



Annual Report | 2016

Strengthening Ontario's
municipal governments
by helping them save
money, make money and
build capacity.

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Message from the Chair



LAS offers sustainable business solutions with a vision to help municipalities and the broader public sector “save money, make money and build capacity.” Municipal governments provide many of the critical programs and services that people rely on each day all while local tax dollars are under increasing pressure. LAS helps stretch municipal dollars further so that you can do more at home.

Back in 1992, LAS was created with a focus on procurement. We gave Ontario municipalities the benefit of group purchasing power to reduce costs on things like streetlights. Since then, municipal responsibilities have grown and so have LAS’ programs and services. We now offer more than a dozen different programs across five business areas.

In 2016, 374 Ontario municipalities participated in at least one LAS Program or Service, representing 84% of all municipal governments. We experienced strong growth in our One Investment Program with our High Interest Savings Account growing by more than 700% through the year. There was also significant growth in Energy Services. 150 municipalities are now saving on energy costs through our LED Streetlight Program.

We expect 2017 to be another year of sustainable growth. It will be a special year as it marks our 25th anniversary as the business services arm of the Association of Municipalities of Ontario (AMO). I am proud of our 25-year track record providing services that help municipal governments build strong communities and create great places to live.

A handwritten signature in black ink, appearing to read "Gary McNamara". The signature is stylized and fluid, with a long horizontal line extending to the right.

Gary McNamara
LAS Chair and Mayor of Tecumseh

What we do

LAS was founded in 1992 by the Association of Municipalities of Ontario (AMO) and offers programs and services that help municipal governments (and other associated organizations) reduce expenses and increase revenue. LAS provides competitively priced and sustainable business solutions so that municipalities can take advantage of economies of scale and cooperative procurement.

The bottom line is, LAS' programs and services help municipalities

**save money, make money and get stronger
by building capacity.**

LAS currently offers the following programs and services to Ontario municipalities and the broader public sector:

Commodity Procurement Programs:

- Natural Gas
- Electricity
- Fuel

Energy Services:

- Energy Planning
- LED Streetlight Upgrades
- Energy Workshops
- Recreation Lighting

The One Investment Program:

- High Interest Savings Account (HISA)
- Money Market
- Bond
- Universal Corporate Bond
- Equity

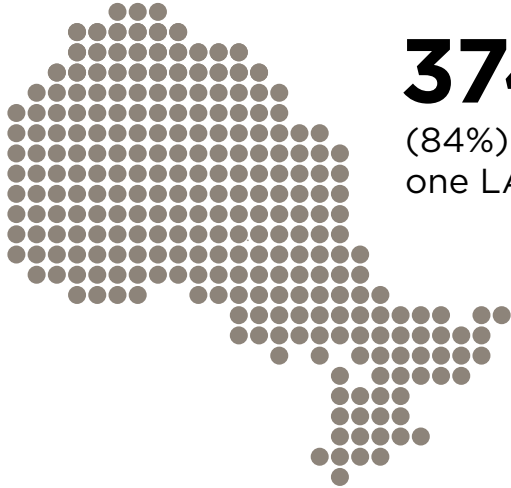
Administrative Services:

- Group Benefits
- Closed Meetings Investigations
- Municipal Risk Management
- Group Home and Auto Insurance
- Sewer and Water Line Warranty Program

Education and Outreach:

- Hosting Town Hall sessions
- Hosting large-scale symposiums related to asset and risk management
- Delivering workshops

2016 Highlights



374 municipalities

(84%) participated in at least one LAS program or service



Saving Money:

150 municipalities reduced energy costs by retrofitting streetlights through the LED Streetlight Program



Making Money:

High Interest Savings Account grew by 700%+



Building Capacity:

LAS hosted the Asset Management Symposium, the Risk Management Symposium, three energy workshops and four investment workshops

