



The Corporation of the Town of LaSalle

Date:	June 11, 2019	Report No:	FIN-14-2019
Directed To:	Members of Council	Attachments:	Financial Statements Audit Findings Report
Department:	Finance		
Prepared By:	Dale Langlois, CPA, CA Director of Finance & Treasurer	Policy References:	None
Subject:	Approval of the 2018 Audited Financial Statements		


Recommendation:

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

- The 2018 Audited Financial Statements be approved and adopted by Council
- The 2018 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 2018 Audited Financial Statements be posted on the Town's Web Site
- The 2018 Financial Statements and 2018 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
Director of Finance & Treasurer

Reviewed by:						
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, 2018

June xx, 2019

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.

Joe Milicia, CPA, CA
Chief Administrative Officer

Dale Langlois, CPA, CA
Director of Finance / Treasurer

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the Corporation of the Town of LaSalle (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, its consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

THE CORPORATION OF THE TOWN OF LASALLE

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Unrestricted		
Cash and short term investments (note 2)	\$ 20,585,871	\$ 15,599,472
Accounts receivable		
Taxes receivable	1,531,022	1,491,845
User charges receivable	2,581,563	2,701,322
Other receivables	1,221,800	1,216,629
Long term investments (note 2)	1,110	1,105
	<u>25,921,366</u>	<u>21,010,373</u>
Restricted		
Cash and short term investments (note 2)	40,413,133	34,343,879
Investment in Essex Power Corporation (note 3)	12,392,485	12,373,865
	<u>52,805,618</u>	<u>46,717,744</u>
	<u>78,726,984</u>	<u>67,728,117</u>
Financial liabilities:		
Accounts payable and accrued liabilities	5,201,549	4,726,178
Deferred revenue/capital deposits (note 4)	42,448,499	36,015,392
Long term debt (note 5)	27,945,898	29,073,072
Employee future benefit obligations (note 6)	26,036,896	25,086,431
	<u>101,632,842</u>	<u>94,901,073</u>
Net debt	(22,905,858)	(27,172,956)
Non-financial assets:		
Tangible capital assets (note 7)	248,377,218	239,351,115
Other non-financial assets (note 8)	22,647,149	23,113,090
Inventory/prepaid expenses	834,583	734,373
	<u>271,858,950</u>	<u>263,198,578</u>
Accumulated surplus (note 9)	\$ 248,953,092	\$ 236,025,622

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, 2018, with comparative information for 2017

	Budget (note 13)	2018	2017
Revenue:			
Taxation (note 10)	\$ 31,944,900	\$ 32,921,701	\$ 30,133,859
User charges	9,834,800	9,653,005	9,865,368
Government transfers			
Provincial (note 14)	967,600	1,279,892	1,246,483
Federal (note 14)	1,458,300	2,003,644	1,462,058
Investment income	325,200	763,336	440,368
Penalties and interest	280,000	332,591	307,981
Contributions from developers and users	4,000	14,147,257	10,128,997
Recreation and cultural services	2,534,500	2,572,154	2,469,285
Equity income in Essex Power Corporation (note 3)	545,000	580,213	972,223
Other	2,246,700	3,100,951	3,510,952
Total revenue	50,141,000	67,354,744	60,537,574
Expenses:			
General government	7,034,900	7,115,047	8,066,517
Protection services	12,455,200	12,687,258	11,966,666
Transportation services	8,413,400	10,824,490	10,324,872
Environmental services	12,039,000	15,076,836	15,001,616
Recreation and cultural services	7,871,600	8,050,563	7,742,237
Planning and development	667,300	673,080	619,814
Total expenses	48,481,400	54,427,274	53,721,722
Annual surplus	1,659,600	12,927,470	6,815,852
Accumulated surplus, beginning of year	236,025,622	236,025,622	229,209,770
Accumulated surplus, end of year	\$ 237,685,222	\$ 248,953,092	\$ 236,025,622

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, 2018, with comparative information for 2017

