STARLAND COUNTY

Financial Statements

Year Ended December 31, 2025

STARLAND COUNTY
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Year Ended December 31, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of Starland County (the "County") is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and all other information contained within this Financial Report. Management believes that, except for the possible effect of adjustments, if any, that might have been determined to be necessary had sufficient and appropriate information related to its utilities department been available, the financial statements present fairly the County's financial position as at December 31, 2025 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized, and assets are properly accounted for and safeguarded.

Management continues to take steps to strengthen internal controls, improve documentation and has initiated a review of utility processes, to strengthen oversight and improve the accuracy and completeness of financial reporting in future periods.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The County Council carries out its responsibilities for review of the financial statements primarily through the Council meetings. Council meets annually with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to Council with and without the presence of management. The County Council has approved the financial statements.

The financial statements have been audited by Ascend LLP, Chartered Professional Accountants, independent external auditors appointed by the County. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination, and their opinion on the County's financial statements.

Christopher Robblee, MPA
Chief Administrative Officer

Judy Fazekas, CPA, CGA
Corporate Services Director

INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of Starland County

Qualified Opinion

We have audited the financial statements of Starland County (the "County"), which comprise the statement of financial position as at December 31, 2025, and the statements of operations, changes in net financial assets, remeasurement gains and losses, and cash flows for the year then ended, and notes and schedules to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified Opinion

Subsequent to year end, the County has initiated a forensic investigation related to suspected irregularities in its utilities department (note 26). As the investigation is in its preliminary stage as of the date of our auditor's report, we were unable to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of these utility transactions and balances due to deficiencies in the underlying records and supporting documentation. Consequently, we were unable to determine whether any adjustments might be necessary to utility revenue and expenses, related trade accounts receivable, and related disclosures (see note 21). Our audit opinion on the financial statements for the year ended December 31, 2025 was modified because of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the County in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter

We draw your attention to Note 2 to these financial statements, which describes a prior period adjustment to correct the recognition of Local Government Fiscal Framework capital funding for the year ended December 31, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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In preparing the financial statements, management is responsible for assessing the County's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the County or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the County's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Independent Auditor's Report to the Reeve and Council of Starland County *(continued)*

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the County is in compliance with the Debt Limit Regulation. A detailed account of the County's debt limit can be found in Note 13.

Supplementary Accounting Principles and Standards Regulation: In accordance with Alberta Regulation 313/2000, we confirm that the County is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 1.

Ascend

Ascend LLP
Chartered Professional Accountants
Hanna, Alberta
April 22, 2026

STARLAND COUNTY
Statement of Financial Position
As at December 31, 2025

	2025	2024 *(Restated)*
FINANCIAL ASSETS		
Cash *(Note 3)*	$ 15,765,359	$ 11,847,722
Receivables		
Taxes and grants in place of taxes receivable *(Note 4)*	3,933,212	1,379,455
Trade and other receivables *(Note 4)*	548,021	692,727
Land inventory held for resale	17,170	17,170
Loan receivable *(Note 5)*	2,088,151	2,193,778
Investments *(Note 6)*	527,887	499,586
	22,879,800	16,630,438
LIABILITIES		
Revolving line of credit *(Note 7)*	-	104,125
Accounts payable and accrued liabilities *(Note 8)*	820,662	410,850
Deferred revenue *(Note 9)*	188,838	753,640
Employee benefit obligations *(Note 10)*	376,551	324,109
Asset retirement obligations *(Note 11)*	985,172	951,241
Long-term debt and capital lease obligations *(Note 12)*	2,460,836	2,560,098
	4,832,059	5,104,063
NET FINANCIAL ASSETS	18,047,741	11,526,375
NON-FINANCIAL ASSETS		
Tangible capital assets *(Schedule 2)*	54,254,628	54,583,407
Inventory for consumption *(Note 14)*	2,202,666	2,005,207
Gravel reserves *(Note 15)*	490,653	490,653
Prepaid expenses	426,758	239,931
	57,374,705	57,319,198
ACCUMULATED SURPLUS	$ 75,422,446	$ 68,845,573
ACCUMULATED SURPLUS CONSISTS OF:		
Accumulated operating surplus *(Schedule 1, Note 17)*	$ 75,127,065	$ 68,528,712
Accumulated remeasurement gains	295,381	316,861
	$ 75,422,446	$ 68,845,573

CONTRACTUAL OBLIGATIONS *(Note 22)*
NON-MONETARY TRANSACTION *(Note 24)*
CONTINGENCIES *(Note 25)*
SUBSEQUENT EVENT *(Note 26)*

Approved on behalf of the County Council:

