

**Alberta Association of
Municipal Districts & Counties
Financial Statements**
July 31, 2016

Management's Responsibility

To the Members of Alberta Association of Municipal Districts & Counties:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

September 26, 2016

signed "Gerald Rhodes, CLGM, MBA, CAE"

Gerald Rhodes, CLGM, MBA, CAE
Executive Director

signed "Olly Morrison, CPA, CMA"

Olly Morrison, CPA, CMA
Director of Corporate Services

Independent Auditors' Report

To the Members of Alberta Association of Municipal Districts & Counties:

We have audited the accompanying financial statements of Alberta Association of Municipal Districts & Counties, which comprise the statement of financial position as at July 31, 2016, and the statements of operations and changes in net assets 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.

Auditors' 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 auditors' 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Association of Municipal Districts & Counties as at July 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.

Edmonton, Alberta

September 26, 2016

MNP LLP

Chartered Professional Accountants

**Alberta Association of
Municipal Districts & Counties**
Statement of Financial Position
As at July 31, 2016

	2016	2015
Assets		
Current		
Cash and cash equivalents	1,604,184	581,912
Restricted cash	27,317	8,674
Accounts receivable	4,720,748	4,752,425
Prepaid expenses	78,726	91,439
	6,430,975	5,434,450
Property and equipment (Note 3)	2,854,460	2,956,712
Investment in Prairie Fuel Advisors (2008) Ltd. (Note 4)	-	366,543
Investment in Jubilee Insurance Agencies Ltd. (Note 5)	2,448,783	1,886,472
	11,734,218	10,644,177
Liabilities		
Current		
Accounts payable and accruals	3,736,794	3,560,454
Deferred grant revenue (Note 6)	80,667	63,546
Deficiency in Alberta Elected Officials Education Program Corporation (Note 7)	17,805	16,831
Deficiency in Prairie Fuel Advisors (2008) Ltd. (Note 4)	131,895	-
	3,967,161	3,640,831
	3,967,161	3,640,831
Commitments (Note 9)		
Guarantees (Note 12)		
Net Assets		
Net assets invested in property and equipment	2,854,460	2,956,712
Net assets internally restricted for dividend reserve	-	73,949
Unrestricted net assets	4,912,597	3,972,685
	7,767,057	7,003,346
	11,734,218	10,644,177

Approved on behalf of the Board

signed "Al Kemmere"
Director

signed "Carolyn Kolebaba"
Director

The accompanying notes are an integral part of these financial statements

**Alberta Association of
Municipal Districts & Counties**
Statement of Operations
For the year ended July 31, 2016

	2016	2015
Revenue		
Commissions <i>(Note 11)</i>	1,989,643	1,829,891
Convention registration and tickets	1,046,544	1,056,230
Memberships	1,037,809	1,022,470
Rental income <i>(Note 11)</i>	166,000	166,000
Grants <i>(Note 6)</i>	60,620	135,393
Sundry income	35,989	19,001
Service fee	(905)	(13,188)
	4,335,700	4,215,797
Expenses		
Salaries and benefits	1,875,982	1,568,762
Convention	813,405	833,883
Board and Ad hoc Committees	472,222	515,849
Amortization	338,166	294,729
Grant expenses	138,217	135,393
Advertising and promotion	110,708	69,954
Professional fees	106,245	100,556
Building operations	96,879	105,451
Automotive	49,596	48,319
Computer	27,426	47,178
Insurance	27,137	35,860
Office supplies	23,972	20,860
Telephone	18,154	13,582
Memberships & subscriptions	15,327	9,995
Interest	5,202	4,145
Postage	4,509	5,956
	4,123,147	3,810,472
Excess of revenue over expenses before other items	212,553	405,325
Other income (expense)		
Increase in equity in Jubilee Insurance Agencies Ltd. <i>(Note 5)</i>	582,743	464,951
Dividends	125,000	125,000
Increase in equity in Prairie Fuel Advisors (2008) Ltd. <i>(Note 4)</i>	76,245	182,726
Other income	10,337	10,110
Decrease in equity in Alberta Elected Officials Education Program Corporation <i>(Note 7)</i>	(974)	(4,515)
	793,351	778,272
Excess of revenue over expenses	1,005,904	1,183,597

The accompanying notes are an integral part of these financial statements

**Alberta Association of
Municipal Districts & Counties
Statement of Changes in Net Assets**
For the year ended July 31, 2016

	<i>Net assets invested in property and equipment</i>	<i>Net assets internally restricted for dividend reserve</i>	<i>Unrestricted net assets</i>	2016	<i>2015</i>
Net assets, beginning of year	2,956,712	73,949	3,972,685	7,003,346	6,055,812
Excess of revenue over expenses	(338,166)	-	1,344,070	1,005,904	1,183,597
Investment in property and equipment	235,914	-	(235,914)	-	-
Payout of dividend reserve	-	(73,949)	73,949	-	-
Dividends paid	-	-	(242,193)	(242,193)	(236,063)
Net assets, end of year	2,854,460	-	4,912,597	7,767,057	7,003,346

