

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF LASALLE**

Year ended December 31, 2017

DRAFT

June 26, 2018

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

Dale Langlois, CPA, CA
Director of Finance / Treasurer



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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, 2017, 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, 2017, 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

Windsor, Canada
Approval date

DRAFT

THE CORPORATION OF THE TOWN OF LASALLE

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Unrestricted		
Cash and short term investments (note 2)	\$ 15,599,472	\$ 6,959,859
Accounts receivable		
Taxes receivable	1,491,845	1,368,495
User charges receivable	2,701,322	2,155,487
Other receivables	1,216,629	2,098,658
Long term investments (note 2)	1,105	1,100
	<u>21,010,373</u>	<u>12,583,599</u>
Restricted		
Cash and short term investments (note 2)	34,343,879	31,239,633
Investment in Essex Power Corporation (note 3)	12,373,865	11,963,228
	<u>46,717,744</u>	<u>43,202,861</u>
	<u>67,728,117</u>	<u>55,786,460</u>
Financial liabilities:		
Accounts payable and accrued liabilities	4,726,178	3,824,133
Deferred revenue/capital deposits (note 4)	36,015,392	31,244,091
Long term debt (note 5)	29,073,072	30,152,477
Employee future benefit obligations (note 6)	25,086,431	24,291,430
	<u>94,901,073</u>	<u>89,512,131</u>
Net debt	(27,172,956)	(33,725,671)
Non-financial assets:		
Tangible capital assets (note 7)	239,351,115	238,625,269
Other non-financial assets (note 8)	23,113,090	23,579,031
Inventory/prepaid expenses	734,373	731,141
	<u>263,198,578</u>	<u>262,935,441</u>
Accumulated surplus (note 9)	\$ 236,025,622	\$ 229,209,770

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, 2017, with comparative information for 2016

	Budget (note 13)	2017	2016
Revenue:			
Taxation (note 10)	\$ 29,514,000	\$ 30,133,859	\$ 27,885,353
User charges	8,272,000	9,865,368	8,510,750
Government transfers			
Provincial (note 14)	730,600	1,246,483	669,649
Federal (note 14)	1,392,800	1,462,058	1,474,966
Investment income	229,200	440,368	261,960
Penalties and interest	275,000	307,981	283,136
Contributions from developers and users	4,000	10,128,997	10,813,495
Recreation and cultural services	2,512,600	2,469,285	2,366,634
Equity income in Essex Power Corporation (note 3)	540,000	972,223	1,211,630
Other	2,526,600	3,510,952	2,890,069
Total revenue	45,996,800	60,537,574	56,367,642
Expenses:			
General government	6,822,200	8,066,517	6,883,324
Protection services	13,064,300	11,966,666	11,562,113
Transportation services	8,692,435	10,324,872	10,992,385
Environmental services	11,018,400	15,001,616	13,064,567
Recreation and cultural services	7,606,165	7,742,237	7,344,690
Planning and development	700,200	619,814	663,568
Total expenses	47,903,700	53,721,722	50,510,647
Annual surplus	(1,906,900)	6,815,852	5,856,995
Accumulated surplus, beginning of year	229,209,770	229,209,770	223,352,775
Accumulated surplus, end of year	\$ 227,302,870	\$ 236,025,622	\$ 229,209,770

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, 2017, with comparative information for 2016

	Budget (note 13)	2017	2016
Annual surplus	\$ (1,906,900)	\$ 6,815,852	\$ 5,856,995
Acquisition of tangible capital assets	(17,404,300)	(11,095,408)	(12,541,780)
Amortization of tangible capital assets	8,895,700	9,500,682	9,505,295
Loss on disposal of tangible capital assets	-	868,880	1,936,209
	(10,325,500)	6,090,006	4,756,719
Amortization of other non-financial assets	466,000	465,941	465,941
Consumption (net acquisition) of inventory/ prepaid expenses	-	(3,232)	(40,620)
Change in net debt	(9,859,500)	6,552,715	5,182,040
Net debt, beginning of year	(33,725,671)	(33,725,671)	(38,907,711)
Net debt, end of year (33,725,671)	\$ (43,585,171)	\$ (27,172,956)	\$

