

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF LASALLE**

Year ended December 31, 2019

DRAFT

June xx, 2020

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, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt 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, 2019, 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, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Unrestricted		
Cash and short term investments (note 2)	\$ 23,062,037	\$ 20,585,871
Accounts receivable		
Taxes receivable	1,892,691	1,531,022
User charges receivable	3,259,410	2,581,563
Other receivables	1,956,603	1,221,800
Long term investments (note 2)	1,115	1,110
	30,171,856	25,921,366
Restricted		
Cash and short term investments (note 2)	55,527,101	40,413,133
Investment in Essex Power Corporation (note 3)	12,584,670	12,392,485
	68,111,771	52,805,618
	98,283,627	78,726,984
Financial liabilities:		
Accounts payable and accrued liabilities	6,437,244	5,201,549
Deferred revenue/capital deposits (note 4)	50,463,690	42,448,499
Long term debt (note 5)	36,768,815	27,945,898
Employee future benefit obligations (note 6)	26,327,201	26,036,896
	119,996,950	101,632,842
Net debt	(21,713,323)	(22,905,858)
Non-financial assets:		
Tangible capital assets (note 7)	256,286,860	248,377,218
Other non-financial assets (note 8)	22,181,208	22,647,149
Inventory/prepaid expenses	846,969	834,583
	279,315,037	271,858,950
Accumulated surplus (note 9)	\$ 257,601,714	\$ 248,953,092

Commitments (note 11)
Contingent liabilities (note 12)
Subsequent event (note 17)

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, 2019, with comparative information for 2018

	Budget (note 13)	2019	2018
Revenue:			
Taxation (note 10)	\$ 34,639,400	\$ 35,194,918	\$ 32,921,701
User charges	9,963,400	10,452,820	9,653,005
Government transfers			
Provincial (note 14)	1,222,400	1,492,504	1,279,892
Federal (note 14)	1,464,500	4,152,295	2,003,644
Investment income	535,700	1,009,648	763,336
Penalties and interest	300,000	355,919	332,591
Contributions from developers and users	—	7,736,930	14,147,257
Recreation and cultural services	2,583,800	2,685,202	2,572,154
Equity income in Essex Power Corporation (note 3)	560,000	770,741	580,213
Other	2,263,000	3,160,330	3,100,951
Total revenue	53,532,200	67,011,307	67,354,744
Expenses:			
General government	7,310,905	7,752,382	7,115,047
Protection services	12,579,620	12,713,612	12,687,258
Transportation services	9,080,707	12,850,134	10,824,490
Environmental services	11,529,800	16,125,217	15,076,836
Recreation and cultural services	8,380,493	8,209,723	8,050,563
Planning and development	655,175	711,617	673,080
Total expenses	49,536,700	58,362,685	54,427,274
Annual surplus	3,995,500	8,648,622	12,927,470
Accumulated surplus, beginning of year	248,953,092	248,953,092	236,025,622
Accumulated surplus, end of year	\$ 252,948,592	\$ 257,601,714	\$ 248,953,092

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, 2019, with comparative information for 2018

	Budget (note 13)	2019	2018
Annual surplus	\$ 3,995,500	\$ 8,648,622	\$ 12,927,470
Acquisition of tangible capital assets	(21,152,900)	(17,745,607)	(18,971,772)
Amortization of tangible capital assets	9,500,000	9,809,188	9,662,363
Loss on disposal of tangible capital assets	—	26,777	283,306
	(7,657,400)	738,980	3,901,367
Amortization of other non-financial assets	466,000	465,941	465,941
Consumption (net acquisition) of inventory prepaid expenses	—	(12,386)	(100,210)
Change in net debt	(7,191,400)	1,192,535	4,267,098
Net debt, beginning of year	(22,905,858)	(22,905,858)	(27,172,956)
Net debt, end of year	\$ (30,097,258)	\$ (21,713,323)	\$ (22,905,858)

