

MUNICIPALITY OF CHATHAM-KENT

CORPORATE SERVICES

FINANCIAL SERVICES

TO: Mayor and Members of Council

FROM: Gord Quinton, MBA, CPA, CGA
Acting Director, Financial Services / Treasurer

DATE: September 9, 2014

SUBJECT: 2013 Audited Financial Statements

RECOMMENDATION

It is recommended that:

1. The audited financial statements for the year ended December 31, 2013 be approved.

BACKGROUND

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

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

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

- Obtain assurance that the financial statements are free of material misstatement

- Evaluate the fairness of presentation of the financial statements in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) and the Chartered Professional Accountants of Canada (CPA Canada).
- Report to administration and to Council on:
 - significant internal control weaknesses
 - errors noted during the audit
 - any matters the auditor believes should be disclosed

Other statutory financial audits that can occur include:

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

The Municipality also engages HST/Retail Sales tax specialists for non-statutory audits to ensure the proper amount of federal and provincial sales tax is charged or claimed. The last annual credit rating was conducted in 2013 and subsequently has been discontinued as it was no longer required for debt issuances¹.

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

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

COMMENTS

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

Audit Policy Committee

The Audit Policy Committee met on September 4, 2014 with the Audit Partner and Lead Auditor from Deloitte and received the Year-End Communication Report detailing their findings. The committee reviewed the financial statements in detail and the minutes of

¹ Standard & Poors conducted an annual financial review until 2013 and ranked the Municipality in accordance with its findings. Chatham-Kent in 2013 had a rating of A+ with a stable outlook. Contributing factors were the “budget performance, manageable debt and satisfactory liquidity”. (September 6, 2013)

the meeting are included in the Consent Agenda of the September 22 Council meeting. The committee passed the following motion:

That the Audit Policy Committee receive the 2013 Audited Financial Statements and recommend the approval of the statements to Council.

Reported 2013 results

The following are additional comments regarding the financial statements.

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

	2013	2012
Revenues	\$318,989,708	\$303,307,467
Expenses	\$299,713,964	\$291,179,076
Excess revenues over expenses before other items	\$19,275,744	\$12,128,391
Income from subsidiary	\$2,905,407	\$2,917,305
Excess revenues over expenses	\$22,181,151	\$15,045,696

The Municipal 2013 year-end cash basis surplus is \$1,293,014 (\$3,031,075 in 2012). Budget and Performance Services will provide in a separate 2013 final variance report where the surplus originated and recommendations on its use. This figure is included as part of the \$22,181,151 (\$15,045,696 in 2012) excess revenue over expenses reported on the Consolidated Statement of Operations and Accumulated Surplus. The \$22 million surplus (under the new accounting rules introduced in 2009) is calculated using accrual accounting whereas the balanced budget is approved by Council on the cash required basis. Previous to 2009, under modified cash accounting, investments in bridges and roads etc. were written off immediately against in-year surpluses. Under accrual accounting, the cost of capital assets is to be written off against tax revenues over the useful life of the asset. Some of the assets have a useful life of 50+ years. This results in amortization expense much less than expensed over the cash requirements for replacement. For this reason there will usually be an annual surplus in the operating statement. The following table indicates the relation between the \$22 million accrual accounting surplus in the financial statements to the \$1.3 million surplus as per the balanced cash budget approved by Council during the 2013 budget deliberations.

	2013	2012
Accrual basis surplus as per Financial Statements	\$22,181,151	\$15,045,696
Adjustments:		
Amortization	\$34,660,147	\$33,633,400
Taxation, grant, other Tangible Capital Assets funding	\$(35,682,788)	\$(31,102,563)
Long-term debt repayment	\$(12,142,952)	\$(15,024,750)
Income from subsidiary	\$(2,905,407)	\$(2,917,305)
Other	\$(4,817,137)	\$3,396,597
Cash basis surplus as previously reported to Council	\$1,293,014	\$3,031,075

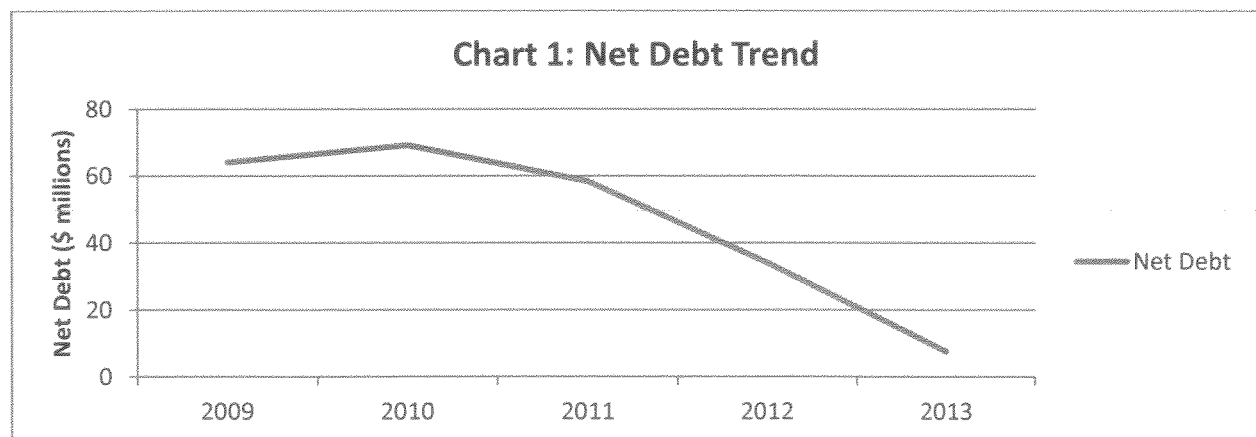
The attached consolidated municipal financial statements include the PUC (Water/Wastewater), the Library, Museums, Board of Health and Police Services Board, along with all other municipal services. Separate audits for the Public Health Division, Library, Federal Gas Tax expenditures, Long Term Care and Transfer Payment Annual Reconciliation (Social Services) were also prepared for grant purposes and are available on request. One time special audits are done as required for grant or loan purposes. Municipal trust activities are audited separately. Entegrus Incorporated and subsidiary financial results and 2351839 Ontario Limited (WDC Rail) financial results are reflected in separate audited statements. The net income of these operations is incorporated in the municipal financial statements as “Income from Subsidiary” and “Investment in Entegrus Inc.” and “Investment in 2351839 Ontario Limited”.

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

	2013	2012
Financial assets	\$209,788,728	\$177,538,979
Liabilities	<u>\$217,325,405</u>	<u>\$211,679,520</u>
Net debt	\$(7,536,677)	\$(34,140,541)
Non-financial assets	\$821,969,190	\$826,391,903
Accumulated surplus	<u>\$814,432,513</u>	<u>\$792,251,362</u>

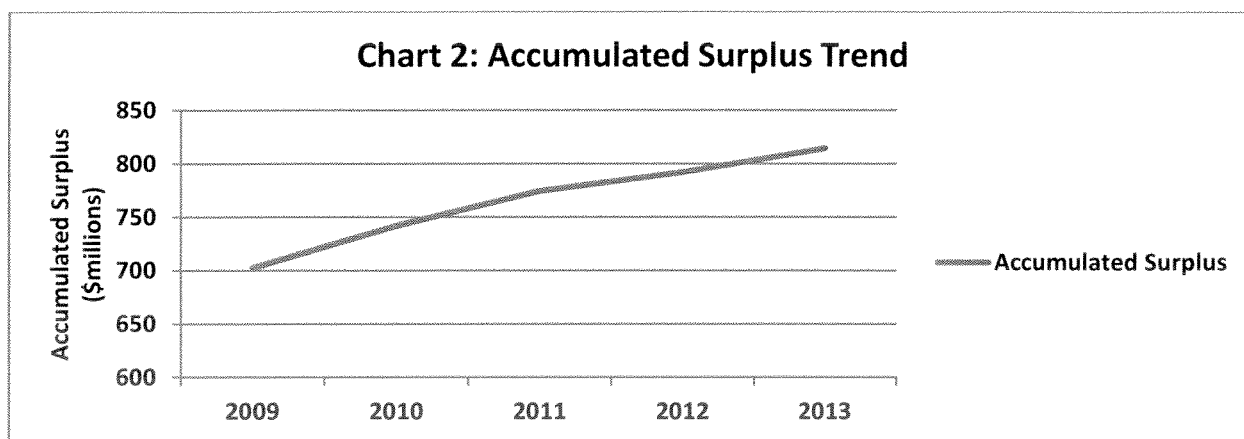
Net Debt

An important indicator of a government’s financial position is its net debt, calculated as the difference between its liabilities and financial assets. Net debt provides a measure of the future revenues required to pay for past transactions and events. The net debt condition of the Municipality has been steadily improving over the past few years as indicated in the Chart 1 below as it has fallen from a high of \$69 million in 2010 down to \$7 million in 2013 and is predicted to be a in a positive position in 2014.



