

**STARLAND COUNTY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**STARLAND COUNTY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

### To the Members of Council:

#### *Report on the Consolidated Financial Statements*

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

#### *Management's Responsibility for the 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 consolidated 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 generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 preparation 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, the consolidated financial statements present fairly, in all material respects, the financial position of the Starland County as at December 31, 2016, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

HANNA, ALBERTA  
APRIL 7, 2017

  
CHARTERED PROFESSIONAL ACCOUNTANTS

**STARLAND COUNTY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	\$ 7,329,168	\$ 6,916,923
Receivables		
Taxes and grants in place of taxes (Note 3)	2,219,295	130,241
Trade and other receivables	153,116	272,963
Receivables from other governments	527,461	1,440,821
Land inventory held for resale	17,170	17,170
Investments (Note 4)	<u>8,706</u>	<u>8,574</u>
	<u>10,254,916</u>	<u>8,786,692</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	436,424	380,885
Deferred revenue (Note 5)	3,971,111	3,373,292
Employee benefit obligations (Note 6)	531,871	470,302
Gravel pit reclamation payable	<u>817,230</u>	<u>817,230</u>
	<u>5,756,636</u>	<u>5,041,709</u>
<b>NET FINANCIAL ASSETS</b>	<u>4,498,280</u>	<u>3,744,983</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	52,951,346	52,829,336
Inventory for consumption (Note 8)	4,303,463	4,264,703
Gravel reserves (Note 9)	490,653	490,653
Prepaid expenses	<u>337,102</u>	<u>263,590</u>
	<u>58,082,564</u>	<u>57,848,282</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 62,580,844</u>	<u>\$ 61,593,265</u>

**COMMITMENTS (SEE NOTE 15)**  
**CONTINGENCIES (SEE NOTE 16)**



**STARLAND COUNTY**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget (Unaudited)	2016	2015
<b>REVENUE</b>			
Net municipal taxes (Schedule 2)	\$ 11,007,435	\$ 11,009,547	\$ 11,636,297
User fees and sale of goods	665,800	584,713	720,314
Government transfers for operating (Schedule 3)	545,397	437,859	1,604,720
Investment income	97,500	48,499	93,658
Penalties and costs on taxes	25,245	176,669	20,443
Licenses and permits	2,550	3,060	3,026
Gain on disposal of tangible capital assets	720,250	102,533	33,924
Other	<u>17,000</u>	<u>57,349</u>	<u>68,115</u>
<b>Total Revenue</b>	<u>13,081,177</u>	<u>12,420,229</u>	<u>14,180,497</u>
<b>EXPENSES</b>			
Legislative	256,000	163,200	150,084
Administration	1,985,300	2,119,427	1,795,023
Protective services	917,650	962,991	870,523
Transportation	6,392,900	7,274,168	8,482,385
Water supply and distribution	329,800	592,330	696,870
Wastewater treatment and disposal	42,100	77,534	71,990
Waste management	189,800	175,910	168,591
Public health and welfare	250,000	237,942	327,241
Land use planning, zoning and development	11,600	3,139	2,383
Economic/agricultural development	607,650	608,736	573,369
Land, housing and building rentals	10,000	7,332	7,911
Parks and recreation	427,200	458,154	497,506
Culture	<u>19,500</u>	<u>19,447</u>	<u>18,618</u>
<b>Total Expenses</b>	<u>11,439,500</u>	<u>12,700,310</u>	<u>13,662,494</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	1,641,677	(280,081)	518,003
Government transfers for capital (Schedule 3)	1,453,946	1,032,660	1,674,144
Contributed and donated tangible capital assets	100,000	235,000	197,000
Other capital revenues	<u>          </u>	<u>          </u>	<u>18,000</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	3,195,623	987,579	2,407,147
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>61,593,265</u>	<u>61,593,265</u>	<u>59,186,118</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 64,788,888</u>	<u>\$ 62,580,844</u>	<u>\$ 61,593,265</u>