	Budget (note 13)	2018	2017
Annual surplus	\$ 1,659,600	\$ 12,927,470	\$ 6,815,852
Acquisition of tangible capital assets	(14,779,400)	(18,971,772)	(11,095,408)
Amortization of tangible capital assets	9,505,300	9,662,363	9,500,682
Loss on disposal of tangible capital assets	-	283,306	868,880
	(3,614,500)	3,901,367	6,090,006
Amortization of other non-financial assets	466,000	465,941	465,941
Consumption (net acquisition) of inventory/ prepaid expenses	-	(100,210)	(3,232)
Change in net debt	(3,148,500)	4,267,098	6,552,715
Net debt, beginning of year	(27,172,956)	(27,172,956)	(33,725,671)
Net debt, end of year	\$ (30,321,456)	\$ (22,905,858)	\$ (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, 2018 with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$12,927,470	\$ 6,815,852
Items not involving cash:		
Amortization of tangible capital assets	9,662,363	9,500,682
Amortization of other non-financial assets	465,941	465,941
Contributed tangible capital assets from developers	(12,303,308)	(6,111,475)
Loss on disposal of tangible capital assets	283,306	868,880
Change in employee future benefit obligations	950,465	795,001
Equity in income of Essex Power Corporation	(580,213)	(955,605)
Change in non-cash assets and liabilities:		
Taxes receivable	(39,177)	(123,350)
User charges receivable	119,759	(545,835)
Other receivables	(5,171)	882,029
Accounts payable and accrued liabilities	475,371	902,045
Inventory/prepaid expenses	(100,210)	(3,232)
	11,856,596	12,490,933
Capital Activities:		
Cash used to acquire tangible capital assets	(6,668,464)	(4,983,933)
	(6,668,464)	(4,983,933)
Investing Activities:		
Increase in long term investments	(5)	(5)
Dividend received from Essex Power Corporation	561,593	544,968
	561,588	544,963
Financing Activities:		
Increase in deferred revenue/capital deposits	6,433,107	4,771,301
Repayments related to long term debt	(1,127,174)	(1,079,405)
	5,305,933	3,691,896
Increase in cash position	11,055,653	11,743,859
Cash and short term investments, beginning of year	49,943,351	38,199,492
Cash and short term investments, end of year (note 2)	\$60,999,004	\$49,943,351

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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.

(j) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (i) an environmental standard exists
- (ii) contamination exceeds the environmental standard
- (iii) the organization is directly responsible or accepts responsibility for the liability
- (iv) future economic benefits will be given up, and
- (v) a reasonable estimate of the liability can be made

(k) Government transfers:

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If the funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as deferred revenue at year end.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(I) Adoption of new accounting policies:

(i) Related party disclosures

The Town adopted Public Sector Accounting Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Town adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity transactions

The Town adopted Public Sector Accounting Board Standard PS3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

2. Cash and investments:

	<u>2018</u>	<u>2017</u>
Unrestricted assets:		
Cash	\$ 20,585,871	\$ 15,599,472
Long term investments:	1,110	1,105
Restricted assets:		
Cash	40,090,590	34,025,887
Short term investments	322,543	317,992
	<u>40,413,133</u>	<u>34,343,879</u>
Essex Power Corporation (note 3)	12,392,485	12,373,865
	<u>12,392,485</u>	<u>12,373,865</u>
	<u>\$ 73,392,599</u>	<u>\$ 62,318,321</u>
Cash and short term investments:		
Unrestricted	20,585,871	15,599,472
Restricted	40,413,133	34,343,879
	<u>\$ 60,999,004</u>	<u>\$ 49,943,351</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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>2018</u>	<u>2017</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	5,892,898	5,874,278
	<u>\$ 12,392,485</u>	<u>\$ 12,373,865</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

3. Investment in EPC (continued):

c) Supplementary information

The following table provides condensed supplementary information for EPC.

	As at Dec 31, 2018	As at Dec 31, 2017
Financial Position:		
Current assets	\$ 21,442,000	\$ 19,657,000
Capital assets	65,984,000	61,410,000
Other assets	10,734,000	9,511,000
Total Assets	98,160,000	90,578,000
Regulatory balances	10,920,000	40,155,000
Total Assets and Regulatory balances	109,080,000	130,733,000
Current liabilities	27,098,000	24,231,000
Long term liabilities	36,169,000	30,198,000
Total Liabilities	63,267,000	54,429,000
Equity	39,101,000	36,213,000
Total Liabilities and Equity	102,368,000	90,642,000
Regulatory balances	6,712,000	40,091,000
Total liabilities, equity and regulatory balances	\$ 109,080,000	\$ 130,733,000
	For the year ended Dec 31, 2018	For the year ended Dec 31, 2017
Result from Operations:		
Revenue	\$ 84,294,000	\$ 87,886,000
Operating expenses	83,730,000	83,485,000
Income from operations	564,000	4,401,000
Other expenses	1,708,000	1,990,000
Net (loss) income	(1,144,000)	2,411,000
Net movement in regulatory balances, net of tax	4,125,000	(153,000)
Net income for the year and net movement in regulatory balances	2,981,000	2,258,000
Other comprehensive income	77,000	506,000
Total comprehensive income for the year	\$ 3,058,000	\$ 2,764,000

For the year ended December 31, 2018, the Town's proportionate share of the comprehensive income was \$996,170 (\$972,223 in 2017) 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 \$578,556 (\$561,593 in 2017). Dividends received on special shares of \$17,729 (\$17,729 in 2017) are included in investment income.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

3. Investment in EPC (continued):

d) Prior period adjustment

During the cost of service review process in 2018, Essex Power Corporation identified a difference within the regulatory variance account 1576 relating to IFRS variances between what was reported to the OEB and what was reported in the financial statements. Upon the adoption of IFRS on January 1, 2015, the Corporation neglected to continue increasing the regulatory liability related to adjustments required to the accounting records in the transition to IFRS in the issued audited financial statements for the years 2015 through 2017. Correction of this difference resulted in the restatement of certain comparative year 2017 balances and amounts.

e) Related party transactions

During fiscal 2018, the Town received \$561,593 in common share dividends from EPC (\$544,968 in 2017).