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, 2017 with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 6,815,852	\$ 5,856,995
Items not involving cash:		
Amortization of tangible capital assets	9,500,682	9,505,295
Amortization of other non-financial assets	465,941	465,941
Contributed tangible capital assets from developers	(6,111,475)	(6,360,649)
Loss on disposal of tangible capital assets	868,880	1,936,209
Change in employee future benefit obligations	795,001	928,884
Equity in income of Essex Power Corporation	(955,605)	(1,195,671)
Change in non-cash assets and liabilities:		
Taxes receivable	(123,350)	223,621
User charges receivable	(545,835)	(223,818)
Other receivables	882,029	1,152,311
Accounts payable and accrued liabilities	902,045	(166,288)
Inventory/prepaid expenses	(3,232)	(40,620)
Long term accounts receivable	-	100,000
	12,490,933	12,182,210
Capital Activities:		
Cash used to acquire tangible capital assets	(4,983,933)	(6,181,131)
	(4,983,933)	(6,181,131)
Investing Activities:		
Increase in long term investments	(5)	(5)
Dividend received from Essex Power Corporation	544,968	529,007
	544,963	529,002
Financing Activities:		
Increase in deferred revenue/capital deposits	4,771,301	3,066,286
Repayments related to long term debt	(1,079,405)	(1,033,691)
	3,691,896	2,032,595
Increase in cash position	11,743,859	8,562,677
Cash and short term investments, beginning of year	38,199,492	29,636,815
Cash and short term investments, end of year (note 2)	\$49,943,351	\$38,199,492

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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>2017</u>	<u>2016</u>
Unrestricted assets:		
Cash	\$ 15,599,472	\$ 6,959,859
Long term investments:	1,105	1,100
Restricted assets:		
Cash	34,025,887	30,923,535
Short term investments	317,992	316,098
	<u>34,343,879</u>	<u>31,239,633</u>
Essex Power Corporation (note 3)	12,373,865	11,963,228
	<u>12,373,865</u>	<u>11,963,228</u>
	<u>\$ 62,318,321</u>	<u>\$ 50,163,820</u>
Cash and short term investments:		
Unrestricted	15,599,472	6,959,859
Restricted	34,343,879	31,239,633
	<u>\$ 49,943,351</u>	<u>\$ 38,199,492</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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>2017</u>	<u>2016</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	5,874,278	5,463,641
	<u>\$ 12,373,865</u>	<u>\$ 11,963,228</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

3. Investment in EPC (continued):

c) Supplementary information

The following table provides condensed supplementary information for EPC.

	As at <u>Dec 31, 2017</u>	As at <u>Dec 31, 2016</u>
Financial Position:		
Current assets	\$ 19,250,000	\$ 21,470,000
Capital assets	61,410,000	58,159,000
Other assets	9,511,000	9,811,000
Total Assets	<u>90,171,000</u>	<u>89,440,000</u>
Regulatory balances	40,155,000	39,824,000
Total Assets and Regulatory balances	<u>130,326,000</u>	<u>129,264,000</u>
Current liabilities	24,229,000	26,440,000
Long term liabilities	30,198,000	28,143,000
Total Liabilities	<u>54,427,000</u>	<u>54,583,000</u>
Equity	37,334,000	36,099,000
Total Liabilities and Equity	<u>91,761,000</u>	<u>90,682,000</u>
Regulatory balances	38,565,000	38,582,000
Total liabilities, equity and regulatory balances	<u>\$ 130,326,000</u>	<u>\$ 129,264,000</u>
	For the year ended <u>Dec 31, 2017</u>	For the year ended <u>Dec 31, 2016</u>
Result from Operations:		
Revenue	\$ 87,886,000	\$ 93,743,000
Operating expenses	83,485,000	92,802,000
Income from operations	<u>4,401,000</u>	<u>941,000</u>
Other expenses	2,123,000	2,081,000
Net (loss) income	<u>2,278,000</u>	<u>(1,140,000)</u>
Net movement in regulatory balances, net of tax	348,000	4,325,000
Net income for the year and net movement in regulatory balances	<u>2,626,000</u>	<u>3,185,000</u>
Other comprehensive income	506,000	-
Total comprehensive income for the year	<u>\$ 3,132,000</u>	<u>\$ 3,185,000</u>

For the year ended December 31, 2017, the Town's proportionate share of the comprehensive income was \$972,223 (\$1,211,630 in 2016) 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 \$561,593 (\$544,968 in 2016). Dividends received on special shares of \$17,729 (\$17,729 in 2016) are included in investment income.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

3. Investment in EPC (continued):

d) Related party transactions

During fiscal 2017, the Town received \$544,968 in common share dividends from EPC (\$529,007 in 2016).

During fiscal 2017, the Town paid \$1,367,633 to EPC for services provided (\$1,815,500 in 2016).