Accumulated Surplus

The new financial statement format along with recording the tangible capital assets in the statement results in a \$814,432,513 accumulated surplus for 2013. The accumulated surplus represents Chatham-Kent’s net financial position. This figure consists of the net investments in tangible capital assets, the investment in Entegrus Inc. and WDC Rail, accumulated fund balances, and reserves (now part of surplus), less amounts to be recovered in the future. This figure represents the Municipality’s ability to meet the current and future needs of the community. Note 14 (see page 20 of the attached financial statement) lists the various allocations of surplus. Chart 2 indicates the trend in the accumulated surplus.



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

Invested in tangible capital assets is the net investment in tangible capital assets of the Municipality less any outstanding debt related to this investment. The following excerpt from note 13 (see page 19 of the attached financial statement) lists the net book value of Chatham-Kent’s assets.

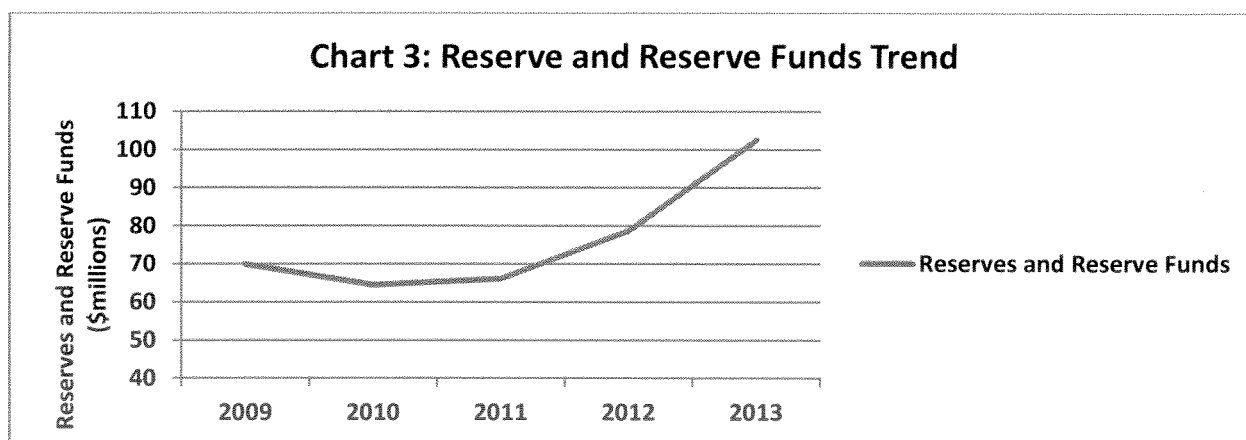
	2013	2012
Land and land improvements	\$52,335,246	\$52,823,682
Buildings	\$137,521,039	\$141,032,930
Equipment	\$55,396,013	\$56,871,724
Vehicles	\$20,504,793	\$22,077,445
Underground Linear	\$221,260,230	\$225,286,569
Plants and facilities	\$20,344,154	\$21,127,008
Bridges	\$119,854,350	\$120,104,373
Transportation	\$172,826,420	\$173,465,142
Other assets	\$3,367,461	\$3,594,951
	\$803,409,706	\$816,383,824
Assets under construction	\$16,289,965	\$7,825,896
Total tangible capital assets	\$819,699,671	\$824,209,720

Entegrus Inc., net equity is the Municipality’s 90% share of the 2013 Entegrus Inc. net income of \$3,280,917 (\$3,241,450 in 2012) plus the value of the shares and long-term

note payable to the Municipality for consideration of the original transfer of net assets to Entegrus².

2351839 Ontario Ltd. (WDC Rail), net equity is the Municipality's 100% share of the 2013 WDC Rail net loss of \$47,417 (\$0 in 2012)³.

Reserves and Reserve Funds are the reserve balances at year-end. Chart 3 indicates the trend with total Reserves and Reserve Funds. See Appendix B for a more detailed breakdown. A more comprehensive breakdown of Reserves and Reserve Funds including outstanding commitments will be included as a separate report to Council prior to 2015 budget deliberations. Also see Note 14 of the attached financial statements. Reserve balances include amounts encumbered.



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

² The value placed on Entegrus securities is based on cost and may not reflect market values.

	2013	2012
Service Revenue	\$115,419,048	\$106,258,273
Cost of Power	\$96,951,040	\$88,648,371
Gross Margin	\$18,468,008	\$17,609,902
Operating Income	\$23,705,572	\$22,766,496
Net Earnings (100%)	\$3,280,917	\$3,241,450
Retained Earnings (End of Year)	\$17,820,715	\$17,074,798
Dividends Paid to C-K	\$2,281,500	\$2,214,000
Dividends Paid to Corix Utilities	\$253,500	\$246,000

³ The value placed on WDC Rail securities is based on cost and may not reflect market values.

	2013	2012
Revenue	\$284	\$0
Expenses	\$47,702	\$0
Operating Loss	\$47,418	\$0
Retained Earnings (End of Year)	(\$47,717)	\$0

- Post-employment benefits such as life insurance and medical benefits that will be incurred and will potentially be due at some future time. The discount rate used by the actuarial consultant in determining the net present value of future benefits was 4.25% (3.75% in 2012)
- Estimated future liabilities as provided by Workplace Safety & Insurance Board
- Staff vacation credits that have been earned but not taken at year-end
- Interest on long-term debt accrued but not paid by year-end

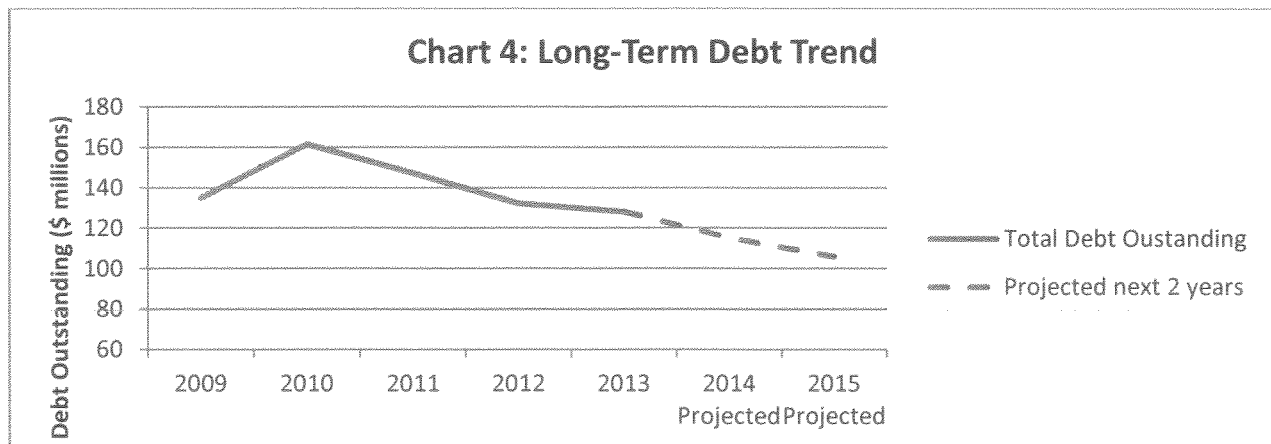
A detailed breakdown of these future obligations to be funded by tax dollars is found below:

	2013	2012
Employee future benefits	\$23,892,555	\$21,261,199
WSIB obligation	\$3,083,708	\$2,850,314
Vacation pay	\$2,811,099	\$2,954,748
Total unfunded employee future benefits	\$29,787,362	\$27,066,261
Interest on long-term liabilities	\$1,109,902	\$988,385

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

Long Term Liabilities

Net long-term liabilities are the balances of debentures outstanding. Notes 10 and 11 (see page 17 and 18 of the financial statement attachment) provide details of the long-term liabilities. The debt trend is indicated in chart 4 and as Council has not approved any current or future projects with debt funding, two further years of reductions are indicated.