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

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THE CORPORATION OF THE TOWN OF LASALLE

Consolidated Statement of Cash Flows

Year ended December 31, 2019 with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 8,648,622	\$ 12,927,470
Items not involving cash:		
Amortization of tangible capital assets	9,809,188	9,662,363
Amortization of other non-financial assets	465,941	465,941
Contributed tangible capital assets from developers	(3,651,922)	(12,303,308)
Loss on disposal of tangible capital assets	26,777	283,306
Write-down of tangible capital assets	263,876	—
Change in employee future benefit obligations	290,305	950,465
Equity in income of Essex Power Corporation	(770,741)	(580,213)
Change in non-cash assets and liabilities:		
Taxes receivable	(361,669)	(39,177)
User charges receivable	(677,847)	119,759
Other receivables	(734,803)	(5,171)
Accounts payable and accrued liabilities	1,235,695	475,371
Inventory/prepaid expenses	(12,386)	(100,210)
	14,531,036	11,856,596
Capital Activities:		
Cash used to acquire tangible capital assets	(14,357,561)	(6,668,464)
	(14,357,561)	(6,668,464)
Investing Activities:		
Increase in long term investments	(5)	(5)
Dividend received from Essex Power Corporation	578,556	561,593
	578,551	561,588
Financing Activities:		
Increase in deferred revenue/capital deposits	8,015,191	6,433,107
Proceeds from issuance of municipal debt	10,000,000	—
Repayments related to long term debt	(1,177,083)	(1,127,174)
	16,838,108	5,305,933
Increase in cash position	17,590,134	11,055,653
Cash and short term investments, beginning of year	60,999,004	49,943,351
Cash and short term investments, end of year (note 2)	\$ 78,589,138	\$ 60,999,004

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, 2019

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.

(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.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(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.

(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.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(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.

(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.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(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.

(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, 2019

2. Cash and investments:

	2019	2018
Unrestricted assets:		
Cash	\$ 23,062,037	\$ 20,585,871
Long term investments:	1,115	1,110
Restricted assets:		
Cash	55,199,150	40,090,590
Short term investments	327,951	322,543
	55,527,101	40,413,133
Essex Power Corporation (note 3)	12,584,670	12,392,485
	12,584,670	12,392,485
	\$ 91,174,923	\$ 73,392,599
Cash and short term investments:		
Unrestricted	23,062,037	20,585,871
Restricted	55,527,101	40,413,133
	78,589,138	60,999,004

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>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Investment in EPC (continued):

(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>2019</u>	<u>2018</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	6,085,083	5,892,898
	<u>\$ 12,584,670</u>	<u>\$ 12,392,485</u>

(c) Supplementary information

The following table provides condensed supplementary information for EPC.

	<u>As at Dec 31, 2019</u>	<u>As at Dec 31, 2018</u>
Financial Position:		
Current assets	\$ 20,302,000	\$ 21,442,000
Capital assets	69,789,000	65,984,000
Other assets	12,544,000	11,518,000
Total Assets	<u>102,635,000</u>	<u>98,944,000</u>
Regulatory balances	13,421,000	10,920,000
Total Assets and Regulatory balances	<u>116,056,000</u>	<u>109,864,000</u>
Current liabilities	31,175,000	27,099,000
Long term liabilities	41,283,000	36,952,000
Total Liabilities	<u>72,458,000</u>	<u>64,051,000</u>
Equity	39,567,000	39,101,000
Total Liabilities and Equity	<u>112,025,000</u>	<u>103,152,000</u>
Regulatory balances	4,031,000	6,712,000
Total liabilities, equity and regulatory balances	<u>\$ 116,056,000</u>	<u>\$ 109,864,000</u>
	<u>For the year ended Dec 31, 2019</u>	<u>For the year ended Dec 31, 2018</u>
Result from Operations:		
Revenue	\$ 88,898,000	\$ 84,294,000
Operating expenses	88,934,000	83,730,000
Income from operations	<u>(36,000)</u>	<u>564,000</u>
Other expenses	2,631,000	1,708,000
Net (loss) income	<u>(2,667,000)</u>	<u>(1,144,000)</u>
Net movement in regulatory balances, net of tax	5,182,000	4,125,000
Net income for the year and net movement in regulatory balances	<u>2,515,000</u>	<u>2,981,000</u>
Other comprehensive income	(36,000)	77,000
Total comprehensive income for the year	<u>\$ 2,479,000</u>	<u>\$ 3,058,000</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Investment in EPC (continued):

