

Jubilee Insurance Agencies Ltd.
Financial Statements
July 31, 2016

Independent Auditors' Report

To the Shareholder of Jubilee Insurance Agencies Ltd.:

We have audited the accompanying financial statements of Jubilee Insurance Agencies Ltd., which comprise the balance sheet as at July 31, 2016, and the statements of earnings and retained earnings 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 private enterprises, 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 Jubilee Insurance Agencies Ltd. 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 private enterprises.

Edmonton Alberta

September 26, 2016

MNP LLP

Chartered Professional Accountants

Jubilee Insurance Agencies Ltd.
Balance Sheet
As at July 31, 2016

	2016	2015
Assets		
Current		
Cash and cash equivalents	899,502	1,300,221
Prepaid expenses	4,943	7,194
Due from the Alberta Association of Municipal Districts & Counties (Note 4)	117,017	96,585
Accounts receivable	131,503	206,329
Marketable securities	819,654	125,108
	1,972,619	1,735,437
Investments	934,411	358,242
	2,907,030	2,093,679
Liabilities		
Current		
Accounts payable and accruals	270,818	105,617
Deferred revenue	70,412	5,004
	341,230	110,621
Contingencies (Note 5)		
Shareholder's Equity		
Share capital (Note 6)	600	600
Retained earnings	2,565,200	1,982,458
	2,565,800	1,983,058
	2,907,030	2,093,679

Approved on behalf of the Board

signed "Al Kemmere"
 Director

signed "Carolyn Kolebaba"
 Director

Jubilee Insurance Agencies Ltd.
Statement of Earnings and Retained Earnings

For the year ended July 31, 2016

	2016	2015
Revenue		
Commissions <i>(Note 4)</i>	2,743,355	2,648,748
Administration fees	756,361	782,244
Risk module	12,379	8,100
	3,512,095	3,439,092
Expenses		
Salaries and benefits	1,490,699	1,537,084
Service fee	405,000	405,000
Risk Pro premium credit	273,320	210,726
Computer and equipment <i>(Note 4)</i>	243,247	212,887
Board and executive	85,000	36,000
Staff education	67,395	51,681
Insurance	58,102	233,511
Rent <i>(Note 4)</i>	54,600	54,600
Travel	46,675	30,996
Seminars, promotion and Risk Pro program	37,125	39,788
Professional fees	35,442	26,578
Office	22,838	21,477
Telephone	17,345	15,662
Advertising and promotion	16,841	12,002
Postage	9,660	7,589
Dues and memberships	4,821	5,368
Interest and bank charges	399	312
Bad debts	-	3,147
	2,868,509	2,904,408
Other income (expense)		
Interest income	70,315	57,102
Gain on disposal of assets	-	7,175
Unrealised investment losses	(6,159)	(9,010)
	64,156	55,267
Net earnings	707,742	589,951
Retained earnings, beginning of year	1,982,458	1,517,507
Dividends	(125,000)	(125,000)
Retained earnings, end of year	2,565,200	1,982,458

The accompanying notes are an integral part of these financial statements

Jubilee Insurance Agencies Ltd.
Statement of Cash Flows
For the year ended July 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Net earnings	707,742	589,951
Gain on disposal of assets	-	(7,175)
Unrealised losses	6,159	9,010
	713,901	591,786
Changes in working capital accounts		
Accounts receivable	74,826	(48,530)
Prepaid expenses	2,251	(7,194)
Accounts payable and accruals	165,201	(58,594)
Deferred revenue	65,408	(54,007)
	1,021,587	423,461
Financing activities		
Dividends paid to the Alberta Association of Municipal Districts & Counties	(125,000)	(125,000)
Repayments to the Alberta Association of Municipal Districts & Counties	(2,309,516)	(8,564)
Advances from the Alberta Association of Municipal Districts & Counties	2,289,084	-
	(145,432)	(133,564)
Investing activities		
Proceeds on disposal of assets	-	7,175
Purchase of investments	(1,276,874)	(492,359)
	(1,276,874)	(485,184)
Decrease in cash and cash equivalents	(400,719)	(195,287)
Cash and cash equivalents, beginning of year	1,300,221	1,495,508
Cash and cash equivalents, end of year	899,502	1,300,221