The debenture detail is provided in Figure 1 below. There was one new debenture of \$7,978,000 at 3.91% interest issued in 2013 with \$7,645,000 for the John D. Bradley Convention Centre and \$333,000 for Riverview Terrace. The “Funded By” columns identify the sources of future funding to service the debt payments. The tax funded obligation is currently approximately \$29 million.

Figure 1 Chatham-Kent Long Term Debt as at December 31, 2013

Debt Issue #	Rate %	Term	Total	Funded by:			
				PUC rates	PUC locals	Mun. Tax	Mun. Other
Debt Issued by the Municipality of Chatham-Kent							
2003-01	5.39	10	12,000,000 (A)		12,000,000		
2004-01	2.55	10	10,864,650 (B)			1,862,229	9,002,421
2004-02	2.73	20	43,400,000 (C)	43,400,000			
2004-03	5.19	10	10,000,000 (D)			2,653,000	7,347,000
2005-01	4.94	20	43,000,000 (E)			13,299,000	29,701,000
2005-02	2.53	20	22,128,742 (F)	22,128,742			
2006-01	2.50	10	6,137,771 (G)			6,137,771	
2007-01	2.52	20	2,800,000 (H)	2,800,000			
2007-02	4.94	20	5,170,000 (I)				5,170,000
2010-01	4.22	10	12,533,100 (J)			12,533,100	
2010-02	4.88	20	24,244,728 (K)	24,244,728			
2010-03	2.00	20	2,000,000 (L)	2,000,000			
2013-01	3.91	20	7,978,000 (M)			7,978,000	
Subtotal			202,256,991	94,573,470	12,000,000	44,463,100	51,220,421
Less Principal amounts repaid by Dec 31, 2013			(79,239,261)	(27,965,423)	(10,497,368)	(15,533,385)	(25,243,085)
Chatham-Kent Issued Debt Outstanding at Dec 31, 2013			\$123,017,730	\$66,608,047	\$1,502,632	\$28,929,715	\$25,977,336
Other Debt assumed by Chatham-Kent							
Social Housing download Dec 31, 2013	Various	Various	5,014,527(N)				5,014,527
Total Debt Outstanding Dec 31, 2013			\$128,032,257	\$66,608,047	\$1,502,632	\$28,929,715	\$30,991,862

(A) CIBC Bank Loan: Ratepayer Waterlines \$12,000,000

(B) OMEIFA Debenture: Bridges \$1,862,229, Bloomfield Business Park \$9,002,421

(C) OMEIFA Debenture: Water \$17,125,000, Wastewater \$25,675,000

(D) CIBC Bank Loan: Lifecycle Roads \$2,149,000, Lifecycle Buildings \$504,000, Ratepayer Drainage \$3,047,000, Ambulance Station \$1,000,000, CK Centre for Community Services Building \$3,300,000

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

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

(G) OMEIFA Debenture: Bridges \$6,137,771

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

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

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

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

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

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

(N) Debt came with the Social Housing units on transfer to the Municipality from the Province in 2001. A component of social housing costs are tax funded. The debt is held by Provincial agencies.

Development Charges Act

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

Figure 2 Development Charges Reserve Fund						
	2013			2012		
	Roads	Water	Sewer	Roads	Water	Sewer
Opening Balance	\$0	\$0	\$0	\$0	\$0	\$0
Contribution from developers	\$0	\$254,845	\$284,530	\$0	\$272,292	\$169,285
Interest Earned	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	\$0	\$254,845	\$284,530	\$0	\$272,292	\$169,285
Use of funds:						
Investment in Capital	<u>\$0</u>	<u>\$254,845</u>	<u>\$284,530</u>	<u>\$0</u>	<u>\$272,292</u>	<u>\$169,285</u>
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0

Budget Figures

Budget figures provided as part of the Consolidated Statement of Operations and Accumulated Surplus (see page 4 of the financial statement attachment) do not reflect the balanced 2013 Budget as approved by Council for the following reasons:

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

Public Utilities Commission

PUC operations are integrated into those of the Municipality. Its activities are audited along with municipal operations. Separate financial statements are prepared and presented annually to the Commission. A summary cash basis statement for 2013 is presented below along with the 2012 comparison.

As at December 31	Water		Wastewater	
	2013	2012	2013	2012
Revenues	\$19,275,142	\$18,770,459	\$15,328,033	\$14,218,730
Expenditures	\$17,148,153	\$18,180,235	\$14,563,816	\$13,380,146
Net Income	\$2,126,989	\$590,224	\$764,217	\$838,584

Reserve Fund Balance (End of Year)	<u>\$1,780,836</u>	<u>\$(1,444,971)</u>	<u>\$2,719,618</u>	<u>\$443,558</u>
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Municipal Leasing

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

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

Under the leasing policy:

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

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

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

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

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

<u>Materiality Calculations</u>	
Annual Debt Limit (December 31, 2013)	⁴ \$34,900,089
2% of this limit (established by policy)	\$698,002
Financial Lease Payments 2013	
Fleet	\$171,698
Copiers	<u>\$116,647</u>
Total	\$288,345

The Municipality does not often use financial leases, as the cost of other forms of indebtedness is more advantageous. Because 2013 financial lease payments are less than 2% of the annual repayment limit established by the Province under regulation 403/02, the value of the leases is not considered material under the financial leasing policy and therefore, will not be deducted from the municipal annual repayment limit for 2013.

COUNCIL DIRECTIONS

The recommendation in this report supports the following Council Directions:

- JOBS:**
Everyone in Chatham-Kent who wants to work is able to work in meaningful employment
- PEOPLE:**
Chatham-Kent is a welcoming community where people choose to live, learn, work, and play
- HEALTH:**
Chatham-Kent is a healthy, active, safe, accessible community within a healthy natural and built environment

⁴ 2013 Annual Debt Limit Calculation

1 Gross Debt Charges		
	Principal	\$12,515,946
	Interest	\$5,387,703
	Subtotal	\$17,903,649
2 OCWA		-
3 Long term commitments		\$514,000
4 Debt Charges for Lease Purchases		-
5 SUBTOTAL DEBT CHARGES		\$18,417,649
6 Debt Charges for Utilities		-
7 Downtown Revitalization Loans		-
8 Tile Drainage & Shoreline Assistance		\$535,522
9 SUBTOTAL TO BE EXCLUDED		-
10 NET DEBT CHARGES		\$17,882,127

11 Total Revenue Fund Revenues	\$322,318,982
12 Downtown Revitalization Loan payments from above	-
13 Drainage/shoreline fees	(\$84,448)
14 Grants from other governments	
Ontario	\$101,613,892
Canada	\$5,682,969
Other Municipalities, other items	\$4,062,153
Total Grants from Governments	\$111,274,566
15 Joint Board Fees	-
Amounts to be deducted from revenue	\$111,274,566
16 Net Revenue Fund Funds	\$211,128,864
17 25% of net revenue fund	\$52,782,216
18 Annual Repayment Limit	\$34,900,089
25% of item #17 less net debt charges #10	

At 4% interest, the Municipality has the capacity to borrow an additional \$474 million with repayment amortized over 20 years.

FINANCIAL SUSTAINABILITY:

The Corporation of the Municipality of Chatham-Kent is financially sustainable

- Has the potential to support **all** Council Directions
 Neutral issues (does not support negatively or positively)

CONSULTATION

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

FINANCIAL IMPLICATIONS

The accumulated Municipal surplus of \$1,293,014 will be addressed in a separate Budget & Performance Services report to Council. The cost of the external audit is part of the approved annual budget.

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

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

A Request for Proposal for Auditing Services was awarded in 2013. The 2013 audit was the first in a five year term.

