

Recalibrating: Adapting to Serve Communities



LAS Annual Report | 2022

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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

- [Electricity Program](#)
- [Energy Planning Tool](#)
- [Facility Lighting Service](#)
- [Fuel Procurement](#)
- [Natural Gas Procurement](#)

■ Financial Services

- [Group Benefits](#)
- [Home and Auto Insurance](#)
- [Investments](#)
- [Municipal Risk Management](#)

■ Municipal Asset Services

- [Canoe Procurement Program](#)
- [Road and Sidewalk Assessment Service](#)

■ Digital Services

- [Barrier-free Website Builder](#)
- [Digital and Electronic Signing Solutions](#)
- [Electronic Meeting Management and Livestreaming](#)
- [Electronic Permitting](#)
- [Occupational Health and Safety Management](#)
- [Risk and Claim Management System](#)

Board Members



Gary McNamara
Chair, Mayor
Town of Tecumseh



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



Aina DeViet
Mayor, Municipality
of Middlesex Centre



Oliver Jerschow
Chief Administrative Officer
Town of Innisfil



Suzanne Madder
Manager, Corporate
Performance and Strategy
Niagara Region



Julia McKenzie
Director 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
Township of Black
River-Matheson

Message from the Chair



2022 was a year to adapt as we emerged from the pandemic phase of COVID-19 and into a world that is more complex and challenging than ever: inflation, economic uncertainty, and shifting political dynamics in Ontario and abroad. These factors, and more, have impacted communities and the municipal governments that serve them.

For LAS, 2022 was about recalibrating our services to ensure we continue to meet evolving municipal needs. As the business services arm of the Association of Municipalities of Ontario (AMO), LAS is uniquely positioned to respond to municipal realities on the ground. We are able to bridge AMO's policy priorities with practical turnkey solutions to help municipalities better serve communities.

In 2022, 393 of Ontario's 444 municipalities participated in LAS programs and services.

The fact that we serve nearly 90% of the municipal sector is a testament to LAS' dedication to providing practical solutions for municipal governments.

Key achievements in 2022:

- **Big savings on goods and services:** Our municipal group buying program, Canoe Procurement Group, helped municipalities take a bite out of inflation on everything from envelopes to excavators. Canoe leverages the combined buying power of 5,000 municipal and public sector organizations. The number of vendors has grown to more than 230 in 57 categories. Municipalities are embracing the savings and increasingly turning to Canoe. The value of goods and services purchased through Canoe tripled in 2022 – and was nearly 10 times more than in 2020.
- **Better risk management and financing:** LAS is leading efforts to address the rising cost of risk. Working with municipal risk experts, LAS is investigating alternatives to traditional insurance procurement. We are working with experts to provide helpful tips and insights through a quarterly newsletter. For immediate support, AMO/LAS have partnered with ClearRisk to create a software platform that streamlines managing insurance claims and provides data to drive risk strategies. So far nearly a dozen municipalities have adopted the new platform.

- **Cyber security options:** Cyber threats have been a growing concern for municipalities and insurance is becoming harder to source. In 2022, LAS initiated the research and procurement process to create a municipal cyber risk solution. The goal is to offer cyber incident response to municipalities of all sizes and IT capacities – from assessing the damage to resolving and restoring systems.

- **Streamlining permit process:** Efficient permitting is key to building homes and upgrading housing stock. AMO/LAS worked with Municipal Property Assessment Corporation (MPAC) as well as associations representing building officials and municipal IT staff, to select Cloudpermit as the preferred permit processing platform. We are also delivering a pilot program that seamlessly integrates the platform with MPAC systems to capture new assessment value efficiently. More than 18 municipalities signed up for the Cloudpermit pilot, demonstrating how municipalities are improving the development process to support more housing being built more quickly.

Our staff do extensive legwork to find the best and most cost-effective solutions to help local governments achieve their goals and allow them to focus on serving their communities.

I am proud to serve as Chair during a time of so much change and I applaud our staff for expanding our offerings and recalibrating operations during a post-pandemic year. Finally, I want to thank municipalities across Ontario that rely on LAS as a trusted partner. You can depend on us to keep working on your behalf.