**STARLAND COUNTY**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget (Unaudited)	2016	2015
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ 3,195,623	\$ 987,579	\$ 2,407,147
Acquisition of tangible capital assets	(2,614,700)	(3,272,854)	(5,299,536)
Contributed and donated tangible capital assets		(235,000)	(197,000)
Proceeds on sale of tangible capital assets	720,250	489,236	187,902
Amortization of tangible capital assets		2,981,102	2,960,503
Loss on sale of tangible capital assets	<u>720,250</u>	<u>(84,494)</u>	<u>44,531</u>
	<u>(2,614,700)</u>	<u>(122,010)</u>	<u>(2,303,600)</u>
Change in prepaid expenses		(73,512)	30,813
Change in inventory		<u>(38,760)</u>	<u>(2,670,714)</u>
		<u>(112,272)</u>	<u>(2,639,901)</u>
<b>(INCREASE) DECREASE IN NET DEBT</b>	580,923	753,297	(2,536,354)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>3,744,983</u>	<u>3,744,983</u>	<u>6,281,337</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>\$ 4,325,906</u>	<u>\$ 4,498,280</u>	<u>\$ 3,744,983</u>

**STARLAND COUNTY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	\$ 987,579	\$ 2,407,147
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	2,981,102	2,960,503
Gain(loss) on sale of tangible capital assets	(84,494)	44,531
Tangible capital assets received as contributions	<u>(235,000)</u>	<u>(197,000)</u>
	3,649,187	5,215,181
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	(2,089,054)	(9,798)
Decrease(increase) in trade and other receivables	119,847	8,328
Decrease(increase) in receivables from other governments	913,360	(988,671)
Decrease(increase) in prepaid expenses	(73,512)	30,813
Decrease(increase) on inventory for consumption	(38,760)	(2,670,714)
Increase(decrease) in accounts payable and accrued liabilities	55,540	(61,088)
Increase(decrease) in deferred revenue	597,819	5,749
Increase(decrease) in employee benefit obligations	61,568	28,016
Increase(decrease) in provision for gravel pit reclamation	<u>                    </u>	<u>(30,510)</u>
Cash provided by (applied to) operating transactions	<u>3,195,995</u>	<u>1,527,306</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(3,272,854)	(5,299,536)
Proceeds on sale of tangible capital assets	<u>489,236</u>	<u>187,902</u>
Cash provided by (applied to) capital transactions	<u>(2,783,618)</u>	<u>(5,111,634)</u>
<b>INVESTING</b>		
Increase (decrease) in investments	<u>(132)</u>	<u>1,510</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	412,245	(3,582,818)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,916,923</u>	<u>10,499,741</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 7,329,168</u>	<u>\$ 6,916,923</u>

**STARLAND COUNTY**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2016	2015
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	\$ 1,443,631	\$ 611,827	\$ 3,466,020	\$ 70,970,482	\$ 12,863,195	\$ 3,836,513	\$ 93,191,668	\$ 88,156,065
Acquisition of tangible capital assets	615,488		36,312	350,899	752,241	273,707	2,028,647	5,397,031
Construction-in-progress			21,223	1,457,984			1,479,207	99,505
Disposal of tangible capital assets				(23,127)	(1,151,152)	(132,152)	(1,306,431)	(460,933)
BALANCE, END OF YEAR	<u>2,059,119</u>	<u>611,827</u>	<u>3,523,555</u>	<u>72,756,238</u>	<u>12,464,284</u>	<u>3,978,068</u>	<u>95,393,091</u>	<u>93,191,668</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR		194,632	727,693	31,123,163	6,416,028	1,900,816	40,362,332	37,630,330
Annual amortization		22,769	71,540	1,786,978	814,579	285,236	2,981,102	2,960,503
Accumulated amortization on disposals				(5,088)	(852,550)	(44,051)	(901,689)	(228,501)
BALANCE, END OF YEAR		<u>217,401</u>	<u>799,233</u>	<u>32,905,053</u>	<u>6,378,057</u>	<u>2,142,001</u>	<u>42,441,745</u>	<u>40,362,332</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 2,059,119</u>	<u>\$ 394,426</u>	<u>\$ 2,724,322</u>	<u>\$ 39,851,185</u>	<u>\$ 6,086,227</u>	<u>\$ 1,836,067</u>	<u>\$ 52,951,346</u>	<u>\$ 52,829,336</u>
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,443,631</u>	<u>\$ 417,195</u>	<u>\$ 2,738,327</u>	<u>\$ 39,847,319</u>	<u>\$ 6,447,167</u>	<u>\$ 1,935,697</u>	<u>\$ 52,829,336</u>	



**STARLAND COUNTY**  
**SCHEDULE OF PROPERTY AND OTHER TAXES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Schedule 2**