During fiscal 2018, the Town paid \$1,451,132 to EPC for services provided (\$1,367,633 in 2017).

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

4. Deferred revenue/capital deposits:

The balance of deferred revenue/capital deposits consist of:

	<u>2018</u>	<u>2017</u>
Sewer projects	\$ 2,125,459	\$ 1,695,301
Water projects	5,337,095	3,614,875
Water emergency	1,500,000	1,500,000
Development charges	25,792,514	23,435,404
Refundable contributions from developers	3,434,769	2,937,235
Federal Gas Tax	3,347,626	2,202,133
Provincial Gas Tax/transit	45,567	344,243
OCIF	477,983	812
Parkland dedication	387,486	285,389
	<u>\$ 42,448,499</u>	<u>\$ 36,015,392</u>

The activity for the year consists of:

	<u>2018</u>	<u>2017</u>
Contributions received:		
Contribution from developers	\$ 2,625,537	\$ 3,364,457
Contribution from others	3,405,000	3,132,700
Gas tax funding	1,511,962	1,478,829
OCIF formula based funding	469,420	329,894
Investment income	1,056,959	703,474
	<u>9,068,878</u>	<u>9,009,354</u>
Deferred revenue/capital deposits included in revenue	<u>(2,635,771)</u>	<u>(4,238,053)</u>
Net change in deferred revenue/capital deposits	6,433,107	4,771,301
Deferred revenue/capital deposits, beginning of year	36,015,392	31,244,091
Deferred revenue/capital deposits, end of year	<u>\$ 42,448,499</u>	<u>\$ 36,015,392</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

5. Long term debt:

a) Long term debt outstanding:

	<u>2018</u>	<u>2017</u>
New municipal facilities 3.83% debenture, repayable in combined semi-annual payments of principal and interest of \$562,630, maturing in 2038	\$ 15,359,525	\$ 15,881,476
Vollmer complex 4.81% debenture, repayable in combined semi-annual payments of principal and interest of \$419,456, maturing in 2028	6,337,265	6,852,688
Sanitary sewage treatment capacity 5.1% debenture, repayable in combined semi-annual payments of principal and interest of \$205,977, maturing in 2048	6,249,108	6,338,908
	<u>27,945,898</u>	<u>29,073,072</u>

The responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals (maturing in 2019, 2025 and 2026). These amounts are not recorded on the consolidated statement of financial position

82,429	95,939
<u>\$ 28,028,327</u>	<u>\$ 29,169,011</u>

b) Long term debt principal repayments:

Within one year	\$ 1,177,083
Within two years	1,229,235
Within three years	1,283,730
Within four years	1,340,674
Within five years	1,400,181
Thereafter	21,514,995
	<u>\$ 27,945,898</u>

c) Charges relating to long term debt:

	<u>2018</u>	<u>2017</u>
Principal paid	\$ 1,127,173	\$ 1,079,407
Interest paid	1,248,954	1,296,720
	<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, 2018

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>2018</u>	<u>2017</u>
Debt repayment limit (25% of net operating revenues)	\$ 11,845,122	\$ 12,086,864
Net debt charges	<u>2,376,127</u>	<u>2,376,127</u>
Remaining available debt repayment limit	<u>\$ 9,468,995</u>	<u>\$ 9,710,737</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 \$1,505,412 (\$1,394,887 in 2017) in contributions towards the OMERS plan.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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>2018</u>	<u>2017</u>
Post retirement benefits	\$ 25,353,519	\$ 24,352,476
Accrued sick leave	554,416	576,295
WSIB future benefit costs	128,961	157,660
	<u>\$ 26,036,896</u>	<u>\$ 25,086,431</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	3.7% (3.5% in 2017)
Trend rates:	
Dental	- 3% per annum (3% in 2017)
Health care	- 6.25% per annum in 2017, 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>2018</u>	<u>2017</u>
Opening balance	\$ 24,352,476	\$ 23,501,673
Annual expense		
Cost of benefits	656,668	580,136
Net amortization of actuarial losses	81,382	811
Interest	705,593	687,556
Benefits paid	(442,600)	(417,700)
Closing balance	<u>\$ 25,353,519</u>	<u>\$ 24,352,476</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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

b) Future benefit obligations (continued):

i) Post retirement benefits (continued)

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation	\$ 15,545,748	\$ 19,724,426
Unamortized net actuarial gains	9,807,771	4,628,050
Closing balance	<u>\$ 25,353,519</u>	<u>\$ 24,352,476</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.

