Prairie Fuel Advisors (2008) Ltd.
Financial Statements
July 31, 2016

Independent Auditors' Report

To the Shareholder of Prairie Fuel Advisors (2008) Ltd.:

We have audited the accompanying financial statements of Prairie Fuel Advisors (2008) 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 Prairie Fuel Advisors (2008) 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

MNP LLP

September 26, 2016

Chartered Professional Accountants

Prairie Fuel Advisors (2008) Ltd.
Balance Sheet
As at July 31, 2016

	2016	*2015*
Assets		
Current		
Cash and cash equivalents	**67,931**	873,068
Accounts receivable	**3,267,710**	3,325,067
Prepaid expenses	**630**	8,634
Marketable securities	**24,193**	-
	3,360,464	4,206,769
Investments	**24,949**	-
Goodwill	**732,688**	732,688
Due from the Alberta Association of Municipal Districts & Counties *(Note 6)*	**887,616**	312,933
	5,005,717	5,252,390
Liabilities		
Current		
Accounts payable and accruals	**4,192,313**	4,425,974
Current portion of long-term debt *(Note 3)*	**57,684**	89,279
	4,249,997	4,515,253
Long-term debt *(Note 3)*	**-**	57,662
	4,249,997	4,572,915
Shareholder's Equity		
Share capital *(Note 4)*	**100**	100
Retained earnings	**755,620**	679,375
	755,720	679,475
	5,005,717	5,252,390

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

MNP LLP

Prairie Fuel Advisors (2008) Ltd.
Statement of Earnings and Retained Earnings
For the year ended July 31, 2016

	2016	*2015*
Commissions *(Note 6)*	**599,585**	603,666
Expenses		
Salaries and benefits	**375,396**	306,179
Advertising and promotion	**40,866**	15,468
Computer	**30,365**	27,798
Office	**20,245**	16,479
Professional fees	**19,195**	14,788
Rent *(Note 6)*	**14,000**	14,000
Travel	**11,402**	13,035
Insurance	**7,669**	6,500
Interest on long-term debt	**4,202**	6,693
	523,340	420,940
Net earnings	**76,245**	182,726
Retained earnings, beginning of year	**679,375**	496,649
Retained earnings, end of year	**755,620**	679,375

The accompanying notes are an integral part of these financial statements

Prairie Fuel Advisors (2008) 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	**76,245**	182,726
Changes in working capital accounts		
Accounts receivable	**57,357**	603,441
Prepaid expenses	**8,004**	(8,056)
Accounts payable and accruals	**(233,661)**	(190,781)
	(92,055)	587,330
Financing activities		
Repayments of long-term debt	**(89,257)**	(86,236)
Advances from (to) the Alberta Association of Municipal Districts & Counties *(Note 7)*	**(574,683)**	253,586
	(663,940)	167,350
Investing activities		
Purchase of investments	**(49,142)**	-
Increase (decrease) in cash and cash equivalents	**(805,137)**	754,680
Cash and cash equivalents, beginning of year	**873,068**	118,388
Cash and cash equivalents, end of year	**67,931**	873,068

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Prairie Fuel Advisors (2008) Ltd. (the “Company”) was incorporated in 2008 under the Alberta Business Corporations Act. It is a non-taxable corporation, wholly-owned by the Alberta Association of Municipal Districts & Counties.

The business of the Company is to assist municipalities, school districts and related organizations in managing their fuel costs.

2. Significant accounting policies

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

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date of control (acquisition date). Goodwill is measured as the excess of the cost of the acquisition over the Company’s interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree recognized at the date of acquisition. Goodwill is not amortized but is tested for impairment if events or changes in circumstances indicate that the asset might be impaired.

The impairment test is carried out by comparing the carrying amount of the reporting unit with its fair value. When the carrying amount of a reporting unit, including goodwill, exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. Fair value of the reporting unit is determined through discounted cash flow analysis.

Revenue recognition

Commission income is recognized as revenue when the related fuel purchase is made, and collectability is reasonably assured. Generally the gross amount of the members' purchases are recorded as both accounts receivable and accounts payable.

Employee future benefits

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

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.

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 6). 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. Goodwill is stated net of any impairment losses resulting from the carrying value of any reporting unit being below fair value.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year 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. Long-term debt

	2016	*2015*
ATB Financial loan bearing interest at prime + 0.25% per annum, with blended monthly payments of $7,700 due March 31, 2017.	**57,684**	146,941
Less: current portion of long-term debt	**57,684**	89,279
	-	57,662

Loan is secured by a general security agreement covering all present and after acquired property, and by a guarantee from the parent company, Alberta Association of Municipal Districts & Counties.

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 Company is in compliance with these covenants.

4. Share capital

		2016	*2015*
Issued			
Common shares			
100	Class A voting common shares, without nominal or par value, non-assessable	**100**	100

5. 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 $81,200 (2015 - $65,228).

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.

6. Related party transactions

The majority of the customers of Prairie Fuel Advisors (2008) Ltd. are members of the Alberta Association of Municipal Districts & Counties. The Alberta Association of Municipal Districts & Counties owns 100% of the shares of Prairie Fuel Advisors (2008) Ltd.

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

- Rent includes $14,000 (2015 - $14,000) that relates to rent of office space owned by the Alberta Association of Municipal Districts & Counties.
- Commissions includes $164,736 (2015 - $166,449) that relates to fuel commissions paid to the Alberta Association of Municipal Districts & Counties.

In addition, the Company has a receivable from the Alberta Association of Municipal Districts & Counties for $887,616 (2015 - $312,933). The amount is unsecured, non-interest bearing and has no specified terms of repayment.

7. Supplemental cash flow information

Cash flows related to advances to Alberta Association of Municipal Districts & Counties have been presented on a net basis as it is impracticable for management to determine the gross cash receipts and repayments.

8. 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.

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 Company is exposed to interest rate cash flow risk with respect to it's long-term debt which is subject to floating interest rate of prime plus 0.25% (2015 – prime plus 0.25%).

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. In the current year one customer accounted for 11% of the accounts receivable at year end (2015 - one customer accounted for 28%).

8. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company enters into transactions to purchase goods and services on credit and to borrow funds from financial institutions, for which repayment is required on demand.