(c) Supplementary information (continued)

For the year ended December 31, 2019, the Town's proportionate share of the comprehensive income was \$770,741 (\$580,213 in 2018) 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 2018). Dividends received on special shares of \$17,729 (\$17,729 in 2018) are included in investment income.

(d) Related party transactions

During fiscal 2019, the Town received \$578,556 in common share dividends from EPC (\$561,593 in 2018).

During fiscal 2019, the Town paid \$1,255,927 to EPC for services provided (\$1,451,132 in 2018).

4. Deferred revenue/capital deposits:

	<u>2019</u>	<u>2018</u>
Sewer projects	\$ 2,912,916	\$ 2,125,459
Water projects	6,407,809	5,337,095
Water emergency	1,500,000	1,500,000
Development charges	29,062,672	25,792,514
Refundable contributions from developers	3,605,980	3,434,769
Federal Gas Tax	5,078,388	3,347,626
Provincial Gas Tax/transit	255,398	45,567
OCIF	1,200,672	477,983
Parkland dedication	439,855	387,486
	<u>\$ 50,463,690</u>	<u>\$ 42,448,499</u>

The activity for the year consists of:

	<u>2019</u>	<u>2018</u>
Contributions received:		
Contribution from developers	\$ 3,345,135	\$ 2,625,537
Contribution from others	3,640,400	3,405,000
Gas tax funding	3,221,007	1,511,962
OCIF formula based funding	739,573	469,420
Investment income	1,329,515	1,056,959
	<u>12,275,630</u>	<u>9,068,878</u>
Deferred revenue/capital deposits included in revenue	<u>(4,260,439)</u>	<u>(2,635,771)</u>
Net change in deferred revenue/capital deposits	8,015,191	6,433,107
Deferred revenue/capital deposits, beginning of year	42,448,499	36,015,392
Deferred revenue/capital deposits, end of year	<u>\$ 50,463,690</u>	<u>\$ 42,448,499</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

5. Long term debt:

(a) Long term debt outstanding:

	<u>2019</u>	<u>2018</u>
New municipal facilities 3.83% debenture, repayable in combined semi-annual payments of principal and interest of \$562,630, maturing in 2038	\$ 14,817,393	\$ 15,359,525
Riverfront park 2.74% debenture, repayable in combined semi-annual payments of principal and interest of \$277,575, maturing in 2044	10,000,000	-
Vollmer complex 4.81% debenture, repayable in combined semi-annual payments of principal and interest of \$419,456, maturing in 2028	5,796,752	6,337,265
Sanitary sewage treatment capacity 5.1% debenture, repayable in combined semi-annual payments of principal and interest of \$205,977, maturing in 2048	6,154,670	6,249,108
	<u>36,768,815</u>	<u>27,945,898</u>
The responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals (maturing in 2025 and 2026). These amounts are not recorded on the consolidated statement of financial position	71,329	82,429
	<u>\$ 36,840,144</u>	<u>\$ 28,028,327</u>

(b) Long term debt principal repayments:

Within one year	\$ 1,512,311
Within two years	1,574,615
Within three years	1,639,584
Within four years	1,707,337
Within five years	1,777,996
Thereafter	28,556,972
	<u>\$ 36,768,815</u>

(c) Charges relating to long term debt:

	<u>2019</u>	<u>2018</u>
Principal paid	\$ 1,177,083	\$ 1,127,173
Interest paid	1,199,044	1,248,954
	<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, 2019

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.

