

**STARLAND COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

**STARLAND COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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CHARTERED PROFESSIONAL
ACCOUNTANTS

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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, 2017 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, 2017, 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 5, 2018


CHARTERED PROFESSIONAL ACCOUNTANTS

STARLAND COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 10,077,288	\$ 7,329,168
Receivables		
Taxes and grants in place of taxes (Note 3)	109,390	2,219,295
Trade and other receivables	185,517	153,116
Receivables from other governments	182,189	527,461
Land inventory held for resale	17,170	17,170
Investments (Note 4)	<u>8,989</u>	<u>8,706</u>
	<u>10,580,543</u>	<u>10,254,916</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,097,221	436,424
Deferred revenue (Note 5)	4,036,244	3,971,111
Employee benefit obligations (Note 6)	616,009	531,871
Gravel pit reclamation payable	<u>797,990</u>	<u>817,230</u>
	<u>6,547,464</u>	<u>5,756,636</u>
NET FINANCIAL ASSETS	<u>4,033,079</u>	<u>4,498,280</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	53,901,369	52,951,346
Inventory for consumption (Note 8)	4,217,305	4,303,463
Gravel reserves (Note 9)	490,653	490,653
Prepaid expenses	<u>193,190</u>	<u>337,102</u>
	<u>58,802,517</u>	<u>58,082,564</u>
ACCUMULATED SURPLUS	<u>\$ 62,835,596</u>	<u>\$ 62,580,844</u>

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

STARLAND COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
REVENUE			
Net municipal taxes (Schedule 2)	\$ 10,414,988	\$ 10,408,267	\$ 11,009,547
User fees and sale of goods	655,270	717,209	584,713
Government transfers for operating (Schedule 3)	765,481	773,161	437,859
Investment income	207,500	227,731	48,499
Penalties and costs on taxes	25,200	24,149	176,669
Licenses and permits	5,500	6,575	3,060
Gain on disposal of tangible capital assets		13,195	102,533
Other	<u>15,000</u>	<u>11,980</u>	<u>57,349</u>
Total Revenue	<u>12,088,939</u>	<u>12,182,267</u>	<u>12,420,229</u>
EXPENSES			
Legislative	226,800	166,282	163,200
Administration	1,822,300	1,809,393	2,119,427
Protective services	785,150	924,005	962,991
Transportation	6,591,300	8,391,007	7,274,168
Water supply and distribution	321,800	526,281	592,330
Wastewater treatment and disposal	38,100	62,244	77,534
Waste management	179,550	188,074	175,910
Public health and welfare	241,900	233,841	237,942
Land use planning, zoning and development	7,200	3,934	3,139
Economic/agricultural development	577,500	578,009	608,736
Land, housing and building rentals	8,000	7,656	7,332
Parks and recreation	389,200	434,751	458,154
Culture	<u>20,500</u>	<u>20,317</u>	<u>19,447</u>
Total Expenses	<u>11,209,300</u>	<u>13,345,794</u>	<u>12,700,310</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	879,639	(1,163,527)	(280,081)
Government transfers for capital (Schedule 3)	1,968,861	1,418,279	1,032,660
Contributed and donated tangible capital assets			<u>235,000</u>
EXCESS OF REVENUE OVER EXPENSES	2,848,500	254,752	987,579
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>62,580,844</u>	<u>62,580,844</u>	<u>61,593,265</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 65,429,344</u>	<u>\$ 62,835,596</u>	<u>\$ 62,580,844</u>

STARLAND COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
EXCESS OF REVENUE OVER EXPENSES	\$ <u>2,848,500</u>	\$ <u>254,752</u>	\$ <u>987,579</u>
Acquisition of tangible capital assets	(3,660,761)	(3,957,674)	(3,272,854)
Contributed and donated tangible capital assets			(235,000)
Proceeds on sale of tangible capital assets		131,652	489,236
Amortization of tangible capital assets		2,889,194	2,981,102
Loss on sale of tangible capital assets	<u> </u>	<u>(13,195)</u>	<u>(84,494)</u>
	<u>(3,660,761)</u>	<u>(950,023)</u>	<u>(122,010)</u>
Change in prepaid expenses		143,914	(73,512)
Change in inventory	<u> </u>	<u>86,156</u>	<u>(38,760)</u>
		<u>230,070</u>	<u>(112,272)</u>
(INCREASE) DECREASE IN NET DEBT	812,261	(465,201)	753,297
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>4,498,280</u>	<u>4,498,280</u>	<u>3,744,983</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 3,686,019</u>	<u>\$ 4,033,079</u>	<u>\$ 4,498,280</u>

