



The Corporation of the Town of LaSalle

Date:	June 27, 2017	Report No:	FIN-16-2017
Directed To:	Members of Council	Attachments:	Financial Statements Audit Findings Report
Department:	Finance		
Prepared By:	Dale Langlois, CPA, CA Manager of Finance & Deputy Treasurer	Policy References:	None
Subject:	Approval of the 2016 Audited Financial Statements		

Recommendation:

Based on the information provided within this report, it is recommended that:

- The 2016 Audited Financial Statements be approved and adopted by Council
- The 2016 Audited Financial Statements be published in a local newspaper having general circulation in the municipality (in accordance with Section 295(1)(a) of the Municipal Act)
- The 2016 Audited Financial Statements be posted on the Town's Web Site
- The 2016 Financial Statements and 2016 Financial Information Returns be submitted to the Ministry of Municipal Affairs (in accordance with Section 294(1) of the Municipal Act)

Yours truly,

Dale Langlois, CPA, CA
Manager of Finance & Deputy Treasurer

<i>Reviewed by:</i>						
CAO 	Finance 	Council Services	Environmental Services	Planning & Development	Culture & Recreation	Fire Services

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF LASALLE**

Year ended December 31, 2016

June 27, 2017

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of LaSalle (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Kevin Miller
Chief Administrative Officer

Joe Milicia
Director of Finance / Treasurer



KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor, ON N8W 5K8
Telephone (519) 251-3500
Fax (519) 251-3530
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of LaSalle

We have audited the accompanying consolidated financial statements of The Corporation of the Town of LaSalle, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 an 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 our 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, we consider internal controls 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 consolidated statement of financial position of The Corporation of the Town of LaSalle as at December 31, 2016, and its consolidated results of operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Date of approval
Windsor, Canada

DRAFT

THE CORPORATION OF THE TOWN OF LASALLE

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Unrestricted		
Cash and short term investments (note 2)	\$ 6,959,859	\$ 2,560,320
Accounts receivable		
Taxes receivable	1,368,495	1,592,116
User charges receivable	2,155,487	1,931,669
Other receivables	2,098,658	3,250,969
Long term investments (note 2)	1,100	1,095
Long term accounts receivable	-	100,000
	<u>12,583,599</u>	<u>9,436,169</u>
Restricted		
Cash and short term investments (note 2)	31,239,633	27,076,495
Investment in Essex Power Corporation (note 3)	11,963,228	11,296,565
	<u>43,202,861</u>	<u>38,373,060</u>
	<u>55,786,460</u>	<u>47,809,229</u>
Financial liabilities:		
Accounts payable and accrued liabilities	3,824,133	3,990,421
Deferred revenue/capital deposits (note 4)	31,244,091	28,177,805
Long term debt (note 5)	30,152,477	31,186,168
Employee future benefit obligations (note 6)	24,291,430	23,362,546
	<u>89,512,131</u>	<u>86,716,940</u>
Net debt	(33,725,671)	(38,907,711)
Non-financial assets:		
Tangible capital assets (note 7)	238,625,269	237,524,993
Other non-financial assets (note 8)	23,579,031	24,044,972
Inventory/prepaid expenses	731,141	690,521
	<u>262,935,441</u>	<u>262,260,486</u>
Accumulated surplus (note 9)	\$ 229,209,770	\$ 223,352,775

Commitments and contingencies (note 11, note 12)

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

THE CORPORATION OF THE TOWN OF LASALLE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	Budget (note 13)	2016	2015
Revenue:			
Taxation (note 10)	\$ 27,483,000	\$ 27,885,353	\$ 26,134,127
User charges	7,276,700	8,510,750	7,561,413
Government transfers			
Provincial (note 14)	563,300	669,649	1,078,463
Federal (note 14)	1,327,000	1,474,966	1,708,252
Investment income	185,700	261,960	207,161
Penalties and interest	250,000	283,136	298,363
Contributions from developers and users	4,000	10,813,495	7,866,801
Recreation and cultural services	2,423,900	2,366,634	2,543,501
Equity income in Essex Power Corporation	520,000	1,211,630	1,024,765
Other	2,424,600	2,890,069	4,070,199
Total revenue	42,458,200	56,367,642	52,493,045
Expenses:			
General government	5,591,356	6,883,324	6,800,497
Protection services	11,858,241	11,562,113	12,147,466
Transportation services	8,332,624	10,992,385	9,723,481
Environmental services	10,129,544	13,064,567	11,467,037
Recreation and cultural services	7,163,000	7,344,690	7,417,909
Planning and development	653,735	663,568	675,255
Total expenses	43,728,500	50,510,647	48,231,645
Annual surplus	(1,270,300)	5,856,995	4,261,400
Accumulated surplus, beginning of year		223,352,775	219,091,375
Accumulated surplus, end of year		\$ 229,209,770	\$ 223,352,775

The accompanying notes are an integral part of these consolidated financial statements

THE CORPORATION OF THE TOWN OF LASALLE

Consolidated Statement of Change in Net Debt

Year ended December 31, 2016, with comparative information for 2015

	Budget (note 13)	2016	2015
Annual surplus	\$ (1,270,300)	\$ 5,856,995	\$ 4,261,400
Acquisition of tangible capital assets	(8,463,000)	(12,541,780)	(11,784,613)
Amortization of tangible capital assets	7,234,000	9,505,295	8,985,661
Loss on disposal of tangible capital assets	-	1,936,209	180,164
	(2,499,300)	4,756,719	1,642,612
Amortization of other non-financial assets	466,000	465,941	465,941
Consumption (net acquisition) of inventory/ prepaid expenses	-	(40,620)	143,738
Change in net debt	(2,033,300)	5,182,040	2,252,291
Net debt, beginning of year	(38,907,711)	(38,907,711)	(41,160,002)
Net debt, end of year	\$ (40,941,011)	\$ (33,725,671)	\$ (38,907,711)