	2019	2018
Debt repayment limit (25% of net operating revenues)	\$ 11,801,893	\$ 11,845,122
Net debt charges	2,376,127	2,376,127
Remaining available debt repayment limit	<u>\$ 9,425,766</u>	<u>\$ 9,468,995</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. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are the joint responsibility of all Ontario municipalities and employees participating in the plan. The Town does not recognize any share of OMERS' pension surplus or deficit in its financial statements.

At December 31, 2019, the OMERS plan is in an actuarial deficit position, which is being addressed through rate contributions and benefit reductions. Depending on an individual's normal retirement age and pensionable earnings, 2019 contribution rates were 9.0% and 14.6% (2018 - 9.0% and 14.6%). Total employer contributions for current service for 2019 amounted to \$1,505,337 (2018 - \$1,505,412), and are recorded in the statement of operations.

The OMERS Pension Plan has a deficit. The last available report for the OMERS plan was on December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion), based on actuarial liabilities for \$107.7 billion (2018 - \$99 billion) and actuarial assets for \$104.3 billion (2018 - \$95 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

6. Employee future benefit obligations and other liabilities:

(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>2019</u>	<u>2018</u>
Post retirement benefits	\$ 25,672,702	\$ 25,353,519
Accrued sick leave	525,878	554,416
WSIB future benefit costs	128,621	128,961
	<u>\$ 26,327,201</u>	<u>\$ 26,036,896</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, 2018 respectively. The significant actuarial assumptions adopted in estimating the Town's liability are as follows:

Long term discount rate	2.8% (3.7% in 2018)
Trend rates:	Dental - 3% per annum (3% in 2018)
	Health care - 5.25% per annum in 2019, decreasing to an ultimate rate of 3.57% in 2040
Estimated remaining service life	- 14.6 years

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

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 25,353,519	\$ 24,352,476
Annual expense		
Cost of benefits	453,081	656,668
Net amortization of actuarial losses (gains)	(322,834)	81,382
Interest	584,636	705,593
Benefits paid	(395,700)	(442,600)
Closing balance	<u>\$ 25,672,702</u>	<u>\$ 25,353,519</u>

	<u>2019</u>	<u>2018</u>
Accrued benefit obligation	\$ 19,295,291	\$ 15,545,748
Unamortized net actuarial gains	6,377,411	9,807,771
Closing balance	<u>\$ 25,672,702</u>	<u>\$ 25,353,519</u>

The Town's post retirement benefit obligations are unfunded.

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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

(b) Future benefit obligations (continued)

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 \$128,621 (\$128,961 in 2018).

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THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Tangible capital assets

Cost	Balance at December 31, 2018	Additions	Disposals	Transfers	Balance at December 31, 2019
Land	\$ 39,993,123	\$ 693,910	\$ (7,575)	\$ -	\$ 40,679,458
Land improvements	12,112,504	11,092	-	-	12,123,596
Buildings and building improvements	54,495,363	358,100	(21,728)	1,363,152	56,194,887
Vehicles, machinery and equipment	18,037,844	665,459	(150,510)	-	18,552,793
Water and wastewater infrastructure	134,986,877	1,456,942	(4,421)	-	136,439,398
Roads and bridge infrastructure	110,843,955	1,951,516	(667,573)	1,112,109	113,240,007
Furniture and fixtures	2,030,225	25,538	-	-	2,055,763
Assets under construction	5,427,243	12,583,050	-	(2,475,261)	15,535,032
Total	\$ 377,927,134	\$ 17,745,607	\$ (851,807)	\$ -	\$ 394,820,934