	Budget (Unaudited)	2016	2015
<b>TAXATION</b>			
Real property taxes	\$ 5,229,892	\$ 5,158,887	\$ 5,135,056
Linear property taxes	<u>8,435,566</u>	<u>8,508,682</u>	<u>9,063,451</u>
	<u>13,665,458</u>	<u>13,667,569</u>	<u>14,198,507</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	2,233,753	2,233,752	2,186,425
Drumheller and District Senior's Foundation	<u>424,270</u>	<u>424,270</u>	<u>375,785</u>
	<u>2,658,023</u>	<u>2,658,022</u>	<u>2,562,210</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 11,007,435</u>	<u>\$ 11,009,547</u>	<u>\$ 11,636,297</u>

**SCHEDULE OF GOVERNMENT TRANSFERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Schedule 3**

	Budget (Unaudited)	2016	2015
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	\$ 525,290	\$ 415,924	\$ 1,586,441
Local governments	<u>20,107</u>	<u>21,935</u>	<u>18,279</u>
	<u>545,397</u>	<u>437,859</u>	<u>1,604,720</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	1,453,946	1,032,660	1,565,576
Federal government	<u>1,453,946</u>	<u>1,032,660</u>	<u>108,568</u>
	<u>1,453,946</u>	<u>1,032,660</u>	<u>1,674,144</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 1,999,343</u>	<u>\$ 1,470,519</u>	<u>\$ 3,278,864</u>

**STARLAND COUNTY**  
**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Schedule 4**

	Budget (Unaudited)	2016	2015
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 4,878,150	\$ 4,740,047	\$ 4,478,071
Contracted and general services	3,603,350	2,881,551	3,789,623
Purchases from other governments	51,200	39,949	43,648
Materials, goods, supplies and utilities	2,201,100	1,545,900	1,963,079
Provision for allowances	1,100		1,035
Transfers to individuals and organizations	698,100	647,727	538,975
Bank charges and short term interest	6,500	1,340	14,924
Amortization of tangible capital assets		2,825,757	2,752,361
Loss on disposal of tangible capital assets		18,039	78,455
Other expenses			2,323
	<u>\$ 11,439,500</u>	<u>\$ 12,700,310</u>	<u>\$ 13,662,494</u>

STARLAND COUNTY  
**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 3,654,525</b>	<b>\$ 5,109,404</b>	<b>\$ 52,829,336</b>	<b>\$ 61,593,265</b>	<b>\$ 59,186,118</b>
Excess of revenues over expenses	987,579			987,579	2,407,147
Unrestricted funds designated for future use	(35,000)	35,000			
Current year funds used for tangible capital assets	(3,272,855)		3,272,855		
Contributed tangible capital assets	(235,000)		235,000		
Disposal of tangible capital assets	404,743		(404,743)		
Annual amortization expense	2,981,102		(2,981,102)		
Change in accumulated surplus	830,569	35,000	122,010	987,579	2,407,147
<b>BALANCE, END OF YEAR</b>	<b>\$ 4,485,094</b>	<b>\$ 5,144,404</b>	<b>\$ 52,951,346</b>	<b>\$ 62,580,844</b>	<b>\$ 61,593,265</b>



**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Starland County are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

**a) Reporting Entity**

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

**c) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

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

- Employee benefits obligations;
- Useful life of tangible capital assets;
- Gravel pit reclamation payable;
- Accrued liabilities

**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**1.. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Cash and Cash Equivalents**

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

**e) Investments**

Investments 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.

**f) 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.

**g) 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.

**h) Prepaid Local Improvement Charges**

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

**i) Net Municipal Taxes**

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA) and tax rates established annually by County Council. Taxation revenues are recorded at the time the tax billings are issued. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gain or losses on assessment changes or appeals are recorded as adjustments to tax revenue and receivables when a written decision is received from the authorized board or a change is generated by the authorized assessor.

**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**1.. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) 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.

**k) Contributions**

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

**l) 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 (Debt) 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. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<b>YEARS</b>
Land improvements	10 to 45
Buildings	25 to 50
Engineering 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.

**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 operating leases and the related lease payments are charged to expenses as incurred.



**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**iv. Inventories**

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

**v. Cultural and Historical Tangible Capital Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.

**2. CASH AND TEMPORARY INVESTMENTS**

	<b>2016</b>	<b>2015</b>
Cash	\$ 2,301,197	\$ 2,365,459
Temporary investments	5,027,971	4,551,464
	\$ 7,329,168	\$ 6,916,923

Temporary investments are short-term deposits bearing interest at 1.5%.