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 \$128,961 (\$157,660 in 2017).

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

7. Tangible capital assets

Cost	Balance at December 31, 2017	Additions	Disposals	Transfers	Balance at December 31, 2018
Land	\$ 38,613,687	\$ 1,553,691	\$ (174,255)	\$ -	\$ 39,993,123
Land improvements	11,324,996	416,772	-	370,736	12,112,504
Buildings and building improvements	54,371,243	124,120	-	-	54,495,363
Vehicles, machinery and equipment	17,315,131	888,638	(430,838)	264,913	18,037,844
Water and wastewater infrastructure	126,342,796	7,685,213	(218,956)	1,177,824	134,986,877
Roads and bridge infrastructure	106,953,668	3,236,479	(5,147)	658,955	110,843,955
Furniture and fixtures	1,882,000	71,523	-	76,702	2,030,225
Assets under construction	2,981,037	4,995,336	-	(2,549,130)	5,427,243
Total	\$ 359,784,558	\$ 18,971,772	\$ (829,196)	\$ -	\$ 377,927,134

Accumulated Amortization	Balance at December 31, 2017	Disposals	Amortization Expense	Balance at December 31, 2018
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	5,625,283	-	634,073	6,259,356
Buildings and building improvements	12,595,670	-	2,124,716	14,720,386
Vehicles, machinery and equipment	10,000,078	406,905	1,104,595	10,697,768
Water and wastewater infrastructure	45,850,064	135,481	2,695,139	48,409,722
Roads and bridge infrastructure	45,817,240	3,504	2,972,641	48,786,377
Furniture and fixtures	545,108	-	131,199	676,307
Total	\$ 120,433,443	\$ 545,890	\$ 9,662,363	\$ 129,549,916

Net Book Value	Balance at December 31, 2017	Balance at December 31, 2018
Land	\$ 38,613,687	\$ 39,993,123
Land improvements	5,699,713	5,853,148
Buildings and building improvements	41,775,573	39,774,977
Vehicles, machinery and equipment	7,315,053	7,340,076
Water and wastewater infrastructure	80,492,732	86,577,155
Roads and bridge infrastructure	61,136,428	62,057,578
Furniture and fixtures	1,336,892	1,353,918
Assets under construction	2,981,037	5,427,243
Total	\$ 239,351,115	\$ 248,377,218

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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").

	2018	2017
Balance, cost	\$ 27,679,629	\$ 27,679,629
Less - Accumulated amortization	5,032,480	4,566,539
Balance, net	<u>\$ 22,647,149</u>	<u>\$ 23,113,090</u>

9. Accumulated surplus:

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

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 226,680,428	\$ 216,616,952
Invested in other non-financial capital assets	16,398,041	16,774,182
Other	(4,570,898)	(3,047,472)
Unfunded employee future benefit obligations	(26,036,896)	(25,086,431)
Total surplus	212,470,675	205,257,231
Reserve funds set aside by Council:		
Building activity	(176,819)	(256,202)
Essex power equity	12,139,225	12,120,605
Total reserve funds	11,962,406	11,864,403
Reserves set aside for specific purpose by Council:		
Tax stabilization	4,012,559	3,508,559
Working capital	453,467	445,253
Facility capital	985,425	936,939
Insurance	309,569	279,972
Strategic planning	586,800	563,490
Technology	497,272	454,928
LaSalle green space/woodlot	431,905	424,724
Accessibility projects	6,559	4,539
HR / Health & Safety	82,250	85,000
Election	15,412	56,361
Fire	471,515	83,207
Police	204,964	300,000
Fleet	1,332,156	1,303,640
Roads network	2,487,627	1,853,487
Asset replacement/repair	6,243,704	3,020,386
Drains & storm water management	2,833,001	1,835,827
Sidewalks/trails/streetlights/driveways	220,794	505,546
Fuel system	83,162	83,539
Transit	499,064	450,000
Culture & recreation	498,249	478,991
Parks & parkland works	532,036	443,865
Vollmer Centre	1,553,671	1,612,350
Planning projects	178,850	173,585
Total reserves	24,520,011	18,903,988
	<u>\$ 248,953,092</u>	<u>\$ 236,025,622</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

10. Taxation revenue:

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

	2018	2018
Residential and farm taxes	\$ 51,067,217	\$ 46,675,222
Commercial, industrial and business taxation	5,835,040	5,727,904
Taxation from other governments	56,711	55,711
	56,958,968	52,458,837
Requisitions to County and School Boards	(24,037,267)	(22,324,978)
Net property taxes and payment-in-lieu available for municipal purposes	\$ 32,921,701	\$ 30,133,859

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 2018, the Town paid \$333,598 (\$293,316 in 2017) 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, 2018