4. Deferred revenue/capital deposits:

The balance of deferred revenue/capital deposits consist of:

	<u>2017</u>	<u>2016</u>
Sewer projects	\$ 1,695,301	\$ 1,056,659
Water projects	3,614,875	3,286,140
Water emergency	1,500,000	1,500,000
Development charges	23,435,404	19,637,783
Refundable contributions from developers	2,937,235	2,894,260
Federal Gas Tax	2,202,133	2,044,867
Provincial Gas Tax/transit	344,243	545,952
OCIF	812	-
Parkland dedication	285,389	268,235
Employee vested sick leave	-	10,195
	<u>\$ 36,015,392</u>	<u>\$ 31,244,091</u>

The activity for the year consists of:

	<u>2017</u>	<u>2016</u>
Contributions received:		
Contribution from developers	\$ 3,364,457	\$ 3,975,672
Contribution from others	3,132,700	1,500,000
Gas tax funding	1,478,829	1,449,599
OCIF formula based funding	329,894	172,770
Investment income	703,474	592,933
	<u>9,009,354</u>	<u>7,690,974</u>
Deferred revenue/capital deposits included in revenue	<u>(4,238,053)</u>	<u>(4,624,688)</u>
Net change in deferred revenue/capital deposits	4,771,301	3,066,286
Deferred revenue/capital deposits, beginning of year	31,244,091	28,177,805
Deferred revenue/capital deposits, end of year	<u>\$ 36,015,392</u>	<u>\$ 31,244,091</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

5. Long term debt:

a) Long term debt outstanding:

	<u>2017</u>	<u>2016</u>
New municipal facilities 3.83% debenture, repayable in combined semi-annual payments of principal and interest of \$562,630, maturing in 2038	\$ 15,881,476	\$ 16,383,995
Vollmer complex 4.81% debenture, repayable in combined semi-annual payments of principal and interest of \$419,456, maturing in 2028	6,852,688	7,344,185
Sanitary sewage treatment capacity 5.1% debenture, repayable in combined semi-annual payments of principal and interest of \$205,977, maturing in 2048	6,338,908	6,424,297
	<u>29,073,072</u>	<u>30,152,477</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

95,939	108,684
<u>\$ 29,169,011</u>	<u>\$ 30,261,161</u>

b) Long term debt principal repayments:

Within one year	\$ 1,127,173
Within two years	1,177,083
Within three years	1,229,235
Within four years	1,283,730
Within five years	1,340,674
Thereafter	22,915,177
	<u>\$ 29,073,072</u>

c) Charges relating to long term debt:

	<u>2017</u>	<u>2016</u>
Principal paid	\$ 1,079,407	\$ 1,033,691
Interest paid	1,296,720	1,342,436
	<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, 2017

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 403/02. 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>2017</u>	<u>2016</u>
Debt repayment limit (25% of net operating revenues)	\$ 12,086,864	\$ 10,949,689
Net debt charges	2,376,127	2,376,127
Remaining available debt repayment limit	<u>\$ 9,710,737</u>	<u>\$ 8,573,562</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 \$1,394,887 (\$1,397,204 in 2016) in contributions towards the OMERS plan.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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>2017</u>	<u>2016</u>
Post retirement benefits	\$ 24,352,476	\$ 23,501,673
Accrued sick leave	576,295	597,719
WSIB future benefit costs	157,660	192,038
	<u>\$ 25,086,431</u>	<u>\$ 24,291,430</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, 2016 and December 31, 2017 respectively. The significant actuarial assumptions adopted in estimating the Town's liability are as follows:

Long term discount rate	3.5% (3.8% in 2016)
Trend rates:	
Dental	- 3% per annum (3% in 2016)
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>2017</u>	<u>2016</u>
Opening balance	\$ 23,501,673	\$ 22,532,793
Annual expense		
Cost of benefits	580,136	632,438
Net amortization of actuarial losses	811	106,014
Interest	687,556	638,928
Benefits paid	(417,700)	(408,500)
Closing balance	<u>\$ 24,352,476</u>	<u>\$ 23,501,673</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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

b) Future benefit obligations (continued):

i) Post retirement benefits (continued)

	<u>2017</u>	<u>2016</u>
Accrued benefit obligation	\$ 19,724,426	\$ 17,722,283
Unamortized net actuarial gains	4,628,050	5,779,390
Closing balance	<u>\$ 24,352,476</u>	<u>\$ 23,501,673</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, 2017 the balance payable relating to the sick leave liability amounted to \$0 (\$10,195 in 2016).