The County received certain Alberta Government grants 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, \$3,859,457 (2015 - \$3,373,292) of the cash and temporary investments are not available for general use by the County.

The County has available to it an operating line of credit with ATB Financial, having an authorized limit of \$5,000,000, which bears interest at prime rate. As of December 31, 2016 no amount was drawn on this line of credit.

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	<b>2016</b>	<b>2015</b>
Current taxes and grants in place receivables	\$ 2,168,001	\$ 75,461
Arrears taxes	51,294	54,780
	\$ 2,219,295	\$ 130,241

**4. INVESTMENTS**

	<b>2016</b>		<b>2015</b>	
	Cost	Market Value	Cost	Market Value
Other institutional and private corporation bonds	\$ 8,706	\$ 197,018	\$ 8,574	\$ 166,201

Starland County received 3,653 shares in Clarica as part of the demutualization of the life insurance held on a number of their employees. These shares have a cost base of zero and at December 31, 2016 has a fair market value of \$188,312 (2015 - \$157,627).

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**5. DEFERRED REVENUE**

	<b>2016</b>	<b>2015</b>
Alberta Municipal Sustainability Initiative	\$ 3,854,457	\$ 3,373,292
Federal Gas Tax Fund	111,654	
Alberta Health Services Asset Coalition Funding	5,000	
	<b>\$ 3,971,111</b>	<b>\$ 3,373,292</b>

**Alberta Municipal Sustainability Initiative**

Provincial government funding was received in the current and prior years to undertake certain eligible infrastructure expenditures within Starland County that have not yet been expended.

**Federal Gas Tax Fund**

Federal and Provincial government funding was considered receivable in the current year to undertake certain eligible infrastructure expenditures within Starland County that has not yet been expended.

**Alberta Health Services Asset Coalition Funding**

Funding was received in the current year to undertake certain eligible community projects that has not yet been expended

**6. EMPLOYEE BENEFIT OBLIGATIONS**

	<b>2016</b>	<b>2015</b>
Vested sick leave payable	\$ 531,871	\$ 470,302

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

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**7. DEBT LIMITS**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for Starland County be disclosed as follows:

	<b>2016</b>	<b>2015</b>
Total debt limit	\$ 19,210,398	\$ 21,501,713
Total debt		
Amount of debit limit unused	<u>\$ 19,210,398</u>	<u>\$ 21,501,713</u>
Debt servicing limit	\$ 3,201,733	\$ 3,583,619
Debt servicing		
Amount of debt servicing limit unused	<u>\$ 3,201,733</u>	<u>\$ 3,583,619</u>

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 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.

**8. INVENTORY FOR CONSUMPTION**

	<b>2016</b>	<b>2015</b>
Transportation - gravel	\$ 3,288,303	\$ 3,550,681
Transportation - repairs	628,439	415,298
Transportation - fuel	57,324	50,047
Transportation - other	162,184	108,876
Water - parts and supplies	119,919	94,892
Sewer - parts and supplies	25,482	21,279
Agriculture - chemicals and other products	<u>21,812</u>	<u>23,630</u>
	<u>\$ 4,303,463</u>	<u>\$ 4,264,703</u>

**9. GRAVEL RESERVES**

Gravel reserves consist of estimated expenditures relating gravel to be developed on certain land acquired.



**STARLAND COUNTY**  
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**10. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2016</b>	<b>2015</b>
Tangible capital assets	\$ 95,393,091	\$ 93,191,668
Accumulated amortization	<u>(42,441,745)</u>	<u>(40,362,332)</u>
	<u>\$ 52,951,346</u>	<u>\$ 52,829,336</u>

**11. ACCUMULATED SURPLUS**

	<b>2016</b>	<b>2015</b>
Unrestricted surplus	\$ 4,485,094	\$ 3,654,525
Restricted surplus:		
Administrative	2,367	2,367
Fire	39,512	39,512
Roads, streets, walks and lighting	600	600
Operating contingencies	2,164,307	2,164,307
Administrative - capital	75,000	75,000
Fire - capital	642,921	607,921
Roads, streets, walks and lighting - capital	1,639,697	1,639,697
Wastewater - capital	30,000	30,000
General contingencies - capital	550,000	550,000
Equity in tangible capital assets	<u>52,951,346</u>	<u>52,829,336</u>
	<u>\$ 62,580,844</u>	<u>\$ 61,593,265</u>

**STARLAND COUNTY**  
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**12. BUDGET DATA**

The unaudited budget data presented in these financial statements is based upon the 2016 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 consolidated financial statements.

