

Helping communities work better.



las.on.ca

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The 2021 LAS Board



Gary McNamara
Chair
Mayor,
Town of Tecumseh



Michelle Bretherick
Director, Finance Services/
Deputy Treasurer
City of Oshawa



Aina DeViet
Councillor, County of
Middlesex
Middlesex County



Suzanne Madder
Manager, Corporate
Performance and Strategy
Niagara Region



Julia McKenzie
Manager of
Finance/Treasurer
Town of Huntsville



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



Lealand Sibbick
Treasurer
County of Simcoe



Chris Wray
CAO/Clerk
Township of Johnson

Message from the Chair



Local Authority Services (LAS) connects municipalities with solutions to help them work better. As the business services arm of the Association of Municipalities of Ontario (AMO), LAS bridges AMO's policy priorities with the practical, turnkey solutions municipal governments need to serve their communities.

LAS understands municipal priorities and challenges on the ground. On complex files like energy, insurance and affordable housing, LAS is working in tandem with AMO from both a policy and service perspective. We are reviewing and strengthening our portfolio of energy services, have launched a Risk Management Working Group, and are developing strong digital partnerships related to both insurance and e-permitting.

In 2021, LAS also awarded a contract to Conduent Transportation to provide automated speed enforcement cameras. Provincial law now allows the technology in designated community safety zones to better protect pedestrians and motorists. LAS is creating a turnkey program to implement the system, including a full end-to-end process with technology to capture images and a process for ticketing. This will help municipalities of all sizes to benefit from the new legislation and help make our communities safer.

In addition to developing these new opportunities, LAS also wound down one of our most successful programs ever. Over a period of eight years, the award-winning LED Streetlight program helped 190 municipalities convert streetlights, generating \$17 million in energy rebates for municipalities and saving enough energy to power 11,500 homes for a year. With widespread conversion to LED streetlights across Ontario, the program has successfully completed its mission.

Municipalities provide services that people depend on every single day. Our team is passionate about the value of municipal government and committed to serving our members. To introduce university and college students to the opportunities within the municipal sector, LAS launched its first internship program in 2021, welcoming two interns. We hope to inspire future generations to see the benefits of serving municipal governments, as we continue to commit ourselves to supporting you

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. LAS provides the following solutions:

■ Administrative Services

- Closed Meeting Investigator
- Sewer and Water Line Warranty

■ Energy Services

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

■ Financial Services

- Group Benefits
- Home and Auto Insurance
- Investments
- Municipal Risk Management

■ Municipal Asset Services

- Group Buying Program
- Road and Sidewalk Assessment Service

■ Digital Services

- Barrier-free Accessible Website Builder
- Digital Citizen Relationship Management (CRM)/311
- Digital and Electronic Signing Solutions
- Digital Mental Health Therapy
- Electronic Meeting Management and Livestreaming Solutions
- Occupational Health and Safety Compliance and Training
- Risk Management Information System

Highlights from 2021

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

- Began development of a turnkey Automated Speed Enforcement solution, including awarding contract to Conduent Transportation for the camera technology and software. Rollout, including a complete ticketing process, is targeted for 2022.
- Developed Risk Management Working Group to support municipal capacity by identifying and sharing best practices from municipal risk managers.
- Launched new AMO digital partnership with ClearRisk, an online insurance claims and risk management platform.
- Launched procurement with MPAC on an e-permitting solution.
- The Municipal Group Buying Program expanded to:
 - 166 participating municipalities
 - 48 categories of goods
 - 177 vendors
- 15% growth in participation in the Roads and Sidewalk Assessments program
- Nearly 50 municipalities turned to AMO's Digital Services to improve service quality and efficiency.

Administrative Services

Closed Meeting Investigator

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 2021, there were 104 municipalities subscribed to the LAS service.

Sewer and Water Line Warranty

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. There are 67 municipalities that have endorsed and enrolled in the program, including two municipalities that joined in 2021.

Developing a Complete Speed Enforcement Solution

In 2021, LAS started building an affordable and turnkey program to help municipalities use Automated Speed Enforcement (ASE) to make their roads safer.

Along with community policing efforts, speed enforcement cameras are a useful tool to help municipalities keep pedestrians and drivers safe. The provincial government allows the technology to be used in designated school and community safety zones. However, it can be a challenge to implement because it must include both technology for capturing speed as well as a complex ticketing process.

LAS worked with a committee of municipal staff from Barrie, Huntsville, Innisfil, and Westport to create and refine a Request for Proposal (RFP) for Automated Speed Enforcement that would meet the needs of municipalities of different sizes. The RFP was also designed to meet Canadian Free Trade Agreement (CFTA) requirements and municipal procurement guidelines for a transparent and unbiased process.