Steve Wannstrom (Apr 28, 2026 07:12:14 CDT)
Reeve

Jacqueline Watts (Apr 27, 2026 10:46:53 MDT)
Councillor

The accompanying notes are an integral part of these financial statements

STARLAND COUNTY

Statement of Operations

Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024 *(Restated)*
REVENUE			
Net municipal taxes *(Schedule 3)*	$ 14,910,606	**$ 16,647,330**	$ 14,974,996
User fees and sales of goods	884,050	**1,243,622**	996,271
Government transfers for operating *(Schedule 4)*	888,715	**788,271**	803,909
Investment income	160,700	**368,096**	432,611
Penalties and costs on taxes	15,400	**735,196**	505,217
Licenses and permits	2,500	**3,240**	2,870
Rentals	115,000	**139,123**	118,750
Gain on disposal of tangible capital assets	36,000	**-**	1,189
Other	12,000	**626**	8,656
Total Revenue	17,024,971	**19,925,504**	17,844,469
EXPENSES			
General government			
Council and other legislative	286,950	**210,306**	216,647
General administration	3,921,381	**3,982,716**	4,568,358
Protective services			
Police	162,906	**162,906**	164,965
Fire	348,736	**429,792**	424,893
Disaster and emergency measures	10,000	**-**	594
Bylaw enforcement	938,700	**730,908**	649,443
Transportation			
Roads, streets, walks, lighting	5,773,300	**6,991,565**	7,110,288
Environmental use and protection			
Water supply and distribution	927,300	**1,008,023**	1,066,125
Wastewater treatment and disposal	86,100	**120,790**	107,899
Waste management	249,600	**203,808**	218,639
Public health and welfare			
Family and community support	139,500	**151,627**	167,070
Cemeteries and crematoriums	45,500	**27,940**	38,835
Planning and development			
Land use planning, zoning and development	8,800	**26,328**	3,157
Land, housing and building rentals	17,000	**3,194**	15,959
Agricultural development			
Agricultural development	620,500	**571,557**	514,265
Recreation and culture			
Parks and recreation	510,900	**521,162**	489,065
Libraries, museums, halls	20,359	**20,359**	19,958
Total Expenses	14,067,532	**15,162,981**	15,776,160
EXCESS OF REVENUE OVER EXPENSES - BEFORE CAPITAL REVENUE	2,957,439	**4,762,523**	2,068,309
Government transfers for capital *(Schedule 4)*	1,325,569	**1,835,830**	627,292
EXCESS OF REVENUE OVER EXPENSES	4,283,008	**6,598,353**	2,695,601
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR	69,028,938	**68,528,712**	65,833,111
ACCUMULATED OPERATING SURPLUS, END OF YEAR	$ 73,311,946	**$ 75,127,065**	$ 68,528,712

The accompanying notes are an integral part of these financial statements

STARLAND COUNTY

Statement of Remeasurement Gains and Losses

Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024
ACCUMULATED REMEASUREMENT GAIN, BEGINNING OF YEAR	$ 316,861	**$ 316,861**	$ 251,034
Unrealized (loss) gain attributed to equity investments	-	**(21,480)**	65,827
ACCUMULATED REMEASUREMENT GAIN, END OF YEAR	$ 316,861	**$ 295,381**	$ 316,861

The accompanying notes are an integral part of these financial statements

STARLAND COUNTY

Statement of Changes in Net Financial Assets

Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024 *(Restated)*
EXCESS OF REVENUE OVER EXPENSES	$ 4,283,008	**$ 6,598,353**	$ 2,695,601
Acquisition of tangible capital assets *(Schedule 2)*	(3,984,000)	**(2,459,566)**	(1,084,638)
Proceeds on disposal of tangible capital assets	-	**-**	1,189
Amortization of tangible capital assets	-	**2,788,235**	2,805,701
Loss on disposal of tangible capital assets	-	**110**	29,334
	(3,984,000)	**328,779**	1,751,586
Change in inventory for consumption	-	**(197,459)**	(251,533)
Change in prepaid expenses	-	**(186,827)**	(55,725)
Unrealized remeasurement (losses) gains *(Note 6)*	-	**(21,480)**	65,827
	(3,984,000)	**(76,987)**	1,510,155
INCREASE IN NET FINANCIAL ASSETS	299,008	**6,521,366**	4,205,756
NET FINANCIAL ASSETS, BEGINNING OF YEAR	11,526,375	**11,526,375**	7,320,619
NET FINANCIAL ASSETS, END OF YEAR	$ 11,825,383	**$ 18,047,741**	$ 11,526,375

The accompanying notes are an integral part of these financial statements

STARLAND COUNTY

Statement of Cash Flows

Year Ended December 31, 2025

		2025		2024 *(Restated)*
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Excess of revenue over expenses	$	6,598,353	$	2,695,601
Non-cash items included in excess of revenue over expenses:				
Amortization of tangible capital assets *(Schedule 2)*		2,788,235		2,805,701
Loss on disposal of tangible capital assets		110		29,334
Accretion of asset retirement obligations *(Note 11)*		33,931		32,315
		9,420,629		5,562,951
Non-cash changes to operations (net change):				
Taxes and grants in place of taxes receivable		(2,553,757)		(1,178,599)
Trade and other receivables		144,706		(266,141)
Inventory for consumption		(197,459)		(251,533)
Prepaid expenses		(186,827)		(55,725)
Accounts payable and accrued liabilities		409,812		88,768
Deferred revenue		(564,802)		745,693
Employee benefit obligations		52,442		(23,025)
Gravel pit reclamation payable		-		-
		(2,895,885)		(940,562)
		6,524,744		4,622,389
CAPITAL				
Acquisition of tangible capital assets *(Note 24)*		(2,222,752)		(1,084,638)
Proceeds on disposal of tangible capital assets		-		1,189
		(2,222,752)		(1,083,449)
INVESTING				
Decrease (increase) in restricted cash		128,706		(248,599)
Purchase of investments		(49,781)		(52,193)
Repayment on loan receivable		105,627		104,414
		184,552		(196,378)
FINANCING				
Proceeds from revolving line of credit		-		624,750
Repayment of revolving line of credit		(104,125)		(905,625)
Repayment of long-term debt		(228,856)		(225,076)
Repayment of capital lease obligations *(Note 24)*		(107,220)		(70,097)
		(440,201)		(576,048)
CHANGE IN CASH DURING THE YEAR		4,046,343		2,766,514
CASH, BEGINNING OF YEAR		11,588,341		8,821,827
CASH, END OF YEAR	$	15,634,684	$	11,588,341
CASH CONSISTS OF:				
Cash	$	15,765,359	$	11,847,722
Less: restricted portion of cash *(Note 3)*		(130,675)		(259,381)
	$	15,634,684	$	11,588,341