The accompanying notes are an integral part of these consolidated financial statements

THE CORPORATION OF THE TOWN OF LASALLE

Consolidated Statement of Cash Flows

Year ended December 31, 2016 with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 5,856,995	\$ 4,261,400
Items not involving cash:		
Amortization of tangible capital assets	9,505,295	8,985,661
Amortization of other non-financial assets	465,941	465,941
Contributed tangible capital assets from developers	(6,360,649)	(898,500)
Loss on disposal of tangible capital assets	1,936,209	180,164
Change in employee future benefit obligations	928,884	2,687,242
Equity in income of Essex Power Corporation	(1,195,671)	(1,009,470)
Change in non-cash assets and liabilities:		
Taxes receivable	223,621	(16,463)
User charges receivable	(223,818)	(631,265)
Other receivables	1,152,311	(1,904,011)
Accounts payable and accrued liabilities	(166,288)	130,148
Inventory/prepaid expenses	(40,620)	143,738
Long term accounts receivable	100,000	-
	12,182,210	12,394,585
Capital Activities:		
Cash used to acquire tangible capital assets	(6,181,131)	(10,886,113)
	(6,181,131)	(10,886,113)
Investing Activities:		
Decrease (increase) in long term investments	(5)	1,237,151
Dividend received from Essex Power Corporation	529,007	513,712
	529,002	1,750,863
Financing Activities:		
Increase (decrease) in deferred revenue/capital deposits	3,066,286	(471,079)
Repayments related to long term debt	(1,033,691)	(989,936)
	2,032,595	(1,461,015)
Increase in cash position	8,562,677	1,798,320
Cash and short term investments, beginning of year	29,636,815	27,838,495
Cash and short term investments, end of year	\$38,199,492	\$29,636,815

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

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements

Year ended December 31, 2016

The Corporation of the Town of LaSalle (the "Town") is a municipality in the Province of Ontario incorporated in 1991 and operates under the provisions of the Municipal Act. Previous to 1991, the municipality was known as the Township of Sandwich West.

1. Significant accounting policies:

The consolidated financial statements of the Town are prepared by management in accordance with Canadian public sector accounting standards ("PSAS"). Significant accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town except for the Town's government business enterprise, Essex Power Corporation ("EPC"), which is accounted for on the modified equity basis of accounting.

Excluded from the reporting entity are activities related to The River Canard Park Community Centre Board, The LaSalle Strawberry Festival Committee, The LaSalle Craft Beer Festival Committee, as well as several other small Committees of Council, all of which are administered by the Town and reported on separately.

Interdepartmental transactions and balances have been eliminated.

(ii) Investment in EPC

The Town's investment in EPC is accounted for on a modified equity basis, consistent with Canadian public sector accounting standards for investments in Government Business Enterprises. Under the modified equity basis, Government Business Enterprise's accounting policies are not adjusted to conform with those of the municipality and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of EPC in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Town receives from EPC are reflected as reductions in the investment asset account.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(iii) Accounting for county and school boards transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the county and the school boards are not reflected in these consolidated financial statements. Amounts due to / from county or school boards are reported on the statement of financial position as accounts receivable / payable.

(b) Basis of accounting:

The Town follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of an obligation to pay.

(c) Restricted assets:

Restricted assets consist of cash, short term investments, long term investments and interest receivable which are associated with deferred revenue/capital deposit accounts and reserve funds, of which their use is limited by Provincial or Federal legislation, regulation or third party agreements.

(d) Investments:

Investments consist primarily of money market instruments such as government bonds and guaranteed investment certificates. Investments, which are effectively held to maturity or have a reduction in market value that is considered temporary in nature, are recorded at cost. Other investments, if any, are recorded at the lower of cost or market. Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(e) 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 with respect to mortality and termination rates, retirement age and expected inflation rate with respect to employee benefit costs. Past service costs from plan amendments, if any, are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10 percent of the accrued benefit obligation is amortized over the average remaining service period of active employees.

(f) Non-financial assets:

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

(g) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	15 - 50
Buildings and building improvements	10 - 50
Vehicles, machinery and equipment	5 - 30
Water and wastewater infrastructure	20 - 50
Roads and bridge infrastructure	12 - 50
Furniture and fixtures	15

A half year of amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(g) Tangible capital assets (continued):

(i) Contributions of tangible capital assets

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

(ii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iii) Works of art and cultural and historic assets

The Town manages and controls various works of art and non-operational historical cultural assets including artifacts, paintings and sculptures located at Town sites and public display areas. The assets are not recorded as tangible capital assets and are not amortized. These items have cultural, aesthetic, or historical value and are worth preserving perpetually.

(iv) Interest capitalization

The Town does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

(h) Other non-financial assets:

The Town owns an interest of five million gallons per day of treatment capacity at the Lou Romano Water Treatment Plant (the "Plant"). The Plant's physical assets are owned by the City of Windsor. This asset is being amortized over the life of the Plant, which is estimated to be 60 years.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating the valuation of receivables, the carrying value of tangible capital assets and other non-financial assets, provisions for accrued liabilities and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

2. Cash and investments:

	<u>2016</u>	<u>2015</u>
Unrestricted assets:		
Cash	\$ 6,959,859	\$ 2,560,320
Long term investments:	1,100	1,095
Restricted assets:		
Cash	30,923,535	25,492,248
Short term investments	316,098	1,584,247
	<u>31,239,633</u>	<u>27,076,495</u>
Essex Power Corporation (note 3)	11,963,228	11,296,565
	<u>11,963,228</u>	<u>11,296,565</u>
	<u>\$ 50,163,820</u>	<u>\$ 40,934,475</u>
Cash and short term investments:		
Unrestricted	6,959,859	2,560,320
Restricted	31,239,633	27,076,495
	<u>\$ 38,199,492</u>	<u>\$ 29,636,815</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