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 \$897,387 (\$834,256 in 2017) 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.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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	\$ 50,141,000
Capital	14,779,400
Less:	
Transfers from other funds	(14,779,400)
Total revenue	50,141,000
Expenses:	
Operating	50,141,000
Capital	14,779,400
Less:	
Transfers to other funds	(11,503,700)
Capital expenses	(14,779,400)
Debt principal payments	(1,127,200)
Add:	
Employee future benefits obligation expense	1,000,000
Amortization of tangible capital assets	9,505,300
Amortization of non-financial assets	466,000
Total expenses	48,481,400
Annual surplus	\$ 1,659,600

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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	2018	2017
Revenue:			
Provincial grants:			
Provincial offences	\$ 125,000	\$ 103,027	\$ 103,379
OCIF formula based grant	469,000	469,420	329,894
Provincial gas tax	60,000	52,271	56,474
Policing (PEM/RIDE/Court Services/OCLIF)	313,600	406,883	326,515
Transportation Services	-	24,609	-
Recreation Services	-	-	20,000
Planning and Development	-	2,231	2,881
PTIF	-	55,262	100,000
OMCIP	-	23,821	301,179
CWWF	-	142,368	6,161
	967,600	1,279,892	1,246,483
Federal grants:			
Federal gas tax	1,458,300	1,459,691	1,422,355
Recreation Services	-	28,560	27,380
AMO-Main Street 2018	-	56,287	-
Rural Economic Development Program	-	30,063	-
Canada 150 CIP	-	44,306	-
FCM Storm Sewer Condition	-	50,000	-
Enabling Accessibility	-	50,000	-
CWWF	-	284,737	12,323
	1,458,300	2,003,644	1,462,058
Total revenue	\$ 2,425,900	\$ 3,283,536	\$ 2,708,541

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, 2018

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, 2018

15. Segmented information (continued)

2018

	General government	Protection services	Transportation services	Environmental services	Recreation & cultural services	Planning & development	Total
Revenue:							
Taxation	13,288,846	10,386,563	3,608,062	1,558,784	3,546,710	532,736	32,921,701
User charges	35,339	743,569	93,191	8,780,906	-	-	9,653,005
Government transfers							
Provincial	103,027	406,882	155,964	611,788	-	2,231	1,279,892
Federal	86,350	-	1,459,691	334,737	122,866	-	2,003,644
Investment income	735,613	-	-	27,723	-	-	763,336
Penalties and interest on billings	297,656	-	-	34,935	-	-	332,591
Contributions from developers and users	765,488	16,339	4,515,618	8,796,467	52,454	891	14,147,257
Recreation and cultural services revenues	-	-	-	-	2,572,154	-	2,572,154
Equity income in Essex Power Corporation	580,213	-	-	-	-	-	580,213
Other	999,204	327,726	1,647,701	-	9,034	117,286	3,100,951
Total revenue	16,891,736	11,881,079	11,480,227	20,145,340	6,303,218	653,144	67,354,744
Expenses:							
Salaries, wages and employee benefits	3,585,424	9,987,416	3,255,045	1,095,805	3,595,921	583,630	22,103,241
Administrative expenses	986,956	272,014	358,589	322,154	470,660	26,747	2,437,120
Personnel expenses	91,396	253,790	100,697	-	55,533	9,437	510,853
Facility expenses	473,326	257,205	121,462	-	1,103,759	-	1,955,752
Vehicle/equipment expenses	10,521	494,364	646,663	172,608	659,899	1,507	1,985,562
Program services	1,038,027	740,948	3,132,992	10,254,308	555,728	50,380	15,772,383
Amortization expense	929,397	681,521	3,209,042	3,231,961	1,609,063	1,379	9,662,363
Total expenses	7,115,047	12,687,258	10,824,490	15,076,836	8,050,563	673,080	54,427,274
Surplus (deficit)	9,776,689	(806,179)	655,737	5,068,504	(1,747,345)	(19,936)	12,927,470

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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 billings	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, 2018

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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The Corporation of the Town of LaSalle