Prepared by:

Reviewed by:

 Gord Quinton, MBA, CPA, CGA
 Acting Director, Financial Services/Treasurer

 Gerry Wolting, B.Math, CPA, CA
 General Manager, Corporate Services

Attachment(s):

Appendix A – Consolidated Financial Statements-Municipality of Chatham-Kent
 Appendix B – Chatham-Kent Summary of Reserves

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APPENDIX B

CHATHAM-KENT SUMMARY OF RESERVES			
As At December 31, 2013			
		Actuals	Actuals
		Dec 31	Dec 31
		2013	2012
Per Audited Financial Statements			
	Reserves	98,137,902	75,000,523
	Reserve Funds	4,446,004	3,759,615
	Deferred Revenue - Obligatory Reserve Funds	18,890,208	14,165,924
		121,474,114	92,926,062
Details	Assigned	102,535,923	78,704,823
	Mandated	18,938,191	14,221,239
		121,474,114	92,926,062
MANDATED:			
Dept	Division	Details	
HFS	Day Nursery (fundraising)	Chatham	3,106
HFS	Day Nursery (fundraising)	Wallaceburg	873
CDS	Building Code Act	Bill 124	832,179
CDS	Parkland		153,390
CDS	Library	Bequests	0
CDS	Library	Donations...general	6,294
CDS	Municipal Properties	Wheatley pool	45,043
IES	Transit	Prov Gas Tax	4,231,895
IES	Infrastructure	Fed Gas Tax	8,948,460
TOTAL MANDATED:			14,221,239
ASSIGNED:			
Dept	Division	Details	
Corp	Community Investment Fund		3,538,799
Corp	All Depts	Encumbrances	1,441,812
Corp	In camera	Contract issues	10,710,392
Corp	Insurance Risk	Insurance Risk	1,320,569
Corp	Strategic	Master Plan Implementation	0
Corp	All Depts	Lifecycle - Computer Hardware	1,070,744
Corp	All Depts	Green Energy Initiatives	925,102
Corp	All Depts	Energy Price Fluctuation	925,103
Corp	All Depts	Fuel Price Fluctuation	595,460
Corp	All Depts	Misc. other	135,198
Corp	All Depts	Future Matching Infrastructure	0
Corp	All Depts	OMPF Stabilization	0
Corp	Elections	Lifecycle - Elections	238,309
Corp	WSIB Risk Reserve	WSIB Risk Reserve	590,259
Corp	Strategic Mgmt Fund	Community Investment	0
Corp	Strategic	Strategic Development	1,738,959
Corp	Strategic	Community Improvement	197,184
Corp	Strategic	Reserve for Future Years	0
Corp	Strategic	Community Partnerships	142,691
Corp	Strategic	Property Dispositions	310,477
Corp	Strategic	Corporate Strategic Directions	0
Corp	Strategic	Investing in Ontario Act	548,589
Corp	Strategic	Corp Strat Directive	694,676
Corp	Strategic	CSX Rail	0
CDS	Rec Facilities	Lifecycle - Recreation Arena	725,037
CDS	Rec Facilities	Recreation - other	67,968
CDS	Rec Facilities	Lifecycle - Recreation Indoor Pools Replace	159,509
CDS	Rec Facilities	Lifecycle - Halls	93,705
CDS	Rec Facilities	Lifecycle Splashpads	15,000
CDS	Parks, Cemetery, Horticulture	Lifecycle - Recreation Playground Replace/mtce	284,455
CDS	Municipal buildings	Recreation - Kinsmen Auditorium	0
CDS	Parks, Cemetery, Horticulture	Lifecycle - Parks	499,204
CDS	Parks, Cemetery, Horticulture	Lifecycle - Fit Parks	0
CDS	Parks, Cemetery, Horticulture	Clearville Park	25,000
CDS	Parks, Cemetery, Horticulture	Lifecycle - Outdoor Pools	203,502
CDS	Parks, Cemetery, Horticulture	Lifecycle - Reforestation	144,366
CDS	Parks, Cemetery, Horticulture	Lifecycle - Trails	1,854,706
CDS	Parks, Cemetery, Horticulture	CASO Rail Trail	100,800
CDS	Parks, Cemetery, Horticulture	Cemetery	88,210
CDS	Parks, Cemetery, Horticulture	Lifecycle-Cemetery	135,591
CDS	Parks, Cemetery, Horticulture	Columbaria	18,943
CDS	Parks, Cemetery, Horticulture	Emerald Ash Borer	0
CDS	Building Enforcement & Licensing Services	Computer software	0
CDS	Building Enforcement & Licensing Services	Building Dept operation	250,500

APPENDIX B

CHATHAM-KENT SUMMARY OF RESERVES				
As At December 31, 2013				
		Actuals	Actuals	
		Dec 31	Dec 31	
		2013	2012	
CDS	Municipal Buildings	Building lifecycle	1,904,681	1,905,421
CDS	Planning	Planning Special Projects	-39,665	-39,665
CDS	Planning	Communit Leadership-Brwnfld	215,929	163,679
FES	Ambulance	General	1,702,973	1,915,656
CS	Finance	Financial Software - Project Delta	671,507	3,584,066
CS	Human Resources	Software Development		0
CS	Info Tech	Lifecycle ITS - GIS system	381,122	332,353
CS	Info Tech	ITS, Strategic Plan	192,535	180,167
CS	Info Tech	Lifecycle ITS - Web Lifecycle	264,724	302,370
CS	Info Tech	Lifecycle ITS - Copy/Printing Equipment	443,202	388,320
CS	Info Tech	Lifecycle ITS - Computer Hardware	1,352,142	522,024
CS	Info Tech	Lifecycle ITS - Computer Software	2,455,363	2,450,967
CS	Info Tech	Lifecycle ITS - Computer Network	1,144,340	664,485
CS	Info Tech	Lifecycle ITS - Telecommunications	1,357,560	1,357,560
CS	Info Tech	Lifecycle ITS - Applications	626,594	461,867
CS	Info Tech	Lifecycle ITS - Corporate Technology	12,443	15,792
CS	Info Tech	Lifecycle ITS - GIS Data	54,778	45,994
CS	Info Tech	ITS/PUC Lifecycle Workstation	45,146	79,560
CS	Budget	Performance Track Software		0
HFS	Senior Services	Homes Operational	2,257,913	2,137,646
HFS	Senior Services	RVG Vending Machines	19,464	19,464
HFS	Senior Services	Senior Centre Contingency	16,581	11,579
HFS	Ontario Works	OW Corporate Initiatives	2,912,166	1,818,258
HFS	Ontario Works	Future Economic Downturns	4,594,344	2,487,683
HFS	Ontario Works	OW Computer Lifecycle	545,507	467,569
HFS	Health Unit	CK portion	729,777	675,860
HFS	Health Unit	Lifecycle - Wish Centre building	383,980	296,555
HFS	Social Housing	Social Housing Operation	3,700,444	3,579,401
HFS	Social Housing	Lifecycle - Social Housing Buildings	2,510,167	2,241,188
HFS	Social Housing	Lifecycle - Social Housing DOOR	62,700	62,700
HFS	Social Housing	Social Housing IAH	225,456	189,194
HFS	Children Services	Children's Services	11,839	11,839
IES	Public Works	Gravel pit	255,240	62,680
IES	Public Works	Lifecycle - Gravel	348,004	60,207
IES	Public Works	Lifecycle - Roads	1,198,984	1,247,124
IES	Public Works	Lifecycle - Bridges	-1,876,189	-3,628,720
IES	Public Works	Lifecycle - Culverts	332,771	0
IES	Public Works	Lifecycle - Sidewalks	141,996	85,803
IES	Public Works	Lifecycle - Railways Crossing	504,446	447,499
IES	Public Works	Winter Control	1,525,400	1,525,400
IES	Public Works	Lifecycle - Storm Sewers	6,097,938	4,731,657
IES	Public Works	Lifecycle - Active Communities	386,312	323,206
IES	Public Works	Lifecycle - Streetlight Poles	190,582	157,768
IES	Public Works	Grass Tender	57,960	28,980
IES	Engineering	Transit	1,234,632	1,310,136
IES	Engineering	Lifecycle - AM/FM	114,653	114,653
IES	Engineering	Capital Budget unfinished projects	8,648,424	6,371,329
IES	Engineering	Future Capital Projects	1,366,084	1,366,084
IES	Environmental	Agriculture Hazardous Waste Days	23,689	23,689
IES	Environmental	Waste Diversion Ontario	669,881	666,879
IES	Environmental	Haul Route Road MTCE	78,357	65,259
IES	Fleet	Lifecycle - Fleet Shop Eqpt	70,648	54,262
IES	Parking	Chatham Downtown	226,266	220,816
Police	Police	Mandatory Policing Issues	259,000	259,000
Police	Police	Police Litigation	307,447	449,447
Police	Police	Police Services Board	21,997	14,013
Police	Police	Police Lifecycle Reserve	185,605	50,372
Police	Police	Police Communication Centre	80,000	80,000
Police	Police	Police Business Plan	10,880	10,880
Police	Police	Police Issues	213,269	0
PUC	Water		1,780,836	-1,444,971
PUC	Wastewater		2,719,618	443,558
		Fleet(Ambulance, Police, Fire, Public works, other) :	8,067,287	5,487,439
TOTAL ASSIGNED:			102,535,923	78,704,824

