividends received from Entegrus Inc.	4,146,622	4,146,622
Note payable repayment	-	4,875,000
Investments	1,442,185	(35,254,758)
	5,588,807	(26,233,136)
Net increase in cash	39,284,085	1,032,040
Cash, beginning of year	171,168,086	170,136,046
Cash, end of year	210,452,171	171,168,086

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

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, 2021

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

Tax revenue

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

Investment income

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

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

1. Significant accounting policies (continued)

Management estimates

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

Employee future benefit obligations

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

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

2. Investments

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

Investments held by the Municipality amounted to \$64,783,177 (\$66,225,362 in 2020). The investments are comprised of Principally Guaranteed Pooled Investments with CIBC. The market value of these investments at December 31, 2021 amounted to \$70,760,242 (\$67,515,816 in 2020).

3. Investment in Entegrus Inc.

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

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

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

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

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

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

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

3. Investment in Entegrus Inc. (continued)

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 following table provides condensed supplementary consolidated financial information for Entegrus and its subsidiaries for the year ended December 31, 2021:

	2021	2020
	\$	\$
Financial position		
Assets		
Current	32,916,197	36,945,062
Capital	164,457,868	155,414,655
Other	36,999,574	34,208,932
Total assets	234,373,639	226,568,649
Liabilities		
Current	40,744,763	42,079,939
Notes payable to Municipality of Chatham-Kent	23,523,326	23,523,326
Other	68,777,288	64,566,798
Total liabilities	133,045,377	130,170,063
Equity		
Share capital	52,161,260	52,161,260
Share Premium	16,571,469	16,571,469
Hedging Reserve	(2,315,971)	(4,738,477)
Retained earnings	31,733,778	30,879,989
Total equity	98,150,536	94,874,241
Regulatory		
Regulatory credit balances	3,177,726	1,524,345
Total regulatory	3,177,726	1,524,345
Total liabilities equity and regulatory	234,373,639	226,568,649

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2021

3. Investment in Entegrus Inc. (continued)

	2021	2020
	\$	\$
Financial activities		
Revenue	179,504,359	195,933,162
Expenses	174,472,903	188,872,997
	5,031,456	7,060,165
Provision for taxes	707,362	595,340
Net movement in regulatory balances, net of tax	(2,902,905)	(568,658)
Remeasurement of employee benefits	(276,940)	154,129
Unrealized gain on investment	850,150	60,725
Dividends paid	5,800,000	5,800,000
Change in retained earnings	853,789	1,018,629
Municipality of Chatham-Kent's investment represented by:		
Investment in shares of Entegrus	31,595,798	31,595,798
Accumulated profit less dividends received	28,981,762	28,371,358
	60,577,560	59,967,156
Corix Utilities' investment represented by:		
Investment in shares of Entegrus	3,886,352	3,886,352
Accumulated profit less dividends received	2,004,852	1,937,087
	5,891,204	5,823,439
St. Thomas Energy Inc. investment represented by:		
Investment in shares of Entegrus	16,679,110	16,679,110
Accumulated profit less dividends received	747,165	571,544
	17,426,275	17,250,654

(a) Equity in Entegrus Inc.

	2021	2020
	\$	\$
Balance, beginning of year	83,490,482	82,762,228
Changes during the year		
Adjustment for prior year		
Net earnings for the year	4,757,026	4,874,876
Dividends paid	(4,146,622)	(4,146,622)
Balance, end of year	84,100,886	83,490,482
	2021	2020
	\$	\$
Investment in Entegrus Inc.	60,577,560	59,967,156
Notes receivable from Entegrus Inc.	23,523,326	23,523,326
Balance, end of year	84,100,886	83,490,482

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

3. 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, 2021 and December 31, 2020:

	2021	2020
	\$	\$
Transactions		
Revenue		
Administrative services	604,794	592,936
Interest on promissory note	1,067,964	1,067,964
Expenses		
Energy purchases (at commercial rates)	5,390,968	5,456,387
Billing and collection services - water/wastewater	2,232,135	2,168,201
Streetlight maintenance	236,113	238,166
Balances		
Amounts due from Entegrus Inc.		
Promissory note receivable	23,523,326	23,523,326
Accounts receivable	14,290,162	19,139,746

4. Note receivable from Entegrus Inc.

Note receivable is due from Entegrus Inc. with no set repayment terms and interest payable monthly at 4.54%. The Municipality received an interest payment in the current year of \$1,067,964 (2020 - \$1,067,964).