The 2016 LAS Board



Gary McNamara
Chair
Mayor
Town of Tecumseh



Kim Dooling
Principal
KDE Procurement
Advisors



Doug Luker
CAO
Township of Tiny



Julia McKenzie
Treasurer
Town of Huntsville



Lois O'Neill Jackson
CAO
Municipality of Trent Lakes



Jean-Pierre Ouellette
CAO
Town of Cochrane



Jim Pine
CAO/Clerk
County of Hastings



Chris Wray
CAO Clerk-Treasurer
Municipality of Wawa

Investments

The One Investment Program is a co-mingled investment program tailored to the municipal sector. It is jointly operated by LAS and CHUMS Financing Corp., a subsidiary of the Municipal Finance Officers' Association of Ontario. The One Program makes municipal investing easy, seamless and profitable by offering better returns than traditional savings accounts and GICs.

Municipalities are all trying to do more with less. A smart investment plan can help municipal governments earn revenue and build long-term financial sustainability.

Annualized Portfolio Returns & Comparators

	6 month	1 year	2 year	3 year	5 year
High Interest Savings Account (HISA) (1+ month investment)	1.08%	1.05%	-	-	-
Money Market Portfolio (1 - 18 month investment)	0.46%	0.5%	0.59%	-	-
Bond Portfolio (18 - 36 month investment)	-	0.68%	1.31%	1.84%	1.64%
Universe Corporate Bond Portfolio (4+ year investment)	-	1.56%	2.25%	4.46%	3.06%
Canadian Equity Portfolio¹ (5+ year investment)	-	14.31%	6.58%	10.67%	13.83%
COMPARATOR INVESTMENT RETURNS					
Bank Prime less 1.75% (Source: Bank of Canada)	0.95%	0.95%	-	-	-
Guaranteed Investment Certificate (GIC) (Source: Bank of Canada)	-	0.85%	-	1.03%	1.50%
Guaranteed Investment Certificate (GIC) (Source: Bank of Canada)	-	-	1.01%	1.20%	1.27%
TSX Composite Index (unmanaged, without fees)	-	21.08%	5.36%	7.06%	8.25%

* All One Investment Program returns shown are net of fees.

¹10-year return annualized since January 2007 portfolio inception is 7.08%.

Working Toward Prudent Investor Standard

AMO continues to advocate for Prudent Investor Standard for Ontario's municipal governments, which will benefit those investing with the One Investment Program. Current provincial regulations are so limiting that they are actually increasing risk and lowering returns.

Municipalities are investing more money, for a longer time, so they can raise funds for infrastructure and meet asset management plan goals. They need a strong and diverse portfolio, especially in today's low-interest environment. Prudent Investor Standard includes high standards to manage risk responsibly, while allowing municipalities to take advantage of market changes and opportunities.

The High Interest Savings Accounts

The High Interest Savings Account (HISA) allows municipal governments to earn the best interest rate for every dollar invested by aggregating all investor deposits. The larger the HISA program balance, the higher the interest rate!

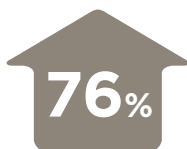
In 2016 the HISA balance surpassed \$500 million and now offers a 1.15% return for all deposits

In 2016 our High Interest Savings Account grew by more than 700%

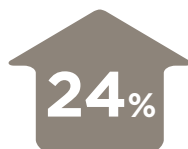


135 Ontario municipalities and broader public sector investors had investments with the One Investment Program

For the first time ever, total investment in the One Investment Program surpassed \$1 billion.



Total Investment Growth: 2016 year-end balance was \$1.3 billion, 76% higher than 2015 year-end balance.



Growth in the Universal Corporate Bond Portfolio: 2016 year-end balance was 24% higher than 2015 year-end balance.



Growth in One Equity Portfolio: 2016 year-end balance was 31% higher than 2015.

