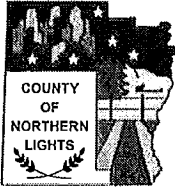


County of Northern Lights
Financial Statements
December 31, 2016

County of Northern Lights

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COUNTY OF
Northern Lights

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MANAGEMENT'S REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the **County of Northern Lights**.

These consolidated financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The County of Northern Lights maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the County of Northern Lights assets are appropriately accounted for and adequately safeguarded.

The elected Council of the County of Northern Lights are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council meets annually with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Doyle & Company, Chartered Accountants, the external auditors, in accordance with Canadian public sector accounting standards on behalf of the Council, residents and ratepayers of the County of Northern Lights. Doyle & Company has full and free access to the County's Council.

Theresa Van Oort
Chief Administrative Officer

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
Jason Bondarevich, CPA, CA*

* Operates as a Professional Corporation

11210 - 107 Avenue N.W., 2nd Flr
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AUDITORS' REPORT

To the Members of Council

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the **County of Northern Lights**, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, change in net financial assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

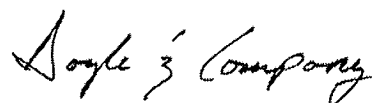
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparations and fair presentation of the consolidated 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 consolidated 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, these consolidated financial statements present fairly, in all material respects, the financial position of the County of Northern Lights as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 25, 2017



Chartered Professional Accountants

County of Northern Lights
Consolidated Statement of Financial Position

As at December 31, 2016

	2016 \$	2015 \$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	7,553,823	8,051,358
Receivables (Note 4)		
Taxes and grants in lieu receivable	952,029	362,871
Trade and other receivables	2,216,508	2,205,694
Investments (Note 5)	33,399,779	30,903,569
	44,122,139	41,523,492
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	3,488,990	2,248,200
Deferred revenue (Note 7)	1,117,125	1,395,232
Long-term liabilities (Note 8)	13,144,493	11,262,560
Landfill reclamation costs (Note 9)	168,335	148,335
Gravel reclamation costs	1,040,000	1,040,000
	18,958,943	16,094,327
NET FINANCIAL ASSETS	25,163,196	25,429,165
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	68,975,413	65,558,463
Inventory for consumption	2,699,946	1,878,075
Prepaid expenses	217,711	174,119
	71,893,070	67,610,657
ACCUMULATED SURPLUS (Schedule 1, Note 12)	97,056,266	93,039,822

The accompanying notes form part of these financial statements.

County of Northern Lights
Consolidated Statement of Operations

For the year ended December 31, 2016

	2016 Budget \$	2016 Actual \$	2015 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	16,755,208	16,766,263	17,379,662
User fees and sales of goods	1,425,606	1,451,907	1,947,074
Government transfers (Schedule 4)	708,481	695,279	614,093
Investment income	820,840	767,381	963,127
Oil well drilling taxes	5,000	22,836	5,506
Total Revenues	19,715,135	19,703,666	20,909,462
EXPENSES			
Administrative services	1,622,801	1,731,010	1,805,085
Council and other legislative services	1,227,640	1,236,301	1,133,102
Protective services	886,888	890,135	1,047,300
Transportation services	7,997,547	9,755,917	9,089,814
Agricultural services	794,373	734,650	769,368
Utilities and environmental services	2,042,964	1,984,759	1,825,581
Planning and development services	266,031	247,196	198,270
Family and community support services	150,072	150,072	153,408
Economic development and community services	371,300	354,801	356,186
Recreation and cultural services	1,477,814	1,481,273	447,108
Total Expenses	16,837,430	18,566,114	16,825,222
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	2,877,705	1,137,552	4,084,240
OTHER			
Government transfers for capital (Schedule 4)	-	2,878,892	2,742,965
EXCESS OF REVENUE OVER EXPENSES	2,877,705	4,016,444	6,827,205
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	93,039,822	86,212,617
ACCUMULATED SURPLUS, END OF YEAR	2,877,705	97,056,266	93,039,822

The accompanying notes form part of these financial statements.