5. Accrued employee benefits

The Municipality has accrued employee benefits as follows:

	2021	2020
	\$	\$
Employee future benefits	45,305,505	42,258,312
Workplace safety and insurance obligations	1,343,667	1,343,667
Vacation credits	4,780,050	4,625,032
	51,429,222	48,227,011

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, 2021 of \$43,305,505 (2020 - \$42,258,312) was determined by actuarial valuation using a discount rate of 2.75% (2020 - 2.25%). A comprehensive actuarial valuation of the future liability for employee future benefits was conducted as at December 31, 2021. The next required valuation will be as of December 31, 2024.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

5. Accrued employee benefits (continued)

(a) Employee future benefits (continued)

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

	2021	2020
	\$	\$
Accrued benefit liability as at January 1, 2021	53,862,437	43,392,325
Current benefit costs	2,195,448	1,945,168
Interest	1,217,146	1,308,533
Actuarial (gain) loss	(11,393,209)	8,710,594
Benefits paid	(1,729,579)	(1,494,183)
Net	(9,710,194)	10,470,112
Benefit obligation at end of period	44,152,243	53,862,437
Unamortized actuarial gain (loss)	1,153,262	(11,604,125)
Estimated accrued benefit liability as at December 31, 2021	45,305,505	42,258,312

Included in expenses is \$1,364,178 (2020 - \$388,599) for amortization of the actuarial gain. 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 2021 and thereafter.

(ii) Interest (discount) rate

The present value as at December 31, 2021 of the future benefits was determined using a discount rate of 2.75%. The expense for the year ended December 31, 2020, was determined using a discount rate of 2.25%.

(iii) Health costs

Drug costs were assumed to increase at 6.5% per year grading down to 4% over 5 years.

(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 time period amounted to \$1,343,667 (2020 - \$1,343,667). 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 \$2,421,616 (2020 - \$2,241,942). 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.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

5. Accrued employee benefits (continued)

(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, 2021 is \$4,780,050 (2020 - \$4,625,032) 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.

6. Pension agreement

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer plan, on behalf of 1376 (2020 - 1397) 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 2021 calendar year at rates ranging from 9.0% to 15.8% (2020 - 9.0% to 15.8%) depending on the member's designated retirement age and level of earnings. The amount contributed to OMERS for 2021 was \$9,944,375 (2020 - \$10,278,003) for current service and this is included on the Consolidated statement of operations and accumulated surplus. As at December 31, 2021 the OMERS plan is in a deficit of \$3.1 Billion (2020 - \$3.2 Billion), which will be addressed through temporary contribution rate increases, benefit reductions, and investment returns.

7. 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 and for the Building Code Act. 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 31-2021 and Dec 31-2020 respectfully:

2021	Balance at 31-Dec-20	Inflow	Revenue Earned	Balance at 31-Dec-21
	\$	\$	\$	\$
For building code act	4,251,220	1,585,731	-	5,836,951
For parkland purposes	194,074	111,444	-	305,518
For Canada community-buidling fund	26,620,093	12,911,581	13,013,866	26,517,808
For Provincial gas tax	4,333,577	1,021,310	3,429,430	1,925,457
Deferred revenue - obligatory reserve funds	35,398,964	15,630,066	16,443,296	34,585,733
Other deferred revenue				
Deferred taxes	1,842,691	7,971,095	8,076,604	1,737,182
Deferred grants	2,602,877	4,872,171	4,779,034	2,696,014
Other	9,771,046	14,673,289	12,645,586	11,798,749
Total deferred revenue	49,615,578	43,146,621	41,944,520	50,817,679