Gary McNamara
Chair, LAS



Looking to the future

2023 - 2027 Strategic Plan

In 2022, LAS completed a new strategic plan that builds on its previous success and innovation. This plan lays out a strategy for expanding LAS' impact by developing solutions for urgent and emerging municipal challenges. It is based on four key pillars:

- 1. Strong programming** – Continue to deliver and expand high-quality programs to ensure value to municipal governments.
- 2. Enhanced knowledge** – Provide training and resources to build staff capacity in municipalities.
- 3. Customer driven** – Leverage knowledge of the municipal sector to inform decisions. Align with AMO policy and advocacy work. Strengthen municipal client relationships.
- 4. A strong LAS** – Continuous efforts to maintain strong governance, effective management and prudent financial planning.

LAS has laid out a strategic plan that ensures it will continue to deliver high-quality, municipally focused programs that deliver value and solve problems.

New program for speed enforcement in the works

LAS collaborates with municipal governments directly and through AMO policy staff to develop ways to address pressing priorities – from managing inflation through group buying, to solutions and support for insurance procurement, cyber security and housing permits.

“When municipalities raised concerns about the increasing risk of traffic collisions, injuries and fatalities, AMO advocacy supported changing legislation to allow speed enforcement cameras to be used in community and school safety zones,” explained LAS Chair Gary McNamara.

LAS dove into the practicalities of implementing a solution. Many municipalities were interested in using cameras to supplement traditional police work and reduce speeding in safety zones. However, they did not have the time or capacity to work through the regulations, contracts, and technology.

LAS and AMO have been working behind the scenes with the technology provider Conduent Solutions, Ministry of Transportation and municipal partners to deliver a full-service solution. It will provide everything from state-of-the-art technology to ticket processing that complies with provincial offences regulations.

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 2022, there were 102 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 70 municipalities that have endorsed and enrolled in the program, including three municipalities that joined in 2022.

Energy Services



Electricity Program

LAS helps municipalities find more stability in Ontario's unpredictable electricity market through a managed program of hedge contracts and spot market exposure. LAS enables municipalities to take advantage of low spot market rates overnight for their streetlights.

In 2022, 143 municipalities and broader public sector organizations took part in the electricity program. 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. This year, the program underwent a significant update to make the five-year Conservation & Demand Management (CDM) planning module more robust and user friendly as municipalities look toward the next reporting period. In 2022 the program had 155 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. There were 37 facility lighting projects in 2022.

Fuel Procurement

The Fuel Procurement Program is a simple alternative for small and medium-sized municipalities to save money on fuel and reduce administrative burdens. This program served 17 municipalities in 2022, which was its last year as a stand-alone program. Moving forward, fuel procurement will be offered through the Canoe Procurement Group. This will streamline administration and improve customer service.

Natural Gas Procurement

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 166 municipal and broader public-sector program participants. In 2022, natural gas prices remained unstable and the LAS' natural gas program provided pricing protection against the changing environment.

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 cost-effective, customizable workshops. The sessions help municipalities cut utility costs, comply with regulations, or increase knowledge of energy conservation. In 2022, 36 municipalities participated in three workshops held throughout the year, including two in Thunder Bay and one in the Town of Hanover. LAS also started to develop net-zero curriculum for FCM's Sustainable Communities Conference.



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 40 participants in 2022.

Home and Auto Insurance

LAS negotiated exclusive discounts 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 2022, Cowan Insurance Group insured 4,652 policies, including 94 new enrolments.

Municipal Risk Management

Municipal liability and risk management issues cost municipalities millions of dollars every year. Local governments must be aware of new and emerging risk management issues to help them effectively reduce the frequency and severity of claims.

With costs growing rapidly, incorporating risk management into financial planning is critical. AMO and LAS are working collaboratively on solutions.

Through its Digital Partnerships, AMO has partnered with ClearRisk. This platform offers a range of capabilities to help municipalities manage claims and track their cost of risk.

A Technical Working Group, comprised of municipal risk managers and other experts, is investigating alternative risk financing tools outside of the traditional purchase of insurance.