Consolidated financial statements of

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

December 31, 2013

The Corporation of the Municipality of Chatham-Kent

December 31, 2013

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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

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Chatham-Kent, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2013 and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
September 22, 2014

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of financial position
as at December 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	80,604,451	49,431,983
Taxes receivable	11,734,117	13,065,917
Accounts receivable	31,359,415	30,180,894
Investment in Entegrus Inc (Note 2)	40,988,030	40,316,705
Note receivable from Entegrus Inc. (Notes 2, 4)	23,523,326	23,523,326
Note receivable from 2351839 Ontario Limited (Notes 3, 5)	1,000,000	-
Land held for resale	4,631,288	4,731,288
Other assets	1,389,909	1,999,200
Local improvements receivable (Note 12)	14,558,192	14,289,666
	209,788,728	177,538,979
Liabilities		
Accounts payable and accrued liabilities	25,409,091	27,012,399
Accrued interest (Note 11)	1,228,173	1,341,671
Accrued employee benefits (Note 7)	31,362,135	28,431,902
Current note payable (Note 10)	-	100,000
Deferred revenue (Note 9)	31,246,332	22,596,338
Deficiency in 2351839 Ontario Limited (Note 3)	47,417	-
Long-term liabilities (Note 10)	128,032,257	132,197,210
	217,325,405	211,679,520
Net debt	(7,536,677)	(34,140,541)
Non-financial assets		
Tangible capital assets (Note 13)	819,699,671	824,209,720
Inventory	574,654	623,734
Prepaid expenses	1,694,865	1,558,449
	821,969,190	826,391,903
Accumulated surplus (Note 14)	814,432,513	792,251,362

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

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of operations and accumulated surplus
year ended December 31, 2013

	2013 Budget	2013 Actual	2012 Actual
	\$	\$	\$
Revenues			
Taxation and user charges			
Property taxation (Note 15)	137,776,873	137,776,873	129,423,438
User charges	59,429,598	62,371,575	59,481,444
	197,206,471	200,148,448	188,904,882
Grants			
Government of Canada	7,687,133	5,682,969	7,984,280
Province of Ontario	101,963,888	101,613,892	98,946,369
	109,651,021	107,296,861	106,930,649
Other			
Investment income	2,525,061	3,025,914	2,899,955
Penalties and interest on taxes	1,500,000	1,410,398	1,990,080
Contributions from landowners and developers	-	1,263,661	966,529
Sale of land and equipment	53,000	428,899	224,449
Provincial offences administration	2,082,500	2,036,509	2,376,945
Gain (loss) on disposal of tangible capital assets	-	2,229,862	(2,024,922)
Other	998,977	1,149,156	1,038,900
	7,159,538	11,544,399	7,471,936
Total revenue	314,017,030	318,989,708	303,307,467
Expenses			
General government	8,159,422	6,668,344	3,442,063
Protection of persons and property	54,175,533	53,059,858	51,164,970
Transportation services	44,608,599	45,492,648	43,005,479
Environmental services	46,000,132	44,846,963	44,844,369
Health services	23,513,688	23,008,030	21,851,249
Social and family services	88,365,036	85,582,808	85,864,275
Social housing	13,488,564	13,385,573	12,495,536
Recreation and cultural services	23,010,884	22,500,226	22,303,393
Planning and developmen	5,361,869	5,169,514	6,207,742
Total expenses	306,683,727	299,713,964	291,179,076
Excess revenues over expenses before other items	7,333,303	19,275,744	12,128,391
Other items			
Income from subsidiaries		2,905,407	2,917,305
Excess of revenues over expenses		22,181,151	15,045,696
Accumulated surplus, beginning of year		792,251,362	777,205,666
Accumulated surplus, end of year		814,432,513	792,251,362

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

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of change in net debt
year ended December 31, 2013

	2013	2012
	\$	\$
Excess of revenues over expenses	22,181,151	15,045,696
Acquisition of tangible capital assets	(22,506,542)	(52,970,131)
(Increase) decrease in tangible capital assets construction in progress	(8,464,068)	26,410,352
Amortization of tangible capital assets	34,660,147	33,633,400
(Gain) loss on sale of tangible capital assets	(2,229,862)	2,024,922
Proceeds of sale of tangible capital assets	3,050,374	101,066
Write-downs of tangible capital assets	-	8,445
Change in inventory	49,080	114,021
Change in prepaids	(136,416)	(196,126)
Change in net debt	26,603,864	24,171,645
Net debt, beginning of year	(34,140,541)	(58,312,186)
Net debt, end of year	(7,536,677)	(34,140,541)

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

The Corporation of the Municipality of Chatham-Kent

Consolidated statement of cash flows
year ended December 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Excess of revenues over expenses	22,181,151	15,045,696
Items not involving cash		
Amortization	34,660,147	33,633,400
(Gain) loss on sale of tangible capital assets	(2,229,862)	2,024,922
Write-down of tangible capital asset	-	8,445
Income from subsidiaries	(2,905,407)	(2,917,305)
Change in non-cash working capital items	(1,009,264)	(107,590)
Change in obligations to be funded from future revenues	2,816,735	1,449,420
Decrease in inventory	49,080	114,021
Increase in prepaid expenses	(136,416)	(196,126)
	53,426,164	49,054,883
Financing transactions		
New debt issued	7,978,000	-
New note issued	(1,000,000)	-
Note payable repayment	(100,000)	(100,000)
Long-term debt repayment	(12,142,953)	(15,024,750)
Deferred revenue	8,649,994	2,980,335
	3,385,041	(12,144,415)
Capital transactions		
Acquisition of tangible capital assets	(30,970,610)	(26,559,779)
Proceeds of sale of tangible capital assets	3,050,374	101,066
	(27,920,236)	(26,458,713)
Investing transactions		
Dividends received from Entegrus Inc.	2,281,500	2,214,000
Investment in 2351839 Ontario Limited	(1)	-
	2,281,499	2,214,000
Net increase in cash	31,172,468	12,665,755
Cash, beginning of year	49,431,983	36,766,228
Cash, end of year	80,604,451	49,431,983

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

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements

December 31, 2013

1. Significant accounting policies

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

Basis of consolidation

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

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

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

Subsidiaries

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

Accounting for school board transactions

The taxation and other revenues with respect to the operations of the school boards are reflected in the Consolidated statement of operations and accumulated surplus, but with no effect on Municipal Fund balances since the total is shown as a deduction.

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

Trust funds

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

Basis of accounting

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

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements

December 31, 2013

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 the asset was available for productive use and to the month of disposal. Assets under construction are not amortized until the asset is available for productive use.

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

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

Land held for resale

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

Government transfers

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

Adoption of new accounting standards

As at January 1, 2013 the Municipality adopted Public Sector Handbook Section PS 3410 "Government transfers." There was no impact on the financial statements as a result of adoption of this standard.

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, 2013

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. Investment in Entegrus Inc.

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

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

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

<u>Former Name</u>	<u>Amended Name</u>
Chatham-Kent Energy Inc.	Entegrus Inc. ("Entegrus")
Chatham-Kent Hydro Inc.	Entegrus Power Lines Inc. ("EPI")
Chatham-Kent Utility Services Inc.	Entegrus Services Inc. ("ESI")
Chatham-Kent Transmission Inc.	Entegrus Transmission Inc. ("EFT")

Entegrus is owned 90% by the Municipality of Chatham-Kent and 10% by Corix Utilities.