3. Investment in EPC:

a) Incorporation of EPC

On May 30th, 2000, the Town along with the Towns of Amherstburg, Leamington and Tecumseh substantially transferred all of the assets, liabilities and operations of their respective Hydro-Electric Systems to Essex Power Corporation (EPC). EPC is a holding company which wholly owns three subsidiaries: Essex Power Lines Corporation (EPLC), Essex Power Services Corporation and Essex Energy Corporation. EPC and its subsidiaries have been established by the respective Town Councils to own and manage the operations of the collective Hydro-Electric System.

The value of net assets transferred to EPC from the Town on May 30th, 2000 was \$11,491,728 and was recorded as other revenue on the "Consolidated Statement of Operations". In consideration for such transfer, EPC originally issued to the Town the following:

Promissory notes (from EPLC)	\$ 5,245,401
25% voting common shares (in EPC)	2,678,178
44% non-voting common shares (in EPC)	3,568,149
	<u>\$ 11,491,728</u>

b) Investment in EPC

The investments in EPC and EPLC are included in the restricted long term investments on the "Consolidated Statement of Financial Position" and consist of the following as at December 31st: The Town owns 33.25% of EPC.

	<u>2016</u>	<u>2015</u>
Voting common shares	\$ 2,678,178	\$ 2,678,178
Non-voting common shares	3,568,149	3,568,149
Non-voting special shares	253,260	253,260
Attributable gains to date, net of dividends received	5,463,641	4,796,978
	<u>\$ 11,963,228</u>	<u>\$ 11,296,565</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

3. Investment in EPC (continued):

c) Supplementary information

The following table provides condensed supplementary information for EPC.

	As at Dec 31, 2016	As at Dec 31, 2015
Financial Position:		
Current assets	\$ 21,470,000	\$ 21,842,000
Capital assets	58,159,000	55,662,000
Other assets	9,811,000	9,668,000
Total Assets	89,440,000	87,172,000
Regulatory balances	39,824,000	42,323,000
Total Assets and Regulatory balances	129,264,000	129,495,000
Current liabilities	29,573,000	26,360,000
Long term liabilities	25,010,000	23,414,000
Total Liabilities	54,583,000	49,774,000
Equity	36,099,000	34,094,000
Total Liabilities and Equity	90,682,000	83,868,000
Regulatory balances	38,582,000	45,627,000
Total liabilities, equity and regulatory balances	\$ 129,264,000	\$ 129,495,000
	For the year ended Dec 31, 2016	For the year ended Dec 31, 2015
Result from Operations:		
Revenue	\$ 93,743,000	\$ 84,151,000
Operating expenses	92,802,000	80,741,000
Income from operations	941,000	3,410,000
Other expenses	2,081,000	1,008,000
Net (loss) income	(1,140,000)	2,402,000
Net movement in regulatory balances, net of tax	4,325,000	969,000
Net income for the year and net movement in regulatory balances	3,185,000	3,371,000
Other comprehensive income	-	(227,000)
Total comprehensive income for the year	\$ 3,185,000	\$ 3,144,000

For the year ended December 31, 2016, the Town's proportionate share of the comprehensive income was \$1,211,630 (\$1,024,765 in 2015) and has been reflected in the Consolidated Statement of Operations. The change in the investment in EPC includes both the share of comprehensive income and the common share dividends received of \$544,968 (\$529,007 in 2015). Dividends received on special shares of \$17,729 (\$17,729 in 2015) are included in investment income.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

3. Investment in EPC (continued):

d) Related party transactions

During fiscal 2016, the Town received \$529,007 in common share dividends from EPC (\$513,712 in 2015).

During fiscal 2016, the Town paid \$1,815,500 to EPC for services provided (\$1,811,979 in 2015).

4. Deferred revenue/capital deposits:

The balance of deferred revenue/capital deposits consist of:

	<u>2016</u>	<u>2015</u>
Sewer projects	\$ 1,056,659	\$ 1,309,936
Water projects	3,286,140	2,718,307
Water emergency	1,500,000	1,500,000
Development charges	19,637,783	15,970,651
Refundable contributions from developers	2,894,260	2,831,640
Federal Gas Tax	2,044,867	3,108,937
Provincial Gas Tax/transit	545,952	515,839
Parkland dedication	268,235	212,497
Employee vested sick leave	10,195	9,998
	<u>\$ 31,244,091</u>	<u>\$ 28,177,805</u>

The activity for the year consists of:

	<u>2016</u>	<u>2015</u>
Contributions received:		
Contribution from developers	\$ 3,975,672	\$ 2,956,800
Contribution from others	1,500,000	1,650,000
Gas tax funding	1,449,599	1,389,295
OCIF formula based funding	172,770	172,770
Investment income	592,933	607,285
	<u>7,690,974</u>	<u>6,776,150</u>
Deferred revenue/capital deposits included in revenue	<u>(4,624,688)</u>	<u>(7,247,229)</u>
Net change in deferred revenue/capital deposits	3,066,286	(471,079)
Deferred revenue/capital deposits, beginning of year	28,177,805	28,648,884
Deferred revenue/capital deposits, end of year	<u>\$ 31,244,091</u>	<u>\$ 28,177,805</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

5. Long term debt:

a) Long term debt outstanding:

