



## Annual Report | 2020

Helping communities  
work better and rise to  
new challenges.

# LAS Annual Report | 2020

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## Vision

LAS connects municipalities with solutions to help communities work better.

## Mission

LAS seeks innovative and creative long-term programs/services that are beneficial to municipal governments and broader public sector organizations, do not compete directly with purchasing cooperatives, and can be aggregated at an association level.

# Message from the Chair



Local Authority Services (LAS) helps Ontario's communities work better. In 2020, our commitment to helping communities only became stronger as our participants and our team adapted to the extraordinary challenges of COVID-19.

For more than 25 years, LAS has been dedicated to creating and delivering practical, money-saving business services and solutions for the municipal and broader public sector. As the pandemic hit, our team quickly shifted to working from home, continuing to serve municipalities without interruption.

LAS also quickly shifted to meet emerging needs. Our Group Buying Program became a go-to resource early in the pandemic for personal protective equipment (PPE), which was in short supply. The Group Buying Program partners with suppliers with global contacts and resources, so LAS could source quality PPE, quickly and reliably.

Beyond PPE, the new Group Buying Program grew exponentially over the past year and is quickly becoming a one-stop shop for any municipal purchasing needs – from auto parts to Zambonis. Approximately 150 municipalities have experienced the ease, efficiency and savings of purchasing through the group, which now boasts 140 vendors and more than 30 categories. We also overhauled our Energy Planning Tool to help municipalities better manage their energy use and make their internal and provincial reporting quicker and easier.

Despite the pandemic, ONE Investment still reached a significant milestone in helping municipalities earn more through investing. ONE Investment launched Ontario's first and only Joint Investment Board to manage municipal investment under the Prudent Investor Standard. This move dramatically expands investment options for the sector, giving all municipalities access to financial tools typically only available to the largest cities. It opened Ontario municipal investments to global markets, allowing for more diverse portfolios that better manage risk and improve long-term returns. As government funding is stretched both locally and provincially, more strategic investment is critical to funding capital plans.

2020 was a master class in resilience for everyone. I am proud of our LAS team for their dedication to responding to the pandemic with professionalism. We adapted, adjusted and modified our work so municipalities working on the frontline could focus on their jobs – keeping services going and keeping people safe and healthy.

As the pandemic wears on, LAS will continue to work hard to help communities rise to new challenges.

A handwritten signature in black ink, appearing to read 'Gary McNamara'.

Gary McNamara  
LAS Chair and Mayor of Tecumseh

# About LAS

Local Authority Services (LAS) was founded in 1992 by the Association of Municipalities of Ontario (AMO). LAS leverages economies of scale, group buying power and expertise in the municipal sector to offer business services that help municipalities save money, generate revenue, and improve staff skills and capacity. By working together, municipalities can work better.

## ■ Administrative Services

- Closed Meeting Investigator
- Group Benefits
- Home and Auto Insurance
- Municipal Risk Management
- Sewer and Water Line Warranty

## ■ Asset Services

- Group Buying Program
- Road and Sidewalk Assessment Service

## ■ Commodity Programs

- Electricity Program
- Fuel Procurement
- Natural Gas Procurement

## ■ Energy Services

- Energy Planning Tool
- Energy Training
- Facility Lighting Service
- LED Streetlight Program

## ■ Digital Partnerships

- eScribe
- eSolutions
- Frequency Foundry
- 4S
- Notarius
- MindBeacon

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## The 2020 LAS Board



**Gary McNamara**  
Chair  
Mayor,  
Town of Tecumseh



**Aina DeViet**  
Mayor,  
Middlesex Centre



**Sheridan Graham**  
CMO  
Director, Corporate  
Projects & Services  
Peterborough County



**Julia McKenzie**  
Manager of  
Finance/Treasurer  
Town of Huntsville



**Jean-Pierre Ouellette**  
Principal Consultant,  
JPO Next  
Retired CAO,  
Town of Cochrane



**Jim Pine**  
CAO  
County of Hastings



**Lealand Sibbick**  
Treasurer  
County of Simcoe



**Chris Wray**  
CAO/Clerk  
Township of Johnson

# Highlights from 2020

Served **389** municipalities. **88%** of all Ontario municipalities participated in at least one LAS program or service.

- The **Municipal Group Buying Program** expanded to:
  - **150** participating municipalities
  - More than **30** categories of goods
  - **140** vendors
  - Staff from **238** organizations participating in webinars to learn about different product offerings.
- **45** new municipalities signed on to the **Road and Sidewalk Assessments Service**, nearly doubling participation.
- Total program participation in **Facility Lighting** increased nearly **30%** from 25 municipalities with 70 projects to total **32** municipalities and **88** projects in 2020.
- More than **50** municipalities turned to AMO's **Digital Partnerships** to improve service quality and efficiency.
- AMO launched a new digital partnership with **MindBeacon**, a platform that provides internet-based mental health services.