The accompanying notes are an integral part of these financial statements

**Alberta Association of
Municipal Districts & Counties**
Statement of Cash Flows
For the year ended July 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	1,005,904	1,183,597
Amortization	338,166	294,729
Increase in equity in Jubilee Insurance Agencies Ltd.	(582,742)	(589,951)
Increase in equity in Prairie Fuel Advisors (2008) Ltd.	(76,245)	(182,726)
Decrease in equity of Alberta Elected Officials Education Program Corporation	974	4,515
Gain on disposal of property and equipment	(4,600)	(990)
	681,457	709,174
Changes in working capital accounts		
Accounts receivable	31,677	181,608
Prepaid expenses	12,713	7,016
Accounts payable and accruals	176,340	(90,640)
Deferred grant revenue	17,121	(90,075)
	919,308	717,083
Financing		
Dividends paid	(242,193)	(236,063)
Investing		
Dividends received	125,000	125,000
Net transactions with Jubilee Insurance Ltd. (Note 5), (Note 13)	(104,569)	8,564
Net transactions with Prairie Fuel Advisors (2008) Ltd. (Note 4), (Note 13)	574,683	(253,586)
Purchase of property and equipment	(235,914)	(395,698)
Proceeds on disposal of property and equipment	4,600	990
	363,800	(514,730)
Increase (decrease) in cash and cash equivalents	1,040,915	(33,710)
Cash and cash equivalents, beginning of year	590,586	624,296
Cash and cash equivalents, end of year	1,631,501	590,586
Cash resources are composed of:		
Cash	1,604,184	581,912
Restricted cash	27,317	8,674
	1,631,501	590,586

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Alberta Association of Municipal Districts & Counties (the "Organization") was incorporated under the Alberta Association of Municipal Districts and Counties Act by chapter 67 of the Statutes of Alberta, 1923, which was amended by chapters 116 and 69 of the Statutes of Alberta, 1971 and 1984 respectively. The Organization is a not-for-profit municipal association under the Income Tax Act and thus is exempt from federal and provincial income taxes.

The Organization's purpose is to assist rural municipalities in their endeavours to achieve strong and effective local government.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Revenue recognition

The Organization follows the deferral method of accounting for all revenue. Under this method, income is recognized as revenue in the year in which the related expenses are incurred.

Membership fee income is recognize in the year to which it applies.

Convention registration and tickets income is recognized in the year in which the convention occurs. Registration fees collected prior to July 31, in respect of the next fiscal period, are recorded on the statement of financial position as deferred.

Government grant revenue is recognized in income as related expenses are incurred. Grant revenues which have not been expended at July 31 are deferred and recorded on the statement of financial position as deferred grant revenue until the related expenses are incurred.

Commission income is recognized as earned at the time a customer is invoiced and collection is reasonably assured. Generally the gross amount of the members' trade purchases are recorded as both accounts receivable and account payable.

Dividend income is recognized at the time it is received.

Interest income is recognized when earned.

Rent and licensing fees are recognized evenly over the term of the agreement.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

2. **Significant accounting policies** *(Continued from previous page)*

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution if fair value can be reasonably determined. No contributed goods or services have been recognized as at July 31, 2016.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

In the year of acquisition, amortization is calculated at the annual rate. No amortization is taken in the year of disposal.

	Method	Rate
Building	straight-line	2.5 %
Automotive	straight-line	33.3 %
Computer equipment/software	straight-line	33.3 %
Custom software	straight-line	10 %
Furniture and fixtures	straight-line	20 %

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of property and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Investment in Jubilee Insurance Agencies Ltd., Prairie Fuel Advisors (2008) Ltd. and Alberta Elected Officials Education Program Corporation

The Organization records its investment in its wholly-owned subsidiaries, Jubilee Insurance Agencies Ltd. and Prairie Fuel Advisors (2008) Ltd., using the equity method.

Under the equity method, the Organization's share of its subsidiaries' earnings is recorded as income and added to the carrying value of the investment shown on the statement of financial position. Dividends received are considered a return of capital and are accordingly deducted from the carrying value of the investment.

Jubilee Insurance Agencies Ltd. is a non-taxable corporation, wholly owned by the Alberta Association of Municipal Districts & Counties. The business of the corporation is to provide comprehensive and affordable insurance coverage to Alberta local authorities.

Prairie Fuel Advisors (2008) Ltd. is also a non-taxable corporation, and became a wholly owned subsidiary of the Alberta Association of Municipal Districts & Counties in 2008. The business of the corporation is to assist municipalities, school divisions and related organizations in managing their fuel costs.