Experts with similar municipal risk knowledge serve on the Municipal Risk Management Group. This group helps identify key educational topics related to insurance and support creating a quarterly publication that provides advice and insights. In 2022, These included:

- Insurance data collection and analysis (Summer 2022)
- How do municipalities buy insurance? (Spring 2022)
- Risk and procurement (Fall 2022)
- How do municipalities manage risk? (Winter 2022)

ONE Investment

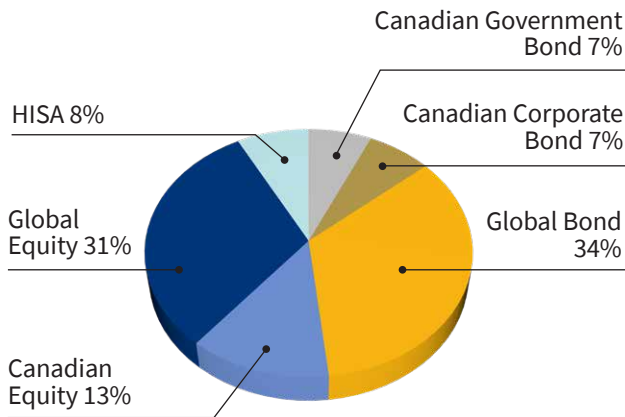
For 30 years, ONE Investment has offered a range of turnkey investment options for municipal governments, all fully compliant with the *Municipal Act*. By combining the investments of municipal governments, ONE achieves the scale needed to deliver better returns and lower management fees. It also offers expertise tailored to the Ontario municipal context.

Since 2018, ONE has been operating as a stand-alone not for profit. With permission from the Ontario Securities Commission, ONE is also able to provide investment advice.

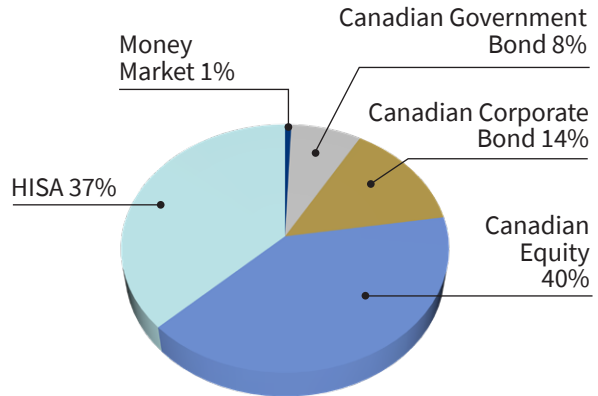
By law, municipal governments have two options when it comes to investing. They can invest in a provincially approved Legal List of investment products, or they can pursue investing under the Prudent Investor Standard. ONE offers investors both options.

ONE's Investment Advisory services team supports municipalities large and small and those looking for Legal List or Prudent Investor options.

ONE - Prudent Investor Funds - \$580.8M
(As of December 31, 2022)



ONE - Legal List Portfolio and HISA - \$2.4B
(As of December 31, 2022)





Legal List

ONE Investment has created a range of investment products that comply with the provincially approved list of municipal investments. In fact, ONE's equity portfolio is the only approved equities product for those municipalities investing under the Legal List framework.

These products meet different time horizons, to serve different municipal needs:

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

At the end of 2022, ONE was managing \$2.52 billion in its Legal List and High Interest Savings Account (HISA) portfolios for about 192 municipal and public sector clients.

Prudent Investment

The Prudent Investment program features ONE JIB – the sector's first and only Joint Investment Board created by municipalities for municipalities – providing oversight and expertise. Through the collective investing power of ONE JIB, any municipality will meet or surpass the \$100-million investment threshold set by the Municipal Act and can take part in Prudent Investor.

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.

In 2022, three new municipalities transitioned investments to ONE JIB, this included the Municipality of Neebing, the City of Quinte West and the City of Thunder Bay. At year-end, ONE JIB was managing investments of more than \$500 million for nine municipalities.



Municipal Asset Services



Canoe Procurement Group

LAS is in its fourth year of partnering with the Canoe Procurement Group, one of Canada's leading public-sector buying groups. It includes sister organizations across the country to leverage the combined purchasing power of more than 5,000 Canadian municipalities and public sector organizations.

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 230 vendors in 57 categories – up from 48 in 2021. 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, 231 Ontario municipalities participated in the program in 2022.

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 partners 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.

In 2022, 26 municipalities renewed their software. In all, contracts were signed to survey 1,005 lane-kilometres of roads and 420 kilometres of sidewalks throughout Ontario communities.

Digital Services

Digital services are an AMO initiative. These partnerships are closely aligned with LAS objectives to help communities work better. Digital technology offers municipal government opportunities to unlock efficiencies and save money, while also improving accessibility, customer service, and citizen engagement.

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, more than 80 municipalities implemented solutions from AMO's Digital Partnerships in 2022.