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

8. 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:

	2021	2020
	\$	\$
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.	49,207,429	58,729,415
Of the long-term liabilities shown above, the Municipality is contingently liable for long-term liabilities with respect to tile drainage and shoreline property assistance loans. The responsibility for payment of principal and interest charges has been assumed by individual landowners.	(1,297,485)	(1,651,490)
Net long-term liabilities at the end of the year	47,909,944	57,077,925

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

	2022 to 2026	2027 to 2031	2032 and thereafter
	\$	\$	\$
From general municipal revenue	5,337,294	2,411,051	1,102,950
From benefiting landowners	10,117,993	395,130	-
From benefiting water ratepayers	10,659,957	2,308,865	-
From benefiting wastewater ratepayers	11,246,620	4,330,084	-
	37,361,864	9,445,130	1,102,950

- (c) Included in the principal amount in a) is \$3,259,636 (2020 - \$4,026,879) 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, 2021

9. Charges for net long-term liabilities

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

	2021	2020
	\$	\$
Beginning balance	57,077,924	66,655,359
Principal payments	(9,167,980)	(9,577,435)
Ending balance	47,909,944	57,077,924

Net interest payments related to long-term liabilities in the current year were \$2,232,902 (2020 - \$2,598,090) 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 \$323,781 (2020 - \$384,044) and is reported as an accrued liability on the Consolidated statement of financial position.

10. 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.

	2021	2020
	\$	\$
Local improvements receivable for capital projects on tax roll		
Wastewater	282,356	357,994
Water	469,462	753,601
Drainage	26,843,907	23,397,079
Other	97,573	125,165
	27,693,298	24,633,839

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

11. Tangible capital assets

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

	2021	2020
	\$	\$
Land and land improvements	52,869,972	51,359,492
Buildings	111,104,168	115,143,640
Equipment	44,588,437	44,352,753
Vehicles	36,632,334	35,056,201
Underground linear	223,608,297	217,001,272
Plants and facilities	34,954,613	34,290,384
Bridges	159,003,203	161,313,530
Transportation	195,292,356	193,756,183
Other assets	1,929,847	1,957,838
	859,983,227	854,231,293
Assets under construction	73,181,867	46,248,910
	933,165,094	900,480,203

During the year, additions to assets under construction were \$64,053,102 (2020 - \$52,398,009) and \$37,119,263 (2020 - \$42,296,180) was transferred to the other tangible capital asset classes.

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

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

12. Accumulated surplus

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

	2021	2020
	\$	\$
Surplus		
Invested in tangible capital assets	902,675,348	860,690,219
Entegrus, net equity	84,100,886	83,490,482
Prelevies for benefitting landowners	80,284	103,056
Other	2,435,752	6,009,486
Obligations to be funded from future years	(681,049)	(970,481)
Unfunded		
Employee future benefits, workplace safety and vacation	(48,894,803)	(45,843,222)
Accrued interest on long-term liabilities	(323,781)	(384,044)
Accrued Environmental Liability	(200,000)	(200,000)
	939,192,638	902,895,496
Surplus allocated to reserves		
For acquisition of tangible capital assets	119,514,495	105,794,920
For public liability insurance	4,266,706	3,905,794
For various programs, facilities	75,674,695	64,491,280
For strategic and community development	10,708,102	8,538,728
For water	10,194,308	1,908,815
For wastewater	17,799,966	13,700,890
	238,158,272	198,340,426
Surplus allocated to reserve funds		
For community investment	2,898,031	1,937,162
For parking purposes	250,866	242,416
	3,148,897	2,179,578
Total accumulated surplus	1,180,499,807	1,103,415,500

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

13. 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:

	2021	2020
	\$	\$
Taxation	24,124,998	27,635,395
Requisitions	(24,124,998)	(27,635,395)
Net levy for the year	-	-