Industry leader Conduent Transportation was selected through this competitive bidding process to provide the speed cameras and the supporting software technology. A global business unit of Conduent Incorporated, the company has a 25-year history of providing effective enforcement solutions in Canada.

LAS staff are now working on the ticketing process portion of the program, to develop a system that will process tickets in compliance with all provincial regulations and laws. The plan is to have cameras operating in 2022.

“It’s a priority to keep pedestrian and drivers safe by enforcing speed limits in community safety zones,” said Gary McNamara, LAS Board Chair. “Our municipal members have been asking for an affordable way to enforce speed that provides good value, slows down motorists and improves community safety. We are thrilled to offer a program that will meet all those needs.”



Financial 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 had 26 participants in 2021.

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 2021, Cowan Insurance Group insured 1,157 policies, including 32 new enrolments.

Municipal Risk Management

Municipal liability and risk management issues cost municipalities millions of dollars every year. Along with insurer Intact Public Entities (formerly Frank Cowan 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 Intact on educating Councils and municipal staff on risk mitigation and best practices. In 2021, this included webinars and a two-day, virtual risk management symposium that drew nearly 50 attendees from municipalities of all sizes across Ontario.

Risk Management Solutions

The cost of municipal insurance has been a pressing challenge and AMO has been a vocal advocate on the matter. LAS has also been working address the capacity challenges many municipalities face when navigating this complex file.

LAS is studying a variety of potential strategies and solutions to support municipalities. In 2021, LAS struck a Risk Management Working Group comprised of municipal risk managers. The group is identifying and sharing best practices with municipalities, who don't have staff expertise on risk management. Guides on insurance procurement, building a risk profile and data tracking will help municipalities better manage these activities.

AMO/LAS also developed a digital partnership with ClearRisk, a comprehensive online risk management platform. It will track and process claims and help municipalities identify and address potential risks to reduce claims. It will also provide AMO with anonymous claims data to better identify sector-wide trends and cost pressures. This is critical for developing meaningful, effective and persuasive solutions to present to the Ontario Government.



Energy Services

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. Currently, 143 municipalities and broader sector organizations take part in electricity programs. The program provides usage data and market information to further help municipalities proactively manage energy costs.

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 2021 the program had 158 municipal subscribers.

Facility Lighting Service

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 all municipal facilities, including outdoor spaces such as parks and sports fields. Three new municipalities with a total of 10 new facility lighting projects participated in 2021.

Electricity Program Delivers Stable Pricing

Municipalities are major consumers of electricity, making the utility costs a major budgetary item. For more than 10 years, the LAS Electricity Program has offered participants the option of more stable pricing by hedging a portion of electricity costs, with locked in price. This supports better budget planning, particularly in fluctuating markets. Although the hedge is not intended to provide savings year over year, over the long term, participants may see the value of the protection translate to savings.

The energy markets experienced a volatile year in 2021. As natural gas prices soared due to shortages around the world, Ontario's electricity prices saw significant price increases, as the reliance on natural gas is a large component of electricity generation. The latter part of 2021 saw significant pricing upswings. In this case, the hedge provided protection at a time it was needed.

Overall, program participants saw approximately 6% savings compared to Time of Use Rates as a result of the hedge protection. Locking in for the short term provided rewards for municipalities and broader public sector organizations across the board.

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 2021.

LED Streetlight Program

One of LAS' most successful programs wrapped up in 2021. First launched in March 2013, the LAS LED Streetlight Program grew to become the leading LED Streetlight replacement program in Canada and is among one of the largest programs in its class internationally. In fact, this program was recognized by the World Bank as being among the most efficient and successful delivery models in the world.

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

Including 2021, a total of 190 municipalities have used the program. Nearly 215,500 light fixtures were converted, for a cumulative annual savings of \$22.5 million per year in energy and maintenance costs. The program generates energy savings of 107.5 million kWh, equivalent to powering 11,500 Ontario households for a year. Participating municipalities received more than \$17 million in incentives from the Province's SaveON Energy program.

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 168 municipal and broader public-sector program participants. LAS plans to look for additional broader public-sector organizations that could similarly benefit from the program.



Education and Training

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 were nine virtual workshops held in 2021.



Municipal 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 5,000 Canadian municipalities and public sector organizations. In 2021, various Associations across Canada came together to unify the program under the Canoe Procurement Group of Canada banner.

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 177 vendors in more than 48 categories – up from 30 in 2020. The program can be used for the purchase of large, customized vehicles, like firetrucks, to routine items like office supplies, as well as everything in between. In all, 166 municipalities participated in the program in 2021.