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, 2013

2. 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:

	2013	2012
	\$	\$
Financial position		
Assets		
Current	29,893,916	28,115,564
Capital	72,528,501	69,241,765
Other	13,038,577	13,392,233
Total assets	115,460,994	110,749,562
Liabilities		
Current	34,058,936	29,963,693
Notes payable to Municipality of Chatham-Kent	23,523,326	23,523,326
Other	13,175,867	13,305,595
Total liabilities	70,758,129	66,792,614
Equity		
Share capital	26,882,150	26,882,150
Retained earnings	17,820,715	17,074,798
Total equity	44,702,865	43,956,948
Total liabilities and equity	115,460,994	110,749,562
	2013	2012
	\$	\$
Financial activities		
Revenue	120,656,612	111,414,867
Expenses	116,119,119	106,896,466
	4,537,493	4,518,401
Payment in lieu of taxes	1,256,576	1,276,951
Dividends paid	2,535,000	2,460,000
Change in retained earnings	745,917	781,450
Municipality of Chatham-Kent's investment represented by:		
Investment in shares of Entegrus	23,855,798	23,855,798
Accumulated profit less dividends received	17,132,232	16,460,907
	40,988,030	40,316,705
Corix Utilities' investment represented by:		
Investment in shares of Entegrus	3,026,352	3,026,352
Accumulated profit less dividends received	688,483	613,891
	3,714,835	3,640,243

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements

December 31, 2013

2. Investment in Entegrus Inc. (continued)

(a) Equity in Entegrus Inc.

	2013	2012
	\$	\$
Balance, beginning of year	63,840,031	63,136,726
Changes during the year		
Net earnings for the year	2,952,825	2,917,305
Dividends paid	2,281,500	2,214,000
Balance, end of year	64,511,356	63,840,031

	2013	2012
	\$	\$
Investment in Entegrus Inc.	40,988,030	40,316,705
Notes receivable from Entegrus Inc.	23,523,326	23,523,326
Balance, end of year	64,511,356	63,840,031

(b) Related party transactions and balances

The following summarizes the Municipality's related party transactions with Entegrus for the year ended December 31, 2013 and December 31, 2012 with balances as at December 31, 2013 and December 31, 2012:

	2013	2012
	\$	\$
Transactions		
Revenue		
Administrative services	627,482	615,112
Asset management	245,443	226,406
Interest on promissory note	1,380,819	1,380,819
Expenses		
Energy purchases (at commercial rates)	5,814,611	5,346,067
Billing and collection services - water/wastewater	2,354,597	2,407,631
Streetlight maintenance	192,317	190,764
Balances		
Amounts due from Entegrus Inc.		
Promissory note receivable	23,523,326	23,523,326
Accounts receivable	16,284,263	14,801,943

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements

December 31, 2013

3. Investment in 2351839 Ontario Limited

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

On October 3, 2013, the closing date for the transfer and purchase of the railway, the Company sold its future interest in the railway fixtures comprised of, among other things, the steel track materials and ties but not the land.

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

	2013
	\$
Financial position	
Assets	
Current	565,108
Capital	813,576
Total assets	1,378,684
Liabilities	
Current	426,101
Note payable to Municipality of Chatham-Kent	1,000,000
Total liabilities	1,426,101
Equity	
Share capital	1
Retained earnings	(47,418)
Total equity	(47,417)
Total liabilities and equity	1,378,684
	2013
	\$
Financial activities	
Revenue	284
Expenses	47,702
	(47,418)
Payment in lieu of taxes	-
Dividends paid	-
Change in retained earnings	(47,418)
Municipality of Chatham-Kent's investment represented by:	
Investment in shares of the Company	1
Accumulated loss	(47,418)
	(47,417)

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2013

3. Investment in 2351839 Ontario Limited (continued)

(a) Equity in the Company

	2013
	\$
Balance, beginning of year	-
Changes during the year	
Investment in the Company	1
Note receivable issued to the Company	1,000,000
Net loss for the year	(47,418)
Balance, end of year	952,583

	2013
	\$
Investment in the Company	(47,417)
Notes receivable from the Company	1,000,000
Balance, end of year	952,583

(b) Related party transactions and balances

The following summarizes the Municipality's related party transactions with the Company for the year ended December 31, 2013 with balances as at December 31, 2013:

	2013
	\$
Transactions	
Revenue	
Interest on promissory note	4,315
Balances	
Amounts due from the Company	
Promissory note receivable	1,000,000
Accounts receivable	6,814

4. Note receivable from Entegrus Inc.

Note receivable is due from Entegrus Inc. with no set repayment terms and interest payable monthly at 5.87%. The Municipality received an interest payment in the current year of \$1,380,819 (2012 - \$1,380,819).

5. Note receivable from 2351839 Ontario Limited

Note receivable is due from 2351839 Ontario Limited with no set repayment terms and interest payable at a rate equal to the interest amount payable by the Municipality on funds borrowed from its financial institution in the year for which the interest is charged (2013 - 1.75%). The Municipality received an interest payment in the current year of \$4,315.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements

December 31, 2013

6. Trust funds

Trust funds administered by the Municipality amounting to \$4,997,906 (2012 - \$4,887,014) have not been included in the Consolidated statement of financial position nor have their operations been included in the Consolidated statement of operations and accumulated surplus.

7. Accrued employee benefits

The Municipality has accrued employee benefits as follows:

	2013	2012
	\$	\$
Employee future benefits	24,843,647	22,036,990
Workplace safety and insurance obligations	3,083,708	2,850,314
Vested sick leave	58,081	58,081
Vacation credits	3,376,699	3,486,517
	31,362,135	28,431,902

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, 2013 of \$24,843,647 (2012 - \$22,036,990) was determined by actuarial valuation using a discount rate of 4.25% (2012 - 3.75%). A comprehensive actuarial valuation of the future liability for employee future benefits was conducted as at December 31, 2012 and has been extrapolated to estimate the liability for the 2013 through 2015 period. The next required valuation will be as of December 31, 2015.

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

	\$
Accrued benefit liability as at January 1, 2013	22,036,990
Expense for the period	3,667,657
Benefits paid during the period	(861,000)
Estimated accrued benefit liability as at December 31, 2013	24,843,647

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 2013 and thereafter.

(ii) Interest (discount) rate

The present value as at December 31, 2013 of the future benefits was determined using a discount rate of 4.25%. The expense for the year ended December 31, 2013, was determined using a discount rate of 3.75%.

(iii) Health costs

Drug costs were assumed to increase at 8.5% per year grading down to 3.5% over 10 years.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements

December 31, 2013

7. Accrued employee benefits

(a) *Employee future benefits (continued)*

(iv) *Dental costs*

Dental costs were assumed to increase at 3.5% 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 \$3,083,708 (2012 - \$2,850,314) and an accrual has been recorded for 2013. A Workplace Safety and Insurance Reserve relating to Schedule II claims has also been established to protect against any unknown future liability, and has a balance of \$1,483,876 (2012 - \$780,365). The Municipality also maintained an insurance policy, which protects the Municipality against financial exposure to a catastrophic loss in excess of \$1,000,000 while Schedule II was in place.

(c) *Vested sick leave*

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

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to \$58,081 (2012 - \$58,081) at the end of the year and is reported as an accrued liability on the Consolidated statement of financial position. An amount of \$0 (2012 - \$0) was paid to employees who left the Municipality's employment during the current year.

(d) *Vacation credits*

Under the provisions of certain employee vacation plans, some vacation credits are earned as at December 31 but are generally unavailable for use until a later date. In addition, the provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits as at December 31, 2013 is \$3,376,699 (2012 - \$3,486,517) and is reported as an accrued liability on the Consolidated Statement of Financial Position.