The accompanying notes are an integral part of these financial statements

STARLAND COUNTY

Schedule of Changes in Accumulated Operating Surplus **(Schedule 1)**

Year Ended December 31, 2025

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2025	2024 *(Restated)*
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED	$ 8,577,461	$ 7,017,126	$ 53,434,351	**$ 69,028,938**	$ 65,833,111
Prior period adjustment *(Note 2)*	(500,226)	-	-	**(500,226)**	-
BALANCE, BEGINNING OF YEAR, AS RESTATED	8,077,235	7,017,126	53,434,351	**68,528,712**	65,833,111
Excess of revenue over expenses	6,598,353	-	-	**6,598,353**	2,695,601
Unrestricted funds designated for future use	(100,000)	100,000	-	-	-
Current year funds used for tangible capital assets	(2,222,752)	-	2,222,752	-	-
Net book value of disposed tangible capital assets	110	-	(110)	-	-
Annual amortization expense	2,788,235	-	(2,788,235)	-	-
Asset retirement obligations accretion expense	33,931	-	(33,931)	-	-
Short-term debt related to tangible capital assets repaid	(104,125)	-	104,125	-	-
Long-term debt related to tangible capital assets repaid	(122,030)	-	122,030	-	-
Capital lease obligations repaid	(107,220)	-	107,220	-	-
Change in accumulated operating surplus	(1,812,959)	(6,917,126)	(53,700,500)	**(62,430,585)**	(63,137,510)
BALANCE, END OF YEAR	$ 14,841,737	$ 7,117,126	$ 53,168,202	**$ 75,127,065**	$ 68,528,712

The accompanying notes are an integral part of these financial statements

STARLAND COUNTY
Schedule of Tangible Capital Assets **(Schedule 2)**
Year Ended December 31, 2025

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2025	2024
COST								
BALANCE, BEGINNING OF YEAR	$ 3,269,695	$ 747,163	$ 14,609,083	$ 78,811,948	$ 13,598,429	$ 4,586,729	**$115,623,047**	$115,038,396
Acquisition of tangible capital assets	-	-	55,260	367,641	1,255,430	476,743	**2,155,074**	1,003,921
Construction-in-progress	-	-	228,899	75,593	-	-	**304,492**	80,717
Disposal of tangible capital assets	-	-	-	(1,253)	-	-	**(1,253)**	(499,987)
BALANCE, END OF YEAR	3,269,695	747,163	14,893,242	79,253,929	14,853,859	5,063,472	**118,081,360**	115,623,047
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	426,540	1,700,430	45,231,104	10,057,512	3,624,054	**61,039,640**	58,703,403
Amortization	-	27,007	235,096	1,558,665	754,893	212,574	**2,788,235**	2,805,701
Amortization on disposals	-	-	-	(1,143)	-	-	**(1,143)**	(469,464)
BALANCE, END OF YEAR	-	453,547	1,935,526	46,788,626	10,812,405	3,836,628	**63,826,732**	61,039,640
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 3,269,695	$ 293,616	$ 12,957,716	$ 32,465,303	$ 4,041,454	$ 1,226,844	**$ 54,254,628**	$ 54,583,407
2024 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 3,269,695	$ 320,623	$ 12,908,653	$ 33,580,844	$ 3,540,917	$ 962,675	**$ 54,583,407**	

Included in tangible capital assets are vehicles under capital lease with a total cost of $559,012 (2024 - $322,198) and accumulated amortization of $114,492 (2024 - $62,061).

Construction-in-progress represents additions to tangible capital assets under development and is not amortized until the assets are available for use.

The County owns Springwater School, a historical building, which is not included in the tangible capital assets.

The accompanying notes are an integral part of these financial statements

STARLAND COUNTY

Schedule of Property and Other Taxes (Schedule 3)

Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024
TAXATION			
Real property taxes	$ 17,652,350	**$ 6,700,666**	$ 6,887,713
Linear property taxes	-	**12,688,408**	10,562,031
	17,652,350	**19,389,074**	17,449,744
REQUISITIONS			
Alberta School Foundation Fund	2,181,548	**2,181,548**	1,957,998
Drumheller and District Senior's Foundation	560,196	**560,196**	516,750
	2,741,744	**2,741,744**	2,474,748
NET MUNICIPAL TAXES	$ 14,910,606	**$ 16,647,330**	$ 14,974,996

Schedule of Government Transfers (Schedule 4)

Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024 *(Restated)*
TRANSFERS FOR OPERATING			
Provincial government	$ 866,780	**$ 737,861**	$ 781,974
Federal government	-	**28,475**	-
Local governments	21,935	**21,935**	21,935
	888,715	**788,271**	803,909
TRANSFER FOR CAPITAL			
Provincial government	1,318,069	**1,835,830**	627,292
Federal government	7,500	**-**	-
	1,325,569	**1,835,830**	627,292
TOTAL GOVERNMENT TRANSFERS	$ 2,214,284	**$ 2,624,101**	$ 1,431,201

STARLAND COUNTY

Schedule of Expenses by Object **(Schedule 5)**

Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024
EXPENSES BY OBJECT			
Salaries, wages and benefits	$ 6,242,950	**$ 5,370,194**	$ 5,231,465
Contracted and general services	2,849,636	**2,413,888**	2,135,748
Purchases from other governments	205,706	**197,863**	209,535
Materials, goods, supplies and utilities	2,933,000	**2,402,132**	2,699,230
Provision for allowances	1,200,000	**1,430,317**	2,232,607
Transfers to individuals and organizations	519,959	**467,115**	487,916
Bank charges and short-term interest	34,500	**4,467**	3,714
Interest on capital long-term debt and capital lease obligations	32,000	**25,846**	23,627
Interest on operating long-term debt	49,781	**49,062**	51,490
Amortization of tangible capital assets *(Note 1)*	-	**2,768,056**	2,637,990
Loss on disposal of tangible capital assets	-	**110**	30,523
Accretion of asset retirement obligations *(Note 11)*	-	**33,931**	32,315
	$ 14,067,532	**$ 15,162,981**	$ 15,776,160

The accompanying notes are an integral part of these financial statements

STARLAND COUNTY
Schedule of Segmented Disclosure
Year Ended December 31, 2025

(Schedule 6)