Audit Findings Report
for the year ended December 31, 2018

KPMG LLP

June 17, 2019

kpmg.ca/audit

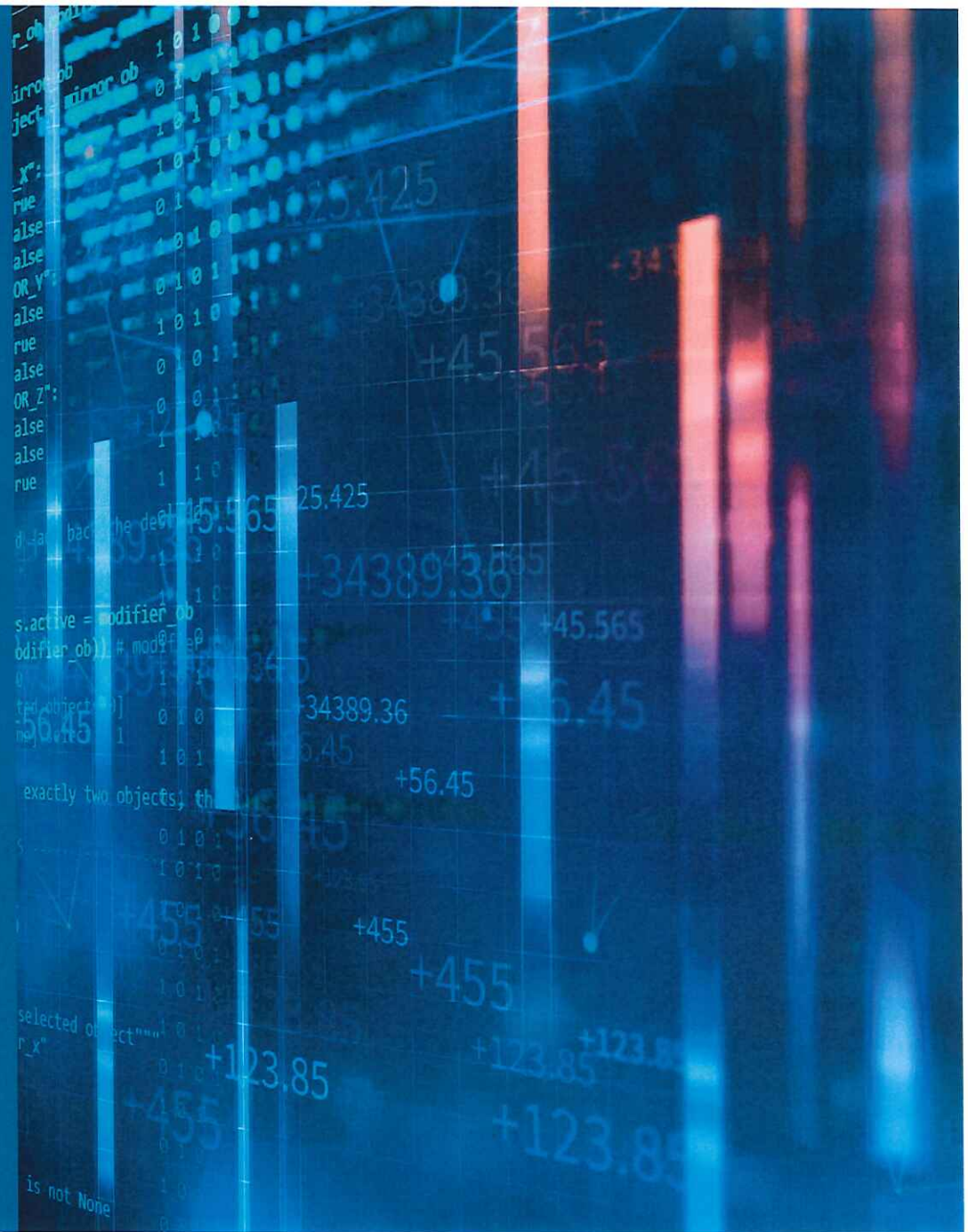


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The contact at KPMG in connection
with this report is:

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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, 2018.



Finalizing the Audit

As of June 17, 2019, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- completing our discussions with Council
- obtaining a response to the legal letters sent to internal legal counsel and Ducharme Weber LLP;
- obtaining the signed management representation letter; and
- obtaining evidence of the Council's approval of the financial statements.

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.

*This Audit Findings Report should not be used for any other purpose or by anyone other than the Town 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.





Executive summary (continued)



Audit risks and results

We identified at the start of the audit a significant financial reporting risk relating to the presumed fraud risk over management override of controls. This risk has been addressed in our audit.

We have also identified other areas of audit focus to discuss with you.

See pages 4-6.



Critical accounting estimates

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



Significant accounting policies and practices

In F2018, the Town adopted PS2200 – related party transactions and PS3240 – Inter-entity transactions. Adoption of these accounting standards is disclosed in the notes to the financial statements.



Executive summary (continued)



Adjustments and differences

We did not identify differences that remain uncorrected.

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

See page 8.



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 financial reporting risks	Why is it significant?
Fraud risk from revenue recognition	<p>This is a presumed risk.</p> <p>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.</p>
Fraud risk from management override of controls	<p>This is a presumed risk.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>

Fraud risk from revenue recognition:

We have rebutted this 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:

As this risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale for significant unusual transactions.

Audit findings:

- No exceptions were noted in our testing.



Critical accounting estimates

Asset/Liability	Balance (\$'000s)	KPMG Comment
Carrying value of tangible capital assets and other non-financial assets	\$271,859	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	\$26,037	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.