“*For more than 25 years, LAS has been dedicated to creating and delivering practical, money-saving business services and solutions for the municipal and broader public sector. As the pandemic hit, our team quickly shifted to working from home, continuing to serve municipalities without interruption.*”

- Gary McNamara, Chair, LAS



## Digital Services

Digital services are an AMO initiative. These partnerships are closely aligned with LAS objectives to help communities work better. Though not part of LAS, it is important that municipal governments are aware of the opportunity. Digital technology offers municipal government opportunities to unlock efficiencies and save money, while also improving accessibility, customer service, and citizen engagement.

The COVID-19 pandemic accelerated municipal government digital transformation. For many municipalities, embracing digital transformation initiatives moved from the back burner to front and centre as they pivoted to online services to maintain business continuity for internal administration as well as citizen-facing work.

Implementing digital solutions requires a substantial amount of legwork and research – which can be a challenge for many, even under non-pandemic conditions. Since 2017, the Association has been doing that legwork. It has since partnered with leading providers to offer scalable, affordable, and easy-to-use technologies to help members find ways to be more efficient and reduce costs. In 2020, more than 50 municipalities took advantage of AMO’s Digital Partnerships.

### **MindBeacon**

Supporting employee mental health is critical to their wellbeing and supports a more productive workforce, reducing absenteeism and improving quality of life. Mental health services can be a challenge to access for many – and during COVID, it has only become harder.

AMO has partnered with MindBeacon, a digital mental health provider using internet-based Cognitive Behavioural Therapy. MindBeacon provides personalized therapy through any digital device, wherever and whenever it’s most convenient for users. Programs are guided by a registered mental health professional who develops an individual plan of readings and exercises that will help develop the resiliency needed to cope with life’s challenges and build lifelong skills. This approach can treat a wide range of conditions ranging from anxiety, stress, depression, chronic pain, post-traumatic stress, insomnia and more through effective and clinically approved methods. The digital partnership allows municipalities to offer this service to employees.

### **eSCRIBE**

eSCRIBE provides secure, cloud-based, paperless meeting management and livestreaming solutions. Besides simple agendas and minutes, eSCRIBE supports each step of the meeting lifecycle with comprehensive tools and workflow for staff, meeting participants and the public. eSCRIBE is compliant with accessibility requirements, such as AODA and WCAG 2.0. The goal is to improve transparency and reduce the resources required to support meetings, so staff can focus on serving their communities.

## **eSolutionsGroup**

eSolutionsGroup is a one-stop shop for municipal websites and intuitive digital solutions. Through its partnership with AMO, municipalities can benefit from eSolutionsGroup's modular, barrier-free web design as well as a variety of advanced applications and other integrated technologies. All websites meet or exceed AODA and WCAG 2.0 accessibility requirements ensuring all residents can access web services and information.

## **Frequency Foundry**

Frequency Foundry provides a digital citizen relationship management (CRM) solution that can improve customer service and efficiency, particularly for smaller municipalities. Frequency Foundry's software solution, Signal, provides 3-1-1 services for residents, helping them access municipal information and resources. Signal helps municipalities manage and track requests, complaints, and inquiries – and delivers a variety of 'front desk' services. It also integrates into existing municipal systems and processes.

## **4S Consulting Services**

4S offers health and safety training and consulting services, including a comprehensive online management system for employees. The partnership with 4S helps municipal governments continue to build an effective Occupational Health and Safety (OHS) program that improves productivity, reduces costs, and creates a safer workplace. 4S takes an approach that engages all employees, from senior management to frontline workers, in building a strong workplace safety culture. Its online platform provides a comprehensive way to easily track and manage all employee training, workplace incidents, and various procedures and compliance checklists.

## **Notarius**

Notarius was AMO's first digital partnership. The company offers a suite of digital signature services to help municipal governments manage electronic documents more efficiently. Notarius digital signatures are electronic signatures that provide high assurance levels of signer identity and document integrity, authenticity, and longevity. It enables professionals to sign electronic documents with the same legal value as a paper document signed by hand. The technology helps municipalities streamline processes, reduce costs for document storage and safeguard the integrity of important municipal records.

## Accelerating Digital Transformation

Even before COVID-19, municipalities were looking for easy-to-adapt digital solutions to improve the quality of services and reduce costs. Once much work went online, AMO's Digital Partnerships proved not only useful in a "work from home" world, but also easy to implement even when staff and suppliers were working together virtually.

The Eastern Ontario Regional Network (EORN) is a municipally driven non-profit whose focus is rural connectivity. A small, dispersed team, they were looking for a better way to coordinate and manage daily inquiries from residents, political partners and stakeholders.

"We needed a system that would track incoming inquiries from various channels, as well as which team member was taking the lead for responding and the overall outcome," said Heather Wrightly, EORN's Customer Service and Support Assistant.

EORN partnered with Frequency Foundry on a customized version of their Signal 3-1-1 platform to develop a system that not only met its current tracking and reporting needs but had room to expand as requirements evolved.

"Their friendly and knowledgeable staff worked quickly and efficiently to guide us through the design and implementation of a system," Wrightly added. "This was done completely remotely during the COVID-19 pandemic, and they continue to offer remote training and support services."

Of all the challenges COVID-19 presented municipalities, conducting Council business and managing official meetings online was one of the most critical. Shortly after the pandemic hit, the Government of Ontario passed emergency legislation allowing Councils to conduct online meetings. It reinforced and accelerated the need for online meeting management.