	General Government	Protective Services	Transportation	Environmental Use and Protection	Public Health and Welfare	Planning and Development	Agricultural Development	Recreation and Culture	Total
Revenue									
Net municipal taxes	$ 16,647,330	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,647,330
User fees and sales of goods	39,176	76,604	479,433	426,703	18,255	-	45,003	158,448	1,243,622
Government transfers for operating	327,132	30,986	-	93,225	113,623	-	223,305	-	788,271
Investment income	368,096	-	-	-	-	-	-	-	368,096
Penalties and costs on taxes	735,196	-	-	-	-	-	-	-	735,196
Licenses and permits	2,620	620	-	-	-	-	-	-	3,240
Rentals	-	29,769	-	-	-	109,354	-	-	139,123
Other	-	-	-	26	600	-	-	-	626
	18,119,550	137,979	479,433	519,954	132,478	109,354	268,308	158,448	19,925,504
Expenses									
Salaries, wages and benefits	1,889,725	596,675	2,257,592	88,566	13,051	720	343,424	180,441	5,370,194
Contracted and general services	609,385	192,824	1,234,551	209,112	3,714	26,968	73,161	64,173	2,413,888
Purchases from other governments	2,344	189,031	6,488	-	-	-	-	-	197,863
Materials, goods, supplies and utilities	79,881	169,135	1,423,969	538,616	-	1,834	115,761	72,936	2,402,132
Provision for allowances	1,430,317	-	-	-	-	-	-	-	1,430,317
Transfers to individuals and organizations	28,860	10,000	-	106,644	162,802	-	2,000	156,809	467,115
Bank charges and short-term interest	4,467	-	-	-	-	-	-	-	4,467
Interest on capital long-term debt and capital lease obligations	-	-	25,846	-	-	-	-	-	25,846
Interest on operating long-term debt	49,062	-	-	-	-	-	-	-	49,062
Loss on disposal of tangible capital assets	-	-	110	-	-	-	-	-	110
	4,094,041	1,157,665	4,948,556	942,938	179,567	29,522	534,346	474,359	12,360,994
NET REVENUE, BEFORE AMORTIZATION AND OTHER	14,025,509	(1,019,686)	(4,469,123)	(422,984)	(47,089)	79,832	(266,038)	(315,911)	7,564,510
Government transfers for capital	-	-	1,766,295	-	-	14,275	-	55,260	1,835,830
Amortization expense *(Note 1)*	(98,981)	(165,941)	(2,043,009)	(355,752)	-	-	(37,211)	(67,162)	(2,768,056)
Accretion of asset retirement obligations	-	-	-	(33,931)	-	-	-	-	(33,931)
NET REVENUE	$ 13,926,528	$ (1,185,627)	$ (4,745,837)	$ (812,667)	$ (47,089)	$ 94,107	$ (303,249)	$ (327,813)	$ 6,598,353

The accompanying notes are an integral part of these financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Starland County (the "County") are the representations of management and are prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board and as published by the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances, and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the County and are, therefore, accountable to the County Council for the administration of their financial affairs and resources.

The County is a member of Starland Regional Water Authority (the "Authority"). The financial statements do not include the assets, liabilities, fund balances, revenue and expenditures of the Authority (note 21).

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal 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 recognizes 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 the 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 or goods have yet to be provided.

Revenue is recognized in the period when the related expenses are incurred, services performed or goods provided, or the tangible capital assets are acquired.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Use of Estimates

The preparation of financial statements in conformity with 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 revenues and expenditures 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.

Significant financial statement areas requiring the use of management estimates include:

- Allowance for doubtful accounts;
- Inventory valuation;
- Useful life of tangible capital assets;
- Capitalization of overhead associated with construction;
- Fair value of equity instruments quoted in active market;
- Gravel reserves;
- Employee benefit obligation; and
- Asset retirement obligations.

(d) Valuation of Financial Assets and Liabilities

The County's financial assets and liabilities are measured as follows:

Financial statement component	Measurement
Cash	Cost and amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Land inventory held for resale	Lower of cost or net realizable value
Loan receivable	Amortized cost
Investments	Fair value and amortized cost
Revolving line of credit	Amortized cost
Accounts payable and accrued liabilities	Cost
Employee benefit obligations	Cost
Long-term debt and capital lease obligations	Amortized cost

(e) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments.

(f) Investments

Investments in derivatives and equity instruments quoted in an active market are carried at fair value with transaction costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses. When the investment is disposed of the accumulated gains or losses are reclassified to the Statement of Operations.

Investments in interest bearing securities are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Loans Receivable

Loans receivable are initially recognized at cost, net of any transaction costs, with interest income recognized using the effective interest method. Loans receivable are subsequently measured at amortized cost, net of any valuation allowances

(h) Long-term debt and capital lease obligations

Long-term debt and capital lease obligations are initially recognized net of any premiums, discounts, fees and transactions costs, with interest expense recognized using the effective interest method. Long-term debt and capital lease obligations are subsequently measured at amortized cost.

(i) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(j) 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 levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as tangible capital assets under the respective function.

(k) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

(l) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when the County is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance, and monitoring.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Asset Retirement

Asset retirement obligations are legal obligations associated with the retirement of a tangible capital asset. Asset retirement activities include all activities relating to an asset retirement obligation. These may include, but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- remediation of contamination of a tangible capital asset created by its normal use;
- post-retirement activities such as monitoring; and
- constructing other tangible capital assets to perform post-retirement activities.

A liability for an asset retirement obligation is recognized when, as at the financial reporting date:

a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
b) the past transaction or event giving rise to the liability has occurred;
c) it is expected that future economic benefits will be given up; and
d) a reasonable estimate of the amount can be made.

The County recognizes liabilities in the period in which an obligation arises for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the tangible capital assets. The obligations are initially measured at management's best estimate of the requirements to settle the retirement obligation. Costs are only discounted where the amount and timing are known with certainty such that discounting would result in a more accurate measurement of the liability.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

(n) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the County has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

(o) 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, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Contributions

Contributions received from third parties are recognized as revenue when the related expenditures have been incurred.

(q) Deferred Revenues

Deferred revenues represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met. Interest earned on deferred revenues, reserves, and offsite levies are calculated using an average investment earnings monthly.

(r) 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 change in net financial assets for the year.