STARLAND COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 254,752	\$ 987,579
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	2,889,194	2,981,102
Gain(loss) on sale of tangible capital assets	(13,195)	(84,494)
Tangible capital assets received as contributions	<u> </u>	<u>(235,000)</u>
	3,130,751	3,649,187
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	2,109,905	(2,089,054)
Decrease(increase) in trade and other receivables	(32,401)	119,847
Decrease(increase) in receivables from other governments	345,272	913,360
Decrease(increase) in prepaid expenses	143,914	(73,512)
Decrease(increase) on inventory for consumption	86,156	(38,760)
Increase(decrease) in accounts payable and accrued liabilities	660,797	55,540
Increase(decrease) in deferred revenue	65,133	597,819
Increase(decrease) in employee benefit obligations	84,138	61,568
Increase(decrease) in provision for gravel pit reclamation	<u>(19,240)</u>	<u> </u>
Cash provided by (applied to) operating transactions	<u>6,574,425</u>	<u>3,195,995</u>
CAPITAL		
Acquisition of tangible capital assets	(3,957,674)	(3,272,854)
Proceeds on sale of tangible capital assets	<u>131,652</u>	<u>489,236</u>
Cash provided by (applied to) capital transactions	<u>(3,826,022)</u>	<u>(2,783,618)</u>
INVESTING		
Increase (decrease) in investments	<u>(283)</u>	<u>(132)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	2,748,120	412,245
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,329,168</u>	<u>6,916,923</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,077,288</u>	<u>\$ 7,329,168</u>

STARLAND COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2017	2016
COST:								
BALANCE, BEGINNING OF YEAR	\$ 2,059,119	\$ 611,827	\$ 3,523,555	\$ 72,756,238	\$ 12,464,284	\$ 3,978,068	\$ 95,393,091	\$ 93,191,668
Acquisition of tangible capital assets	87,136			1,579,475	272,890	313,519	2,253,020	2,028,647
Construction-in-progress		43,214	1,647,940	13,500			1,704,654	1,479,207
Disposal of tangible capital assets				(3,919)	(129,103)	(227,150)	(360,172)	(1,306,431)
BALANCE, END OF YEAR	<u>2,146,255</u>	<u>655,041</u>	<u>5,171,495</u>	<u>74,345,294</u>	<u>12,608,071</u>	<u>4,064,437</u>	<u>98,990,593</u>	<u>95,393,091</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		217,401	799,233	32,905,053	6,378,057	2,142,001	42,441,745	40,362,332
Annual amortization		22,769	71,257	1,747,459	746,434	301,275	2,889,194	2,981,102
Accumulated amortization on disposals				(3,919)	(10,646)	(227,150)	(241,715)	(901,689)
BALANCE, END OF YEAR		<u>240,170</u>	<u>870,490</u>	<u>34,648,593</u>	<u>7,113,845</u>	<u>2,216,126</u>	<u>45,089,224</u>	<u>42,441,745</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 2,146,255</u>	<u>\$ 414,871</u>	<u>\$ 4,301,005</u>	<u>\$ 39,696,701</u>	<u>\$ 5,494,226</u>	<u>\$ 1,848,311</u>	<u>\$ 53,901,369</u>	<u>\$ 52,951,346</u>
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<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>	

STARLAND COUNTY
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 2

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	\$ 5,339,503	\$ 5,254,779	\$ 5,158,887
Linear property taxes	<u>7,638,762</u>	<u>7,716,902</u>	<u>8,508,682</u>
	<u>12,978,265</u>	<u>12,971,681</u>	<u>13,667,569</u>
REQUISITIONS			
Alberta School Foundation Fund	2,136,302	2,136,439	2,233,752
Drumheller and District Senior's Foundation	<u>426,975</u>	<u>426,975</u>	<u>424,270</u>
	<u>2,563,277</u>	<u>2,563,414</u>	<u>2,658,022</u>
NET MUNICIPAL TAXES	<u>\$ 10,414,988</u>	<u>\$ 10,408,267</u>	<u>\$ 11,009,547</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 3