Managing all the elements of a virtual meeting – not just agendas and minutes but livestreaming and workflow for staff – is a major undertaking. eSCRIBE is a digital platform that provides a comprehensive cloud-based solution for paperless meeting management. It is tailored to meet Ontario municipal legislative requirements and is compliant with accessibility standards.

In all, 28 municipalities signed on to eSCRIBE in 2020. For the Township of Cramahe, it was about finding tools to manage reports and agendas. They signed on to eSCRIBE right before the pandemic and implemented the platform while working from home.

"The eSCRIBE team helped us tailor our workflows and how we wanted our reports, agendas and minutes to look. They also helped us automate as many steps as we could through the workflow tools," said Joanne Hyde, Municipal Clerk, Township of Cramahe. "Since then, we have used the workflow to manage our by-laws and policies and to further streamline processes across the organization."

This support was critical given that Cramahe, like many smaller towns, has limited IT resources.

"We wanted to be able to work anywhere, at anytime," Hyde said. "eSCRIBE was our first step in going digital and as we move forward with digital transformation, we see many more opportunities. The experience has really propelled us to embrace digital solutions."





# Administrative Services

## **Group Benefits**

This program offers completely flexible benefit coverage options for staff and elected officials at a cost lower than what most municipalities can achieve on a standalone basis. The program serves members ranging from those with less than 10 employees to those with more than 400. The program enrolled two new municipalities in 2020 for 3% growth.

## **Group Home and Auto Insurance**

LAS has negotiated exclusive discount rates for personal home and automobile insurance through the Cowan Insurance Group. The service is available to all staff and elected officials of Ontario municipalities. In 2020, Cowan Insurance Group insured 1,530 policies, including 71 new enrolments.

## **Sewer and Water Line Warranty Program**

The LAS-endorsed Sewer and Water Line Warranty Service offers homeowners the option of a low-cost warranty that will repair or replace water and sewer lines on residential properties. Homeowners do not always realize that they are responsible for these repairs. The service provides homeowners with both warranty protection and confidence that repairs will be done correctly. LAS has partnered with Service Line Warranties of Canada Inc. to provide this service to homeowners across Ontario.

More than 1.2 million households have received mailings and there are 65 municipalities that have endorsed and enrolled in the program, including five municipalities that joined in 2020.

## **Closed Meetings Investigations**

LAS has been filling the role of closed-meetings investigator for interested Ontario municipalities since 2008 through a credible, professional, and independent investigator service. In 2020 there were 113 municipalities subscribed to the LAS service.

## **Municipal Risk Management**

Municipal liability and risk management issues cost municipalities millions of dollars every year. Along with insurer Frank Cowan and Company, AMO formed the Institute of Municipal Risk Management to educate Councils and staff on existing and emerging risks and how to manage them. LAS continues to work with Frank Cowan on educating Councils and municipal staff on risk mitigation and best practices.



# Asset Services

## Group Buying Program

In August 2019, LAS launched a partnership with one of the leading public-sector buying groups in Canada. It includes sister organizations across the country to leverage the combined purchasing power of more than 2,500 Canadian municipalities.

By combining forces, municipalities can access high-quality, competitively priced goods and services, and free up staff time. All offerings have undergone a formal competitive bid process on your behalf, ensuring compliance with purchasing bylaws and trade agreements. There are no minimum purchase requirements, membership fees, or binding contracts. Through the program, municipalities can access specialized pricing on goods from more than 140 vendors in more than 30 categories. The program can be used for the purchase of large, customized vehicles, like firetrucks, to routine items like office supplies, as well as pretty much everything in between. In all, 150 municipalities participated in the program in 2020.

## Road and Sidewalk Assessment Service

With more than 300,000-lane kilometers of municipal roads, and tens of thousands of kilometers of sidewalks across Ontario, manual inspection and roads assessment studies are an onerous task.

Given the importance of asset management, and the need for municipalities to have better data, LAS partnered with StreetScan to offer an automated option. This program includes:

- Patented mobile sensing and condition data-gathering;
- Data handling, processing, algorithms and analysis;
- Customizable data analysis software and visualization in a secure web-based GIS application; and,
- Pavement management engine for repair and maintenance decision-making.

The result is a service that provides timely data in a cost-effective way to help municipal governments maintain high-quality road networks.

This program saw substantial growth in 2020, with 45 new municipalities signing on to the service, almost doubling the 48 that participated in 2019.

In 2020, a total of 9,232 kilometres of road and 1,380 kilometres of sidewalk were surveyed.

## Group Buying Program Delivers Savings

Group buying is a powerful tool that helps municipalities purchase products and services they use regularly. The program had overwhelming response in 2020, with 150 Ontario municipalities finding value and convenience by purchasing through the program – which leverages the joint purchasing power of more than 2,500 municipalities nationwide.

All offerings have undergone a formal competitive bid process, ensuring compliance with purchasing bylaws and trade agreements. In 2020, there were 17 requests for proposals issued, expanding the offerings substantially. In all there are more than 33 categories of goods and more than 140 vendors to choose from. All are posted on the LAS website and municipalities can often purchase from local suppliers with national discounts.