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, and asset retirement cost. 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 improvements	10 to 45
Buildings	25 to 50
Engineered structures	
Water system	45 to 75
Wastewater system	45 to 75
Other engineered structures	5 to 75
Machinery and equipment	5 to 40
Vehicles	10 to 40

In the year of acquisition of a tangible capital asset, annual amortization is charged based on the number of months owned. In the year of disposition of a tangible capital asset, annual amortization is based on the number of months owned. Assets under construction are not amortized until the asset is available for productive use.

The County accounts for amortization that relates to self-construction of tangible capital assets within the segmented expense to which it applies. During the year, the County included $20,179 (2024 - $167,711) within its segmented disclosure.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue. Where the estimate of fair value cannot be made or where there is no future benefit related to the asset, the tangible capital assets is recognized at a nominal value.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Non-Financial Assets (*continued*)

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 operating leases and the related lease payments are charged to expenses as incurred. Capital lease obligations are included in long-term debt and capital lease obligations on the Statement of Financial Position.

iv. Inventories

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

v. Cultural and Historical Tangible Capital Assets

Historical buildings and works of art for display are not recorded as tangible capital assets but are disclosed.

2. PRIOR PERIOD ADJUSTMENT

The County has corrected recognition of its Local Government Fiscal Framework capital funding for the year ended December 31, 2024. As a result deferred revenue and government transfers for capital increased by $500,226, and accumulated surplus decreased by $500,226.

3. CASH

The County earns interest on its account deposits at rates between prime rate less 1.9% and prime rate less 1.6%. All deposits are highly liquid and redeemable within 90 days or less.

Included in cash is a tax sales surplus of $13,269 (2024 - $5,967) that is not available for general use.

The County received certain funding that are restricted in their use and are to be utilized as funding for certain projects. Since certain projects have not been completed, for which this restricted funding has been received, $117,406 (2024 - $253,414) of the cash on hand is not available for general use by the County (Note 9).

The County has an operating line of credit with ATB Financial, with a maximum authorized limit of $10,000,000, which bears interest at prime rate plus 1%. As at year end, no amount was drawn on this line of credit.

4. RECEIVABLES

	2025	2024
Property taxes		
Current taxes and grants in place of taxes	**$ 5,306,604**	$ 3,218,457
Arrears	**5,293,199**	3,448,750
Allowance for doubtful accounts	**(6,666,591)**	(5,287,752)
	$ 3,933,212	$ 1,379,455
Other		
Trade accounts *(Note 21)*	**$ 365,520**	$ 581,344
Provincial government receivables	**71,432**	-
Local government receivables	**27,284**	32,695
Goods and services tax	**83,785**	78,688
	$ 548,021	$ 692,727

5. LOAN RECEIVABLE

Loan receivable from Starland Seed Cleaning Plant Limited, bearing interest at 2.30%, repayable in semi-annual instalments of principal payments and interest via issuance of shares (Note 6) for the first eight years of the term, secured, due September 2041.

The loan receivable is secured by the following:

- A collateral mortgage charging the lands as security for the repayment in full of the loan;
- A general security agreement covering all present and after acquired personal property and the proceeds thereof of the borrower; and
- Such further and other security and resolutions, certificates, opinions as the lender may request from the borrower from time to time.

6. INVESTMENTS

	2025 Carrying value	2025 Market value	2024 Carrying value	2024 Market value
Other institutional and private – amortized cost	**$ 232,506**	**$ 232,506**	$ 182,725	$ 182,725
Equity instruments quoted in active market – carried at fair value (a)	**295,381**	**295,381**	316,861	316,861
	$ 527,887	**$ 527,887**	$ 499,586	$ 499,586

The County received 3,653 common shares in Sun Life Financial Inc. (formerly Clarica) as part of the demutualization of the life insurance held on a number of their employees.

The County advanced funds to Starland Seed Cleaning Plant Limited with semi-annual instalments of principal plus interest. In lieu of interest, Starland Seed Cleaning Plant Limited issues preferred Class C investment shares in equivalent value to the total interest paid for the corresponding year of the term, and calculated at an exchange rate of $1.00 per share. During the year, the County subscribed for 49,781 (2024 - 52,193) preferred Class C investment shares.

(continues)

6. INVESTMENTS *(continued)*

Investment income recognized in the Statement of Operations includes $49,781 (2024 - $52,193) of interest income and $12,828 (2024 - $11,617) of dividend income.

Unrealized loss on equity investments carried at fair value of $21,480 (2024 - gain of $65,827) have been recognized in the Statement of Remeasurement Gains and Losses.

The fair value measurements are those derived from:

(a) Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets.

(b) Level 2: Valuation methods that make use of inputs, other than quoted prices included within Level 1, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models.

(c) Level 3: Valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation.

7. REVOLVING LINE OF CREDIT

The County has authorized revolving line of credit with Caterpillar Financial Commercial Account Corporation for $1,200,000. The line of credit is to be utilized to rebuild certain machinery and equipment. As at year end, the County had $1,200,000 (2024 - $1,095,875) available for use.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Trade payables	**$ 757,158**	$ 334,413
Accrued liabilities	**53,960**	51,235
Payable to other governments	**9,544**	25,202
	$ 820,662	$ 410,850

Included in trade payables is $21,543 (2024 - $22,929) related to amounts payable to the Starland Regional Water Authority for the purchase of water (note 21).

9. DEFERRED REVENUE

	2024 *(Restated)*	Additions (Returned)	Recognized	**2025**
Village of Munson - Firetruck contribution	$ -	$ 71,432	$ -	**$ 71,432**
Drought and Flood Protection Program	157,500	4,131	(93,225)	**68,406**
R.E. Herzog Farms Scholarship	50,000	-	(1,000)	**49,000**
Northern and Regional Economic Development Program	42,179	(27,904)	(14,275)	**-**
Canada Community - Building Fund	3,735	160,618	(164,353)	**-**
Local Government Fiscal Framework - Capital	500,226	1,102,363	(1,602,589)	**-**
	$ 753,640	$ 1,310,640	$ (1,875,442)	**$ 188,838**

Deferred revenue is comprised of the funds noted above, the use of which, together with earnings thereon, is restricted by agreement. These funds are recognized as revenue in period they are used for the purpose specified.