The Organization also records its investment in Alberta Elected Officials Education Program Corporation using the equity method. The Corporation was formed in 2008 and is equally owned by the Alberta Association of Municipal Districts & Counties and the Alberta Urban Municipalities Association. It is also a non-taxable corporation. The business of the corporation is to provide an education training program for municipal elected officials in Alberta.

**Alberta Association of
Municipal Districts & Counties**
Notes to the Financial Statements
For the year ended July 31, 2016

2. Significant accounting policies *(Continued from previous page)*

Employee future benefits

The Organization's employee future benefit program consist of defined benefit plans.

Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due.

Restriction on Net Assets

Internally restricted net assets are not available for other purposes without the approval of the Board of Directors.

Financial instruments

All financial instruments are initially recorded at their fair value, excluding certain financial assets and liabilities originated and issued in a related party transaction measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions (refer to Note 11). At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess of revenues over expenses.

Fund accounting

The Organization follows the restricted fund method of accounting for contributions, and maintains three funds:

a) Net assets invested in property and equipment fund reports the assets, liabilities, revenue and expenses relating to the Company's capital assets.

b) Net assets internally restricted for dividend reserve fund is established to hold funds that may be distributed to its members by way of dividends.

c) Unrestricted net asset fund is used for all other operations.

3. Property and equipment

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2016 Net book value</i>	<i>2015 Net book value</i>
Land	260,000	-	260,000	260,000
Building	2,266,921	644,584	1,622,337	1,625,904
Automotive	94,293	71,649	22,644	45,289
Computer equipment/software	414,748	284,590	130,158	111,242
Custom software	1,212,720	451,505	761,215	854,921
Furniture and fixtures	381,825	323,719	58,106	59,356
	4,630,507	1,776,047	2,854,460	2,956,712

**Alberta Association of
Municipal Districts & Counties**
Notes to the Financial Statements
For the year ended July 31, 2016

4. Investment (deficiency) in Prairie Fuel Advisors (2008) Ltd.

	2016	2015
Equity, beginning of year	679,376	496,650
Net income of Prairie Fuels (2008) Ltd.	76,245	182,726
Shares, at cost	100	100
Advances to the Alberta Association of Municipal Districts & Counties	(887,616)	(312,933)
	(131,895)	366,543
Financial Position		
Total assets	5,005,717	5,252,390
Total liabilities	4,249,997	4,572,914
Shareholder's equity	<u>755,720</u>	<u>679,376</u>
Total liabilities and shareholder's equity	<u>5,005,717</u>	<u>5,252,390</u>
Results of Operations		
Total revenues	599,585	603,666
Total expenses	<u>523,340</u>	<u>420,940</u>
Net income	<u>76,245</u>	<u>182,726</u>
Cash Flows		
Operating activities	(92,055)	587,330
Financing activities	(663,940)	164,350
Investing activities	<u>(49,142)</u>	<u>-</u>
Increase (decrease) in cash	(805,137)	754,680
Cash at beginning of year	<u>873,068</u>	<u>118,388</u>
Cash at end of year	<u>67,931</u>	<u>873,068</u>

Advances to Prairie Fuel Advisors (2008) Ltd. are unsecured, non-interest bearing, and have no specific terms of repayment.

**Alberta Association of
Municipal Districts & Counties**
Notes to the Financial Statements
For the year ended July 31, 2016

5. Investment in Jubilee Insurance Agencies Ltd.

	2016	2015
Equity, beginning of year	1,982,457	1,517,506
Net income of Jubilee Insurance Agencies Ltd.	707,742	589,951
Less: Dividends paid to the Alberta Association of Municipal Districts & Counties	(125,000)	(125,000)
Shares, at cost	600	600
Advances to the Alberta Association of Municipal Districts & Counties	(117,017)	(96,585)
	2,448,782	1,886,472
Financial Position		
Total assets	2,907,030	2,093,679
Total liabilities	341,230	110,622
Shareholder's equity	<u>2,565,200</u>	<u>1,983,057</u>
Total liabilities and shareholder's equity	<u>2,907,030</u>	<u>2,093,679</u>
Results of Operations		
Total revenues	3,576,251	3,494,359
Total expenses	<u>2,868,509</u>	<u>2,904,408</u>
Net income	<u>707,742</u>	<u>589,951</u>
Cash Flows		
Operating activities	1,021,587	423,461
Financing activities	(145,432)	(133,564)
Investing activities	<u>(1,276,874)</u>	<u>(485,184)</u>
Decrease in cash	(400,719)	(195,287)
Cash, at beginning of year	<u>1,300,221</u>	<u>1,495,508</u>
Cash, at end of year	<u>899,502</u>	<u>1,300,221</u>

Advances from Jubilee Insurance Agencies are unsecured, non-interest bearing, and have no specific terms of repayment.