County of Northern Lights
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2016

	2016 Budget \$	2016 Actual \$	2015 Actual \$
EXCESS OF REVENUE OVER EXPENSES	2,877,705	4,016,444	6,827,205
Acquisition of tangible capital assets	-	(6,625,735)	(9,235,333)
Amortization of tangible capital assets	-	3,208,784	2,841,844
	-	(3,416,951)	(6,393,489)
Acquisition of supplies inventories	-	(1,327,526)	(790,403)
Acquisition of prepaid assets	-	(217,710)	(174,119)
Use of supplies inventories	-	505,655	266,793
Use of prepaid assets	-	174,119	138,436
	-	(865,462)	(559,293)
INCREASE (DECREASE) IN NET ASSETS	2,877,705	(265,969)	(125,577)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	-	25,429,165	25,554,742
NET FINANCIAL ASSETS, END OF YEAR	2,877,705	25,163,196	25,429,165

The accompanying notes form part of these financial statements.

County of Northern Lights
Consolidated Statement of Cash Flows

For the year ended December 31, 2016

	2016	2015
	\$	\$
OPERATING		
Excess of revenue over expenditures	4,016,444	6,827,205
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,208,784	2,841,844
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(589,158)	(85,874)
Decrease (increase) in trade and other receivables	(10,814)	(821,464)
Decrease (increase) in prepaid expenditures	(43,592)	(35,683)
Decrease (increase) in inventory for consumption	(821,871)	(523,610)
Increase (decrease) in accounts payable and accrued liabilities	1,240,790	608,862
Increase (decrease) in deferred revenue	(278,107)	(708,592)
Increase (decrease) in reclamation liability costs	20,000	20,000
Cash from operations	6,742,476	8,122,688
CAPITAL		
Acquisition of tangible capital assets	(6,625,735)	(9,235,333)
INVESTING		
Decrease (increase) in investments	(2,496,210)	4,033,858
FINANCING		
Long-term liabilities issued	2,590,000	2,350,000
Long-term liabilities repaid	(708,066)	(559,454)
Cash applied to financing transactions	1,881,934	1,790,546
CHANGE IN CASH DURING THE YEAR	(497,535)	4,711,759
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	8,051,358	3,339,599
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	7,553,823	8,051,358

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Changes in Accumulated Surplus - Schedule 1
For the year ended December 31, 2016

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2016 Total \$	2015 Total \$
BALANCE, BEGINNING OF YEAR	820,013	37,923,906	54,295,903	93,039,822	86,212,617
Excess of revenue over expenses	4,016,444	-	-	4,016,444	6,827,205
Unrestricted funds designated for future use	(5,000,000)	5,000,000	-	-	-
Restricted funds used for tangible capital assets	-	(2,461,074)	2,461,074	-	-
Current years funds used for tangible capital assets	(4,164,661)	-	4,164,661	-	-
Annual amortization expense	3,208,784	-	(3,208,784)	-	-
Long-term liabilities obtained	2,590,000	-	(2,590,000)	-	-
Long-term liabilities repaid	(708,066)	-	708,066	-	-
Change in accumulated surplus	(57,499)	2,538,926	1,535,017	4,016,444	6,827,205
BALANCE, END OF YEAR	762,514	40,462,832	55,830,920	97,056,266	93,039,822

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Tangible Capital Assets - Schedule 2
For the year ended December 31, 2016

	Land \$	Buildings \$	Engineered Structures \$	Machinery and Equipment \$	Vehicles \$	2016 Total \$	2015 Total \$
COST:							
Balance, Beginning of Year	773,681	4,785,775	80,568,908	6,297,053	2,800,848	95,226,265	86,232,533
Acquisition of tangible capital assets	61,337	33,290	4,524,986	901,756	332,471	5,853,840	9,039,712
Construction-in-progress	-	-	771,895	-	-	771,895	195,621
Disposal of tangible capital assets	-	-	-	-	-	-	(241,600)
Balance, End of Year	835,018	4,819,065	85,865,789	7,198,809	3,133,319	101,852,000	95,226,266
ACCUMULATED AMORTIZATION:							
Balance, Beginning of Year	-	1,587,360	23,784,501	2,720,830	1,575,112	29,667,803	27,067,559
Annual amortization	-	114,062	2,368,384	504,164	222,174	3,208,784	2,841,844
Accumulated amortization on disposals	-	-	-	-	-	-	(241,600)
Balance, End of Year	-	1,701,422	26,152,885	3,224,994	1,797,286	32,876,587	29,667,803
NET BOOK VALUE	835,018	3,117,643	59,712,904	3,973,815	1,336,033	68,975,413	65,558,463
2015 NET BOOK VALUE	773,681	3,198,415	56,784,408	3,576,223	1,225,736	65,558,463	59,164,974