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

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements

December 31, 2013

8. Pension agreement

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer plan, on behalf of 1,322 (2012 - 1,298) 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 2013 calendar year at rates ranging from 9.0% to 15.9% (2012 - 8.3% to 13.9%) depending on the member's designated retirement age and level of earnings. The amount contributed to OMERS for 2013 was \$8,528,723 (2012 - \$7,684,859) for current service and this is included on the Consolidated Statement of Operations and Accumulated Surplus. As at December 31, 2013 the OMERS plan is in a deficit of \$8.6 Billion (2012 - \$9.9 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 is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Municipality are summarized as follows:

	2013	2012
	\$	\$
For building code act	1,349,766	832,179
For parkland purposes	152,063	153,390
For Federal gas tax	12,793,217	8,948,460
For Provincial gas tax	4,595,162	4,231,895
Deferred revenue - obligatory reserve funds	18,890,208	14,165,924
Other deferred revenue		
Deferred taxes	855,849	1,615,354
Deferred grants	9,143,184	5,524,362
Other	2,357,091	1,290,698
Total deferred revenue	31,246,332	22,596,338

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2013

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:

	2013	2012
	\$	\$
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.	130,694,873	135,085,792
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.	(2,662,616)	(2,788,582)
Total long-term liabilities at the end of the year	128,032,257	132,297,210
Current note payable	-	(100,000)
Net long-term liabilities at the end of the year	128,032,257	132,197,210

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

	2014 to 2018	2019 to 2023	2024 and thereafter
	\$	\$	\$
From general municipal revenue	21,042,297	16,937,224	9,118,052
From benefiting landowners	7,096,089	4,737,307	2,493,241
From benefiting water ratepayers	11,218,516	13,026,230	7,522,277
From benefiting wastewater ratepayers	11,451,962	13,461,412	9,927,651
	50,808,863	48,162,173	29,061,222

- (c) Included in the principal amount in a) is \$9,454,106 (2012 - \$9,688,080) 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 and approved by Council 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) Included in the principal amount listed in a) above are two demand loans issued to the Canadian Imperial Bank of Commerce in the amount of \$1,502,632 (2012 - \$2,928,415) and \$1,242,535 (2012 - \$2,423,763), respectively.
- (g) Included in the principal amount listed in a) above is \$0 (2012 - \$100,000) of a non-interest bearing note payable due to St. Joseph Health Services Association of Chatham. The note had fixed annual payments of \$100,000.

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements

December 31, 2013

10. Net long-term liabilities (continued)

(h) The municipal long-term liabilities listed in a) are repayable at rates ranging from 2.0% to 5.19%, and the tile drainage and shoreline property assistance loans are repayable at rates up to 8%.

11. Charges for net long-term liabilities

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

	2013	2012
	\$	\$
Beginning balance	132,297,210	147,421,960
Principal payments	(12,242,952)	(15,124,750)
New debt issued	7,978,000	-
Ending balance	<u>128,032,258</u>	<u>132,297,210</u>

Net interest payments related to long-term liabilities in the current year were \$5,226,383 (2012 - \$5,900,229) 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 \$1,228,173 (2012 - \$1,341,671) 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, or 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.

	2013	2012
	\$	\$
Local improvements receivable for capital projects on tax roll		
Wastewater	1,086,809	1,225,249
Water	1,985,888	2,553,616
Drainage	11,277,965	10,286,041
Other	207,530	224,760
	<u>14,558,192</u>	<u>14,289,666</u>

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements

December 31, 2013

13. Tangible capital assets

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

	2013	2012
	\$	\$
Land and land improvements	52,335,246	52,823,682
Buildings	137,521,039	141,032,930
Equipment	55,396,013	56,871,724
Vehicles	20,504,793	22,077,445
Underground linear	221,260,230	225,286,569
Plants and facilities	20,344,154	21,127,008
Bridges	119,854,350	120,104,373
Transportation	172,826,420	173,465,142
Other assets	3,367,461	3,594,951
	803,409,706	816,383,824
Assets under construction	16,289,965	7,825,896
	819,699,671	824,209,720

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, 2013

14. Accumulated surplus

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

	2013	2012
	\$	\$
Surplus		
Invested in tangible capital assets	681,336,180	688,891,041
Entegrus, net equity	64,511,357	63,840,032
WDC Rail	(47,417)	-
Business Improvement Area	(197)	(11,599)
Prelevies for benefitting landowners	(80,123)	166,854
Other	2,111,472	(4,122,239)
Obligations to be funded from future years	(5,085,402)	(7,218,221)
Unfunded		
Employee future benefits, workplace safety and vacation	(29,787,362)	(27,066,261)
Accrued interest on long-term liabilities	(1,109,902)	(988,385)
	711,848,606	713,491,222
Surplus allocated to reserves		
For acquisition of capital assets	44,825,653	36,501,702
For public liability insurance	1,237,995	1,320,569
For various programs, facilities	44,633,918	35,242,478
For strategic and community development	2,939,882	2,937,189
For water	1,780,836	(1,444,971)
For wastewater	2,719,618	443,558
	98,137,902	75,000,525
Surplus allocated to reserve funds		
For community investment	4,219,738	3,538,799
For parking purposes	226,267	220,816
	4,446,005	3,759,615
Total accumulated surplus	814,432,513	792,251,362

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2013

15. Taxation revenue

(a) Taxation collected on behalf of school boards

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

	2013	2012
	\$	\$
Taxation	29,222,727	30,168,365
Requisitions	(29,222,727)	(30,168,365)
Net levy for the year	-	-

Included in accounts payable and accrued liabilities are levies owing to the school board totaling \$585,290 (2012 accounts receivable - \$1,148,836).

(b) Taxation revenue by major tax class

	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & write-offs	2013 Total
	\$	\$	\$	\$	\$
Residential	86,806,857	667,201	564,808	(1,014,397)	87,024,469
Multiresidential	6,806,484	-	5,579	(25,775)	6,786,288
Commercial	26,659,596	1,908,126	473,509	(597,475)	28,443,756
Industrial	6,512,907	6,109	292,599	(893,345)	5,918,270
Pipelines	1,555,964	-	3,275	-	1,559,239
Farmlands	7,754,349	3,945	43,312	12,469	7,814,075
Managed forests	2,268	-	-	-	2,268
Other	455,884	669,931	15,930	(345,758)	795,987
Capping program	(620,306)	-	-	52,827	(567,479)
Total tax revenue	135,934,003	3,255,312	1,399,012	(2,811,454)	137,776,873

	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & write-offs	2012 Total
	\$	\$	\$	\$	\$
Residential	81,663,367	57,780	555,973	(551,498)	81,725,622
Multiresidential	6,581,925	-	(286,957)	(71,314)	6,223,654
Commercial	26,528,812	2,744,158	816,842	(1,828,776)	28,261,036
Industrial	6,842,598	6,142	114,984	(1,113,167)	5,850,557
Pipelines	1,443,163	-	1,583	-	1,444,746
Farmlands	6,309,792	2,450	9,254	57,059	6,378,555
Managed forests	1,962	-	-	(54)	1,908
Other	471,684	725,799	56,446	(193,787)	1,060,142
Capping program	(1,634,787)	-	-	112,005	(1,522,782)
Total tax revenue	128,208,516	3,536,329	1,268,125	(3,589,532)	129,423,438

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements

December 31, 2013

16. Self insurance

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

The Municipality is self-insured for property damage claims up to \$100,000 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, 2013 amounted to \$1,237,995 (2012 - \$1,320,569) and is reported on the Consolidated statement of financial position under reserves. The provision for the year of \$734,638 (2012 - \$720,073) has been reported as an expenditure on the Consolidated statement of operations and accumulated surplus and \$0 (2012 - \$0) was transferred in from Other reserves.

Claims settled during the year amounted to \$817,211 (2012 - \$984,391) and have been provided from the reserve.

17. Provincial offences administration

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 2013 were \$2,036,509 (2012 - \$2,376,945) and net revenue was \$560,205 (2012 - \$854,959).

18. Segmented information

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

The services included in each segment are as follows:

General government

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

Protection services

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

Transportation services

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

Environmental services

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

Health services

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

Social and family services

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

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, 2013

18. Segmented information (continued)

Recreational and cultural services

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

Planning and development services

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

Water and wastewater services

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

Other items and corporations

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

19. Commitments

- (a) The Municipality has entered into various contracts for equipment leases. The obligation over the remaining life of the leases are as follows:

	\$
2014	39,250
2015	13,083
	52,333

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

	\$
2014	12,936,261
2015	9,324,732
2016	9,518,362
2017	109,954
	31,889,309

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

	\$
2014	514,000
2015	676,000
2016	355,000
2017	355,000
2018 to 2019	630,000
	2,530,000

The Corporation of the Municipality of Chatham-Kent

Notes to the consolidated financial statements
December 31, 2013

20. Restatement of 2012 comparative figures

During the 2013 year, it was found that certain tangible capital assets were expensed in the 2012 consolidated financial statements and therefore have been adjusted for retroactively in the comparative figures in these consolidated financial statements.