	Budget (Unaudited)	2017	2016
TRANSFERS FOR OPERATING			
Provincial government	\$ 743,546	\$ 751,226	\$ 415,924
Local governments	<u>21,935</u>	<u>21,935</u>	<u>21,935</u>
	<u>765,481</u>	<u>773,161</u>	<u>437,859</u>
TRANSFERS FOR CAPITAL			
Provincial government	1,875,861	1,418,279	1,032,660
Federal government	<u>93,000</u>	<u>1,418,279</u>	<u>1,032,660</u>
	<u>1,968,861</u>	<u>1,418,279</u>	<u>1,032,660</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,734,342</u>	<u>\$ 2,191,440</u>	<u>\$ 1,470,519</u>

STARLAND COUNTY
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 4

	Budget (Unaudited)	2017	2016
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 5,262,800	\$ 5,095,943	\$ 4,740,047
Contracted and general services	3,696,200	3,166,800	2,881,551
Purchases from other governments	46,200	58,597	39,949
Materials, goods, supplies and utilities	1,830,000	1,879,507	1,545,900
Provision for allowances	1,000	52,080	
Transfers to individuals and organizations	370,600	350,020	647,727
Bank charges and short term interest	2,500	838	1,340
Amortization of tangible capital assets		2,742,009	2,825,757
Loss on disposal of tangible capital assets			18,039
	<u>\$ 11,209,300</u>	<u>\$ 13,345,794</u>	<u>\$ 12,700,310</u>

STARLAND COUNTY
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
 FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE, BEGINNING OF YEAR	\$ 4,485,094	\$ 5,144,404	\$ 52,951,346	\$ 62,580,844	\$ 61,593,265
Excess of revenues over expenses	254,752			254,752	987,579
Unrestricted funds designated for future use	(35,000)	35,000			
Current year funds used for tangible capital assets	(3,957,674)		3,957,674		
Disposal of tangible capital assets	118,457		(118,457)		
Annual amortization expense	2,889,194		(2,889,194)		
Change in accumulated surplus	(730,271)	35,000	950,023	254,752	987,579
BALANCE, END OF YEAR	<u>\$ 3,754,823</u>	<u>\$ 5,179,404</u>	<u>\$ 53,901,369</u>	<u>\$ 62,835,596</u>	<u>\$ 62,580,844</u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017

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, 2017

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:

	YEARS
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, 2017

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

	2017	2016
Cash	\$ 3,074,784	\$ 2,301,197
Temporary investments	7,002,504	5,027,971
	\$ 10,077,288	\$ 7,329,168

Temporary investments include 90 day notice deposit savings accounts bearing interest at 1.8%.

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, \$4,036,244 (2016 - \$3,859,457) 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, 2017 no amount was drawn on this line of credit.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2017	2016
Current taxes and grants in place receivables	\$ 70,135	\$ 2,168,001
Arrears taxes	39,255	51,294
	\$ 109,390	\$ 2,219,295

4. INVESTMENTS

	2017		2016	
	Cost	Market Value	Cost	Market Value
Other institutional and private corporation bonds	\$ 8,989	\$ 198,506	\$ 8,706	\$ 197,018

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, 2017 has a fair market value of \$189,518 (2016 - \$188,312).

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. DEFERRED REVENUE

	<u>2017</u>	<u>2016</u>
Alberta Municipal Sustainability Initiative	\$ 3,978,875	\$ 3,854,457
Alberta Watershed Resiliency & Restoration Program	49,786	
Asset Coalition Funding	7,583	5,000
Federal Gas Tax Fund		111,654
	<u>\$ 4,036,244</u>	<u>\$ 3,971,111</u>

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.