	<u>2016</u>	<u>2015</u>
New municipal facilities 3.83% debenture, repayable in combined semi-annual payments of principle and interest of \$562,630, maturing in 2038	\$ 16,383,995	\$ 16,867,808
Vollmer complex 4.81% debenture, repayable in combined semi-annual payments of principle and interest of \$419,456, maturing in 2028	7,344,185	7,812,868
Sanitary sewage treatment capacity 5.1% debenture, repayable in combined semi-annual payments of principle and interest of \$205,977, maturing in 2048	6,424,297	6,505,492
	<u>30,152,477</u>	<u>31,186,168</u>
The responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals (maturing in 2018, 2019, 2025 and 2026). These amounts are not recorded on the consolidated statement of financial position	108,684	67,129
	<u>\$ 30,261,161</u>	<u>\$ 31,253,297</u>

b) Long term debt principal repayments:

Within one year	\$ 1,079,407
Within two years	1,127,173
Within three years	1,177,083
Within four years	1,229,235
Within five years	1,283,542
Thereafter	24,256,037
	<u>\$ 30,152,477</u>

c) Charges relating to long term debt:

	<u>2016</u>	<u>2015</u>
Principal paid	\$ 1,033,691	\$ 989,936
Interest paid	1,342,436	1,386,191
	<u>\$ 2,376,127</u>	<u>\$ 2,376,127</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

5. Long term debt (continued):

d) Debt capacity limit:

The Municipal Act establishes debt limits, which include both interest and principal payments, as defined in Ontario regulation 799/94. The debt limit is calculated at 25% of net operating revenues. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs and Housing. These thresholds are a conservative guideline used by the Ministry to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the consolidated financial statements must be interpreted as a whole.

	<u>2016</u>	<u>2015</u>
Debt repayment limit (25% of net operating revenues)	\$ 10,949,689	\$ 9,987,729
Net debt charges	2,376,127	1,813,496
Remaining available debt repayment limit	<u>\$ 8,573,562</u>	<u>\$ 8,174,233</u>

6. Employee future benefit obligations and other liabilities:

a) Pension agreements

The Town makes contributions on behalf of members of its staff to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan. 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. The multi-employer plan is valued on a current market basis for all plan assets.

During the year, the Town paid \$1,397,204 (\$1,338,133 in 2015) in contributions towards the OMERS plan.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

6. Employee future benefit obligations and other liabilities (continued):

b) Future benefit obligations

Employee benefit liabilities are future obligations of the Town to its employees and retirees for benefits earned but not taken as of December 31.

	<u>2016</u>	<u>2015</u>
Post retirement benefits	\$ 23,501,673	\$ 22,532,793
Accrued sick leave	597,719	657,987
WSIB future benefit costs	192,038	171,766
	<u>\$ 24,291,430</u>	<u>\$ 23,362,546</u>

i) Post retirement benefits

The post retirement benefits liability is based on an actuarial valuation performed by the Town's actuaries. The valuation and measurement date used by the actuaries is December 31, 2015 and December 31, 2016 respectively. The significant actuarial assumptions adopted in estimating the Town's liability are as follows:

Long term discount rate	3.8% (3.4% in 2015)
Trend rates:	Dental - 3% per annum (3% in 2015)
	Health care - 6.25% per annum in 2016, decreasing by 0.25% per annum to an ultimate rate of 4.50%
Estimated remaining service life	14.3 years

Information about the Town's future obligations with respect to these costs is as follows:

	<u>2016</u>	<u>2015</u>
Opening balance	\$ 22,532,793	\$ 19,823,359
Annual expense		
Cost of benefits	632,438	1,260,549
Net amortization of actuarial losses	106,014	918,780
Interest	638,928	936,105
Benefits paid	(408,500)	(406,000)
Closing balance	<u>\$ 23,501,673</u>	<u>\$ 22,532,793</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

6. Employee future benefit obligations and other liabilities (continued):

b) Future benefit obligations (continued):

i) Post retirement benefits (continued)

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation	\$ 17,722,283	\$ 18,363,815
Unamortized net actuarial gains	5,779,390	4,168,978
Closing balance	<u>\$ 23,501,673</u>	<u>\$ 22,532,793</u>

The Town's post retirement benefit obligations are unfunded.

ii) Accrued sick leave

Under the terms of contract settlements in 1995, employees can only receive lump sum cash payments for those days accumulated in excess of the maximum sick leave bank entitlement. The cash value of 50% of the excess accumulation is to be paid to each employee at the beginning of the following year. The days accumulated up to the sick leave bank maximum entitlement have no cash value, however, represents a future liability to the municipality.

As of November 30, 2013, the sick leave bank entitlement was frozen. The frozen sick leave banks must be drawn upon before using the annual sick leave entitlement. Employees retiring prior to December 31, 2016 may use the remaining sick leave bank to extend their retirement date as per the Town's current practice.

Also, employees were given the option of receiving a lump sum payment for their sick leave accumulation as of January 1, 1995, or have the Town establish an account from which this money would become payable to them upon termination, retirement or death. The sick leave account established for this purpose is identified in Note 4 of the consolidated financial statements. At December 31, 2016 the balance payable relating to the sick leave liability amounted to \$10,195 (\$9,998 in 2015).

iii) WSIB future benefit costs

The Workplace Safety and Insurance Board (WSIB) has evaluated the estimated liability for the future benefit costs and administrative loading at \$192,038 (\$171,766 in 2015).