Village of Munson - Firetruck contribution

The contribution from the Village of Munson represents approved funding equal to 30% of the cost of a fire truck acquisition. As funds have not yet been received, they are recorded as an accounts receivable.

Drought and Flood Protection Program ("DFPP")

The DFPP provides funding for the Wastewater Flood and Drought Resiliency Assessment project to assess all wastewater lagoons located within the County and to design a solution for the most at-risk. The balance as at year end represents the unspent portion of the funding received.

R.E. Herzog Farms Scholarship

Donation received from R.E. Herzog Farms is to be used to support individuals pursuing a career in farming, by disbursing $1,000 per annum for 50 years.

Northern and Regional Economic Development Program ("NRED")

The NRED provides funding to support a feasibility study for the economic development strategy of a mixed use commercial and light industrial business park. The unspent portion of $27,904 was returned to the Province.

Unexpended funds related to these advances are supported by restricted cash of $117,406 (Note 3) that are held exclusively for these funding.

10. EMPLOYEE BENEFIT OBLIGATIONS

The vested sick leave payable is comprised of paid sick days that employees have not used and are being deferred to future years.

11. ASSET RETIREMENT OBLIGATIONS

Gravel pit reclamation

The gravel pit reclamation payable represents anticipated costs for reclamation of gravel pits owned and operated by the County. Reclamation is required to be completed upon closure of the gravel pit but may also be completed to reclaim partial areas while the pit is still in operation. The reclamation liability of $272,630 (2024 -$272,630) is based on estimates and assumptions using the best information available at the end of the reporting period.

There was no gravel crushing activity in 2025, resulting in no change to the volume which requires remediation.

Due to the uncertainty on the timing of reclamation activities, including the expected closure dates of individual gravel pits, and timing of final restoration work, the liability has been recorded on an undiscounted basis.

Lagoon reclamation

The County operates lagoon sites and is legally required to perform reclamation of the land surface upon retirement of these sites. Reclamation activities include disposal of waste, removal of overflow culvert and other structures, lagoon deconstruction, surface restoration, and landscaping. A liability for the total obligation has been accrued. The County estimates that no obligation is incurred incrementally due to volume of wastewater accepted; therefore, no further obligation is being accrued based on volume of wastewater.

The liability is based on management's best estimate. Undiscounted future cash flows expected include closure costs of $602,800 in year 2027, $330,000 in year 2056, and $968,000 in year 2073. The estimated total liability of $712,542 (2024 - $678,611) is based on the discounted future cash flows for reclamation activities using a discount rate of 5%. The County has not designated assets for settling the reclamation activities.

	2025	2024
Balance, beginning of year	$ **678,611**	$ 646,296
Accretion expense	**33,931**	32,315
Estimated total liability	$ **712,542**	$ 678,611

12. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

	2025	2024
Tax supported debentures - capital	$ **61,532**	$ 183,563
Tax supported debentures - operating	**2,086,952**	2,193,778
Capital lease obligations	**312,352**	182,757
	$ **2,460,836**	$ 2,560,098

The current portion of the long-term debt and capital lease obligations amounts to $306,364 (2024 - $347,681).

(continues)

12. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS *(continued)*

Principal and interest repayments are as follows:

	Principal	Interest	Total
2026	$ 306,364	$ 53,918	$ 360,282
2027	288,633	46,637	335,270
2028	114,402	42,205	156,607
2029	117,045	39,562	156,607
2030	119,749	36,858	156,607
Thereafter	1,514,643	208,038	1,722,681
	$ 2,460,836	$ 427,218	$ 2,888,054

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging 1.13% and 2.30% per annum, and matures in June 2026 and September 2041.

Debenture debt is issued on the credit and security of the County at large.

Capital lease obligation, repayable in blended monthly instalments of $1,321, bearing interest at 9.69%, and matures in November 2027. The capital lease obligation is secured by a vehicle with a net book value of $46,502.

Capital lease obligation, repayable in blended monthly instalments of $1,636, bearing interest at 9.37%, and matures in July 2026. The capital lease obligation is secured by a vehicle with a net book value of $43,595.

Capital lease obligation, repayable in blended monthly instalments of $1,563, bearing interest at 6.98%, and matures February 2027. The capital lease obligation is secured by a vehicle with a net book value of $42,662.

Capital lease obligation, repayable in blended monthly instalments of $1,563, bearing interest at 6.92%, and matures October 2026. The capital lease obligation is secured by a vehicle with a net book value of $42,662.

Capital lease obligation, repayable in blended monthly instalments of $1,526, bearing interest at 7.92%, and matures in November 2027. The capital lease obligation is secured by a vehicle with a net book value of $52,496.

Capital lease obligation, repayable in blended monthly instalments of $1,461, bearing interest at 8.60%, and matures in April 2027. The capital lease obligation is secured by a vehicle with a net book value of $50,927.

Capital lease obligation, repayable in blended monthly instalments of $1,466, bearing interest at 8.86%, and matures in May 2027. The capital lease obligation is secured by a vehicle with a net book value of $50,061.

Capital lease obligation, repayable in blended monthly instalments of $1,461, bearing interest at 8.60%, and matures in April 2027. The capital lease obligation is secured by a vehicle with a net book value of $50,061.

Capital lease obligation, repayable in blended monthly instalments of $1,860, bearing interest at 8.64%, and matures in June 2027. The capital lease obligation is secured by a vehicle with a net book value of $65,554.

Interest on long-term debt and capital lease obligations amounted to $74,908 (2024 - $75,117).

The County's total cash payments for interest in 2025 were $60,585 (2024 - $60,254).