LAS also runs webinars on many of the offerings, so staff can learn more about how the program works. In 2020, LAS created more than 20 webinars about different product categories. In all more than 350 people from 238 organizations participated in the webinars. The posted webinars garnered another 537 views after the fact.

Darcy Chapman, Treasurer and Director of Corporate Services for the Municipality of Meaford said that as a small municipality with just one staff person dedicated to procurement, the program has been indispensable.

“We know we are getting both quality and competitive pricing without recreating the wheel,” Chapman said. “We know that the procurement process is as stringent as our own. That makes it easy to take to Council.”

Meaford recently used the program to convert its fleet of light-duty vehicles to a lease arrangement with Enterprise. By leasing these vehicles, the Municipality benefits from having Enterprise do all the scheduled maintenance. With leased vehicles turned over every 2.5 years, there is less downtime for the light-duty fleet and a lot more time for staff to keep other vehicles on the road and in working order. It is saving the Municipality’s maintenance crew so much time that they are no longer outsourcing automotive maintenance on heavy duty vehicles like firetrucks, at a substantial savings.

“The program did more than save us time and money on the purchasing side. This experience shows how the program can be used to create real, tailored solutions that address the limited capacity we have in smaller municipalities,” Chapman added.



# Commodity Programs

## Natural Gas

This is LAS' first and longest-serving program. It helps members stabilize natural gas rates through a four-year natural gas hedging strategy. The program maintains consistent revenues and serves 176 municipal and broader public-sector program participants. LAS plans to look for additional broader public-sector organizations that could similarly benefit from the program.

## Electricity

Ontario's electricity market can be unpredictable. LAS helps municipalities create some stability through a managed program of hedge contracts and spot market exposure. LAS also offers a way for municipalities to take advantage of low spot market rates overnight for their streetlights.

A key challenge has been the steady rise in the Global Adjustment portion of the bill. This line item is independent of market rates and cannot be managed by any retail program.

Currently, 144 municipalities take part in electricity programs. The program provides usage data and market information to further help municipalities manage energy costs.

## Fuel

The Fuel Procurement Program is a simple alternative for small and medium-sized municipalities to save money on fuel and reduce the administrative burden. This program served 17 municipalities in 2020.



# Energy Services

## Energy Planning Tool

Municipal governments and other broader public-sector organizations must complete and submit an Energy Consumption and Green House Gas (GHG) Emission report each year. LAS' Energy Planning Tool helps municipalities and other organizations develop and update plans that comply with provincial government regulations.

In response to feedback from our municipal clients, the tool was revamped in 2020 with a new interface and features to make planning and reporting quicker and easier.

In 2020, the program had 160 municipal subscribers, representing more than one-third of all Ontario municipalities.

## LED Streetlight Program

Since its launch in March 2013, the LAS LED Streetlight Program has become the leading LED Streetlight replacement program in Canada and is one of the largest programs in its class internationally. In fact, this program has been recognized by the World Bank as being among the most efficient and successful delivery models in the world.

The program employs a unique turnkey approach that brings together all the services municipalities require to rollout the new technology and start reaping the benefits quickly. It reduces energy consumption by about 50% to 70%, generating about 60% in annual cost savings and 80% savings in maintenance.

Including 2020, a total of 189 municipalities have used the program, for a cumulative annual savings of \$22.5 million per year in energy and maintenance costs, and energy savings of 107 million kWh, equivalent to powering 11,500 Ontario households for a year.

This program wound down in 2020, reflecting the fact that most municipalities have made the conversion and there is now significantly less demand for the service.

## Facility Lighting

LAS offers a turnkey solution to install energy efficient LED lights for municipal and public facilities. In addition to high-bay lighting systems for arenas, LAS offers a range of solutions for LED lighting that can be used across municipal facilities. Seven new municipalities undertook 18 new facility lighting projects in 2020.

## Energy Training

LAS' energy training workshops focus on the specific needs of the municipal sector. LAS has partnered with Stephen Dixon of Knowenergy to offer a suite of cost-effective, customizable workshops. The sessions help municipalities cut utility costs, comply with regulations, or increase knowledge of energy conservation. These are often delivered on-site but can also be conducted online. Due to COVID restrictions, there was one online workshop held in 2020, with 18 participating municipalities.



## ONE Investment

ONE Investment was created solely to serve the investment needs of Ontario's municipal community. For more than 25 years, ONE has offered investment solutions that provide municipal governments with a range of options and the benefits of combined investment power. ONE helps municipal governments earn better returns, pay lower management fees and plan for the future of our communities.

ONE Investment as a program was first formed by LAS and CHUMS Financing, a subsidiary of the Municipal Finance Officers Association (MFOA). In 2018, ONE was incorporated as a not-for-profit and began operating as a standalone organization during 2019.

In 2020, ONE launched its turnkey, Prudent Investment offering. The ONE Joint Investment Board was formed in May 2020 and began investing the funds of six Founding Municipalities in July. ONE's municipal Investment Advisory Team, created in 2019, provides clients with deep expertise in municipal finance and investment strategy to guide municipal investments.