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

7. Tangible capital assets

Cost	Balance at December 31, 2015	Additions	Disposals	Transfers	Balance at December 31, 2016
Land	\$ 36,807,050	\$ 1,357,809	\$ (63,520)	\$ -	\$ 38,101,339
Land improvements	11,288,354	-	-	-	11,288,354
Buildings and building improvements	53,340,479	139,685	-	-	53,480,164
Vehicles, machinery and equipment	14,361,130	827,259	(265,460)	2,235,830	17,158,759
Water and wastewater infrastructure	115,449,518	3,894,151	(380,836)	1,996,820	120,959,653
Roads and bridge infrastructure	99,538,020	1,797,315	(2,560,500)	5,377,587	104,152,422
Furniture and fixtures	1,790,201	54,096	-	17,851	1,862,148
Assets under construction	9,078,685	4,471,465	-	(9,628,088)	3,922,062
Total	\$ 341,653,437	\$ 12,541,780	\$ (3,270,316)	\$ -	\$ 350,924,901

Accumulated Amortization	Balance at December 31, 2015	Disposals	Amortization Expense	Balance at December 31, 2016
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	4,407,362	-	608,632	5,015,994
Buildings and building improvements	8,296,642	-	2,132,669	10,429,311
Vehicles, machinery and equipment	8,192,109	242,525	1,094,710	9,044,294
Water and wastewater infrastructure	40,637,836	180,652	2,895,847	43,353,031
Roads and bridge infrastructure	42,295,346	910,930	2,652,004	44,036,420
Furniture and fixtures	299,149	-	121,433	420,582
Total	\$ 104,128,444	\$ 1,334,107	\$ 9,505,295	\$ 112,299,632

Net Book Value	Balance at December 31, 2015	Balance at December 31, 2016
Land	\$ 36,807,050	\$ 38,101,339
Land improvements	6,880,992	6,272,360
Buildings and building improvements	45,043,837	43,050,853
Vehicles, machinery and equipment	6,169,021	8,114,465
Water and wastewater infrastructure	74,811,682	77,606,622
Roads and bridge infrastructure	57,242,674	60,116,002
Furniture and fixtures	1,491,052	1,441,566
Assets under construction	9,078,685	3,922,062
Total	\$ 237,524,993	\$ 238,625,269

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

8. Other non-financial assets:

Other non-financial assets represent an interest of five million gallons per day of treatment capacity at the Lou Romano Water Treatment Plant (the "Plant").

	2016	2015
Balance, cost	\$ 27,679,629	\$ 27,679,629
Less - Accumulated amortization	4,100,598	3,634,657
Balance, net	\$ 23,579,031	\$ 24,044,972

9. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2016	2015
Surplus:		
Invested in tangible capital assets	\$ 214,897,089	\$ 212,844,317
Invested in other non-financial capital assets	17,154,734	17,539,480
Other	(4,010,808)	(4,643,521)
Unfunded employee future benefit obligations	(24,291,430)	(23,362,546)
Total surplus	203,749,585	202,377,730
Reserve funds set aside by Council:		
Building activity	(1,248,862)	(1,541,223)
Recreation complex fundraising	-	79
Essex power equity	11,709,968	11,043,305
Total reserve funds	10,461,106	9,502,161
Reserves set aside for specific purpose by Council:		
Tax stabilization	2,608,559	1,608,559
Working capital	1,062,064	1,011,744
Facility capital	770,024	332,524
Insurance	448,498	446,250
Strategic planning	488,629	369,066
Technology	405,305	55,291
LaSalle green space/woodlot	726,515	669,559
Accessibility projects	2,370	-
HR / Health & Safety	85,000	35,000
Election	38,588	16,417
Fire	6,510	4,758
Police	100,000	-
Fleet	941,934	779,788
Roads network	743,000	393,000
Infrastructure replacement/repair	1,895,333	2,362,159
Drains & storm water management	855,940	505,965
Sidewalks/trails/streetlights/driveways	519,120	505,420
Fuel system	65,966	46,201
Transit	225,000	25,000
Culture & recreation	501,121	461,121
Parks & parkland works	350,000	200,000
Vollmer Centre	2,020,320	1,507,952
Planning projects	139,283	137,110
Total reserves	14,999,079	11,472,884
	\$ 229,209,770	\$ 223,352,775

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

10. Taxation revenue:

Taxation revenue, reported on the Consolidated Statement of Operations, is made up of the following:

	2016	2015
Residential and farm taxes	\$ 43,369,919	\$ 40,780,006
Commercial, industrial and business taxation	5,628,784	5,610,423
Taxation from other governments	61,883	72,262
	49,060,586	46,462,691
Requisitions to County and School Boards	(21,175,233)	(20,328,564)
Net property taxes and payment-in-lieu available for municipal purposes	\$ 27,885,353	\$ 26,134,127

11. Commitments:

a) Ontario Clean Water Agency

The Town has entered into an agreement with the Ontario Clean Water Agency ("Agency") (formerly Ministry of the Environment) for the construction, financing and operation of a sanitary sewage system to service certain areas of the municipality. The Town was obligated to reimburse the Agency for the costs of the project through the imposition and collection of frontage and connection charges and a sewage service rate to the users. At December 31, 1996, the construction of the system was complete.

In 2016, the Town paid \$269,192 (\$273,917 in 2015) to the Agency for the operation and maintenance of its sanitary sewer system, which is reflected in the "Consolidated Statement of Operations and Accumulated Surplus".

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

11. Commitments (continued):

b) The Corporation of the City of Windsor

In 1974, the Town entered into an agreement with the Corporation of the City of Windsor ("the City") for the processing and disposal of the sewage from the sanitary sewage system. The costs of processing the sewage are based on the Town's proportionate share of the operating and administrative costs of the Lou Romano Water Reclamation Plant.

The City of Windsor invoices for these charges on a quarterly basis and these charges which totaled \$753,524 (\$684,400 in 2015) are reflected in the Town's "Consolidated Statement of Operations and Accumulated Surplus".

c) Infrastructure commitments

Sprucewood Avenue Watermain

During 2016, the Town entered into an agreement for the replacement of the watermain on Sprucewood Avenue between Malden Road and Matchette Road. The total project budget is \$785,000 of which \$38,412 has been spent as of December 31, 2016. The project is scheduled to be completed in 2017 and will be funded internally by the Town.