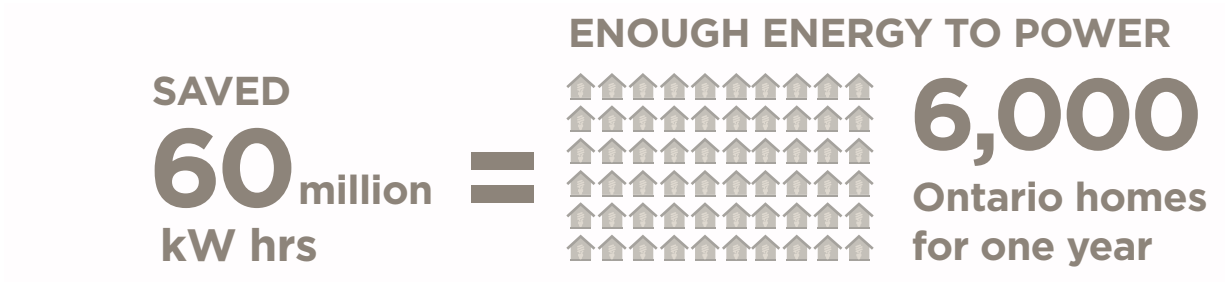
Energy Services

As energy costs grow each year, LAS continues to offer specialized Energy Services to help our members conserve energy and save money.

LED Streetlight Program

The LED Streetlight Program was launched in 2013 and it has since grown to become the leading program of its kind in Canada. It is also been recognized by the World Bank as one of the most efficient and effective delivery models worldwide. The turnkey solution is fast and efficient, allowing municipalities to quickly reap the rewards of the new technology.

The LED Streetlight Program:



- **Reduces streetlight energy consumption by 50-70%**

Reduced municipal maintenance budgets by more than **80%**

- Results in **61%** annual average savings
- Results in more than **\$10 million** of annual energy savings
- As of 2016, LAS has completed **turnkey retrofit of municipal streetlights for 150 municipalities**

Energy Planning Tool

Municipal governments and other broader public sector organizations must complete and submit an Energy Consumption and 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 2016 the program had **187 municipal subscribers**, representing **42%** of all Ontario municipalities

Recreation Lighting

The Recreation Lighting Program is a turnkey solution to replace lighting in buildings with high ceilings with energy efficient LEDs. Replacing old and expensive “high bay” lighting systems in buildings like arenas, recreation facilities, transit garages and fire halls lowers costs and reduces maintenance needs.

- In 2016 LAS completed **9 retrofits** through the Recreation Lighting Program. **5 more** are already set to be completed in 2017

Energy Training Services

LAS' Energy Training Workshops are designed to help municipalities save money and reduce waste. The cost-effective workshops are customized to fit individual needs and can be delivered on-site.

- In 2016, LAS completed **3 Energy Training Workshops**. A new suite of energy training workshops is under development for 2017 that will expand current offerings.

Administrative Services

Working together, municipalities and other public sector organizations can achieve better results and find innovative solutions to shared challenges. LAS leverages the power of group aggregation to offer credible, competitively priced services with few administrative hurdles. All of our programs include oversight from LAS.

Group Benefits Program

The Group Benefits Program leverages the buying power of Ontario's municipal sector to achieve enhance benefits and lower costs.

- Organizations **save** an average **13%** at time of program enrollment
- **\$7.2 million** in premiums **enrolled in the program**
- Program **revenue grew** by **10%** in 2016

Group Home and Auto Insurance

LAS has negotiated exclusive discounted rates for personal home and automobile insurance through the Cowan Insurance Group. This service is available to all staff and elected officials of Ontario municipalities. Participants in the Group Home and Auto Insurance has realized:



- The **Group Home and Auto Insurance Program grew** by **27%** in 2016

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. LAS continues to provide education resources for program members and developed a comprehensive training webinar in 2016.

- **35%** of all **Ontario municipalities** have **appointed LAS** for closed meetings investigations

Sewer and Water Line Warranty Program

LAS' program offers residential homeowners a low cost warranty that will repair or replace the water and sewer lines that run from the public connection to the exterior of their home. Many homeowners are surprised to learn that their municipality is not responsible for these lines and that repairs are not covered by regular homeowner's insurance. The Sewer and Water Line Warranty Program provides low cost insurance for this expensive repair.