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 growth in 2021, with 14 new municipalities signing on to the service, up 15% from 2020. In all, surveys of more than 2,532 kilometres of roads and 476 kilometres of sidewalks were finalized throughout Ontario communities.



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 all, nearly 50 municipalities took advantage of AMO’s Digital Partnerships in 2021.

In 2021, AMO/LAS also launched a request for proposal to find a preferred partner to offer municipalities an e-permitting system. The system will be scalable to the diversity of municipalities across Ontario to improve and expedite local building permit processes. The preferred partner will work with AMO/LAS and MPAC to pilot their system with a cross-section of municipalities to create a true end-to-end digital process from building permit initiation to final assessment. There will be more to come on this in 2022.

Barrier-free Accessible Website Builder

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.

Digital Citizen Relationship Management (CRM)/311

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.

Digital and Electronic Signing Solutions

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.

Digital Mental Health Therapy

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 only became 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 to treat a wide range of conditions ranging from anxiety, stress, depression, chronic pain, post-traumatic stress, insomnia and more. The digital partnership allows municipalities to offer this service to employees.

Electronic Meeting Management and Livestreaming Solutions

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.

Occupational Health and Safety Compliance and Training

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.

Risk Management Information System

In August 2021, AMO announced a partnership with ClearRisk to offer AMO members a comprehensive online risk management platform. ClearRisk's system delivers functionality, data insights and analytics that municipalities need to make informed decisions. The system helps participating municipalities improve processing and tracking of municipal insurance claims and better manage risk. Optimizing risk management processes is one of the main ways that municipalities can help manage skyrocketing insurance costs right now. This means identifying potential risks to prevent accidents, protect property and keep people safe. The entire sector stands to benefit from this partnership, as AMO will be able to analyze anonymous claims data to better identify sector-wide trends and cost pressures.



ONE Investment

ONE Investment was a program 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 Investment launched its Prudent Investment (PI) Program and 2021 marked its first full year of operations, investing the funds for six Founding Municipalities. Under the Prudent Investor framework, 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

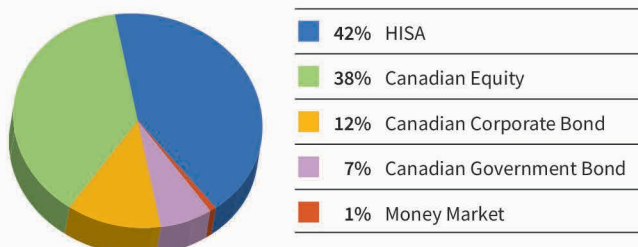


Key activities for ONE Investment in 2021 included:

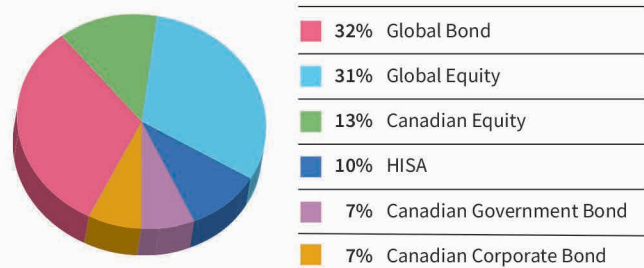
- ONE went to market in early 2021 seeking better rates on our Legal List High-Interest Savings Account (HISA). In addition to adding another HISA offering, we also renegotiated rates with our existing provider. Work on a third HISA option also began in 2021.
- Our Prudent Investment Program welcomed the northern Municipality of Neebing and the City of Quinte West, who both entered into agreements with the ONE JIB in 2021, passing Prudent Investor enabling by-laws to begin investing under PI in 2022.
- ONE Joint Investment Board created a New Products Committee to review product offerings. It set as its first priority the job of reviewing fixed income mandates and looking for new PI options for HISA.
- ONE also struck a Technical Working Group, comprised of municipally employed CFAs who are helping to inform the work of both ONE JIB's New Products Committee as well ONE Investment's Legal List offerings.
- ONE continued to support municipal staff through newsletters and webinars, including support to meet new reporting requirements for upcoming changes to Public Accounting Standards.
- ONE further strengthened our approach to Environmental, Social and Governance (ESG) investing by starting work on its own ESG framework. This builds on the ESG policies already embraced by its investment managers.

At year-end 2021, 198 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 \$2.52 billion, up from \$2.36 billion in 2020 and \$394.1 million total investment balances on the Prudent Investment side, up from \$218 million at the end of 2020.