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 \$157,660 (\$192,038 in 2016).

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

7. Tangible capital assets

Cost	Balance at December 31, 2016	Additions	Disposals	Transfers	Balance at December 31, 2017
Land	\$ 38,101,339	\$ 693,918	\$ (181,570)	\$ -	\$ 38,613,687
Land improvements	11,288,354	24,618	-	12,024	11,324,996
Buildings and building improvements	53,480,164	539,374	-	351,705	54,371,243
Vehicles, machinery and equipment	17,158,759	390,192	(233,820)	-	17,315,131
Water and wastewater infrastructure	120,959,653	5,179,192	(154,744)	358,695	126,342,796
Roads and bridge infrastructure	104,152,422	1,696,231	(1,665,617)	2,770,632	106,953,668
Furniture and fixtures	1,862,148	19,852	-	-	1,882,000
Assets under construction	3,922,062	2,552,031	-	(3,493,056)	2,981,037
Total	\$ 350,924,901	\$ 11,095,408	\$ (2,235,751)	\$ -	\$ 359,784,558

Accumulated Amortization	Balance at December 31, 2016	Disposals	Amortization Expense	Balance at December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	5,015,994	-	609,289	5,625,283
Buildings and building improvements	10,429,311	-	2,166,359	12,595,670
Vehicles, machinery and equipment	9,044,294	212,471	1,168,255	10,000,078
Water and wastewater infrastructure	43,353,031	102,443	2,599,476	45,850,064
Roads and bridge infrastructure	44,036,420	1,051,957	2,832,777	45,817,240
Furniture and fixtures	420,582	-	124,526	545,108
Total	\$ 112,299,632	\$ 1,366,871	\$ 9,500,682	\$ 120,433,443

Net Book Value	Balance at December 31, 2016	Balance at December 31, 2017
Land	\$ 38,101,339	\$ 38,613,687
Land improvements	6,272,360	5,699,713
Buildings and building improvements	43,050,853	41,775,573
Vehicles, machinery and equipment	8,114,465	7,315,053
Water and wastewater infrastructure	77,606,622	80,492,732
Roads and bridge infrastructure	60,116,002	61,136,428
Furniture and fixtures	1,441,566	1,336,892
Assets under construction	3,922,062	2,981,037
Total	\$ 238,625,269	\$ 239,351,115

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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").

	<u>2017</u>	<u>2016</u>
Balance, cost	\$ 27,679,629	\$ 27,679,629
Less - Accumulated amortization	4,566,539	4,100,598
Balance, net	<u>\$ 23,113,090</u>	<u>\$ 23,579,031</u>

9. Accumulated surplus:

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

	<u>2017</u>	<u>2016</u>
Surplus:		
Invested in tangible capital assets	\$ 216,616,952	\$ 214,897,089
Invested in other non-financial capital assets	16,774,182	17,154,734
Other	(3,047,472)	(4,010,808)
Unfunded employee future benefit obligations	(25,086,431)	(24,291,430)
Total surplus	205,257,231	203,749,585
Reserve funds set aside by Council:		
Building activity	(256,202)	(1,248,862)
Essex power equity	12,120,605	11,709,968
Total reserve funds	11,864,403	10,461,106
Reserves set aside for specific purpose by Council:		
Tax stabilization	3,508,559	2,608,559
Working capital	445,253	1,062,064
Facility capital	936,939	770,024
Insurance	279,972	448,498
Strategic planning	563,490	488,629
Technology	454,928	405,305
LaSalle green space/woodlot	424,724	726,515
Accessibility projects	4,539	2,370
HR / Health & Safety	85,000	85,000
Election	56,361	38,588
Fire	83,207	6,510
Police	300,000	100,000
Fleet	1,303,640	941,934
Roads network	1,853,487	743,000
Asset replacement/repair	3,020,386	1,895,333
Drains & storm water management	1,835,827	855,940
Sidewalks/trails/streetlights/driveways	505,546	519,120
Fuel system	83,539	65,966
Transit	450,000	225,000
Culture & recreation	478,991	501,121
Parks & parkland works	443,665	350,000
Vollmer Centre	1,612,350	2,020,320
Planning projects	173,585	139,283
Total reserves	18,903,988	14,999,079
	<u>\$ 236,025,622</u>	<u>\$ 229,209,770</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

10. Taxation revenue:

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

	2017	2016
Residential and farm taxes	\$ 46,675,222	\$ 43,369,919
Commercial, industrial and business taxation	5,727,904	5,628,784
Taxation from other governments	55,711	61,883
	52,458,837	49,060,586
Requisitions to County and School Boards	(22,324,978)	(21,175,233)
Net property taxes and payment-in-lieu available for municipal purposes	\$ 30,133,859	\$ 27,885,353

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 2017, the Town paid \$293,316 (\$269,192 in 2016) 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, 2017

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 \$834,256 (\$753,524 in 2016) are reflected in the Town's "Consolidated Statement of Operations and Accumulated Surplus".