Materiality

Materiality determination	Comments	Amount
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the prior year's audit was \$1.46 million.	\$1.56 million
Metrics	Relevant metrics included net assets, total revenue and total expenses for public sector entities	
Benchmark	Based on total revenues for the year (excluding reserve fund revenues and capital fund revenues). This benchmark is consistent with the prior year.	\$52.0 million
% of Benchmark	The corresponding percentage for the prior year's audit was 3%.	3%
Performance materiality	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. The corresponding amount for the prior year's audit was 75% or \$1.095 million	
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$73K	\$78K \$234K for reclassification

Materiality is used to scope the audit, identify risks of material misstatements and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

We will report to the Finance and Facilities Committee:

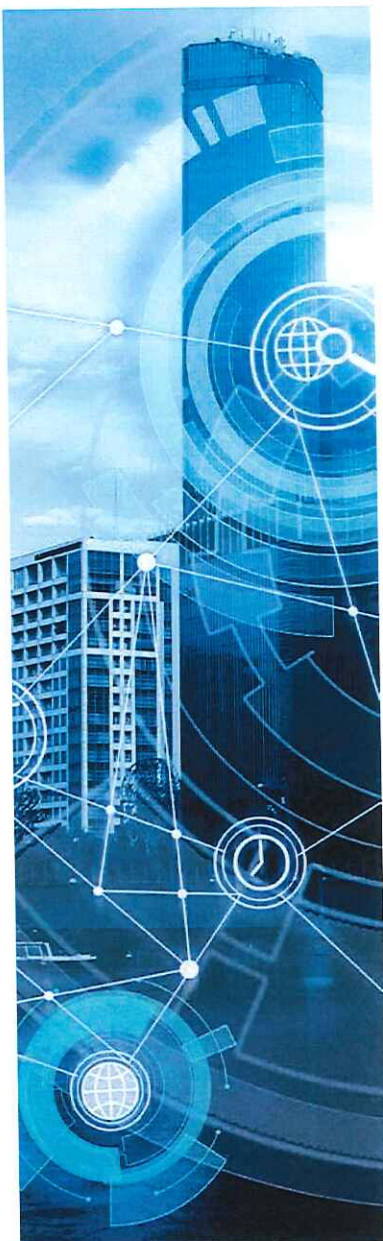


Corrected audit misstatements



Uncorrected audit misstatements





Financial statement presentation and disclosure

The presentation and disclosure of the 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.

We also highlight the following:

**Form, arrangement, and
content of the financial
statements**

Adequate.

**Application of accounting
pronouncements issued
but not yet effective**

No concerns at this time regarding future implementation.

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.

Corrected adjustments

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

Uncorrected differences

We did not identify differences that remain uncorrected.





Appendices



Appendix 1: Required communications



Appendix 2: Management representation letter



Appendix 3: Audit Quality and Risk Management



Appendix 4: Cyber in the External Audit

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 draft financial statements. The auditors' report has changed in 2018. Please refer to the draft financial statements to see the changes.



Required inquiries

Professional standards require that we obtain your views on risk of fraud and other matters. We make similar inquiries of management as part of our planning process.

- What are your views about fraud risks at the entity?
- How do those charged with governance exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the entity and internal controls management has established to mitigate these fraud risks?
- Are you aware of or have you identified any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- Has the entity entered into any significant unusual transactions?



Management representation letter

In accordance with professional standards, copies of the management representation letter are provided to the Town Council. The management representation letter is attached. See Appendix 2.

Appendix 2: Management representation letter

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

June 25, 2019

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 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, 2018.

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, including 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 information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
 - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
 - (ii) the 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. All significant actions are included in summaries.
 - c) providing you with unrestricted access to such relevant information
 - d) providing you with complete responses to all enquiries made by you during the engagement
 - e) providing you with additional information that you may request from us for the purpose of the engagement.

- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

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 we are 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 that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting, or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the 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.

GOING CONCERN:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions cast significant doubt upon the Entity's ability to continue as a going concern

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 11) 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.

APPROVAL OF FINANCIAL STATEMENTS

- 12) (Insert name of director) has the recognized authority to take, and has taken, responsibility for the financial statements.

Yours very truly,

By: Mr. Dale Langlois, Director of Finance/Treasurer

By: Mr. Gaetano Ferraro, Manager of Finance/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.

Appendix 3: 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 summarizes the six key elements of our quality control system.

Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality Report](#).

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
- 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 4: Cyber in the External Audit



Cyber Security

Services for External Audit

2019

As your External Auditors, we are able to leverage our insight and knowledge of your business, to provide you with access to a selection of our award winning Cyber Security Services.

What Forrester Research says about KPMG's Cyber Security services?

"KPMG has the clearest, most direct vision.

KPMG asserts its desire to help CISOs and boards of directors come together on information security as a business issue, not an IT issue. The company's go-to-market approach leads with vertical expertise, while it is also applying investments across global member firms in areas like data analytics to cyber security engagements."

In these days of incidents and breaches regularly making news headlines, Cyber Security, and the steps you take to protect your data and systems, can have a huge impact on your organization. How you then respond, if or when you do have an incident, is also key. How prepared do you think your organization is?

What's on your mind?