Accumulated Amortization	Balance at December 31, 2018	Disposals	Amortization Expense	Balance at December 31, 2019
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	6,259,356	-	650,612	6,909,968
Buildings and building improvements	14,720,386	21,728	2,089,265	16,787,923
Vehicles, machinery and equipment	10,697,768	136,469	1,060,280	11,621,579
Water and wastewater infrastructure	48,409,722	4,421	2,840,757	51,246,058
Roads and bridge infrastructure	48,786,377	662,412	3,032,871	51,156,836
Furniture and fixtures	676,307	-	135,403	811,710
Total	\$ 129,549,916	\$ 825,030	\$ 9,809,188	\$ 138,534,074

Net Book Value	Balance at December 31, 2018	Balance at December 31, 2019
Land	\$ 39,993,123	\$ 40,679,458
Land improvements	5,853,148	5,213,628
Buildings and building improvements	39,774,977	39,406,964
Vehicles, machinery and equipment	7,340,076	6,931,214
Water and wastewater infrastructure	86,577,155	85,193,340
Roads and bridge infrastructure	62,057,578	62,083,171
Furniture and fixtures	1,353,918	1,244,053
Assets under construction	5,427,243	15,535,032
Total	\$ 248,377,218	\$ 256,286,860

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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").

	2019	2018
Balance, cost	\$ 27,679,629	\$ 27,679,629
Less - Accumulated amortization	5,498,421	5,032,480
Balance, net	<u>\$ 22,181,208</u>	<u>\$ 22,647,149</u>

9. Accumulated surplus:

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

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 225,672,715	\$ 226,680,428
Invested in other non-financial capital assets	16,026,538	16,398,041
Other	(1,725,499)	(4,570,898)
Unfunded employee future benefit obligations	(26,327,201)	(26,036,896)
Total surplus	213,646,553	212,470,675
Reserve funds set aside by Council:		
Building activity	107,919	(176,819)
Essex power equity	12,331,410	12,139,225
Total reserve funds	12,439,329	11,962,406
Reserves set aside for specific purpose by Council:		
Tax stabilization	4,220,659	4,012,559
Working capital	469,165	453,467
Facility capital	1,145,662	985,425
Insurance	269,949	309,569
Strategic planning	1,178,504	586,800
Technology	587,972	497,272
LaSalle green space/woodlot	421,678	431,905
Accessibility projects	109,225	6,559
HR / Health & Safety	76,721	82,250
Election	44,497	15,412
Fire	1,095,107	471,515
Police	204,964	204,964
Fleet	1,501,704	1,332,156
Roads network	3,065,676	2,487,627
Asset replacement/repair	10,614,006	6,243,704
Drains & storm water management	3,790,859	2,833,001
Sidewalks/trails/streetlights/driveways	81,473	220,794
Fuel system	105,069	83,162
Transit	178,676	499,064
Culture & recreation	509,454	498,249
Parks & parkland works	468,776	532,036
Vollmer Centre	1,187,714	1,553,671
Planning projects	188,322	178,850
Total reserves	31,515,832	24,520,011
	<u>\$ 257,601,714</u>	<u>\$ 248,953,092</u>

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

10. Taxation revenue:

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

	2019	2018
Residential and farm taxes	\$ 54,454,683	\$ 51,067,217
Commercial, industrial and business taxation	6,092,031	5,835,040
Taxation from other governments	47,249	56,711
	60,593,963	56,958,968
Requisitions to County and School Boards	(25,399,045)	(24,037,267)
Net property taxes and payment-in-lieu available for municipal purposes	\$ 35,194,918	\$ 32,921,701

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 2019, the Town paid \$351,208 (\$333,598 in 2018) 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".

(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 \$863,460 (\$897,387 in 2018) are reflected in the Town's "Consolidated Statement of Operations and Accumulated Surplus".

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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.