12. Contingent liabilities:

During the normal course of operations, the Town is subject to various legal actions. The settlement of these actions is not expected to have a material effect on the consolidated financial statements of the Town.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

13. Budget data:

Budget data presented in these consolidated financial statements are based upon the 2016 operating and capital budgets approved by Council. The Town does not budget for amortization and employee future benefits and, as a result, amortization and employee future benefits is included based on actual cost. Also, the Town does not budget for developer contributions. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget Amount
Revenue:	
Operating	\$ 42,681,000
Capital	8,463,000
Less:	
Transfers from other funds	(8,685,800)
Total revenue	42,458,200
Expenses:	
Operating	42,681,000
Capital	8,463,000
Less:	
Transfers to other funds	(7,586,800)
Capital expenses	(8,463,000)
Debt principal payments	(1,033,700)
Add:	
Employee future benefits obligation expense	1,968,000
Amortization of tangible capital assets	7,234,000
Amortization of non-financial assets	466,000
Total expenses	43,728,500
Annual surplus (deficit)	(1,270,300)

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

14. Government transfers:

The town recognizes the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The government transfers reported on the consolidated statement of operations are:

	Budget	2016	2015
Revenue:			
Provincial grants:			
Provincial offences	\$ 125,000	\$ 155,207	\$ 158,303
OCIF formula based grant	170,000	172,770	172,770
Provincial gas tax	50,000	56,258	62,303
Policing (CPP/1000 Officers/RIDE/ Court Services)	218,300	230,515	350,806
Recreation Services	-	-	18,625
Planning and Development	-	8,600	-
Canada Building Fund	-	46,299	315,656
	563,300	669,649	1,078,463
Federal grants:			
Federal gas tax	1,327,000	1,393,341	1,326,992
Recreation Services	-	35,326	15,604
VAC	-	-	50,000
Canada Building Fund	-	46,299	315,656
	1,327,000	1,474,966	1,708,252
Total revenue	1,890,300	2,144,615	2,786,715

15. Segmented information:

The Town is a lower tier municipality that provides a wide range of services to its citizens, including police, fire, water and many others. These services are provided by departments of the Town and their activities are reported by segment in these statements.

For each reportable segment, the Town has reported expenses that represent both amounts that are directly attributable and amounts that are allocated on a reasonable basis. Revenues have not been presented by segment based on their nature and instead are shown by object.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

15. Segmented information (continued):

The Town's reportable segments and their associated activities are as follows:

(i) General government:

General government is comprised of levy revenue, council, council services, finance and administration activities

(ii) Protection services:

Protection services are comprised of Police, Fire and Protective Inspection activities

(iii) Transportation services:

Transportation services are comprised of roadway maintenance and winter control activities

(iv) Environmental services:

Environmental services are comprised of water, sanitary and storm sewers, solid waste collection and disposal and recycling

(v) Recreation and cultural services:

Recreational and cultural services are comprised of parks, cultural activities and recreation facilities

(vi) Planning and development:

Planning and development is comprised of planning and zoning, commercial and industrial

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

15. Segmented information (continued)

2016

	General government	Protection services	Transportation services	Environmental services	Recreation & cultural services	Planning & development	Total
Revenue:							
Taxation	10,131,410	9,205,259	3,467,916	1,491,599	3,017,824	571,345	27,885,353
User charges	34,402	905,844	77,850	7,492,654	-	-	8,510,750
Government transfers							
Provincial	155,207	230,515	102,557	172,770		8,600	669,649
Federal		-	1,439,640	-	35,326	-	1,474,966
Investment income	254,255	-	-	7,691	14	-	261,960
Penalties and interest on taxes	283,136	-	-	-	-	-	283,136
Contributions from developers and users	740,333	1,226	4,982,874	5,080,701	8,361		10,813,495
Recreation and cultural services revenues	-	-	-	-	2,366,634	-	2,366,634
Equity income in Essex Power Corporation	1,211,630	-	-	-	-	-	1,211,630
Other	1,094,962	623,115	1,021,212	30,000	60,043	60,737	2,890,069
Total revenue	13,905,335	10,965,959	11,092,049	14,275,415	5,488,202	640,682	56,367,642
Expenses:							
Salaries, wages and employee benefits	3,277,810	9,251,429	2,841,990	1,126,597	3,017,707	546,092	20,061,625
Administrative expenses	911,253	232,648	308,623	330,758	511,683	23,014	2,317,979
Personnel expenses	84,525	212,654	104,290	-	36,400	6,975	444,844
Facility expenses	427,661	242,720	92,647	-	1,136,396	-	1,899,424
Vehicle/equipment expenses	13,113	461,869	519,559	67,392	361,749	1,965	1,425,647
Program services	1,158,041	460,672	4,274,719	8,197,077	682,933	82,391	14,855,833
Amortization expense	1,010,921	700,121	2,850,557	3,342,743	1,597,822	3,131	9,505,295
Total expenses	6,883,324	11,562,113	10,992,385	13,064,567	7,344,690	663,568	50,510,647
Surplus (deficit)	7,022,011	(596,154)	99,664	1,210,848	(1,856,488)	(22,886)	5,856,995

