

**STARLAND COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**STARLAND COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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CHARTERED PROFESSIONAL
ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the consolidated financial statements of the Starland County, which comprise of the statement of financial position as at, December 31, 2018 and the results of its operations and changes in its net financial assets and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Starland County as at December 31, 2018, the results of its operations, changes in net financial assets and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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 Consolidated Financial Statements section of our report. We are independent of the Starland County in accordance with the 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 opinion.

Responsibilities of Management and Those Charged with Governance 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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 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 Responsibility for the Audit of the Consolidated 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 the 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:



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- 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 controls.
- 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 the auditor's report. However future events or conditions may cause the County to cease to continue to be 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the County's debt limit can be found in Note 7.
- Supplementary Accounting Principles and Standards Regulation: In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 1.

**HANNA, ALBERTA
APRIL 3, 2019**


CHARTERED PROFESSIONAL ACCOUNTANTS

STARLAND COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 6,674,824	\$ 10,077,288
Receivables		
Taxes and grants in place of taxes (Note 3)	1,859,529	109,390
Trade and other receivables	253,406	185,517
Receivables from other governments	573,144	182,189
Land inventory held for resale	17,170	17,170
Investments (Note 4)	<u>9,109</u>	<u>8,989</u>
	<u>9,387,182</u>	<u>10,580,543</u>
LIABILITIES		
Accounts payable and accrued liabilities	326,362	1,097,221
Deferred revenue (Note 5)	7,703,237	4,036,244
Employee benefit obligations (Note 6)	519,271	616,009
Gravel pit reclamation payable	<u>797,990</u>	<u>797,990</u>
	<u>9,346,860</u>	<u>6,547,464</u>
NET FINANCIAL ASSETS	<u>40,322</u>	<u>4,033,079</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	53,003,211	53,901,369
Inventory for consumption (Note 8)	2,685,525	4,217,305
Gravel reserves (Note 9)	490,653	490,653
Prepaid expenses	<u>177,452</u>	<u>193,190</u>
	<u>56,356,841</u>	<u>58,802,517</u>
ACCUMULATED SURPLUS	<u>\$ 56,397,163</u>	<u>\$ 62,835,596</u>
	COMMITMENTS (SEE NOTE 16)	
	CONTINGENCIES (SEE NOTE 17)	

STARLAND COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
REVENUE			
Net municipal taxes (Schedule 2)	\$ 10,720,851	\$ 10,700,025	\$ 10,408,267
User fees and sale of goods	661,750	733,731	717,209
Government transfers for operating (Schedule 3)	574,267	465,846	773,161
Investment income	68,000	60,728	227,731
Penalties and costs on taxes	15,400	384,349	24,149
Licenses and permits	5,250	1,968	6,575
Insurance proceeds		1,078,189	
Gain on disposal of tangible capital assets	210,000	97,250	13,195
Other	315,750	22,252	11,980
Total Revenue	<u>12,571,268</u>	<u>13,544,338</u>	<u>12,182,267</u>
EXPENSES			
Legislative	225,600	161,535	166,283
Administration	1,787,330	7,928,281	1,809,393
Protective services	810,150	913,154	919,690
Transportation	6,117,400	9,655,633	8,391,007
Water supply and distribution	331,300	659,503	530,595
Wastewater treatment and disposal	39,100	56,397	62,244
Waste management	184,950	187,351	188,074
Public health and welfare	266,120	214,042	233,841
Land use planning, zoning and development	6,800	5,601	3,934
Economic/agricultural development	594,300	587,211	578,009
Land, housing and building rentals	8,000	6,594	7,656
Parks and recreation	389,300	394,141	434,751
Culture	21,200	21,197	20,317
Total Expenses	<u>10,781,550</u>	<u>20,790,640</u>	<u>13,345,794</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,789,718	(7,246,302)	(1,163,527)
Government transfers for capital (Schedule 3)	<u>1,750,629</u>	<u>807,869</u>	<u>1,418,279</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	3,540,347	(6,438,433)	254,752
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>62,835,596</u>	<u>62,835,596</u>	<u>62,580,844</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 66,375,943</u>	<u>\$ 56,397,163</u>	<u>\$ 62,835,596</u>