Included in accounts receivable are levies owing from the school board totaling \$513,373 (2020 \$1,167,029 in levies were owing from the school board).

b) Taxation revenue by major tax class

2021	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2021 Total
	\$	\$	\$	\$	\$
Residential	107,008,324	596,362	1,160,667	(1,042,440)	107,722,913
Multi-Residential	6,351,852	-	239,149	(21,127)	6,569,874
Commercial	29,714,046	2,454,736	543,740	(1,465,373)	31,247,149
Industrial	6,396,295	5,266	124,961	(121,021)	6,405,501
Pipelines	2,689,933	-	46,324	(17)	2,736,240
Landfill	257,988	-	-	-	257,988
Farmlands	16,844,236	3,816	46,076	185,375	17,079,503
Managed Forests	11,851	-	-	239	12,090
Other	975,090	754,488	-	(951,417)	778,161
Capping program	(19,294)	-	-	35,011	15,717
Total tax revenue	170,230,321	3,814,668	2,160,917	(3,380,770)	172,825,136

2020	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2020 Total
	\$	\$	\$	\$	\$
Residential	103,250,699	579,305	932,272	(1,744,404)	103,017,872
Multi-Residential	6,185,099	-	3,398	(33,407)	6,155,090
Commercial	29,508,987	2,381,984	119,888	(2,884,510)	29,126,349
Industrial	6,151,157	5,739	151,832	(291,547)	6,017,181
Pipelines	2,554,278	-	95,612	(437)	2,649,453
Landfill	233,880	-	-	-	233,880
Farmlands	16,213,412	3,701	9,080	257,143	16,483,336
Managed Forests	10,832	-	-	10	10,842
Other	396,727	680,400	12,560	(339,759)	749,928
Capping program	(74,877)	-	-	65,297	(9,580)
Total tax revenue	164,430,194	3,651,129	1,324,642	(4,971,614)	164,434,351

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

14. Self-insurance

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

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

The Municipality has made a provision for a reserve for self-insurance which as at December 31, 2021 amounted to \$6,177,312 (2020 - \$5,766,861) and is reported on the Consolidated statement of financial position under reserves. The provision for the year of \$1,209,079 (2020 - \$1,209,079) less claims settled \$606,501 (2020 - \$327,377) 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 \$192,127 (2020 - \$181,220) have been transferred to/from the reserve.

15. Provincial offences administration

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

The Ministry of the Attorney General requires the following disclosure of all municipal partners administering Provincial Offences Administration. The gross revenues collected at the Provincial Offences Court in 2021 were \$1,571,592 (2020 - \$1,363,177) and net revenue was \$78,707 (2020 - (\$49,328)).

16. 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, 2021

16. 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.

17. 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:

	\$
2022	20,889,715
2023	16,015,649
2024	15,233,330
2025	3,254,597
2026	1,719,091
2027	405,737
2028	240,698
2029	240,698
	<u>57,999,515</u>

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

	\$
2023	1,500,000
2024	1,500,000
	<u>3,000,000</u>

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements December 31, 2021

18. 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.

19. 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.

20. Prior period adjustments

During the year it came to the Municipality's attention that assets contributed by developers had not been recorded within the consolidated financial statements since 2016. These contributed assets should have been recorded as revenues with an increase in tangible capital assets in the years that the assets were assumed from the developer and amortized accordingly. The comparative figures have been retroactively restated as follows to reflect the resulting prior period adjustments:

	As previously Reported	Adjustment	As restated
	\$	\$	\$
<i>As at January 1, 2020</i>			
Accumulated surplus	1,040,441,092	9,524,472	1,049,965,564
<i>As at December 31, 2020</i>			
Tangible capital assets	889,443,065	11,037,138	900,480,203
<i>For the year ended December 31, 2020</i>			
Contributions from landowners and developers	1,675,315	1,709,284	3,384,599
Expense line that amortization goes on			
Transportation services	55,580,459	118,981	55,699,440
Environmental services	52,884,696	77,637	52,962,333
Excess of revenue over expenses	51,937,270	1,512,666	53,449,936
Amortization of tangible capital assets	42,835,856	196,618	43,032,474