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Property and Other Taxes - Schedule 3
For the year ended December 31, 2016

	2016 Budget \$	2016 Actual \$	2015 Actual \$
TAXATION			
Real property taxes	11,053,566	11,298,050	11,097,077
Linear property taxes	9,563,788	9,342,787	10,178,066
Government grants in place of property taxes	30,252	21,900	24,799
Penalties and costs	165,000	314,280	230,793
	20,812,606	20,977,017	21,530,735
REQUISITIONS			
Provincial School Foundation Fund	3,543,040	3,690,028	3,667,773
Senior Foundation	514,358	520,726	483,300
	4,057,398	4,210,754	4,151,073
NET MUNICIPAL TAXES	16,755,208	16,766,263	17,379,662

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Government Transfers - Schedule 4

For the year ended December 31, 2016

	2016 Budget \$	2016 Actual \$	2015 Actual \$
<u>OPERATING</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	679,186	665,984	584,798
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	29,295	29,295	29,295
	708,481	695,279	614,093
<u>CAPITAL</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	-	2,878,892	2,742,965

The accompanying notes form part of these financial statements.

County of Northern Lights

Schedule of Consolidated Expenditures by Object - Schedule 5

For the year ended December 31, 2016

	Budget	2016	2015
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	3,812,343	3,781,877	3,739,370
Contracted and general services	7,250,200	6,732,765	6,293,740
Materials, goods and utilities	1,875,507	1,805,540	1,956,579
Transfers to local boards and agencies	2,737,681	2,708,523	1,698,510
Interest on long-term liabilities	1,061,699	328,626	295,179
Amortization of tangible capital assets	-	3,208,783	2,841,844
	16,737,430	18,566,114	16,825,222

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Segmented Disclosure - Schedule 6
For the year ended December 31, 2016

	Administrative Services \$	Council & Legislative Services \$	Protective Services \$	Transportation Services \$	Agricultural Services \$	Utilities & Environmental Services \$
REVENUE						
Net municipal taxes	16,766,263	-	-	-	-	-
Government transfer	114,406	-	-	3,099,848	168,359	67,500
User fees and sales of goods	52,349	-	34,727	542,747	15,361	779,855
Investment income	767,381	-	-	-	-	-
Oil well drilling taxes	22,836	-	-	-	-	-
	17,723,235	-	34,727	3,642,595	183,720	847,355
EXPENSES						
Salaries, wages and benefits	742,667	-	232,652	1,970,519	116,239	477,920
Contract and general services	751,476	280,793	513,440	3,893,822	421,334	564,480
Materials, goods and utilities	126,018	8,444	66,411	1,378,432	59,306	122,482
Transfers to local boards and agencies	-	947,063	10,967	-	110,898	-
Interest on long-term liabilities	-	-	-	74,611	-	254,015
	1,620,161	1,236,300	823,470	7,317,384	707,777	1,418,897
NET REVENUE, BEFORE AMORTIZATION	16,103,074	(1,236,300)	(788,743)	(3,674,789)	(524,057)	(571,542)
Amortization expense	110,852	-	66,664	2,438,532	26,872	565,863
NET REVENUE	15,992,222	(1,236,300)	(855,407)	(6,113,321)	(550,929)	(1,137,405)

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Segmented Disclosure - Schedule 6
For the year ended December 31, 2016