Under the Prudent Investment Regime, municipalities who opt-in can invest in a broader range of investments, to better diversify portfolios. This helps manage risk and improve returns over the long-term. The ONE Global Equities Fund and the ONE Global Bond Fund were both developed as part of the process.

ONE also continues to offer its five existing products that comply with provincial regulations known as the "legal list." These products meet different time horizons, to serve different municipal needs:

1. High Interest Savings Account (HISA): Recommended investment time horizon 1+ months
2. Money Market Portfolio: Recommended investment time horizon 18 months
3. Bond Portfolio: Recommended investment time horizon 18 - 36 months
4. Universe Corporate Bond Portfolio: Recommended investment time horizon 3 to 5 years
5. Canadian Equity Portfolio: Recommended investment time horizon 5+ years

At year-end 2020, 184 Ontario municipalities and broader public sector investors held a total of \$2.61 billion in investments with ONE Investment. This includes total "legal list" investment balances of \$2.36 billion, up from \$2.28 billion in 2019 and \$281 million total investment balances on the Prudent Investment side.



## ONE Launches Joint Investment Board to Support Prudent Investing

In 2020, ONE Investment was proud to usher in a new era for municipalities that want to build more diverse investment portfolios, with the launch of its Joint Investment Board under the Prudent Investor Standard.

For more than 25 years, ONE Investment has provided municipalities and broader public sector organizations with turnkey investment solutions that complied with provincial regulations. Municipalities have been able to invest in a provincially approved “legal list” of investments, including some bonds and money market funds. Securities were limited to Canadian firms, which make up only 3% of the worldwide market.

Prudent Investment allows municipalities to invest in any security that is prudent for its circumstances, as long as the investments are under the expert management of a joint investment board. The ONE Joint Investment Board is the first and only Joint Investment Board for municipal governments to come together and invest under the Prudent Investor Standard.

“Building a more diverse portfolio is much better for managing risk and improving returns. It means you also have more flexibility to respond to changing financial markets, which has never been more relevant,” said Judy Dezell, Co-President/CEO of ONE Investment. “It was important to create a way for any municipality to take part and benefit from these powers.”

The City of Kenora, District Municipality of Muskoka and Towns of Bracebridge, Huntsville, Innisfil, and Whitby came together as founding municipalities of the new Joint Investment Board formed by ONE Investment.

“By working with other municipalities and ONE’s investment experts, municipalities can navigate these waters with a great deal of support,” said Donna Herridge, ONE Investment Co-President/CEO and Executive Director of the Municipal Finance Officers’ Association (MFOA). “There is a wealth of investment experience between the Joint Investment Board and ONE’s advisory team of experts.”

The Joint Investment Board began investing municipal funds in July of 2020. The Board manages each municipalities’ investments, guided by their Council-approved investment policy statements.

“Our role as an independent board is to make wise and prudent investments on behalf of municipalities,” said Bill Hughes, who was elected Chair of the ONE Joint Investment Board. “We provide every participating municipality with its own tailor-made investment plan carefully designed to achieve its investment objectives.”

**Local Authority Services  
Financial Statements  
For the year ended December 31, 2020**

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## Independent Auditor's Report

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### To the Directors of Local Authority Services

#### Opinion

We have audited the financial statements of Local Authority Services ("LAS"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LAS as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of LAS in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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 these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 LAS'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 LAS or to cease operations, or has no realistic alternative but to do so.

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

#### Auditor's 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 auditor's 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 these financial statements.



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## Independent Auditor's Report (continued)

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### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 LAS'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 LAS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause LAS 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.

We 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Oakville, Ontario  
May 14, 2021

## Local Authority Services Statement of Financial Position

**December 31** **2020** **2019**

### Assets

#### Current

Cash (Note 3)	\$	<b>3,385,935</b>	\$	3,190,199
Investments (Note 4)		<b>5,818,360</b>		5,799,970
Accounts receivable (Note 7(a))		<b>4,538,591</b>		3,765,182
Prepaid expenses		<b>68,770</b>		103,533
Due from ONE Investment (Note 7(c))		<b>506,394</b>		541,063

**14,318,050** 13,399,947

#### Property and equipment and intangible assets (Note 5)

**13,624** 26,642

**\$ 14,331,674** \$ 13,426,589

### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities (Note 7(b))	\$	<b>3,137,145</b>	\$	2,537,490
Due to Association of Municipalities of Ontario (Note 7(c))		<b>55,267</b>		158,164
Energy program - payables (Note 6(a))		<b>732,000</b>		732,000
Deferred revenue		<b>27,515</b>		14,400

**3,951,927** 3,442,054

#### Net assets

Internally restricted funds				
Natural gas procurement program (Note 6(a))		<b>5,285,843</b>		5,462,456
Electricity procurement program (Note 6(b))		<b>306,386</b>		347,727
Unrestricted		<b>4,787,518</b>		4,174,352