ONE Legal List Portfolio and HISA – 2021 Balances \$2.52 billion



ONE Prudent Investor Funds – 2021 Balances \$394.1 million



Local Authority Services
Financial Statements
For the year ended December 31, 2021

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Independent Auditor's Report

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, 2021, and the statements of operations and 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, 2021, 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.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



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 16, 2022

Local Authority Services Statement of Financial Position

December 31 **2021** **2020**

Assets

Current

Cash	\$ 1,292,490	\$ 759,828
Investments (Note 3)	3,493,718	3,027,059
Accounts receivable (Note 6(a))	3,089,011	3,096,675
Prepaid expenses	74,234	68,770
Due from ONE Investment (Note 6(c))	616,453	506,394

8,565,906 **7,458,726**

Property and equipment and intangible assets (Note 4)	18,695	13,624
Natural Gas program fund (Note 5(a))	5,820,716	5,417,408

\$ 14,405,317 **\$ 12,889,758**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 6(b))	\$ 2,482,394	\$ 1,812,500
Due to Association of Municipalities of Ontario (Note 6(c))	184,872	55,267
Deferred revenue	10,365	27,515

2,677,631 **1,895,282**

Natural Gas program fund (Note 5(a))	5,820,716	5,417,408
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8,498,347 **7,312,690**

Net assets

Unrestricted	5,906,970	5,577,068
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\$ 14,405,317 **\$ 12,889,758**

On behalf of the Board:

_____ Director

_____ Director

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

Local Authority Services Statement of Operations and Changes in Net Assets

For the year ended December 31	2021	2020
Revenue		
Financial service fees	\$ 4,816,856	\$ 4,096,089
Energy service fees	4,737,325	2,628,390
Municipal assets service fees	990,866	435,170
Education and training	88,590	17,663
Administrative service fees	81,365	78,170
Investment income	18,875	32,304
	10,733,877	7,287,786
Expenditures		
Energy services	3,897,056	1,673,206
Financial services	2,545,283	2,004,985
Salaries and benefits	1,753,359	1,607,913
General administration	1,288,696	1,110,403
Municipal asset services	847,575	356,491
Education and training	64,500	9,624
Amortization	7,506	19,397
	10,403,975	6,782,019
Excess of revenue over expenditures	329,902	505,767
Net assets, beginning of year	5,577,068	5,071,301
Net assets, end of year	\$ 5,906,970	\$ 5,577,068

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

Local Authority Services Statement of Cash Flows

For the year ended December 31	2021	2020
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 329,902	\$ 505,767
Adjustment required to reconcile excess of revenue over expenditures to net cash provided by operating activities		
Amortization of property and equipment and intangible assets	7,506	19,397
Changes in non-cash working capital balances		
Accounts receivable	7,664	(1,105,521)
Prepaid expenses	(5,464)	34,763
Accounts payable and accrued liabilities	669,894	855,307
Due to Association of Municipalities of Ontario	129,605	(102,897)
Due from ONE Investment	(110,059)	34,669
Deferred revenue	(17,150)	13,115
	1,011,898	254,600
Investing activities		
Purchase of property and equipment and intangible assets	(12,577)	(6,379)
Redemption (purchase) of investments	(466,659)	19,243
	(479,236)	12,864
Increase in cash during the year	532,662	267,464
Cash, beginning of year	759,828	492,364
Cash, end of year	\$ 1,292,490	\$ 759,828

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

Local Authority Services

Notes to Financial Statements

December 31, 2021

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.

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.

Local Authority Services Notes to Financial Statements

December 31, 2021

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 5. 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. 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.

Energy services fees, financial services fees, municipal assets service fees and administrative services fees are recognized when the services have been provided, the amount can be reasonably estimated and collection is reasonably assured.

Education and training revenue is recognized when the education or training event takes place, the amount can be reasonably estimated and collection is reasonably assured.

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 7.

Investment in ONE Investment

ONE Investment ("ONE") is a not-for-profit organization and is exempt from income taxes 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 8.

Local Authority Services Notes to Financial Statements

December 31, 2021

3. Investments

	2021	2020
ONE Investment High Interest Savings Account (HISA) bearing interest at bank prime rate less 1.735% (2020 - bank prime rate less 1.535%)	\$ 3,493,718	\$ 3,027,059

4. Property and Equipment and Intangible Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	\$ 1,285,501	\$ 1,266,806	\$ 1,272,924	\$ 1,259,300
Furniture and fixtures	12,667	12,667	12,667	12,667
	\$ 1,298,168	\$ 1,279,473	\$ 1,285,591	\$ 1,271,967
Net book value		\$ 18,695		\$ 13,624

5. Energy Programs

(a) Natural Gas procurement program

LAS as agent for the Natural Gas program, records an asset and liability on the statement of financial position. The statement of operations includes the administration fee revenue and the expenses to operate the 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.