	Planning & Development Services \$	Family & Community Support Services \$	Economic Development & Community Services \$	Recreation & Cultural Services \$	2016 Total \$	2015 Total \$
REVENUE						
Net municipal taxes	-	-	-	-	16,766,263	17,379,662
Government transfer	-	120,058	4,000	-	3,574,171	3,357,058
User fees and sales of goods	12,635	-	14,233	-	1,451,907	1,947,074
Investment income	-	-	-	-	767,381	963,127
Oil well drilling taxes	-	-	-	-	22,836	5,506
	12,635	120,058	18,233	-	22,582,558	23,652,427
EXPENSES						
Salaries, wages and benefits	50,504	-	191,376	-	3,781,877	3,739,370
Contract and general services	196,667	-	110,753	-	6,732,765	6,293,740
Materials, goods and utilities	25	-	44,422	-	1,805,540	1,956,579
Transfers to local boards and agencies	-	150,072	8,250	1,481,273	2,708,523	1,698,510
Interest on long-term liabilities	-	-	-	-	328,626	295,179
	247,196	150,072	354,801	1,481,273	15,357,331	13,983,378
NET REVENUE, BEFORE AMORTIZATION	(234,561)	(30,014)	(336,568)	(1,481,273)	7,225,227	9,669,049
Amortization expense	-	-	-	-	3,208,783	2,841,844
NET REVENUE	(234,561)	(30,014)	(336,568)	(1,481,273)	4,016,444	6,827,205

The accompanying notes form part of these financial statements.

County of Northern Lights

Notes to the Financial Statements

December 31, 2016

DESCRIPTION OF OPERATIONS

The County of Northern Lights is a local government authority providing municipal services. The County is empowered through bylaws and policies approved by Council and pursuant to the Municipal Government Act.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Northern Lights are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the county are as follows:

a) Reporting Entity

These financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the County's reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting record revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

County of Northern Lights
Notes to the Financial Statements

December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Cash and Temporary Investments

Cash and cash equivalents consists of bank accounts and temporary investments with maturities of three months or less.

(e) Investments

Investments are recorded at fair market value.

(f) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

(g) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

(h) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the County is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

(i) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, the eligibility criteria have been met and reasonable estimates of the amounts can be determined.

(j) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

County of Northern Lights
Notes to the Financial Statements

December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - continued

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land	
Land Improvements	15-20
Buildings	25-50
Engineered structures	10-75
Machinery and equipment	5-20
Vehicles	3-20

Annual amortization is charged in the year of disposal and not in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operation leases and the related lease payments are charges to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

2. CASH AND TEMPORARY INVESTMENTS

	2016 \$	2015 \$
Cash (bank overdraft)	(14,871)	5,951,358
Temporary investment	7,568,694	2,100,000
	7,553,823	8,051,358

Temporary investment is a savings account with ATB Financial and earns interest at 1.4%.

County of Northern Lights
Notes to the Financial Statements

December 31, 2016

3. REVOLVING LOAN

The County of Northern Lights has a \$2,000,000 municipal revolving loan with ATB Financial. Advances under this operating loan are repayable on demand and bears interest at a rate of 2.45%.

As at December 31, 2016 the operating line of credit was unused.

4. RECEIVABLES

	2016	2015
	\$	\$
<hr/>		
Property taxes		
Current taxes and grants in place of taxes	729,996	317,937
Arrears	496,563	893,268
Allowance for doubtful accounts	(274,530)	(848,334)
	<hr/>	<hr/>
	952,029	362,871
<hr/>		
Other		
Trade	456,545	632,585
Interest accrued	427,943	222,172
GST	277,624	225,926
Loan	1,060,095	1,130,710
Allowance for doubtful accounts	(5,699)	(5,699)
	<hr/>	<hr/>
	2,216,508	2,205,694
	<hr/>	<hr/>
	3,168,537	2,568,565
<hr/>		

The loan receivable is from North Peace Housing Foundation, repayable over a 15 year period with interest charged at prime plus 0% (2.7%).

5. INVESTMENTS

	2016	2015
	\$	\$
<hr/>		
Guaranteed investment certificates	21,104,000	14,000,000
Bonds	12,205,306	12,246,898
Mutual funds	90,403	4,656,601
Alberta Municipal Financing Corporation Shares - at cost	70	70
	<hr/>	<hr/>
	33,399,779	30,903,569
<hr/>		

Guaranteed investment certificates have effective interest rates of 1.55% to 2.0% with maturities of more than 3 months.