**10,379,747** 9,984,535

**\$ 14,331,674** \$ 13,426,589

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

**Local Authority Services  
Statement of Operations**

**For the year ended December 31**

**2020**

**2019**

	Internally Restricted		Unrestricted	Total	Total
	Natural gas procurement program	Electricity procurement program			
<b>Revenue</b>					
Program	\$ 18,353,954	\$ 691,815	\$ 6,424,563	\$ 25,470,332	\$ 27,991,216
Investment income	34,155	2,615	28,878	65,648	161,928
	<b>18,388,109</b>	<b>694,430</b>	<b>6,453,441</b>	<b>25,535,980</b>	<b>28,153,144</b>
<b>Expenditures</b>					
Program (Note 7(d))	17,775,504	534,800	5,102,799	23,413,103	25,456,043
Administration (Notes 7(d), 8 and 10)	39,218	199,356	719,694	958,268	1,172,919
Amortization	-	1,615	17,782	19,397	51,203
	<b>17,814,722</b>	<b>735,771</b>	<b>5,840,275</b>	<b>24,390,768</b>	<b>26,680,165</b>
Excess (deficiency) of revenue over expenditures before undernoted item	573,387	(41,341)	613,166	1,145,212	1,472,979
Distribution of natural gas program surplus (Note 6(a))	750,000	-	-	750,000	2,000,000
<b>Excess (deficiency) of revenue over expenditures</b>	<b>\$ (176,613)</b>	<b>\$ (41,341)</b>	<b>\$ 613,166</b>	<b>\$ 395,212</b>	<b>\$ (527,021)</b>

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

**Local Authority Services**  
**Statement of Changes in Net Assets**

**For the year ended December 31**

	<u>Internally Restricted</u>			<b>Total 2020</b>	Total 2019
	<b>Natural gas procurement program</b>	<b>Electricity procurement program</b>	Unrestricted		
<b>Balance, beginning of year</b>	<b>\$5,462,456</b>	<b>\$ 347,727</b>	<b>\$ 4,174,352</b>	<b>\$ 9,984,535</b>	\$10,511,556
Excess (deficiency) of revenue over expenditures	<b>(176,613)</b>	<b>(41,341)</b>	<b>613,166</b>	<b>395,212</b>	(527,021)
<b>Balance, end of year</b>	<b>\$5,285,843</b>	<b>\$ 306,386</b>	<b>\$ 4,787,518</b>	<b>\$10,379,747</b>	<b>\$ 9,984,535</b>

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

## Local Authority Services Statement of Cash Flows

For the year ended December 31	2020	2019
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Excess (deficiency) of revenue over expenditures	\$ 395,212	\$ (527,021)
Adjustment required to reconcile excess (deficiency) of revenue over expenditures to net cash provided by operating activities		
Amortization of property and equipment and intangible assets	19,397	51,203
Changes in non-cash working capital balances		
Accounts receivable	(773,409)	(1,934,205)
Prepaid expenses	34,763	24,329
Accounts payable and accrued liabilities	599,655	(392,843)
Due to Association of Municipalities of Ontario	(102,897)	(2,282)
Due from ONE Investment	34,669	(541,063)
Deferred revenue	13,115	(10,190)
	<b>220,505</b>	<b>(3,332,072)</b>
<b>Investing activities</b>		
Purchase of property and equipment and intangible assets	(6,379)	(13,548)
Redemption (purchase) of investments	(18,390)	78,665
	<b>(24,769)</b>	<b>65,117</b>
<b>Increase (decrease) in cash during the year</b>	<b>195,736</b>	<b>(3,266,955)</b>
<b>Cash, beginning of year</b>	<b>3,190,199</b>	<b>6,457,154</b>
<b>Cash, end of year</b>	<b>\$ 3,385,935</b>	<b>\$ 3,190,199</b>

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

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# Local Authority Services

## Notes to Financial Statements

**December 31, 2020**

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### **1. Basis of Presentation**

Local Authority Services Limited ("LAS") was incorporated on May 13, 1992 under the Business Corporations Act (Ontario) with share capital. On November 28, 2013, LAS was issued a Certificate of Continuance under the Canada Not-For-Profit Corporations Act and LAS changed its name to Local Authority Services.

LAS is a subsidiary of Association of Municipalities of Ontario ("AMO"). LAS is mandated to work with municipalities, their agencies, boards and commissions as well as other organizations of Ontario's broader public sector to assist them in reducing the cost of their expenditures and to increase their levels of non-tax revenue through the principle of joint or co-operative procurement efforts.

LAS is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

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### **2. Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Accounting standards for not-for-profit organizations require entities to select policies appropriate for their circumstances from choices provided in the specific standards. The following are details of the choices selected by LAS and applied in these financial statements.

#### **Use of Estimates**

The preparation of 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 financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

#### **Financial Instruments**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs incurred on the acquisition, sale or issue of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

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## Local Authority Services Notes to Financial Statements

December 31, 2020

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### 2. Significant Accounting Policies (continued)

#### Property and Equipment and Intangible Assets

Property and equipment and intangible assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Computer hardware and software	-	4 years straight-line
Furniture and fixtures	-	5 years straight-line

#### Contracts to Buy or Sell a Non-Financial Item

Contracts related to the natural gas procurement program and the retail electricity program are future contracts to buy or sell a commodity and as such are non-financial items and therefore not recognized in the financial statements but are disclosed in Note 6. The gains and losses are recognized in the statement of operations in the year in which the contracts are settled.