13. Budget data:

Budget data presented in these consolidated financial statements are based upon the 2019 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	\$ 53,903,800
Capital	21,152,900
Less:	
Transfers from other funds	(21,524,500)
Total revenue	53,532,200
Expenses:	
Operating	53,903,800
Capital	21,152,900
Less:	
Transfers to other funds	(13,956,000)
Capital expenses	(21,152,900)
Debt principal payments	(1,177,100)
Add:	
Employee future benefits obligation expense	800,000
Amortization of tangible capital assets	9,500,000
Amortization of non-financial assets	466,000
Total expenses	49,536,700
Annual surplus	\$ 3,995,500

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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	2019	2018
Revenue:			
Provincial grants:			
Provincial offences	\$ 100,000	\$ 159,600	\$ 103,027
OCIF formula based grant	739,000	739,573	469,420
Provincial gas tax	60,000	269,254	52,271
Policing (PEM/RIDE/Court Services/OCIF)	323,400	256,345	406,883
Transportation Services	-	14,581	24,609
Planning and Development	-	-	2,231
PTIF	-	-	55,262
OMCIP	-	-	23,821
CWWF	-	53,151	142,368
	1,222,400	1,492,504	1,279,892
Federal grants:			
Federal gas tax	1,464,500	2,951,753	1,459,691
Recreation Services	-	82,096	28,560
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	-	100,000	50,000
CWWF	-	1,018,446	284,737
	1,464,500	4,152,295	2,003,644
Total revenue	\$ 2,686,900	\$ 5,644,799	\$ 3,283,536

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, 2019

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, 2019

15. Segmented information (continued)

2019

	General government	Protection services	Transportation services	Environmental services	Recreation & cultural services	Planning & development	Total
Revenue:							
Taxation	14,406,871	11,242,310	3,771,848	1,631,089	3,579,625	563,175	35,194,918
User charges	30,487	911,825	86,702	9,423,806	-	-	10,452,820
Government transfers							
Provincial	159,600	256,345	283,835	792,724	-	-	1,492,504
Federal	-	-	2,951,753	1,018,446	182,096	-	4,152,295
Investment income	977,141	-	-	32,507	-	-	1,009,648
Penalties and interest on billings	322,083	-	-	33,836	-	-	355,919
Contributions from developers and users	899,943	-	3,931,860	2,383,293	501,834	-	7,716,930
Recreation and cultural services revenues	-	20,000	-	-	2,685,202	-	2,705,202
Equity income in Essex Power Corporation	770,741	-	-	-	-	-	770,741
Other	1,631,283	356,268	1,067,907	-	5,526	99,346	3,160,330
Total revenue	19,198,149	12,786,748	12,093,905	15,315,701	6,954,283	662,521	67,011,307
Expenses:							
Salaries, wages and employee benefits	3,888,792	9,712,653	3,283,888	1,189,573	3,653,754	569,888	22,298,548
Administrative expenses	972,854	276,706	381,388	317,515	451,207	28,124	2,427,794
Personnel expenses	108,230	312,257	113,833	-	59,247	10,076	603,643
Facility expenses	499,161	288,096	126,469	-	993,728	-	1,907,454
Vehicle/equipment expenses	21,461	509,077	530,952	185,715	625,743	7,987	1,880,935
Program services	1,354,110	932,253	5,158,264	11,044,247	854,242	92,007	19,435,123
Amortization expense	907,774	682,570	3,255,340	3,388,167	1,571,802	3,535	9,809,188
Total expenses	7,752,382	12,713,612	12,850,134	16,125,217	8,209,723	711,617	58,362,685
Surplus (deficit)	11,445,767	73,136	(756,229)	(809,516)	(1,255,440)	(49,096)	8,648,622

THE CORPORATION OF THE TOWN OF LASALLE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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, 2019

16. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

17. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Corporation has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Experienced declines in investment income and potential decline in equity income in Essex Power Corporation.
- Experienced temporary decline in revenue related to penalties and interest on billings.
- Temporary closure of recreational facilities and cancellation of recreational programming.
- Temporary termination of part-time employees

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time. These additional unbudgeted costs are intended to be funded from the Corporation's Tax Stabilization Reserve.