The Corporation of the Municipality of Chatham-Kent

Consolidated schedule of tangible capital assets
year ended December 31, 2021

as at December 31, 2021	Land and land improvements	Buildings	Equipment	Vehicles	Underground linear	Plants and facilities	Bridges	Transportation	Other assets	Total 2021	Total 2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Municipal											
Cost											
Balance, beginning of the year	60,419,835	161,634,064	42,508,393	62,311,415	126,748,414	3,272,370	236,280,189	486,610,876	4,187,942	1,183,973,498	1,146,849,530
Add: Additions during the year	2,553,574	1,830,097	2,685,467	6,399,856	2,835,383	-	1,417,263	16,875,503	462,658	35,059,801	46,160,529
Less: Disposals during the year	16,520	-	1,218,763	3,500,567	-	-	280,103	2,817,532	817,153	8,650,638	8,883,103
Balance, end of the year	62,956,889	163,464,161	43,975,097	65,210,704	129,583,797	3,272,370	237,417,349	500,668,847	3,833,447	1,210,382,661	1,184,126,956
Accumulated amortization											
Balance, beginning of the year	15,969,810	76,874,736	27,125,416	28,220,931	64,796,971	1,981,161	74,966,659	294,931,892	2,230,104	587,097,680	561,322,974
Add: Amortization for the year	1,033,185	3,705,815	3,028,042	4,263,250	2,225,834	61,214	3,665,742	13,262,133	490,648	31,735,863	32,570,538
Less: Accumulated amortization on disposals	6,608	-	1,196,265	3,066,383	-	-	218,256	2,817,532	817,153	8,122,197	6,795,826
Balance, end of the year	16,996,387	80,580,551	28,957,193	29,417,798	67,022,805	2,042,375	78,414,145	305,376,493	1,903,599	610,711,346	587,097,686
Net book value of municipal assets	45,960,502	82,883,610	15,017,904	35,792,906	62,560,992	1,229,995	159,003,204	195,292,354	1,929,848	599,671,315	597,029,270
Waterworks											
Cost											
Balance, beginning of the year	2,232,112	25,692,984	36,169,587	937,807	174,905,174	41,182,911	-	-	-	281,120,575	277,642,980
Add: Additions during the year	-	-	1,958,705	-	4,750,984	2,150,791	-	-	-	8,860,480	3,340,755
Less: Disposals during the year	-	-	8,229	-	-	-	-	-	-	8,229	16,614
Balance, end of the year	2,232,112	25,692,984	38,120,063	937,807	179,656,158	43,333,702	-	-	-	289,972,826	280,967,121
Accumulated amortization											
Balance, beginning of the year	-	16,148,611	21,131,698	487,476	68,117,290	16,310,848	-	-	-	122,195,923	116,874,274
Add: Amortization for the year	-	554,955	1,458,228	58,174	2,433,177	1,191,465	-	-	-	5,695,999	5,260,909
Less: Accumulated amortization on disposals	-	-	8,229	-	-	-	-	-	-	8,229	35,195
Balance, end of the year	-	16,703,566	22,581,697	545,650	70,550,467	17,502,313	-	-	-	127,883,693	122,099,988
Net book value of waterworks assets	2,232,112	8,989,418	15,538,366	392,157	109,105,691	25,831,389	-	-	-	162,089,133	158,867,133
Wastewater											
Cost											
Balance, beginning of the year	4,677,355	60,138,637	45,452,645	963,947	100,679,361	17,194,151	-	-	-	229,106,096	224,982,546
Add: Additions during the year	-	-	1,398,590	-	3,308,138	247,532	-	-	-	4,954,260	4,159,395
Less: Disposals during the year	-	-	5,486	123,454	-	-	-	-	-	128,940	35,844
Balance, end of the year	4,677,355	60,138,637	46,845,749	840,493	103,987,499	17,441,683	-	-	-	233,931,416	229,106,097
Accumulated amortization											
Balance, beginning of the year	-	39,298,696	31,520,760	448,562	50,340,215	9,067,036	-	-	-	130,675,269	125,448,863
Add: Amortization for the year	-	1,553,376	1,353,734	62,090	1,705,666	481,416	-	-	-	5,156,282	5,331,760
Less: Accumulated amortization on disposals	-	-	5,486	117,428	-	-	-	-	-	122,914	9,416
Balance, end of the year	-	40,852,072	32,869,008	393,224	52,045,881	9,548,452	-	-	-	135,708,637	130,771,207
Net book value of wastewater assets	4,677,355	19,286,565	13,976,741	447,269	51,941,618	7,893,231	-	-	-	98,222,779	98,334,890
Assets under construction	-	-	-	-	-	-	-	-	-	73,181,867	46,248,910
Total value of tangible capital assets	52,869,969	111,159,593	44,533,011	36,632,332	223,608,301	34,954,615	159,003,204	195,292,354	1,929,848	933,165,094	900,480,203