Barrier-free Accessible Website Builder

GHD Digital (formerly eSolutionsGroup) is a one-stop shop for municipal websites and intuitive digital solutions. Through its partnership with AMO, municipalities can benefit from GHD Digital'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 and Electronic Signing Solutions

Notarius 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 records.

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 program helps improve transparency with fewer resources, freeing staff to focus on serving their communities.



Electronic Permitting

Streamlining permit processes is key to building new housing and improving Ontario's housing stock. In 2022, AMO launched a partnership with Cloudpermit to offer municipalities a digital platform to manage building permits more efficiently and effectively.

AMO selected Cloudpermit through a competitive bidding process. The Request for Proposal reflected the needs and requirements of Ontario's municipalities. This process involved working with the Municipal Property Assessment Corporation, the Ontario Building Officials Association and the Municipal Information Systems Association-Ontario.

AMO selected Cloudpermit through a competitive bidding process. Managing building permits electronically increases efficiency, streamlines approvals, and ensures that municipalities capture new assessments in a timely manner. An end-to-end digitized permitting process also improves customer service and reduces the cost-of-service delivery for the municipality. The Cloudpermit platform is secure, scalable and cloud-based.

Ontario municipalities now have the choice of an approved e-permitting platform specifically made for Ontario. Municipalities have the flexibility of implementing an e-permitting system that can be customized to local needs that includes unlimited user licenses, the option of migrating existing permit data to the new system, annual hosting, as well as ongoing training and customer support.

In late 2022, AMO expanded the partnership so members can now access the entire suite of Cloudpermit solutions: building permit, planning and development, and by-law enforcement. The planning module was of particular interest to many upper-tier and single-tier municipalities to help modernize planning processes.

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

Since mid-2021, AMO has partnered 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 manage skyrocketing insurance costs. 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.

Local Authority Services
Financial Statements
For the year ended December 31, 2022

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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, 2022, 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, 2022, 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.

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 15, 2023

Local Authority Services Statement of Financial Position

December 31 2022 2021

Assets

Current

Cash	\$ 453,414	\$ 1,292,490
Investments (Note 3)	2,262,952	3,493,718
Accounts receivable (Note 6(a))	6,626,589	3,089,011
Prepaid expenses	50,529	74,234
Due from ONE Investment (Note 6(c))	841,169	616,453

10,234,653 8,565,906

Property and equipment and intangible assets (Note 4)

11,517 18,695

Natural Gas program fund (Note 5(a))

5,478,826 5,820,716

\$ 15,724,996 \$ 14,405,317

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 6(b))	\$ 4,468,405	\$ 2,482,394
Due to Association of Municipalities of Ontario (Note 6(c))	70,047	184,872
Deferred revenue	16,200	10,365

4,554,652 2,677,631

Natural Gas program fund (Note 5(a))

5,478,826 5,820,716

10,033,478 8,498,347

Net assets

Unrestricted	5,691,518	5,906,970
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\$ 15,724,996 \$ 14,405,317

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	2022	2021
Revenue		
Financial service fees	\$ 5,734,039	\$ 4,816,856
Energy service fees	395,203	1,075,320
Municipal assets service fees	3,954,504	4,652,871
Education and training	62,725	88,590
Administrative service fees	80,300	81,365
Investment income	90,024	18,875
	<u>10,316,795</u>	<u>10,733,877</u>
Expenditures		
Energy services	327,904	244,966
Financial services	3,045,439	2,545,283
Salaries and benefits	1,887,777	1,753,359
General administration	1,471,461	1,288,696
Municipal asset services	3,757,320	4,499,665
Education and training	33,679	64,500
Amortization	8,667	7,506
	<u>10,532,247</u>	<u>10,403,975</u>
Excess (deficiency) of revenue over expenditures	(215,452)	329,902
Net assets, beginning of year	5,906,970	5,577,068
Net assets, end of year	\$ 5,691,518	\$ 5,906,970