	<u><b>Budget Amount</b></u>
<b>Revenue</b>	
Operating budget	\$ 12,360,927
Capital budget	3,192,146
Less:	
Transfer to other funds	<u>(917,950)</u>
Total revenues	<u>14,635,123</u>
<b>Expenses</b>	
Operating budget	12,357,450
Capital budget	3,192,146
Less:	
Transfer to other funds	(1,495,396)
Capital expenses	<u>(2,614,700)</u>
Total expenses	<u>11,439,500</u>
<b>Excess of revenue over expenses</b>	<u><u>\$ 3,195,623</u></u>

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**STARLAND COUNTY**  
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**13. 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:

	2016					2015			
	Number of Persons	(1) Salary	(2) Benefits & allowances	Total	Employee Deductions	Number of Persons	Total	Employee Deductions	
Councillors:									
Division 1	1	\$ 24,119	\$ 1,306	\$ 25,425	\$ 723	1	\$ 24,302	\$ 706	
Division 2	1	29,999	985	30,984	835	1	31,725	922	
Division 3	1	21,199	1,209	22,408	627	1	19,798	562	
Division 4	1	25,924		25,924		1	24,805		
Division 5	1	33,719	1,623	35,342	1,040	1	32,772	977	
Chief Administrative Officer	1	198,313	20,186	218,499	76,833	1	225,553	80,047	
Supervisors (3)	7	988,933	184,097	1,173,030	381,728	7	1,099,506	364,585	
Other full time (4)	29	2,096,392	469,408	2,565,800	726,665	29	2,128,366	613,759	
Part Time/Casual (5)	38	1,061,985	90,250	1,152,235	265,511	43	1,773,626	339,114	

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 and tuition.

3. For the supervisors noted, average salary is \$141,276 and average benefits are \$26,300, totalling \$167,576 (2015 - \$157,072).

4. For other full time staff noted, average salary is \$72,289 and average benefits are \$16,186 totalling \$88,475 (2015 - \$65,160).

5. For part time and casual staff noted, average salary is \$27,947 and average benefits are \$2,375, totalling \$30,322 (2015 - \$41,248).



**STARLAND COUNTY**  
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**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 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.

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.

Total current service contributions by the County to the LAPP in 2016 were \$327,771 (2015 - \$291,057). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2016 were \$302,466 (2015 - \$268,157).

At December 31, 2015, the LAPP disclosed an actuarial deficit of \$923 million. This amount is not specifically allocated to the participating government organizations. The 2016 actuarial balance was not available at the date these financial statements were released.

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**15. COMMITMENTS**

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. The County provided funding of \$19,447 in 2016 (2015 - \$18,618). 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 2016 was \$77,972 (2015 - \$75,882). 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 44.66% of an annual budget of net expenditures of the housing foundation. The requisition for 2016 was \$424,270 (2015 - \$375,785).

On December 16, 2004 the County along with the Village of Morrin and the Village of Munson formed the Starland Regional Water Authority, each having an equal operational interest. The authority formed was an intra-municipal agreement committing to the operation of a water distribution system, the tangible capital assets of which are owned by each municipal participant of the water authority. The County's proportionate financial interest in the assets, liabilities, equity, revenues and expenses have not been consolidated in these financial statements.

On January 24, 2007 the County became a shareholder of Palliser Regional Municipal Services Company Limited, 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 a the shareholder. The requisition for 2016 was \$36,842 (2015 - \$36,842). The County has the right to cease being a shareholder by giving 600 days notice.

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**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**16. CONTINGENCIES**

The municipality is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the municipality 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 County was a member of a reciprocal insurance agreement known as the Alberta Local Authorities Reciprocal Insurance Exchange (ALARIE) which was dissolved on December 31, 2002. ALARIE has accumulated certain funds in excess of the cost of purchasing liability insurance and any residual balance remaining will be refunded to participants. The County is expecting a refund of approximately \$164,213 however no amount has been reflected in these financial statements.

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**17. FINANCIAL INSTRUMENTS**

The County's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the County is not exposed to significant interest or currency risks 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 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.

The County considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

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**18. BUDGET AMOUNTS**

The 2016 budget for the County was approved by council and has been reported in the consolidated financial statement for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

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**19. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

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**20. APPROVAL OF FINANCIAL STATEMENTS**

Council and management have approved these financial statements.

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