The Natural Gas procurement program established a fund that is held in trust and is maintained by a third party service provider. This fund is used to balance any purchasing shortfalls or surpluses. 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.

Local Authority Services Notes to Financial Statements

December 31, 2021

5. Energy Programs (continued)

(a) Natural Gas procurement program (continued)

In June 2007, LAS changed its service provider and transferred \$732,000 to the new service provider as seed money for the program, which is included in the program fund asset and liability. 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.

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.

	2021	2020
<u>Purchase and sale contracts</u>		
Flow end date	January 2022 to October 2025	January 2021 to October 2025
Fixed price (per GJ)	\$1.97 to \$3.45	\$1.89 to \$2.90
Supply period (months)	10 - 46	10 - 12
Volume (GJ)	7,698,500	7,300,500
Amount of forward contracts	\$20,961,160	\$15,984,766
<u>Transportation contracts</u>		
Flow end date	January 2022 to October 2023	January 2021 to October 2022
Fixed price (per GJ)	\$0.25 to \$1.10	\$0.24 to \$1.23
Supply period (months)	10 - 22	1 - 12
Volume (GJ)	5,131,792	5,546,679
Amount of forward contracts	\$5,048,309	\$5,500,834

(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.

Local Authority Services Notes to Financial Statements

December 31, 2021

5. Energy Programs (continued)

(b) Electricity procurement program (continued)

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.

	<u>2020</u>
Flow end date	December 31, 2021
Fixed price (per MW)	\$23.60
Variable price, monthly (per MW)	\$14.20 to \$31.83
Supply period (months)	12
Volume (MW)	309,286
Amount of forward contracts	\$7,297,607

As at the audit report date of May 13, 2022, the electricity purchase and sale contracts for 2022 have not been finalized and LAS is continuing under the 2021 contracts.

6. Related Party Balances and Transactions

- a) Included in accounts receivable are amounts due from ONE Investment of \$450,366 (2020 - \$392,546).
- b) Included in accounts payable and accrued liabilities are amounts owing to AMO of \$149,771 (2020 - \$133,806) and amounts owing to ONE Investment of \$749,581 (2020 - \$746,284).
- 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 \$866,106 (2020 - \$849,715) for administration and occupancy costs charged by AMO. Included in administration expenses are management fees of \$2,544,590 (2020 - \$1,941,686) 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, 2021

7. Pension

Included in administration costs are pension contributions in the amount of \$149,528 (2020 - \$124,439) expensed and paid to OMERS on behalf of employees of LAS.

8. 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, 2021 and 2020 and for the years then ended is as follows:

	2021	2020
Financial position		
Total assets	\$ 2,618,821	\$ 2,181,092
Total liabilities	2,618,821	2,181,092
Net assets	\$ -	\$ -
Results of operations		
Total revenue	\$ 5,096,930	\$ 3,883,372
Total expenditures	5,096,930	3,883,372
Excess of revenue over expenditures	\$ -	\$ -
Cash provided by (used in)		
Operating activities	\$ 181,294	\$ 258,738
Investing activities	(504,126)	(312,763)
Financing activity	215,085	(48,948)
Net change in cash	\$ (107,747)	\$ (102,973)

Local Authority Services Notes to Financial Statements

December 31, 2021

9. 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 as follows:

	Salaries and benefits	Administration expenses
2021		
Energy services	\$ 225,180	\$ 108,270
Financial services	205,609	98,860
Municipal assets services	51,290	24,661
Education and training	15,522	7,463
Administrative services	17,996	8,653
General administration	69,286	33,316
	\$ 584,883	\$ 281,223
	Salaries and benefits	Administration expenses
2020		
Energy services	\$ 228,641	\$ 128,893
Financial services	177,646	100,146
Municipal assets services	49,741	28,041
Education and training	16,720	9,425
Administrative services	4,598	2,592
General administration	66,042	37,230
	\$ 543,388	\$ 306,327

10. 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.

Local Authority Services Notes to Financial Statements

December 31, 2021

10. Financial Instruments Risks (continued)

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 and amounts due to AMO.

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.

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.

11. Comparative Figures

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

The Natural Gas procurement program assets, liabilities, internally restricted fund, revenue and expenditures were previously presented on a gross basis. The presentation adopted in the current year and comparative period presents the program on a net basis as LAS is an agent to the municipalities. Administration fee revenue, program expenses, program assets and liabilities are recorded in the financial statements.

The unrestricted funds balance for the prior year now includes the Electricity procurement program previously presented as an internally restricted fund on the statement of changes in net assets and on the statement of financial position.



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