Alberta Watershed Resiliency & Restoration Program

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

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

	<u>2017</u>	<u>2016</u>
Vested sick leave payable	\$ <u>616,009</u>	\$ <u>531,871</u>

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

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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:

	<u>2017</u>	<u>2016</u>
Total debt limit	\$ 18,451,086	\$ 19,210,398
Total debt	<u> </u>	<u> </u>
Amount of debit limit unused	<u>\$ 18,451,086</u>	<u>\$ 19,210,398</u>
Debt servicing limit	\$ 3,075,181	\$ 3,201,733
Debt servicing	<u> </u>	<u> </u>
Amount of debt servicing limit unused	<u>\$ 3,075,181</u>	<u>\$ 3,201,733</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

	<u>2017</u>	<u>2016</u>
Transportation - gravel	\$ 3,457,635	\$ 3,288,303
Transportation - repairs	434,509	628,439
Transportation - fuel	52,712	57,324
Transportation - other	92,766	162,184
Water - parts and supplies	123,826	119,919
Sewer - parts and supplies	19,749	25,482
Agriculture - chemicals and other products	<u>36,108</u>	<u>21,812</u>
	<u>\$ 4,217,305</u>	<u>\$ 4,303,463</u>

9. GRAVEL RESERVES

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

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
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10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Tangible capital assets	\$ 98,990,593	\$ 95,393,091
Accumulated amortization	<u>(45,089,224)</u>	<u>(42,441,745)</u>
	<u>\$ 53,901,369</u>	<u>\$ 52,951,346</u>

11. ACCUMULATED SURPLUS

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	\$ 3,754,823	\$ 4,485,094
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	677,921	642,921
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>53,901,369</u>	<u>52,951,346</u>
	<u>\$ 62,835,596</u>	<u>\$ 62,580,844</u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

12. BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2017 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>Budget Amount</u>
Revenue	
Operating budget	\$ 12,358,939
Capital budget	3,660,761
Less:	
Transfer to other funds	<u>(1,961,900)</u>
Total revenues	<u>14,057,800</u>
Expenses	
Operating budget	12,348,721
Capital budget	3,660,761
Less:	
Transfer to other funds	(1,174,421)
Capital expenses	<u>(3,625,761)</u>
Total expenses	<u>11,209,300</u>
Excess of revenue over expenses	<u><u>\$ 2,848,500</u></u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
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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:

	2017					2016		
	Number of Persons	(1) Salary	(2) Benefits & allowances	Total	Employee Deductions	Number of Persons	Total	Employee Deductions
Councillors:								
Division 1	1	\$ 24,142	\$ 1,523	\$ 25,665	\$ 704	1	\$ 25,425	\$ 723
Division 2	1	29,942	1,714	31,656	890	1	30,984	835
Division 3	1	22,022	1,453	23,475	634	1	22,408	627
Division 4	2	25,707	784	26,491	13	1	25,924	
Division 5	2	31,302	1,622	32,924	723	1	35,342	1,040
Chief Administrative Officer	1	116,742	23,086	139,828	46,789			
Former Chief Administrative Officer	1	92,269	6,945	99,214	38,247	1	218,499	76,833
Supervisors (3)	6	838,434	145,957	984,391	324,145	7	1,173,030	381,728
Other full time (4)	28	2,434,325	525,009	2,959,334	853,900	29	2,565,800	726,665
Part Time/Casual (5)	35	1,247,151	397,811	1,644,962	315,076	38	1,152,235	265,235

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 \$139,739 and average benefits are \$24,326, totalling \$164,065 (2016 - \$167,576).

4. For other full time staff noted, average salary is \$86,940 and average benefits are \$18,750 totalling \$105,690 (2016 - \$88,475).

5. For part time and casual staff noted, average salary is \$35,633 and average benefits are \$11,366, totalling \$46,999 (2016 - \$30,322).

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
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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 2017 were \$339,716 (2016 - \$327,771). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2017 were \$313,477 (2016 - \$302,466).

At December 31, 2016, the LAPP disclosed an actuarial deficit of \$637 million. This amount is not specifically allocated to the participating government organizations. The 2017 actuarial balance was not available at the date these financial statements were released.

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 \$20,317 in 2017 (2016 - \$19,447). 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 2017 was \$79,692 (2016 - \$77,972). 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 2017 was \$426,975 (2016 - \$424,270).

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 2017 was \$37,579 (2016 - \$36,842). The County has the right to cease being a shareholder by giving 600 days notice.

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.

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.

18. BUDGET AMOUNTS

The 2017 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.

19. COMPARATIVE FIGURES

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

20. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