#### Revenue Recognition

LAS follows the deferral method of accounting for externally restricted contributions. Under the deferral method, grants and funds received in support of specific initiatives are deferred until such time as costs related to the initiative are incurred. Non-restricted grants and funds are recognized as revenue in the year received.

Investment income is recognized as revenue in the period it is earned.

#### Pension

AMO makes contributions on behalf of its employees, including the employees of LAS, 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 retirement benefit to be received by the employees based on the length of service and rates of pay. As the amount LAS is obligated under the plan is not quantifiable, the accounting, presentation and disclosures that would otherwise be required are not determinable. Due to this fact, LAS follows the standards for a defined contribution plan, the details of which are disclosed in Note 8.

#### Investment in ONE Investment

ONE Investment ("ONE") is a not-for-profit organization and is exempt from the Income Tax Act provided certain requirements of the income tax act are met. LAS is one of the two members of ONE. A financial summary of ONE is presented and disclosed in Note 9.



## Local Authority Services Notes to Financial Statements

**December 31, 2020**

### 3. Cash

	2020	2019
Unrestricted	\$ 654,232	\$ 297,847
Internally restricted programs	2,731,703	2,892,352
	\$ 3,385,935	\$ 3,190,199

### 4. Investments

	2020	2019
One Investment High Interest Savings Account (HISA) bearing interest at bank prime rate less 1.535% (2019 - bank prime rate less 1.535%)	\$ 5,818,360	\$ 5,799,970

### 5. Property and Equipment and Intangible Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	\$ 1,272,924	\$ 1,259,300	\$ 1,266,545	\$ 1,240,251
Furniture and fixtures	12,667	12,667	12,667	12,319
	\$ 1,285,591	\$ 1,271,967	\$ 1,279,212	\$ 1,252,570
Net book value		\$ 13,624		\$ 26,642

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## Local Authority Services Notes to Financial Statements

December 31, 2020

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### 6. Energy Programs

The LAS Board of Directors (the “Board”) has established internally restricted reserves for the natural gas and electricity procurement programs. These amounts are not available for other purposes without the approval of the Board.

#### (a) Natural gas procurement program

LAS, on behalf of the municipalities, enters into natural gas purchase contracts with suppliers for the purpose of managing the price risk relating to natural gas. LAS has offsetting sales contracts with municipalities. On a monthly basis, all gas contracts are balanced. On an annual basis, LAS is required to balance the gas purchased for the municipalities with their consumption, in line with the parameters established by the gas utilities. If the municipalities consume more gas than hedged, then any shortfall is purchased on the spot market. Conversely, if the municipalities consume less gas than hedged, then the surplus gas is sold in the market place at the then prevalent spot market price.

From inception, the natural gas procurement program established a reserve that is held in trust and is maintained by the service provider. This reserve is used to balance any purchasing shortfalls or surpluses. On completion of the year end reconciliation, the excess funds are recognized as revenue of the natural gas procurement program. Based on a recommendation from management, rebates may be distributed from the excess funds to municipalities in the form of a rebate in proportion to their consumption for a stated period. These funds, along with any accumulated interest, are not usually distributed until a year after the reconciliation has occurred.

In June 2007, LAS changed its service provider and transferred \$732,000 to the new service provider as seed money for the program. The amount in excess of the \$732,000 was distributed to municipalities based on their consumption as at November 1, 2006. If and when this program is terminated, this seed money will be distributed to the municipalities enrolled in the program at November 2006 based on their consumption at that time.

## Local Authority Services Notes to Financial Statements

**December 31, 2020**

### 6. Energy Programs (continued)

#### (a) Natural gas procurement program (continued)

At year-end, LAS had the following natural gas purchase and sale and transportation contracts that were not recognized in these financial statements based on LAS's accounting policy for contracts to buy or sell a non-financial item disclosed in Note 2.

	2020	2019
<u>Purchase and sale contracts</u>		
Flow end date	<b>January 2021 to October 2025</b>	January 2020 to October 2022
Fixed price (per GJ)	<b>\$1.89 to \$2.90</b>	\$1.49 to \$2.92
Supply period (months)	<b>10 - 12</b>	10 - 12
Volume (GJ)	<b>7,300,500</b>	7,460,000
Amount of forward contracts	<b>\$15,984,766</b>	\$16,300,531
<u>Transportation contracts</u>		
Flow end date	<b>January 2021 to October 2022</b>	January 2020 to October 2021
Fixed price (per GJ)	<b>\$0.24 to \$1.23</b>	\$0.25 to \$1.68
Supply period (months)	<b>1 - 12</b>	1 - 12
Volume (GJ)	<b>5,546,679</b>	6,893,453
Amount of forward contracts	<b>\$5,500,834</b>	\$9,153,829

#### Distribution of natural gas program surplus

Based on management's recommendation, LAS distributed natural gas program surplus back to the participants of the natural gas procurement program in proportion to the participants' consumption for a stated period. Distributions of \$750,000 were paid in 2020 (2019 - \$2,000,000).