- **26 municipalities** enrolled in the **Sewer and Water Line Program** in 2016
- **85% growth** in enrollment from 2015 to 2016
- More than **700,000 residential households** are eligible for the program
- **2,000 repairs completed** with 0 claims denied

Commodity Procurement

For more than 20 years, LAS has helped Ontario municipalities save millions on natural gas, electricity and fuel by leveraging group buying power to achieve lower costs.

Natural Gas Program

LAS helps members stabilize natural gas rates through a four-year natural gas hedging strategy. The Program grew by 1.2% in 2016 with two new municipalities enrolling.

Fuel Procurement

The Fuel Procurement Program is a simple alternative for small and medium-sized municipalities to save money on fuel and reduce the administrative burden. Program growth stalled in 2016 as we adopted a new pricing model with two new suppliers. Staff are working to grow the program in 2017.

Electricity Procurement

The Electricity Program offers Ontario municipalities predictable electricity commodity costs through a professionally administered program of hedge contracts and spot market exposure. Partial hedging helps to moderate gains and losses, providing predictability for municipal budgets in what has been a volatile electricity market in Ontario. Since the Program's inception, members have saved more than \$20 million.

2016 resulted in losses, largely due to the rising Global Adjustment. Since 2008, the Global Adjustment has shifted from less than 10% of the commodity cost to more than 80% of the total cost. Unfortunately, no retail program can impact this part of the hydro bill.

However, there is reason to be optimistic as first quarter 2017 results are encouraging with savings achieved for members.

Outreach and Education

One of LAS' key objectives is to provide high quality education opportunities for the organizations that we serve. We help build capacity in Ontario's municipal sector through Town Hall sessions, individual meetings, large symposiums and smaller-scale workshops.

In 2016 LAS:

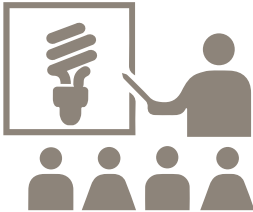
- Hosted the 2016 **Asset Management Symposium**, reaching **168 attendees**
- Hosted the 2016 **Risk Management Symposium**, reaching **147 attendees**



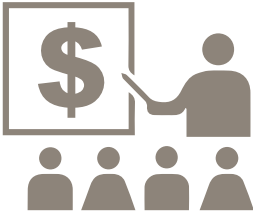
Hosted **8** Town Hall sessions, reaching 136 registrants



Conducted **100+** face-to-face, teleconference or web-based meetings



Delivered **3** Energy Procurement Workshops



Delivered **4** Investment Workshops



Financial Statements

Local Authority Services

December 31, 2016

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Independent Auditor's Report

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To the Shareholder of
Local Authority Services

We have audited the accompanying financial statements of Local Authority Services, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Local Authority Services as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada
May 26, 2017

Chartered Professional Accountants
Licensed Public Accountants

Local Authority Services

Statement of Financial Position

December 31

2016

2015

Assets

Current

Cash (Note 3)	\$ 9,485,463	\$ 11,443,547
Cash - One Investment HISA deposits (Note 4)	511,652,796	43,633,155
Investments (Note 5)	4,724,545	2,937,220
Accounts receivable	1,153,310	3,122,681
Prepaid expenses	<u>98,228</u>	<u>64,993</u>

527,114,342 61,201,596

Property and equipment (Note 6) 137,565 58,528

\$ 527,251,907 **\$ 61,260,124**

Liabilities

Current

Accounts payable and accrued liabilities (Note 8)	\$ 6,650,580	\$ 10,367,850
Due to AMO (Note 9)	186,724	160,236
One Investment - HISA deposits (Note 4)	511,652,796	43,633,155
Energy program payables (Note 7(a))	732,000	732,000
Deferred revenue	46,744	89,760
Deferred contributions - projects	<u>-</u>	<u>24,876</u>

519,268,844 **55,007,877**

Fund balances

Internally restricted		
Natural gas procurement program (Note 7(a))	4,387,159	4,023,170
Electricity procurement program (Note 7(b))	567,624	526,777
Unrestricted	<u>3,028,280</u>	<u>1,702,300</u>

7,983,063 **6,252,247**

\$ 527,251,907 **\$ 61,260,124**

On behalf of the Board of Directors

_____ Director

_____ Director

See accompanying notes to the financial statements.