Our discussions with our external audit clients tell us some of the most common questions they ask in relation to Cyber Security are:

- **Are we doing enough** to protect ourselves and reduce our Cyber risk to an acceptable level?
- **Are our systems secure enough?**
- **How do we compare** to the rest of our industry, in terms of our investment in Cyber Security and our level of protection?

How can we demonstrate to our customers, clients, and other stakeholders that we take security seriously?

- **We have a limited budget**, how we can be sure we are investing in the right areas to reduce our risks?
- **How would we respond** if we had a serious incident that impacted our ability to do business or serve our customers?

How we can help turn risk to advantage?

Our permissible¹ Cyber Security services for External Audit clients can help you to answer the concerns listed above. These include:

Independent Cyber Security Reviews and Certification Audits

A formal certification is a key way to demonstrate to your customers or clients that you are taking security seriously. Going through the process can also drive improvements in security across your organization, by embedding processes and policies, and raising overall awareness.

We are able to perform formal Certification Audits to international standards such as the Information Security Management System standard (ISO27001) and Business Continuity Management (ISO22301). We can also perform Privacy by Design assessments which enable you to show that privacy is embedded into your organization and processes.

¹ The scope of our services may be subject to certain limitations in order to maintain our independence as your external auditors; as such, permissibility shall be ultimately evaluated based on the relevant facts and circumstances on a case-by-case basis.

Cyber Maturity Assessment (CMA)

Our CMA service helps you to understand your key cyber risks and your cyber security position relative to industry standards, providing observations for how you can improve.

Potential benefits to you:

- Greater visibility into your Cyber risk landscape and organizational Cyber capabilities.
- A comparison of your relative position compared to your industry competitors, whether you are behind, ahead or within 'the pack'.



Source: KPMG in Canada

Business Resilience Reviews

If you need to test or demonstrate resilience in the face of Cyber attacks, data breaches, unplanned IT or telecom outages, loss of talent/skills, adverse environmental conditions, and other challenges. KPMG can deliver tabletop scenario tests of DR, crisis response and Business Continuity to audit clients.

This will help to increase your understanding of what matters most to the business and how prepared you are to protect it.

It will identify resiliency risks and recommended actions to become more resilient.

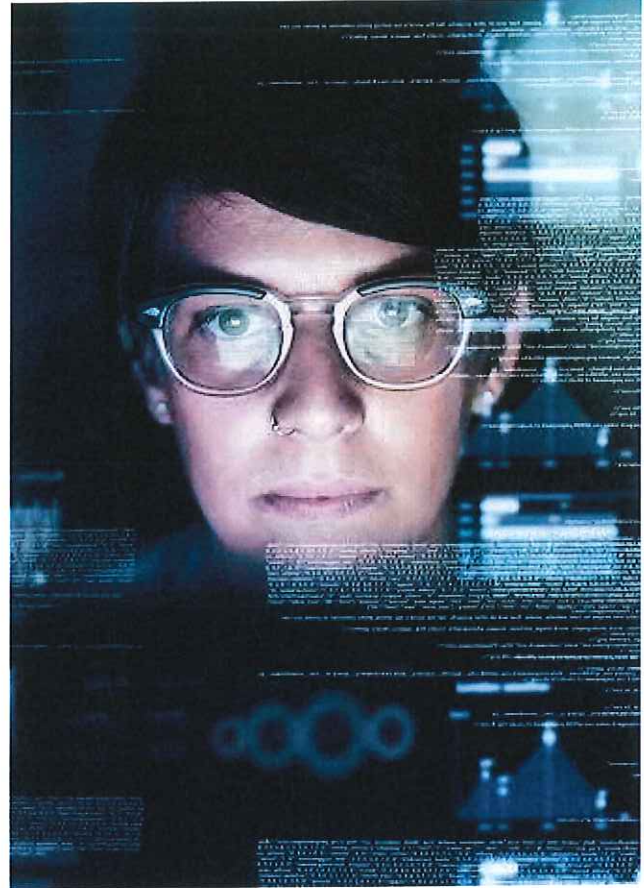
RedTeaming and Ethical Hacking Services

This service provides the opportunity to 'simulate an attack' on your systems. We are then able to identify potential weaknesses so you can better understand the effectiveness of your monitoring and detection capabilities, and then take steps to improve your defences.

Incident Response Assessments and Simulations

If you have concerns over your ability to react to an incident, which could impact how you are able to recover data, or investigate potential breaches and deal with negative publicity. We can provide an in-depth review of your readiness against a cyber-attack and the potential consequences.

We can also help with Cyber incident response tabletop exercises, to validate how you are able to execute your response plans.



Contact us

If any of these potential issues and our services resonate with you, don't hesitate to contact your KPMG External Audit contact or our Regions East Cyber Security leaders below:



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T: (613) 212-3726
E: darrenjones@kpmg.ca



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kpmg.ca/audit



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