The total impact of the restatement on the 2012 comparative figures is as follows:

	As previously reported	Adjustment	2012 as restated
	\$	\$	\$
Transportation services expense	42,932,958	72,521	43,005,479
Amortization of tangible capital assets	33,560,879	72,521	33,633,400
Excess of revenues over expenses	15,118,217	72,521	15,045,696
Accumulated surplus, beginning of year	774,420,059	2,785,607	777,205,666
Accumulated surplus, end of year	789,538,276	2,713,086	792,251,362
Tangible capital assets	821,496,634	2,713,086	824,209,720

21. Budget figures

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

22. Contingent liabilities

From time to time, as is common with other municipalities, the Municipality is the subject of litigation. In the opinion of management, 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
year ended December 31, 2013

	Land and land improvements	Buildings	Equipment	Vehicles	Underground linear	Plants and facilities	Bridges	Transportation	Other assets	Total 2013	Total 2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Municipal											
Cost											
Balance, beginning of the year	54,337,832	143,006,136	29,739,519	47,662,191	110,886,627	3,272,370	174,842,783	401,420,574	6,725,256	971,863,288	927,538,542
Add: Additions during the year	459,601	1,934,842	2,245,253	1,514,458	1,410,887	-	2,400,521	9,996,847	725,995	20,688,404	50,856,283
Less: Withdrawals during the year	-	-	-	-	-	-	-	-	-	-	-
Less: Disposals during the year	169,000	23,339	958,569	3,697,413	11,932	-	-	-	-	9,919,555	8,445
Balance, end of the year	54,628,433	144,917,639	31,026,203	45,479,236	112,255,582	3,272,370	176,731,256	407,633,955	6,627,463	982,632,137	977,663,288
Accumulated amortization											
Balance, beginning of the year	8,404,360	48,731,285	13,550,243	26,197,226	47,994,036	1,304,154	54,740,519	227,955,432	3,130,305	432,007,560	412,548,412
Add: Amortization for the year	825,263	2,132,059	2,132,059	2,917,422	2,042,320	101,945	2,513,068	10,504,122	787,955	25,111,937	23,842,186
Less: Accumulated amortization on disposal	26,988	37,743	868,259	3,545,943	9,049	101,945	376,681	3,592,019	658,258	9,114,920	4,333,038
Balance, end of the year	9,202,635	51,825,601	14,814,043	25,568,705	50,027,307	1,406,099	56,876,906	234,867,535	3,260,002	448,004,577	432,007,560
Net book value of municipal assets	45,425,798	93,092,038	16,212,160	19,910,531	62,228,275	1,866,271	119,854,350	172,826,420	3,367,461	534,627,560	539,855,728
Waterworks											
Cost											
Balance, beginning of the year	2,232,112	24,972,730	32,101,066	721,225	156,953,949	25,462,274	-	-	-	242,443,358	240,783,067
Add: Additions during the year	-	-	533,104	78,795	481,620	-	-	-	-	1,093,519	1,820,766
Less: Disposals during the year	-	-	9,646	106,086	64,065	-	-	-	-	179,797	160,475
Balance, end of the year	2,232,112	24,972,730	32,624,526	683,934	157,371,504	25,462,274	-	-	-	243,357,080	242,443,358
Accumulated amortization											
Balance, beginning of the year	-	11,702,199	10,967,412	464,626	50,144,062	8,370,827	-	-	-	81,649,126	77,119,865
Add: Amortization for the year	-	570,112	1,209,086	70,294	2,198,445	616,003	-	-	-	4,663,940	4,703,802
Less: Accumulated amortization on disposal	-	-	9,646	106,087	46,187	-	-	-	-	163,919	174,541
Balance, end of the year	-	12,272,311	12,166,853	428,833	52,294,320	8,986,830	-	-	-	86,749,147	81,649,126
Net book value of waterworks assets	2,232,112	12,700,419	20,457,673	255,101	105,077,184	16,475,444	-	-	-	157,207,933	160,794,232
Wastewater											
Cost											
Balance, beginning of the year	4,660,285	60,023,256	39,770,487	799,068	92,581,694	8,839,272	-	-	-	206,674,062	206,402,050
Add: Additions during the year	17,970	-	607,114	27,381	-	73,054	-	-	-	724,619	293,062
Less: Disposals during the year	-	-	6,430	218,008	-	-	-	-	-	224,438	21,070
Balance, end of the year	4,677,355	60,023,256	40,371,171	608,441	92,581,694	8,912,326	-	-	-	207,174,243	206,674,062
Accumulated amortization											
Balance, beginning of the year	-	26,535,708	20,221,694	443,266	36,967,603	6,771,928	-	-	-	90,940,199	85,873,857
Add: Amortization for the year	-	1,603,242	1,429,728	54,021	1,659,320	137,959	-	-	-	4,864,270	5,067,412
Less: Accumulated amortization on disposal	-	-	6,431	218,008	-	-	-	-	-	224,439	21,070
Balance, end of the year	-	28,138,950	21,644,991	279,279	38,626,923	6,909,887	-	-	-	95,600,030	90,940,199
Net book value of wastewater assets	4,677,355	31,884,306	18,726,180	329,162	53,954,771	2,002,439	-	-	-	111,574,213	115,733,863
Assets under construction											
Balance, beginning of the year	-	-	-	-	-	-	-	-	-	16,289,865	7,825,897
Add: Additions during the year	-	-	-	-	-	-	-	-	-	-	-
Less: Disposals during the year	-	-	-	-	-	-	-	-	-	-	-
Balance, end of the year	-	-	-	-	-	-	-	-	-	16,289,865	7,825,897
Total value of tangible capital assets	52,335,245	137,527,039	55,386,013	20,504,794	221,260,230	20,344,154	119,854,350	172,826,420	3,367,461	819,699,671	824,209,720

The Corporation of the Municipality of Chatham-Kent

Consolidated schedule of segment disclosure
year ended December 31, 2013

	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	2013 Consolidated	2012 Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues														
Taxation	6,332,203	50,988,491	37,935,230	9,290,992	8,221,013	17,771,913	6,588,486	17,313,717	994,767	-	-	(17,659,939)	137,776,873	129,423,438
Sales of service	196,252	599,080	3,257,169	3,192,266	906,565	7,997,643	2,330,813	4,696,551	768,152	33,484,006	4,941,078	-	62,371,575	59,481,444
Government transfers	149,054	1,443,493	4,596,351	-	13,871,634	59,833,820	4,508,551	504,581	816,357	420	21,572,600	-	107,296,861	106,930,648
Other	-	-	-	-	-	-	-	-	-	-	12,219,944	-	12,219,944	12,414,163
Gain (loss) on disposal of tangible capital assets	(11,165)	28,794	(296,192)	(2,884)	8,818	(20,568)	(42,277)	(14,623)	2,590,238	(10,369)	-	-	2,229,862	(2,024,922)
	6,668,344	53,059,858	45,492,648	12,480,374	23,008,030	85,582,808	13,385,573	22,500,226	5,169,514	33,474,057	38,733,622	(17,659,939)	321,895,115	306,224,772
Expenses														
Salaries and benefits	15,810,155	40,917,324	9,723,636	1,736,172	8,888,852	30,294,652	1,680,057	10,259,283	2,953,760	7,267,544	-	-	129,531,445	124,151,984
Goods and services	16,024,789	3,166,622	14,899,815	7,888,554	11,230,345	5,910,314	3,732,436	5,823,885	1,221,189	11,090,644	-	-	80,958,593	77,050,746
Interest	57,524	-	493,123	-	12,576	1,437,030	558,178	-	341,580	2,487,692	-	-	5,387,703	5,935,547
Transfers (to) from other segments	(25,919,625)	6,333,354	5,663,847	857,918	2,321,148	6,163,003	(258,817)	2,684,240	434,986	1,719,946	-	-	-	-
External transfers	(1,316)	740,139	-	1,500	96,509	40,238,832	7,141,152	765,114	194,146	-	-	-	49,176,076	50,407,399
Amortization	696,817	1,902,419	14,712,227	2,026,230	458,600	1,538,967	532,567	2,967,704	23,853	9,800,763	-	-	34,660,147	33,633,400
	6,668,344	53,059,858	45,492,648	12,480,374	23,008,030	85,582,808	13,385,573	22,500,226	5,169,514	32,366,588	38,733,622	(17,659,939)	299,713,964	291,173,076
Net surplus	-	-	-	-	-	-	-	-	-	1,107,468	-	-	22,181,151	15,045,696