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

Local Authority Services Statement of Cash Flows

For the year ended December 31	2022	2021
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures	\$ (215,452)	\$ 329,902
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	8,667	7,506
Changes in non-cash working capital balances		
Accounts receivable	(3,537,578)	7,664
Prepaid expenses	23,705	(5,464)
Accounts payable and accrued liabilities	1,986,011	669,894
Due to Association of Municipalities of Ontario	(114,825)	129,605
Due from ONE Investment	(224,716)	(110,059)
Deferred revenue	5,835	(17,150)
	(2,068,353)	1,011,898
Investing activities		
Purchase of property and equipment and intangible assets	(1,489)	(12,577)
Redemption (purchase) of investments	1,230,766	(466,659)
	1,229,277	(479,236)
Increase (decrease) in cash during the year	(839,076)	532,662
Cash, beginning of year	1,292,490	759,828
Cash, end of year	\$ 453,414	\$ 1,292,490

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

Local Authority Services

Notes to Financial Statements

December 31, 2022

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, 2022

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, 2022

3. Investments

	2022	2021
ONE Investment High Interest Savings Account (HISA) bearing interest at bank prime rate less 2.235% (2021 - bank prime rate less 1.735%)	\$ 2,262,952	\$ 3,493,718

4. Property and Equipment and Intangible Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	\$ 1,286,990	\$ 1,275,473	\$ 1,285,501	\$ 1,266,806
Furniture and fixtures	12,667	12,667	12,667	12,667
	\$ 1,299,657	\$ 1,288,140	\$ 1,298,168	\$ 1,279,473
Net book value		\$ 11,517		\$ 18,695

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, 2022

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.

	2022	2021
<u>Purchase and sale contracts</u>		
Flow end date	January 2023 to October 2026	January 2022 to October 2025
Fixed price (per GJ)	\$2.00 to \$4.61	\$1.97 to \$3.45
Supply period (months)	10 - 46	10 - 46
Volume (GJ)	8,248,500	7,698,500
Amount of forward contracts	\$29,725,465	\$20,961,160
<u>Transportation contracts</u>		
Flow end date	January 2023 to October 2024	January 2022 to October 2023
Fixed price (per GJ)	\$0.45 to \$2.03	\$0.25 to \$1.10
Supply period (months)	10 - 22	10 - 22
Volume (GJ)	5,480,122	5,131,792
Amount of forward contracts	\$9,280,190	\$5,048,309

(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, 2022

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>2022</u>
Flow end date	December 31, 2023
Fixed price (per MW)	\$69.97
Supply period (months)	12
Volume (MW)	214,346
Amount of forward contracts	\$14,997,818

6. Related Party Balances and Transactions

- a) Included in accounts receivable are amounts due from ONE Investment of \$515,722 (2021 - \$450,366).
- b) Included in accounts payable and accrued liabilities are amounts owing to AMO of \$191,238 (2021 - \$149,771) and amounts owing to ONE Investment of \$883,847 (2021 - \$749,581).
- 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 \$957,569 (2021 - \$866,106) for administration and occupancy costs charged by AMO. Included in administration expenses are management fees of \$3,048,830 (2021 - \$2,544,590) 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, 2022

7. Pension

Included in administration costs are pension contributions in the amount of \$167,022 (2021 - \$149,528) 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, 2022 and 2021 and for the years then ended is as follows:

	2022	2021
Financial position		
Total assets	\$ 3,296,009	\$ 2,618,821
Total liabilities	3,296,009	2,618,821
Net assets	\$ -	\$ -
Results of operations		
Total revenue	\$ 6,087,361	\$ 5,096,930
Total expenditures	6,087,361	5,096,930
Excess of revenue over expenditures	\$ -	\$ -
Cash provided by (used in)		
Operating activities	\$ (51,330)	\$ 181,294
Investing activities	(460,010)	(504,126)
Financing activity	451,073	215,085
Net change in cash	\$ (60,267)	\$ (107,747)

Local Authority Services Notes to Financial Statements

December 31, 2022

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
<u>2022</u>		
Energy services	\$ 207,594	\$ 114,560
Financial services	231,835	127,937
Municipal assets services	55,535	30,647
Education and training	24,682	13,621
Administrative services	13,663	7,539
General administration	83,743	46,213
	\$ 617,052	\$ 340,517

	Salaries and benefits	Administration expenses
<u>2021</u>		
Energy services	\$ 222,031	\$ 106,756
Financial services	205,609	98,860
Municipal assets services	54,439	26,175
Education and training	15,522	7,463
Administrative services	17,996	8,653
General administration	69,286	33,314
	\$ 584,883	\$ 281,221

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, 2022

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, amounts due from ONE Investment 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

The comparative figures have been reclassified to conform with the current method of presentation.



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