The Corporation of the Municipality of Chatham-Kent

Consolidated schedule of segment disclosure

year ended December 31, 2021

	General government	Protection services	Transportation services	Environmental services	Health services	Social and family services	Social housing	Recreation and cultural services	Planning and development services	Water and wastewater services	Other items and corporations	Eliminations	2021 Consolidated	2020 Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Revenues														
Taxation	5,705,029	73,108,382	35,525,967	10,721,254	5,859,249	7,585,596	6,904,575	20,707,664	4,617,631	-	-	2,089,789	172,825,136	164,434,351
User charges	1,502,315	431,361	1,283,652	4,852,855	783,150	8,372,514	3,034,745	1,885,523	1,105,564	52,395,065	4,982,062	-	80,628,806	78,995,023
Government transfers	2,041,075	2,241,262	21,664,049	1,025,028	20,553,325	72,321,628	3,738,587	495,592	1,440,862	1,593	26,423,023	-	151,946,024	133,064,814
Other	-	-	-	-	-	-	-	-	-	-	28,839,421	-	28,839,421	14,515,827
	9,248,419	75,781,005	58,473,668	16,599,137	27,195,724	88,279,738	13,677,907	23,088,779	7,164,057	52,396,658	60,244,506	2,089,789	434,239,387	391,010,015
Expenses														
Salaries and benefits	21,330,677	53,624,012	10,959,873	2,510,979	7,911,907	35,708,939	2,459,157	9,110,036	3,427,484	8,916,166	-	-	155,959,230	148,020,330
Goods and services	19,259,797	8,365,231	20,145,545	10,616,098	16,206,479	16,339,217	4,563,401	5,860,379	1,781,311	14,110,766	-	-	117,248,223	101,864,973
Interest	-	-	-	-	-	560,106	209,373	211,699	129,628	1,153,936	-	-	2,264,742	2,628,525
Transfers (to) from other segments	(32,286,907)	8,824,900	7,985,244	1,272,631	2,149,318	4,617,905	139,544	4,264,067	684,349	2,348,949	-	-	-	-
External transfers	-	1,979,166	-	-	100,000	29,757,319	5,748,146	499,336	1,110,911	-	-	-	39,194,878	43,577,107
Amortization	942,860	3,070,500	19,391,863	2,199,429	823,931	1,315,690	558,286	3,151,774	29,774	11,104,038	-	-	42,588,145	43,032,474
Loss (gain) on disposal of tangible capital assets	1,992	(82,804)	(8,856)	0	4,090	(19,438)	-	(8,512)	600	12,791	-	-	(100,138)	(1,563,330)
	9,248,419	75,781,005	58,473,668	16,599,137	27,195,724	88,279,738	13,677,907	23,088,779	7,164,057	37,646,646	-	-	357,155,080	337,560,079
Net surplus	-	-	-	-	-	-	-	-	-	14,750,012	60,244,506	2,089,789	77,084,307	53,449,936