6. Deferred grant revenue

	2016	2015
Balance, beginning of year	63,546	153,620
Amount received during the year	77,741	45,319
Less: Amounts recognized as revenue during the year	<u>(60,620)</u>	<u>(135,393)</u>
	80,667	63,546

**Alberta Association of
Municipal Districts & Counties**
Notes to the Financial Statements
For the year ended July 31, 2016

7. Deficiency in Alberta Elected Officials Education Program Corporation ("EOEP")

	2016	2015
	50%	50%
Equity, beginning of year	(26,336)	(21,821)
Net loss of EOEP	(974)	(4,515)
Shares, at cost	5	5
Advances from the EOEP	9,500	9,500
	(17,805)	(16,831)

Advances from the EOEP are unsecured, non-interest bearing, and have no specific terms of repayment.

8. Operating loan

As at July 31, 2016, the Organization has access to a line of credit which is authorized to a maximum of \$2,500,000 (2015 - \$2,000,000) of which \$nil (2015 - \$nil) had been drawn at year-end. The line of credit bears interest at prime plus 0.25% (2015 - prime plus 1%) and is secured by the land and building with a net book value of \$1,882,337 (2015 - \$1,885,904).

The loan agreement requires certain financial covenants to be maintained. These covenants include a required working capital ratio and total debt to equity ratio. As at July 31, 2016, the Organization is in compliance with these covenants.

9. Commitments

The Organization has entered into various equipment lease agreements with estimated minimum annual payments as follows:

2017	2,498
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10. Employee future benefits

Multi-employer plans

The Organization participates in the Local Authorities Pension Plan (the "Plan"), a multi-employer pension plan, with other local authorities and approved bodies. The Plan is a contributory defined benefit plan administered by the Local Authorities Pension Plan Corporation, which pays pension and other benefits on behalf of the employer.

Current and prior service costs, included in these financial statements, are funded by the Organization and its employees at rates which are expected to provide for all benefits payable under the Plan. The rates for the Organization are 1.0% higher than for the employees. Both employer and employee current and prior services paid to July 31, 2016 were \$287,324 (2015 - \$239,864).

As the Plan is a multi-employer plan, it is not possible to determine, on an individual basis, each employer's potential unfunded liability or surplus. At December 31, 2015, the Plan had an actuarial deficit of \$0.9 billion (2014 - \$2.5 billion) which is expected to be eliminated within the next 15 years from employer and employee contributions and investment earnings.

11. Related party transactions

During the year, the Organization leased property to Jubilee Insurance Agencies Ltd., a wholly owned subsidiary, for \$52,000 (2015 - \$52,000). In addition, the Organization charged a licensing fee to Jubilee Insurance Agencies Ltd. for the use of the enterprise business software, for a total consideration of \$100,000 (2015 - \$100,000). The Organization also sells a variety of goods and services from third party suppliers through its co-operative operations to Jubilee Insurance Agencies Ltd. The Organization also purchases insurance coverage from Jubilee Insurance Agencies Ltd. for which the total premiums paid were \$26,965 (2015 - \$70,570).

During the year, the Organization leased property to Prairie Fuel Advisors (2008) Ltd., a wholly owned subsidiary, for \$14,000 (2015 - \$14,000). During the year, the Organization also earned \$164,736 (2015 - \$166,449) in fuel commissions from Prairie Fuel Advisors (2008) Ltd.

All related party transactions were considered in the normal course of operations and were recorded at the exchange amount.

12. Guarantee

As at July 31, 2016, the Organization has guaranteed the demand credit facility of Prairie Fuels Advisors (2008) Ltd., a wholly-owned subsidiary, up to a maximum amount of \$57,684 (2015 - \$146,941). Payment under this guarantee is required in the event of default by Prairie Fuels Advisors (2008) Ltd. As at July 31, 2016, no liability has been recorded associated with this guarantee. The guarantee is secured by a Land Mortgage Amending Agreement increasing the principal sum to \$2,755,000. As at July 31, 2016 Prairie Fuels Advisors (2008) Ltd. is in compliance of the financial covenants associated with the demand credit facility.

13. Supplemental cash flow information

Cash flows related to transactions with Jubilee Insurance Agencies Ltd. and Prairie Fuel Advisors (2008) Ltd. have been presented on a net basis as it is impracticable for management to determine the gross cash receipts and repayments.

14. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of trade accounts receivable. The Organization's accounts receivable are primarily from members of the Alberta Association of Municipal Districts & Counties. However, no individual customer accounts for greater than 10% of accounts receivable at year end.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate cash flow risk with respect to its operating loan which is subject to a floating interest rate of prime plus 0.25% (2015 - prime plus 1%).