13. DEBT LIMITS AND DEBT SERVICING LIMIT

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Starland County be disclosed as follows:

	2025	2024
Total debt limit	$ 29,888,256	$ 26,766,704
Total debt	2,460,836	2,560,098
Amount of debt limit unused	$ 27,427,420	$ 24,206,606
Debt servicing limit	$ 4,981,376	$ 4,461,117
Debt servicing	360,282	414,409
Amount of debt servicing limit unused	$ 4,621,094	$ 4,046,708

The debt limit is calculated at 1.5 times revenue of the municipality excluding transfers from the governments of Alberta and Canada for the purpose of capital property (as defined in Alberta Regulation 255/2000) 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 that 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.

Total debt includes long-term debt less debt charges recoverable. Debt servicing includes principal and interest payments due on long-term debt and capital lease obligations in the twelve months subsequent to year-end less amounts that are recoverable.

14. INVENTORY FOR CONSUMPTION

	2025	2024
Transportation - gravel	$ 1,543,540	$ 1,380,613
Transportation - repairs	323,955	292,135
Transportation - other	115,128	93,475
Water - parts and supplies	113,610	120,586
Transportation - fuel	68,985	69,328
Agriculture - chemicals and other products	27,427	27,004
Sewer - parts and supplies	10,021	22,066
	$ 2,202,666	$ 2,005,207

15. GRAVEL RESERVES

Gravel reserves consist of gravel deposits located on certain land acquired by the County, which are intended for future development and extraction.

16. EQUITY IN TANGIBLE CAPITAL ASSETS

	2025	2024
Tangible capital assets *(Schedule 2)*	**$118,081,360**	$115,623,047
Accumulated amortization *(Schedule 2)*	**(63,826,732)**	(61,039,640)
Revolving line of credit *(Note 7)*	**-**	(104,125)
Capital long-term debt *(Note 12)*	**(373,884)**	(366,320)
Asset retirement obligations *(Note 11)*	**(712,542)**	(678,611)
	$ 53,168,202	$ 53,434,351

17. ACCUMULATED OPERATING SURPLUS

	2025	2024 *(Restated)*
Unrestricted surplus	**$ 14,841,737**	$ 8,077,235
Internally restricted surplus:		
Operating:		
Operating contingencies	**2,164,307**	2,164,307
Capital:		
Administrative	**297,367**	297,367
Fire	**1,135,156**	1,035,156
Roads, streets, walks and lighting	**1,640,296**	1,640,296
Water	**100,000**	100,000
Wastewater	**30,000**	30,000
Recreation	**100,000**	100,000
General contingencies	**1,650,000**	1,650,000
Equity in tangible capital assets *(Note 16)*	**53,168,202**	53,434,351
	$ 75,127,065	$ 68,528,712

18. SEGMENTED DISCLOSURES

Starland County provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with the following in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure *(Schedule 6)*.

General government includes council and other legislative, and general administration. Protective services includes police, fire, disaster and emergency measures, and bylaw enforcement. Transportation includes roads, streets, walks, and lighting. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management. Public health and welfare includes family and community support, and cemeteries and crematoriums. Planning and development includes land use planning, zoning and development, and land, housing and building rentals. Agricultural development includes agricultural development. Recreation and culture includes parks and recreation, and libraries, museums, and halls.

19. SALARY AND BENEFITS

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary[1]	Benefits and allowances[2]	2025	2024
Councillors:				
Division 1	$ 28,653	$ 2,111	**$ 30,764**	$ 32,479
Division 2	40,491	2,761	**43,252**	45,271
Division 3	26,569	1,056	**27,625**	24,848
Division 4	38,787	2,714	**41,501**	37,511
Division 5	23,523	1,191	**24,714**	25,490
	158,023	9,833	**167,856**	165,599
Chief Administrative Officer	$ 170,583	$ 31,023	**$ 201,606**	$ 203,933
Designated Officers - (3 Positions)	$ 435,139	$ 75,197	**$ 510,336**	$ 552,810

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships , automobile allowances, and tuition.

20. 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 *Public Sector Pension Plans Act*. 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.

	2025	2024
Current service contributions by the County	**$ 307,318**	$ 308,508
Current service contributions by the employees	**273,442**	270,709
	$ 580,760	$ 579,217

The County is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% on pensionable earnings above this amount.

At December 31, 2024, the LAPP disclosed an actuarial surplus of $19.56 billion. This amount is not specifically allocated to the participating government organizations. The 2025 actuarial balance was not available at the date these financial statements were released.

21. RELATED PARTY TRANSACTIONS

The County, the Village of Morrin, and the Village of Munson (the "Members") share an equal operational interest through an intra-municipal agreement in the Starland Regional Water Authority (the "Authority") to construct, maintain, operate, use, and replace the Authority's water distribution system. The tangible capital assets are owned by each Member of the Authority.

The County's proportionate financial interest in the assets, liabilities, fund balances, revenues and expenditures have not been consolidated in these financial statements.

The Authority is currently subject to a forensic audit related to suspected irregularities. As the investigation is in its preliminary stage as of the date of these financial statements, the Authority's financial information is not available, and the financial impact on the County's proportionate interest cannot be determined at this time.

Expenses paid to the related party are as follows:

	2025	2024
Materials, goods, supplies and utilities	**$ 118,318**	$ 134,951

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The amount due to the Authority represents water purchases payable by the County.

	2025	2024
Due from Starland Regional Water Authority	**$ 19,856**	$ 10,219

The amount due from related party is non-interest bearing, and has no set terms of repayment. The amount due from related party is included in trades receivables (Note 4).

22. CONTRACTUAL OBLIGATIONS

The County is committed under an agreement dated January 1, 1984 with the Marigold Library System to funding certain library initiatives annually based on a per capita formula. During the year, the County provided funding of $20,359 (2024 - $19,958). It is the understanding of the County, that it can withdraw from the agreement at anytime by giving a one-year notice period.