STARLAND COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 3,540,347	\$ (6,438,433)	\$ 254,752
Acquisition of tangible capital assets	(4,099,879)	(4,777,664)	(3,957,674)
Proceeds on sale of tangible capital assets	(210,000)	622,498	131,652
Amortization of tangible capital assets		2,950,714	2,889,194
Loss on sale of tangible capital assets	210,000	2,102,613	(13,195)
	<u>(4,519,879)</u>	<u>898,161</u>	<u>(950,023)</u>
Change in prepaid expenses		15,734	143,914
Change in inventory		1,531,781	86,156
		<u>1,547,515</u>	<u>230,070</u>
(INCREASE) DECREASE IN NET DEBT	979,532	(3,992,757)	(465,201)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>4,033,079</u>	<u>4,033,079</u>	<u>4,498,280</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 3,053,547</u>	<u>\$ 40,322</u>	<u>\$ 4,033,079</u>

STARLAND COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ (6,438,433)	\$ 254,752
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	2,950,714	2,889,194
Gain(loss) on sale of tangible capital assets	<u>2,102,613</u>	<u>(13,195)</u>
	(1,385,106)	3,130,751
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	(1,750,139)	2,109,905
Decrease(increase) in trade and other receivables	(67,889)	(32,401)
Decrease(increase) in receivables from other governments	(390,955)	345,272
Decrease(increase) in prepaid expenses	15,734	143,914
Decrease(increase) on inventory for consumption	1,531,781	86,156
Increase(decrease) in accounts payable and accrued liabilities	(770,860)	660,797
Increase(decrease) in deferred revenue	3,666,993	65,133
Increase(decrease) in employee benefit obligations	(96,737)	84,138
Increase(decrease) in provision for gravel pit reclamation	<u> </u>	<u>(19,240)</u>
Cash provided by (applied to) operating transactions	<u>752,822</u>	<u>6,574,425</u>
CAPITAL		
Acquisition of tangible capital assets	(4,777,664)	(3,957,674)
Proceeds on sale of tangible capital assets	<u>622,498</u>	<u>131,652</u>
Cash provided by (applied to) capital transactions	<u>(4,155,166)</u>	<u>(3,826,022)</u>
INVESTING		
Increase (decrease) in investments	<u>(120)</u>	<u>(283)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(3,402,464)	2,748,120
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,077,288</u>	<u>7,329,168</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,674,824</u>	<u>\$ 10,077,288</u>

STARLAND COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018	2017
COST:								
BALANCE, BEGINNING OF YEAR	\$ 2,146,255	\$ 655,041	\$ 5,171,495	\$ 74,345,294	\$ 12,608,071	\$ 4,064,437	\$ 98,990,593	\$ 95,393,091
Acquisition of tangible capital assets	87,055	92,122	2,229,656	548,291	1,050,061	189,520	4,196,705	2,253,020
Construction-in-progress	(203,500)		541,585	39,374			580,959	1,704,654
Disposal of tangible capital assets			(2,434,068)	(23,752)	(1,436,206)	(10,000)	(4,107,526)	(360,172)
BALANCE, END OF YEAR	<u>2,029,810</u>	<u>747,163</u>	<u>5,508,668</u>	<u>74,909,207</u>	<u>12,221,926</u>	<u>4,243,957</u>	<u>99,660,731</u>	<u>98,990,593</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		240,170	870,490	34,648,593	7,113,845	2,216,126	45,089,224	42,441,745
Annual amortization		22,770	90,279	1,808,957	717,379	311,329	2,950,714	2,889,194
Accumulated amortization on disposals			(434,525)	(10,796)	(927,097)	(10,000)	(1,382,418)	(241,715)
BALANCE, END OF YEAR		<u>262,940</u>	<u>526,244</u>	<u>36,446,754</u>	<u>6,904,127</u>	<u>2,517,455</u>	<u>46,657,520</u>	<u>45,089,224</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 2,029,810</u>	<u>\$ 484,223</u>	<u>\$ 4,982,424</u>	<u>\$ 38,462,453</u>	<u>\$ 5,317,799</u>	<u>\$ 1,726,502</u>	<u>\$ 53,003,211</u>	<u>\$ 53,901,369</u>
2017 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>	

STARLAND COUNTY
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 2

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	\$ 5,564,999	\$ 5,471,026	\$ 5,254,779
Linear property taxes	<u>7,594,067</u>	<u>7,661,259</u>	<u>7,716,902</u>
	<u>13,159,066</u>	<u>13,132,285</u>	<u>12,971,681</u>
REQUISITIONS			
Alberta School Foundation Fund	2,022,215	2,016,294	2,136,439
Drumheller and District Senior's Foundation	<u>416,000</u>	<u>415,966</u>	<u>426,975</u>
	<u>2,438,215</u>	<u>2,432,260</u>	<u>2,563,414</u>
NET MUNICIPAL TAXES	<u>\$ 10,720,851</u>	<u>\$ 10,700,025</u>	<u>\$ 10,408,267</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 3