Bonds include a mixture of high grade corporate and government bonds with effective interest rates of 2.105% to 4% and maturity dates of May, 2019 to June, 2025.

Council has designated investments for the funding of restricted reserves, including operating (\$16,759,414) and capital (\$23,703,418), totaling \$40,462,832.

County of Northern Lights
Notes to the Financial Statements

December 31, 2016

6. ACCOUNTS PAYABLE

	2016	2015
	\$	\$
Trade	2,544,238	1,806,844
Accrued interest	40,448	37,514
Construction holdbacks	666,987	207,376
Employee benefits and source deductions	22,674	31,548
Vacation and overtime	214,643	164,918
	3,488,990	2,248,200

Vacation and Overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

7. DEFERRED REVENUE

	2016	2015
	\$	\$
Prepaid property taxes and utilities	38,770	31,061
Municipal Sustainability Initiative - Capital	1,078,355	1,358,348
Bridge grant	-	5,823
	1,117,125	1,395,232

County of Northern Lights
Notes to the Financial Statements

December 31, 2016

8. LONG-TERM LIABILITIES

	2016	2015
	\$	\$
Alberta Capital Finance Authority - 4001014	660,842	722,365
Alberta Capital Finance Authority - 4001468	1,155,534	1,245,050
Alberta Capital Finance Authority - 4001621	1,339,491	1,429,180
Alberta Capital Finance Authority - 4001622	2,511,545	2,679,712
Alberta Capital Finance Authority - 4001728	2,668,379	2,836,253
Alberta Capital Finance Authority - 4001942	2,218,702	2,350,000
Alberta Capital Finance Authority - 4002130	2,590,000	-
	13,144,493	11,262,560

The Alberta Capital Finance Authority loan 4001014 is due September 2025 and is repayable over a 15 year period in semi-annual instalments of \$43,094 including interest charged at 3.488%.

The Alberta Capital Finance Authority loan 4001468 is due December 2027 and is repayable over a 15 year period in semi-annual instalments of \$60,820 including interest charged at 2.627%.

The Alberta Capital Finance Authority loan 4001621 is due December 16, 2028 and is repayable over a 15 year period in semi-annual instalments of \$68,024 including interest charged at 3.295%.

The Alberta Capital Finance Authority loan 4001622 is due December 16, 2028 and is repayable over a 15 year period in semi-annual instalments of \$127,545 including interest charged at 3.295%.

The Alberta Capital Finance Authority loan 4001728 is due September 15, 2029 and is repayable over a 15 year period in semi-annual instalments of \$123,256 including interest charged at 2.814%.

The Alberta Capital Finance Authority loan 4001942 is due December 15, 2030 and is repayable over a 15 year period in semi-annual instalments of \$94,141 including interest charged at 2.459%.

The Alberta Capital Finance Authority loan 4002130 is due December 15, 2031 and is repayable over a 15 year period in semi-annual instalments of \$106,308 including interest charged at 2.798%.

Debenture debt is issued on the credit and security of the County of Northern Lights.

Interest on long-term liabilities amounted to \$328,626 (2015 - \$295,179).

County of Northern Lights
Notes to the Financial Statements

December 31, 2016

9. LONG-TERM LIABILITIES - continued

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2017	870,282	376,091	1,246,373
2018	896,004	350,369	1,246,373
2019	922,491	323,882	1,246,373
2020	949,776	296,597	1,246,373
2021	977,876	268,497	1,246,373
Thereafter	8,528,064	1,378,417	9,906,481
	13,144,493	2,993,853	16,138,346

9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 40 years after closure using a discount rate of 6% and assuming annual inflation of 2%.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 1,728 cubic metres. The estimated remaining capacity if the landfill site is 850 cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2022 to 2024.

The County has not designated assets for settling closure and post-closure liabilities.

The liability at December 31, 2016 is \$168,335 (2015 - \$148,335) represents the present value of closure and post-closure costs.