Local Authority Services Statement of Operations

Year ended December 31

	Internally restricted		Unrestricted	Total 2016	Total 2015
	Natural gas procurement program	Electricity procurement program			
Revenue					
Program	\$ 19,677,639	\$ 1,068,764	\$ 4,720,317	\$ 25,466,720	\$ 30,972,787
Investment income	25,838	43,753	12,839	82,430	123,968
	<u>19,703,477</u>	<u>1,112,517</u>	<u>4,733,156</u>	<u>25,549,150</u>	<u>31,096,755</u>
Expenses					
Program	18,289,795	812,241	2,957,126	22,059,162	26,548,159
Administration (Note 9)	49,693	223,620	426,593	699,906	579,648
Amortization	-	35,809	23,457	59,266	96,432
	<u>18,339,488</u>	<u>1,071,670</u>	<u>3,407,176</u>	<u>22,818,334</u>	<u>27,224,239</u>
Excess of revenue over expenses before rebates	1,363,989	40,847	1,325,980	2,730,816	3,872,516
Rebates (Note 7(a))	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Excess of revenue over expenses	<u>\$ 363,989</u>	<u>\$ 40,847</u>	<u>\$ 1,325,980</u>	<u>\$ 1,730,816</u>	<u>\$ 2,872,516</u>

See accompanying notes to the financial statements.

Local Authority Services Statement of Changes in Fund Balances

Year ended December 31

	Internally restricted		Unrestricted	Total 2016	Total 2015
	Natural gas procurement program	Electricity procurement program			
Balance, beginning of year	\$ 4,023,170	\$ 526,777	\$ 1,702,300	\$ 6,252,247	\$ 3,379,731
Excess of revenue over expenses	363,989	40,847	1,325,980	1,730,816	2,872,516
Balance, end of year	<u>\$ 4,387,159</u>	<u>\$ 567,624</u>	<u>\$ 3,028,280</u>	<u>\$ 7,983,063</u>	<u>\$ 6,252,247</u>

See accompanying notes to the financial statements.

Local Authority Services Statement of Cash Flows

Year ended December 31

2016

2015

Increase (decrease) in cash

Operating

Excess of revenue over expenses	\$ 1,730,816	\$ 2,872,516
Amortization	<u>59,266</u>	<u>96,432</u>

1,790,082	2,968,948
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Change in non-cash operating working capital

Accounts receivable	1,969,371	(1,586,370)
Prepaid expenses	(33,235)	(20,468)
Accounts payable and accrued liabilities	(3,717,270)	3,598,008
Due to AMO	26,488	(1,128)
Deferred revenue	(43,016)	42,240
Deferred contributions- projects	<u>(24,876)</u>	<u>4,755</u>

<u>(32,456)</u>	<u>5,005,985</u>
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Investing

Investments	(1,787,325)	(1,284,864)
Additions to property and equipment	<u>(138,303)</u>	<u>(35,891)</u>

<u>(1,925,628)</u>	<u>(1,320,755)</u>
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Net change in cash

(1,958,084)	3,685,230
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Cash, beginning of year

<u>11,443,547</u>	<u>7,758,317</u>
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Cash, end of year

<u>\$ 9,485,463</u>	<u>\$ 11,443,547</u>
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See accompanying notes to the financial statements.

Local Authority Services

Notes to Financial Statements

December 31, 2016

1. Nature of operations and 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. Summary of 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

In preparing LAS's financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Financial instruments

LAS considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances.

LAS's financial instruments comprise cash, investments, accounts receivable, accounts payable, due to AMO and energy program payables which are initially measured at fair value and subsequently measured at amortized cost.

Property and equipment

Property and equipment are recorded at cost and are amortized on a straight-line basis over their useful life as follows:

Computer hardware and software	4 years
Furniture and fixtures	5 years

Local Authority Services

Notes to Financial Statements

December 31, 2016

2. Summary of significant accounting policies (continued)

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 7. 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 10.