## Local Authority Services Notes to Financial Statements

**December 31, 2020**

### 6. Energy Programs (continued)

#### (b) Electricity procurement program

LAS, on behalf of the municipalities, enters into electricity purchase contracts with suppliers for the purpose of managing the price risk relating to electricity. LAS has offsetting sales contracts with municipalities. On an hourly basis, LAS is required to balance the electricity purchased for the municipalities with their consumption. If the municipalities consume more electricity than hedged, then any shortfall is purchased on the spot market. Conversely, if the municipalities consume less electricity than hedged, then the surplus electricity is sold in the market place, at the then prevalent spot market price.

At year-end, LAS had the following electricity purchase and sale contracts that were not recognized in the financial statements based on LAS's accounting policy for contracts to buy or sell a non-financial item disclosed in Note 2.

	<b>2020</b>	2019
Flow end date	<b>December 31, 2021</b>	December 31, 2020
Fixed price (per MW)	<b>\$23.60</b>	\$16.20 to \$33.93
Variable price, monthly (per MW)	<b>\$14.20 to \$31.83</b>	N/A
Supply period (months)	<b>12</b>	12
Volume (MW)	<b>309,286</b>	346,465
Amount of forward contracts	<b>\$7,297,607</b>	\$8,101,392

### 7. Related Party Balances and Transactions

- a) Included in accounts receivable are amounts due from ONE Investment of \$392,546 (2019 - \$37,784).
- b) Included in accounts payable and accrued liabilities are amounts owing to AMO of \$133,806 (2019 - \$23,394) and amounts owing to ONE Investment of \$746,284 (2019 - \$517,973).
- c) Amounts due to AMO and from ONE Investment are unsecured, repayable on demand and are non-interest bearing.
- d) Included in administration expenses is \$849,714 (2019 - \$775,108) for administration and occupancy costs charged by AMO. Included in administration and program expenses are management fees of \$1,941,686 (2019 - \$1,288,897) charged by ONE. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## Local Authority Services Notes to Financial Statements

**December 31, 2020**

### 8. Pension

Included in administration costs are pension contributions in the amount of \$124,439 (2019 - \$104,172) expensed and paid to OMERS on behalf of employees of LAS.

### 9. ONE Investment

ONE was incorporated on July 18, 2018. ONE is a not-for-profit organization and is exempt from income taxes provided certain requirements of the Income Tax Act are met. The members of ONE are LAS and CHUMS Financing Corporation ("CHUMS"). The mandate of ONE is to work with municipalities, their agencies, boards and commissions as well as other organizations of Ontario's broader public sector to provide investment products such as bond and equity portfolios, as well as teaching and supporting their client's investment decisions through online training and various tools and templates.

ONE has not been consolidated in LAS's financial statements. Financial statements of ONE are available on request. A financial summary of ONE as at December 31, 2020 and 2019 and for the years then ended is as follows:

	2020	2019
Financial position		
Total assets	\$ 2,181,092	\$ 1,547,950
Total liabilities	2,181,092	1,547,950
Net assets	\$ -	\$ -
Results of operations		
Total revenue	\$ 3,883,372	\$ 2,577,794
Total expenditures	3,883,372	2,577,794
Excess of revenue over expenditures	\$ -	\$ -
Cash provided by (used in)		
Operating activities	\$ 258,738	\$ (639,495)
Investing activities	(312,763)	(1,862)
Financing activity	(48,948)	1,062,312
Net change in cash	\$ (102,973)	\$ 420,955

## Local Authority Services Notes to Financial Statements

**December 31, 2020**

### 10. Allocation of Expenses

Expenses such as rent, information technology costs, salaries and benefits are allocated based on the percentage of the expense which is used to benefit the underlying program. Expenses allocated from the unrestricted funds to the internally restricted funds were as follows:

	Natural gas procurement program	Electricity procurement program
<b>2020</b>		
<b>Salaries and benefits</b>	\$ 25,079	\$ 127,487
<b>Administration expenses</b>	14,138	71,869
	\$ 39,217	\$ 199,356
<b>2019</b>		
Salaries and benefits	\$ 16,658	\$ 114,827
Administration expenses	10,161	70,036
	\$ 26,819	\$ 184,863

### 11. Financial Instruments Risks

#### Interest rate risk

Interest rate risk is the risk that the fair value or cash flows from a financial instrument will fluctuate because of market changes in interest rates. LAS is exposed to interest rate price risk on its investments.

#### Liquidity risk

Liquidity risk is the risk that LAS will encounter difficulty in meeting the obligations associated with its financial liabilities. LAS is exposed to liquidity risk mainly in respect of its accounts payable and accrued liabilities, due to AMO and energy program - payables.

LAS reduces exposure to liquidity risk by ensuring that it maintains adequate cash reserves to pay trade creditors.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. LAS's main credit risks relate to its accounts receivable and investments.

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## Local Authority Services Notes to Financial Statements

**December 31, 2020**

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### **11. Financial Instruments Risks (continued)**

#### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

It is management's opinion that LAS is not exposed to significant interest rate, currency, liquidity, credit risk or other price risk arising from its financial instruments.

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### **12. COVID-19**

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

There could be further impacts on LAS from COVID-19 that could impact the timing and amounts recognized in LAS's financial results. The full potential impact of the ongoing pandemic on LAS is unknown at this point.



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