10. DEBT LIMIT

Section 276(2) of the Municipal Government Act requires that total debt limit as defined by Alberta Regulation 255/00 for the County of Northern Lights be disclosed as follow:

	2016 \$	2015 \$
Total Debt Limit	29,555,499	31,364,193
Total Debt	13,144,493	11,262,560
Debt Limit Available	16,411,006	20,101,633
Debt Service Limit	4,925,917	5,227,366
Debt Service	870,282	708,051
Debt Service Limit Available	4,055,635	4,519,315

County of Northern Lights
Notes to the Financial Statements

December 31, 2016

11. DEBT LIMIT - continued

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
	\$	\$
Tangible capital assets (Schedule 2)	101,852,000	95,226,266
Accumulated amortization (Schedule 2)	(32,876,587)	(29,667,803)
Long-term liabilities (Note 8)	(13,144,493)	(11,262,560)
	55,830,920	54,295,903

12. ACCUMULATED SURPLUS

	2016	2015
	\$	\$
Unrestricted surplus	762,514	820,013
Restricted surplus		
Operating reserves		
Financial stabilization	10,488,089	5,488,089
Highway 35 access road	124,665	124,665
Rate stabilization fund	6,069,006	6,069,006
Municipal reserve	77,654	77,654
Capital reserves		
Airport	851,644	713,808
Agriculture service board	69,245	113,156
Capital facility	196,921	213,575
Chinchaga road improvement	621,530	621,530
General	-	398,622
Financial management	81,438	81,438
Fire protection	1,763,886	1,921,786
Fleet replacement	2,818,987	3,217,673
Inter-municipal	4,635,159	5,748,840
Recreation	327,520	327,520
Sewer	987,760	987,760
Transportation		
Road construction	3,800,874	4,489,056
Water upgrading	7,548,454	7,329,728
Equity in tangible capital assets	55,830,920	54,295,903
	97,056,266	93,039,822

County of Northern Lights
Notes to the Financial Statements

December 31, 2016

13. SALARY AND BENEFITS DISCLOSURE

	<u>2016</u>			<u>2015</u>	
	<u>Salary (1)</u>	<u>Benefits & Expenses (2)</u>		<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Anderson, Cheryl	24,825	1,843	11,073	37,741	39,943
Councilors					
Halabisky, Belinda	20,895	1,178	8,235	30,308	31,119
Kamieniecki, Edward	10,920	872	1,266	13,058	13,359
Loogman, Arie	19,005	1,074	5,340	25,419	25,895
Reese, Brent	15,120	881	2,621	18,622	24,175
Ungarian, Terry	20,175	1,145	7,785	29,105	30,053
Yasinski, Brenda	18,890	1,108	5,202	25,200	29,574
Chief Administrative Officer	189,698	34,100	10,628	234,426	196,560

- (1) Salary includes regular base pay, overtime, honoraria and any other direct cash remuneration.
- (2) Consists of employer's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, employment insurance, Workers' Compensation Board, health care, dental coverage, group life insurance, accidental death and dismemberment insurance, long and short term disability plans, retirement pension professional memberships and tuition.

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 153,000 people and 404 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP fund.

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

The County is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2016 were \$296,260 (2015 - \$290,963). Total current service contributions by the employees of the County to the LAPP in 2016 were \$272,981 (2015 - \$268,192).

County of Northern Lights
Notes to the Financial Statements

December 31, 2016

15. CONTINGENCIES

- (1) The County is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Alberta Society for Pension Reform has filed suit seeking entitlement to pension benefits. The likelihood of this suit being successful and the amount of any Court award is not presently determinable.

- (2) A claim has been filed against the County, regarding additional work done on the Vista Creek road, in the amount of \$2,797,742.

The likelihood of recovery against the County is undetermined, the County filed a statement of defence and also counterclaimed for \$346,403.

- (3) A claim has been filed against the County, regarding the termination of a lease relating to premises located at the Manning Airport, in the amount of \$750,000 for damages and \$250,00 for loss of business.

The likelihood of recovery against the County is undetermined.

16. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, receivables, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the County is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The County is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

The County hold bonds which may be exposed to interest risk if the bonds are traded. If the bonds are held to maturity there is no exposure to interest risk.

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

17. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current years presentation.

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.