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

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

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises, using the following significant accounting policies:

Cash and cash equivalents

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

Revenue recognition

Commission and administration fee income is recognized as revenue when an insurance policy contract is renewed or executed, and collection is reasonably assured. Generally the amount of the members' premiums is recorded as both accounts receivable and accounts payable.

Interest income is recognized as revenue when earned.

Risk module income is recognized when the services have been provided and collection is reasonably assured.

Income taxes

The Company is exempt from the payment of federal and provincial income taxes under the Canadian Income Tax Act because it is a wholly-owned subsidiary of a municipal association.

Employee future benefits

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

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 4). At initial recognition, the Company may irrevocably elect to subsequently measure any financial instrument at fair value. The Company has not made such an election during the year.

The Company 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 net earnings 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 Company 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 net earnings.

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

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises 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 and due from the Alberta Association of Municipal Districts & Counties are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the years in which they become known.

Investments

Investments are portfolio investments recorded at fair value for those with prices quoted in an active market, and cost less impairment for those that are not quoted in an active market. They have been classified as long-term assets in concurrence with the nature of the investment.

3. Employee future benefits

The Company 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 Company and its employees at rates which are expected to provide for all benefits payable under the Plan. The rates for the Company are 1.0% higher than for the employees. Both employer and employee current and prior services paid to July 31, 2016 were \$256,094 (2015 - \$250,127).

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.

4. Related party transactions

The majority of the customers of Jubilee Insurance Agencies Ltd. are members of the Alberta Association of Municipal Districts & Counties. The Alberta Association of Municipal Districts & Counties owns 100% of the shares of Jubilee Insurance Agencies Ltd.

During the year, the Company entered into the following transactions with related parties, which were measured at the exchange amount:

- Rent includes \$54,600 (2015 - \$54,600) that relates to the use of the office space owned by the Alberta Association of Municipal Districts & Counties.
- Computer and equipment includes \$100,000 (2015 - \$100,000) for a licensing fee for the use of the Alberta Association of Municipal Districts & Counties' business software.
- During the year the Company collected insurance premiums of \$26,965 (2015 - \$70,570) from the Alberta Association of Municipal Districts & Counties.

The Company also purchases a variety of goods and services from third party suppliers through the co-operative operations of the Alberta Association of Municipal Districts & Counties.

As at July 31, 2016, the Company has a receivable from the Alberta Association of Municipal Districts & Counties for \$117,017 (2015 - \$96,585), which is unsecured non-interest bearing and has no set terms of repayment.

Jubilee Insurance Agencies Ltd.
Notes to the Financial Statements
For the year ended July 31, 2016

5. Contingencies

Certain portions of commission income recorded are potentially refundable to customers if an insurance policy is cancelled. At July 31, 2016, the maximum amount of commission income potentially refundable if all insurance policies were cancelled was approximately \$454,879 (2015 - \$473,118). No amount has been accrued as at July 31, 2016 in relation to potentially refundable insurance policies.

6. Share capital

	2016	2015
Issued		
Common shares		
600 Class A voting common shares, no nominal or par value, non-assessable	600	600

7. Financial instruments

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

Credit concentration

The Company has a concentration of credit risk because substantially all of its accounts receivable are from members of the Alberta Association of Municipal Districts & Counties. At year end, three customers account for 63% of accounts receivable (2015 - four customers accounted for 57% of accounts receivable).

Interest rate and market risk

The Company's investments are exposed to interest rate risk and market price risk. The Company does not use derivative financial instruments to alter the effects of market or interest fluctuations that will effect these investments.