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Provincial government	\$ 551,132	\$ 439,467	\$ 751,226
Federal government		3,264	
Local governments	<u>23,135</u>	<u>23,115</u>	<u>21,935</u>
	<u>574,267</u>	<u>465,846</u>	<u>773,161</u>
TRANSFERS FOR CAPITAL			
Provincial government	1,707,415	807,869	1,418,279
Federal government	<u>43,214</u>	<u>807,869</u>	<u>1,418,279</u>
	<u>1,750,629</u>	<u>807,869</u>	<u>1,418,279</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,324,896</u>	<u>\$ 1,273,715</u>	<u>\$ 2,191,440</u>

STARLAND COUNTY
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 4

	Budget (Unaudited)	2018	2017
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 5,274,750	\$ 5,242,644	\$ 5,095,943
Contracted and general services	2,920,030	3,820,123	3,166,800
Purchases from other governments	46,200	39,066	58,597
Materials, goods, supplies and utilities	2,079,050	2,122,093	1,879,507
Provision for allowances	1,000	3,161,015	52,080
Transfers to individuals and organizations	458,020	341,660	350,020
Bank charges and short term interest	2,500	3,329	838
Amortization of tangible capital assets		2,886,698	2,742,009
Loss on disposal of tangible capital assets		2,199,863	
Other expenses		974,149	
	<u>\$ 10,781,550</u>	<u>\$ 20,790,640</u>	<u>\$ 13,345,794</u>

STARLAND COUNTY
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 3,754,823	\$ 5,179,404	\$ 53,901,369	\$ 62,835,596	\$ 62,580,844
Excess of revenues over expenses	(6,438,433)			(6,438,433)	254,752
Unrestricted funds designated for future use	(35,000)	35,000			
Restricted funds used for operations	1,340,000	(1,340,000)			
Restricted funds used for tangible capital assets	(4,217,664)	(560,000)	560,000		
Current year funds used for tangible capital assets	2,725,108		4,217,664		
Disposal of tangible capital assets	2,950,714		(2,725,108)		
Annual amortization expense			(2,950,714)		
Change in accumulated surplus	(3,675,275)	(1,865,000)	(898,158)	(6,438,433)	254,752
BALANCE, END OF YEAR	\$ 79,548	\$ 3,314,404	\$ 53,003,211	\$ 56,397,163	\$ 62,835,596

STARLAND COUNTY
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 6

	General Government	Protective Services	Transportation Services	Water / Wastewater	Public Health & Welfare	Planning Development	Agricultural Development	Recreation & Culture	Total
REVENUE									
Net municipal taxes	\$ 10,700,025	\$	\$	\$	\$	\$	\$	\$	\$ 10,700,025
User fees and sales of goods	127,089	34,780	193,862	197,910	5,700	70,101	48,020	56,269	733,731
Government transfers	113,070	529,696	257,287	273	122,253		248,145	3,264	1,273,715
Investment Income	60,455								60,728
Penalties	384,349								384,349
Licenses and permits	1,558	410							1,968
Insurance proceeds	1,078,189						97,250		1,078,189
Gain on disposal					4,850		5,000		97,250
Other revenues		3,000	9,402						22,252
	<u>12,464,735</u>	<u>567,886</u>	<u>460,551</u>	<u>198,183</u>	<u>132,803</u>	<u>70,101</u>	<u>398,415</u>	<u>59,533</u>	<u>14,352,207</u>
EXPENSES									
Salaries & wages	1,288,063	518,202	2,743,253	89,551	129,144	3,639	353,618	117,174	5,242,644
Contract & general services	489,642	146,110	2,992,530	77,555	19,308	8,556	64,631	21,791	3,820,123
Purchases from other governments	2,291	35,300	1,475				120,908	30,907	39,066
Goods & supplies	114,796	70,302	1,452,434	324,234	8,512				2,122,093
Provision for allowance	3,161,015						2,215	163,398	3,161,015
Transfers to organizations	16,381	9,000		93,588	57,078				341,660
Bank charges and interest	3,329		200,321						3,329
Loss on sale of TCA	1,999,542								2,199,863
Other expenses	974,149								974,149
	<u>8,049,208</u>	<u>778,914</u>	<u>7,390,013</u>	<u>584,928</u>	<u>214,042</u>	<u>12,195</u>	<u>541,372</u>	<u>333,270</u>	<u>17,903,942</u>
NET REVENUE, BEFORE AMORTIZATION	<u>4,415,527</u>	<u>(211,028)</u>	<u>(6,929,462)</u>	<u>(386,745)</u>	<u>(81,239)</u>	<u>57,906</u>	<u>(142,957)</u>	<u>(273,737)</u>	<u>(3,551,735)</u>
Amortization expense	40,608	134,240	2,265,620	318,323			45,839	82,068	2,886,698
NET REVENUE	<u>\$ 4,374,919</u>	<u>\$ (345,268)</u>	<u>\$ (9,195,082)</u>	<u>\$ (705,068)</u>	<u>\$ (81,239)</u>	<u>\$ 57,906</u>	<u>\$ (188,796)</u>	<u>\$ (355,805)</u>	<u>\$ (6,438,433)</u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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, 2018