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.

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THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

13. Budget data:

Budget data presented in these consolidated financial statements are based upon the 2017 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	\$ 45,996,800
Capital	17,404,300
Less:	
Transfers from other funds	(17,404,300)
Total revenue	45,996,800
Expenses:	
Operating	45,996,800
Capital	17,404,300
Less:	
Transfers to other funds	(9,174,400)
Capital expenses	(17,404,300)
Debt principal payments	(1,079,400)
Add:	
Employee future benefits obligation expense	2,709,000
Amortization of tangible capital assets	8,985,700
Amortization of non-financial assets	466,000
Total expenses	47,903,700
Annual surplus (deficit)	\$ (1,906,900)

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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	2017	2016
Revenue:			
Provincial grants:			
Provincial offences	\$ 125,000	\$ 103,379	\$ 155,207
OCIF formula based grant	330,000	329,894	172,770
Provincial gas tax	50,000	56,474	56,258
Policing (CPP/1000 Officers/PEM/RIDE/ Court Services)	225,600	326,515	230,515
Recreation Services	-	20,000	-
Planning and Development	-	2,881	8,600
Canada Building Fund	-	-	46,299
Ontario Trillum	-	100,000	-
OMCIP	-	301,179	-
CWWF	-	6,161	-
	730,600	1,246,483	669,649
Federal grants:			
Federal gas tax	1,392,800	1,422,355	1,393,341
Recreation Services	-	27,380	35,326
Canada Building Fund	-	-	46,299
CWWF	-	12,323	-
	1,392,800	1,462,058	1,474,966
Total revenue	\$ 2,123,400	\$ 2,708,541	\$ 2,144,615

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, 2017

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, 2017

15. Segmented information (continued)

2017

	General government	Protection services	Transportation services	Environmental services	Recreation & cultural services	Planning & development	Total
Revenue:							
Taxation	11,645,300	9,733,907	3,625,613	1,507,531	3,162,474	459,034	30,133,859
User charges	36,079	981,692	50,618	8,796,979	-	-	9,865,368
Government transfers							
Provincial	103,379	326,515	463,814	329,894	20,000	2,881	1,246,483
Federal	-	-	1,434,678	-	27,380	-	1,462,058
Investment income	420,570	-	-	19,798	-	-	440,368
Penalties and interest on taxes	280,806	-	-	27,175	-	-	307,981
Contributions from developers and users	1,344,301	-	1,329,204	7,448,578	6,914	-	10,128,997
Recreation and cultural services revenues	-	-	-	-	2,469,285	-	2,469,285
Equity income in Essex Power Corporation	972,223	-	-	-	-	-	972,223
Other	944,264	1,300,288	1,020,567	-	66,860	178,973	3,510,952
Total revenue	15,746,922	12,342,402	7,924,494	18,129,955	5,752,913	640,888	60,537,574
Expenses:							
Salaries, wages and employee benefits	3,453,668	9,478,801	3,107,724	1,072,486	3,200,478	563,799	20,876,956
Administrative expenses	968,677	270,236	362,665	326,564	483,649	25,196	2,436,987
Personnel expenses	104,653	238,881	101,368	-	45,398	3,475	493,775
Facility expenses	441,465	243,902	115,995	-	1,129,835	-	1,931,197
Vehicle/equipment expenses	12,580	495,826	637,334	170,408	349,887	1,637	1,667,672
Program services	2,103,748	538,472	2,958,615	10,286,575	903,924	23,120	16,814,454
Amortization expense	981,726	700,548	3,041,171	3,145,583	1,629,066	2,587	9,500,681
Total expenses	8,066,517	11,966,666	10,324,872	15,001,616	7,742,237	619,814	53,721,722
Surplus (deficit)	7,680,405	375,736	(2,400,378)	3,128,339	(1,989,324)	21,074	6,815,852

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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, 2017

16. Comparative figures:

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

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