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

15. Segmented information (continued)

2015

	General government	Protection services	Transportation services	Environmental services	Recreation & cultural services	Planning & development	Total
Revenue:							
Taxation	8,612,031	8,868,329	3,701,506	1,394,166	3,011,941	546,154	26,134,127
User charges	15,516	659,316	53,600	6,832,981	-	-	7,561,413
Government transfers							
Provincial	158,303	350,806	377,959	172,770	18,625	-	1,078,463
Federal	50,000	-	1,642,648	-	15,604	-	1,708,252
Investment income	196,190	-	-	10,628	343	-	207,161
Penalties and interest on taxes	298,363	-	-	-	-	-	298,363
Contributions from developers and users	633,490	152,570	5,245,930	1,672,348	159,181	3,282	7,866,801
Recreation and cultural services revenues	-	-	-	-	2,543,501	-	2,543,501
Equity income in Essex Power Corporation	1,024,765	-	-	-	-	-	1,024,765
Other	779,235	599,535	938,021	-	1,655,932	97,476	4,070,199
Total revenue	11,767,893	10,630,556	11,959,664	10,082,893	7,405,127	646,912	52,493,045
Expenses:							
Salaries, wages and employee benefits	3,356,684	9,918,702	3,099,012	1,086,890	3,293,150	579,276	21,333,714
Administrative expenses	953,761	275,279	308,488	334,746	526,025	20,511	2,418,810
Personnel expenses	95,345	199,300	74,255	-	38,518	7,934	415,352
Facility expenses	406,994	255,201	103,505	-	1,013,073	-	1,778,773
Vehicle/equipment expenses	11,934	474,366	557,507	46,912	452,506	3,488	1,546,713
Program services	985,487	312,501	2,735,832	7,146,065	511,822	60,915	11,752,622
Amortization expense	990,292	712,117	2,844,882	2,852,424	1,582,815	3,131	8,985,661
Total expenses	6,800,497	12,147,466	9,723,481	11,467,037	7,417,909	675,255	48,231,645
Surplus (deficit)	4,967,396	(1,516,910)	2,236,183	(1,384,144)	(12,782)	(28,343)	4,261,400

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

16. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.



The Corporation of the Town of LaSalle

Audit Findings Report
For the year ended December 31, 2016

KPMG LLP

Prepared on June 8, 2017 for presentation on June 27, 2017

kpmg.ca/audit



The contacts at KPMG in connection with this report are:

Janet Allan
Audit Partner

Tel: 905-687-3275
jlallan@kpmg.ca

Amy Wolters
Audit Manager

Tel: 519-251-3506
awolters@kpmg.ca

Table of Contents

Executive summary	3
Audit risks and results	4
Critical accounting estimates	5
Financial statement presentation and disclosure	6
Adjustments and differences	7
Appendices	8

Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of Council, in your review of the results of our audit of the consolidated financial statements of the Corporation of the Town of LaSalle ("the Town") as at and for the year ended December 31, 2016.

Changes from the Audit Plan

There were no findings during the audit which led to significant changes from our audit plan.

Audit risks and results

We discussed with Management at the start of the audit a number of **significant financial reporting risks**.

These risks have been addressed in our audit.

See page 4 and Appendix 2.

Adjustments and differences

We did not identify any adjustments that were communicated to management and subsequently corrected in the consolidated financial statements.

See page 7 for differences that remain uncorrected.

Finalizing the audit

As of June 8, 2017, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- completing our discussions with Council
- obtaining evidence of Council's approval of the consolidated financial statements
- Obtaining the signed management representation letter

We will update you on significant matters, *if any*, arising from the completion of the audit, including

the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

Independence

We are independent with respect to the Town (and its related entities), within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

This Audit Findings Report should not be used for any other purpose or by anyone other than Council. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

Significant financial reporting risks	Why	Our response and significant findings
Fraud risk from revenue recognition	This is a presumed fraud risk. There are generally pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition when performance is measured in terms of year-over-year revenue growth or profit.	We have rebutted this presumed fraud risk as it is not appropriate when considering the manner in which performance is measured by the Town.
Fraud risk from management override of controls	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.	As the risk is not rebuttable, our audit methodology incorporated the required procedures in professional standards to address this risk. These procedures included testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions. No exceptions were noted in our testing.

Critical accounting estimates

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be "critical accounting estimates."

We have summarized our assessment of the subjective areas.

Critical accounting estimates

Asset / liability	Balance (\$'000s)	KPMG comment
Carrying value of tangible capital assets and other non-financial assets	\$262,203	Amortization is charged on a straight-line basis over the useful life of the assets. The estimated useful lives of the tangible capital assets that the Town uses are consistent with industry standards. KPMG performed substantive tests of details over additions to tangible capital assets as well as substantive analytical procedures over the current year amortization. There have been no indications of valuation or impairment issues in relation to the total value of tangible capital assets and other non-financial assets recorded.
Valuation of employee future benefit obligations	\$24,291	Obligations related to employee future benefits are valued based on actuarial assumptions. We have reviewed the assumptions provided by Management and found them to be reasonable.

We believe management's process for identifying critical accounting estimates is considered adequate.

Financial statement presentation and disclosure

The presentation and disclosure of the consolidated financial statements are, in all material respects, in accordance with the Town's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.

We also highlight the following:

Form, arrangement, and content of the consolidated financial statements

The form, arrangement and content of the consolidated financial statements has been reviewed as part of our audit procedures as is considered to be adequate.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as "Corrected adjustments" or "Uncorrected differences". These include disclosure adjustments and differences.

Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the consolidated financial statements.

Uncorrected differences

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which disclose the impact of all uncorrected differences considered to be other than clearly trivial.

Appendices

Appendix 1: Required communications

Appendix 2: Audit Quality and Risk Management

Appendix 3: Background and professional standards

Appendix 4: Expanded Auditor Reporting

Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** — the conclusion of our audit is set out in our draft auditors' report attached to the presented draft consolidated financial statements.
- **Management representation letter** —In accordance with professional standards, copies of the management representation letter are provided to Council. The management representation letter is attached.

KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor, Ontario N8W 5K8
Canada

Date of approval

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of The Corporation of the Town of LaSalle ("the Entity") as at and for the period ended December 31, 2016.

GENERAL:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

RESPONSIBILITIES:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated April 14, 2017, for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
 - b) providing you with all relevant information, such as all financial records and related data, including the names of all related parties and information regarding all relationships and transactions with related parties, and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information
 - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
 - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 3) We have disclosed to you:
- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
 - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

SUBSEQUENT EVENTS:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

MISSTATEMENTS:

- 9) The effects of the corrected and uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 10) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

By: Mr. Kevin Miller, Chief Administrative Officer

By: Mr. Joe Milicia, Treasurer

By: Mr. Dale Langlois, Deputy Treasurer

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

RELATED PARTIES

In accordance with Canadian public sector accounting standards *related party* is defined as:

- Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members.

In accordance with Canadian public sector accounting standards a *related party transaction* is defined as:

- A transfer of economic resources or obligations between related parties, or the provision of service by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.



The Corporation of the Town of LaSalle
Summary of Uncorrected Audit Misstatements
For Year Ended December 31, 2016

		Correcting Entry Required at Current Period End			Income Statement - Debit (Credit)			Balance Sheet Effect - Debit (Credit)					Cash Flow Effect - Increase (Decrease)			
ID	Description of misstatement	Accounts	Debit	(Credit)	Income effect of correcting balance sheet in prior period (carryforward from prior period)	Income effect of correcting the current period balance sheet	Income effect according to Rollover (Income Statement) method	Equity	Current Assets/Financial assets	Noncurrent Assets/Non-financial assets	Current Liabilities/Financial liabilities	Noncurrent Liabilities/Not applicable	Operating Activities	Capital and Investing Activities	Financing Activities	
			A		B (Only Income Statement accounts)	C=A (Only Income Statement accounts)	C-B									
(Pre-tax entries)																
1	To record accrued interest not previously recorded.	Interest expense	\$ 379,393	\$ -	\$ -	\$ 379,393	\$ 379,393	\$ 379,393	\$ -	\$ -	\$ -	\$ -	\$ (379,393)	\$ -	\$ -	
		Accrued interest	\$ -	\$ (379,393)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (379,393)	\$ -	\$ 379,393	\$ -	\$ -	
2	Accrued interest not recorded in the prior period.				\$ 392,233	\$ -	\$ (392,233)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Aggregate effect of uncorrected audit misstatements (before tax):								\$ 379,393	\$ (12,840)	\$ 379,393	\$ -	\$ -	\$ (379,393)	\$ -	\$ -	
(Tax entries)																
	Not applicable															
Aggregate effect of uncorrected audit misstatements (after tax):								\$ (12,840)	\$ 379,393	\$ -	\$ -	\$ (379,393)	\$ -	\$ -	\$ -	
Financial statement amounts (per final financial statements) (after tax):								\$ 5,856,995	\$ 229,209,770		\$ 89,512,131	\$ 12,182,210				
Uncorrected audit misstatements as a percentage of financial statement amounts (after tax):								-0.22%	0.17%	#DIV/0!	#DIV/0!	-0.42%	#DIV/0!	0.00%	#DIV/0!	#DIV/0!

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit our [Audit Quality Resources page](#) for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

— Other controls include:

- Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
- Technical department and specialist resources provide real-time support to audit teams in the field.

- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



- We do not offer services that would impair our independence.

- The processes we employ to help retain and develop people include:

- Assignment based on skills and experience;
- Rotation of partners;
- Performance evaluation;
- Development and training; and
- Appropriate supervision and coaching.

- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Appendix 4: Expanded Auditor Reporting

In response to investors demanding more than a binary pass/fail opinion from the auditors' report, the new and revised auditor reporting standards have introduced significant changes to the traditional auditors' report we provide.

In April 2017, the Auditing and Assurance Standards Board (AASB) in Canada approved the new and revised auditor reporting standards as Canadian Auditing Standards (CASs).

What's new?

Highlights of the new auditors' report include:

Change	Applicability
Re-ordering of the auditors' report, including moving opinion to the first section	Listed and non-listed entities
Expanded descriptions of management's, those charged with governance and auditors' responsibilities	Listed and non-listed entities
Disclosure of name of the engagement partner	Listed entities
Description of key audit matters	Applicable only when required by law or regulation or when the auditors is engaged to do so

Key audit matter reporting – a Canadian approach

After much deliberation, the final CASs, as adopted, do not contain a key audit matter reporting requirement for listed entities at this time, unlike the auditor reporting standards issued by the International Auditing and Assurance Standards Board (AASB). The CASs allow key audit matter reporting when required by law or regulation or when the auditor is engaged to do so.

The Public Company Accounting Oversight Board (PCAOB) has not yet finalized its auditor reporting standards. Given Canadian and U.S. capital markets are closely integrated, the AASB believe this could create confusion in the marketplace and potentially affect comparability of information across the North American capital markets.

The AASB will continue to monitor developments in the U.S. and determine its impact in Canada.

Refer to the [Message from the Chair](#) of the AASB for further details.

When are the new requirements effective?

The new and revised standards in Canada will be effective for audits of financial statements for periods ending on or after December 15, 2018 (the Town's December 31, 2018 year end) with early application permitted.

kpmg.ca/audit



KPMG LLP, an Audit, Tax and Advisory firm (kpmg.ca) and a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative ("KPMG International").

KPMG member firms around the world have 174,000 professionals, in 155 countries.

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss entity. Each KPMG firm is a legally distinct and separate entity, and describes itself as such.

© 2016 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.