3. Cash

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 7,449,434	\$ 8,715,253
Natural gas procurement program	<u>2,036,029</u>	<u>2,728,294</u>
	<u>\$ 9,485,463</u>	<u>\$ 11,443,547</u>

4. One Investment HISA deposits

One Investment HISA deposits represents amounts received from and owing to municipalities and other entities for investment in LAS One Investment - High Interest Savings Account (HISA) program.

Local Authority Services

Notes to Financial Statements

December 31, 2016

5. Investments

One Investment High Interest Savings Account (HISA) bearing interest at bank prime less a variable interest rate ranging from 1.55% to 1.70% depending on the total portfolio balance. The average rate of return for 2016 was 1.10%.

6. Property and equipment

			<u>2016</u>	<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware and software	\$ 1,195,433	\$ 1,060,075	\$ 135,358	\$ 56,906
Furniture and fixtures	12,667	10,460	2,207	1,622
	<u>\$ 1,208,100</u>	<u>\$ 1,070,535</u>	<u>\$ 137,565</u>	<u>\$ 58,528</u>

7. 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, as an agent 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, 2016

7. 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.

	<u>2016</u>	<u>2015</u>
<u>Purchase and sale contracts</u>		
Flow end date	January 2017 to October 2021	January 2016 to October 2019
Fixed price (per GJ)	\$2.36 to \$3.94	\$2.74 to \$4.40
Supply period (months)	10-12	10-12
Volume (GJ)	9,096,500	8,402,000
Amount of forward contracts	\$29,770,105	\$23,862,675
<u>Transportation contracts</u>		
Flow end date	January 2017 to October 2017	January 2016 to October 2016
Fixed price (per GJ)	\$0.14 to \$2.45	\$0.18 to \$2.49
Volume (GJ)	3,396,592	3,412,645
Amount of forward contracts	\$4,153,823	\$2,252,047

Rebates

Based on management's recommendation, LAS makes rebates to the participants of the natural gas procurement program in proportion to the participant's consumption for a stated period. Rebates of \$1 million were made in 2016 (2015 - \$1million).

(b) Electricity procurement program

LAS, as an agent 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.

	<u>2016</u>	<u>2015</u>
Flow end date	December 31, 2017	December 2016
Fixed price (per MWH)	\$22.29 to \$22.30	\$24.39 to \$24.68
Supply period (months)	12	12
Volume (MWH)	528,305	538,462
Amount of forward contracts	\$11,778,922	\$13,202,243

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8. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is a deposit of \$4,000,000 (2015 - \$4,000,000), returnable to the City of Toronto on the wind down of the Retail Consolidate Billing program.

Included in accounts payable and accrued liabilities are government remittances of \$Nil (2015 - \$Nil).

9. Related party transactions

Amounts due to AMO are unsecured, repayable on demand and are non-interest bearing.

Included in administration expenses is \$447,002 (2015 - \$408,932) for administration and occupancy costs charged by AMO. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Pension

During 2016, pension contributions in the amount of \$119,133 (2015 - \$116,538) were expensed and paid to OMERS on behalf of employees of LAS.

11. 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:

	<u>Natural gas procurement program</u>	<u>Electricity procurement program</u>
<u>2016</u>		
Salaries and benefits	\$ 18,811	\$ 84,649
Administration expenses	<u>30,882</u>	<u>138,971</u>
	<u>\$ 49,693</u>	<u>\$ 223,620</u>
<u>2015</u>		
Salaries and benefits	\$ 16,908	\$ 78,948
Administration expenses	<u>28,826</u>	<u>134,710</u>
	<u>\$ 45,734</u>	<u>\$ 213,658</u>

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12. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below.

Interest rate price and cash flow risk

Interest rate price and cash flow risk is the risk that the fair value of 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.

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, a financial instrument will fluctuate because of changes in foreign exchange rates. LAS's foreign currency purchase and sale transactions and its assets and liabilities that are denominated in foreign currencies are minimal.

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, including the amount 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.

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.

13. Comparative figures

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



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