The County is committed under an agreement dated July 18, 1979 with the Drumheller & District Solid Waste Management Association to contribute annually, based on an annual budget of expenditures for the management, operation and maintenance of the solid waste management facilities. The requisition for the current year was $96,227 (2024 - $103,766). The agreement allows for the County to terminate the agreement by giving notice in writing to all of the other participating municipalities of its intention to withdraw from the agreement at least one year in advance of the effective withdrawal date.

Under an agreement dated May 26, 1959 between the County and Drumheller and District Seniors Foundation and under a Ministerial Order from the Government of Alberta, Department of Seniors, the County is committed to contributing annually 41.82% (2024 - 41.34%) of an annual budget of net expenditures of the housing foundation. The requisition for the current year was $560,196 (2024 - $516,750).

(continues)

22. CONTRACTUAL OBLIGATIONS *(continued)*

On January 24, 2007, the County became a shareholder of Palliser Regional Municipal Services Company Limited (the "Company"), a Part IX company under the Companies Act of Alberta. The Company provides municipal planning services to its members. This investment commits the County to funding the annual operational and special needs of the Company. Annually, the County is requisitioned as a shareholder determined by the Board, in the ordinary course of business, and based on the population and the tax assessment as determined by the County who is shareholder. The requisition for the year was $53,700 (2024 - $53,700). The County has the right to cease being a shareholder by giving 600 days notice.

On June 13, 2021, the County Council passed a bylaw to borrow $2,500,000 and in September 2021 the funds were advanced to the County from the Province of Alberta. The County has a separate agreement to lend the Starland Seed Cleaning Plant Ltd. $2,500,000 for the purposes of constructing a new seed cleaning plant. The County will not charge the Starland Seed Cleaning Plant Ltd. interest on the loan for a period of eight years. In lieu of interest, the County will receive redeemable shares in the Starland Seed Cleaning Plant Ltd. After the initial 8 years, the County will charge the Starland Seed Cleaning Plant Ltd. interest equal to the interest that the County is paying on the outstanding debenture.

The County is committed to donate $10,000 per year for a duration of four years to STARS, a charitable, not-for-profit organization that responds to community needs. The County donated a total of $10,000 to date.

23. CONSTRUCTION OF TANGIBLE CAPITAL ASSETS

During the year, the County capitalized the following costs related to construction of tangible capital assets:

	2025	2024
Direct costs	**$ 254,471**	$ 120,176
Machine costs	**138,337**	21,557
Overhead costs	**95,097**	15,132
Inventory	**67,035**	519
Salaries and benefits	**27,372**	14,446
	$ 582,312	$ 171,830

24. NON-MONETARY TRANSACTION

During the year, the County had a non-monetary transaction that resulted in an increase to tangible capital assets and long-term debt in the amount of $236,814.

25. CONTINGENCIES

For the purpose of the accompanying financial statements, contingent liabilities have been evaluated by management.

The County has issued development permits; however, submission to the provincial Safety Codes system has not been consistently completed. This may result in administrative, insurance, and compliance implications. While such permits are not consistently reflected in the Safety Codes tracking system, they have been issued and related development and construction activities have occurred.

Management has assessed that this matter may give rise to a potential liability arising from deficiencies in permit tracking and administration. The likelihood and amount of any resulting obligation cannot be reasonably estimated at this time.

In addition, the County has initiated a forensic investigation related to suspected irregularities in its utilities department (note 26). This matter may give rise to potential legal claims, including wrongful dismissal. As the investigation is ongoing, the likelihood and amount of any resulting obligation cannot be reasonably estimated at this time.

26. SUBSEQUENT EVENT

For the purpose of the accompanying financial statements, subsequent events have been evaluated by management.

Subsequent to year end, the County initiated a forensic investigation related to suspected irregularities in its utilities department. As at the date of approval of these financial statements, the investigation is ongoing and the outcome, including any financial impact to the County, if any, cannot be determined.

27. FINANCIAL INSTRUMENT RISKS

The County's financial instruments consist of cash, receivables, loan receivable, investments, revolving line of credit, accounts payable and accrued liabilities, employee benefit obligation, and long-term debt and capital lease obligations. Tax receivables and requisition over/under-levy are compulsory in nature, rather than contractual; however, the County manages risk exposure on these items similar to other receivables and payables. The County is exposed to the following risks with respect to its financial instruments:

Credit risk

The County is subject to credit risk with respect to taxes and grants in place of taxes receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the County 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.

Liquidity risk

Liquidity risk is the risk that the County may not have cash available to satisfy financial liabilities as they become due. Management oversees liquidity risk to ensure the County has access to enough readily available funds to cover its financial obligations as they become due. The County manages liquidity risk by continuously monitoring actual daily cash flows and longer term forecasted cash flows and monitoring the maturity profiles of financial assets and liabilities. The County is exposed to liquidity risk mainly in respect of its receipt of funds from its suppliers and other related sources, revolving line of credit, accounts payable and accrued liabilities, employee benefit obligation, gravel pit reclamation payable, and long-term debt and capital lease obligations.

(continues)

27. FINANCIAL INSTRUMENT RISKS *(continued)*

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The County is exposed to interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the interest rates. The County is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate financial instruments subject the County to fair value risk, while the floating-rate financial instruments subject the County to a cash flow risk. The County is exposed to interest rate risk primarily through its interest-bearing credit facilities.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk) whether those charges are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The County is exposed to other price risk through its investments in equity instruments.

It is management's opinion that the County is not exposed to significant currency risk arising from these financial instruments.

28. BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2025 operating and capital budgets approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included.

The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue	
Operating budget	$ 17,024,971
Capital budget	4,501,069
Transfer from other funds	(2,847,500)
Proceeds on debt	(328,000)
Total revenues	18,350,540
Expenses	
Operating budget	14,067,532
Capital budget	4,084,000
Transfer to other funds	(100,000)
Capital expenses	(3,984,000)
Total expenses	14,067,532
Excess of revenue over expenses	**$ 4,283,008**

29. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified to conform to the financial statement presentation adopted for the current year, and restated to reflect the prior period adjustment (Note 2).

30. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.