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, 2018

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

	2018	2017
Cash	\$ 6,672,277	\$ 3,074,784
Temporary investments	2,547	7,002,504
	\$ 6,674,824	\$ 10,077,288

The County earns interest on its account deposits at rates between prime rate less 1.9%, prime rate less 1.7% and prime rate less 1.55%. All deposits are highly liquid and redeemable within 90 days or less.

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, \$5,499,247 (2017 - \$4,036,244) 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, 2018 no amount was drawn on this line of credit.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2018	2017
Current taxes and grants in place receivables	\$ 4,962,783	\$ 70,135
Arrears taxes	60,138	39,255
	5,022,921	109,390
Less: allowance for doubtful accounts	(3,163,392)	
	\$ 1,859,529	\$ 109,390

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. INVESTMENTS

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Other institutional and private corporation bonds	\$ <u>9,109</u>	\$ <u>174,553</u>	\$ <u>8,989</u>	\$ <u>197,018</u>

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, 2018 has a fair market value of \$165,444 (2017 - \$189,518).

5. DEFERRED REVENUE

	<u>2018</u>	<u>2017</u>
Alberta Municipal Sustainability Initiative	\$ 5,385,299	\$ 3,978,875
Building Insurance Proceeds	2,203,990	
Federal Gas Tax Fund	113,948	
Alberta Watershed Resiliency & Restoration Program		49,786
Other Deferred Revenue		<u>7,583</u>
	<u>\$ 7,703,237</u>	<u>\$ 4,036,244</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.

Building Insurance Proceeds

During the 2018 fiscal year the County's administration building was destroyed by a fire. Certain insurance proceeds were received to fund the construction of a replacement building, which have not yet been spent.

Federal Gas Tax Fund

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

6. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2018</u>	<u>2017</u>
Vested sick leave payable	\$ <u>519,271</u>	\$ <u>616,009</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, 2018

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:

	2018	2017
Total debt limit	\$ 21,104,379	\$ 18,451,086
Total debt		
Amount of debit limit unused	<u>\$ 21,104,379</u>	<u>\$ 18,451,086</u>
Debt servicing limit	\$ 3,517,397	\$ 3,075,181
Debt servicing		
Amount of debt servicing limit unused	<u>\$ 3,517,397</u>	<u>\$ 3,075,181</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

	2018	2017
Transportation - gravel	\$ 1,972,906	\$ 3,457,635
Transportation - repairs	321,221	434,509
Transportation - fuel	59,833	52,712
Transportation - other	146,654	92,766
Water - parts and supplies	118,395	123,826
Sewer - parts and supplies	18,170	19,749
Agriculture - chemicals and other products	48,346	36,108
	<u>\$ 2,685,525</u>	<u>\$ 4,217,305</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
DECEMBER 31, 2018

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
Tangible capital assets	\$ 99,660,731	\$ 98,990,593
Accumulated amortization	<u>(46,657,520)</u>	<u>(45,089,224)</u>
	<u>\$ 53,003,211</u>	<u>\$ 53,901,369</u>

11. ACCUMULATED SURPLUS

	2018	2017
Unrestricted surplus	\$ 79,548	\$ 3,754,823
Restricted surplus:		
Administrative	2,367	2,367
Fire	39,512	39,512
Roads, streets, walks and lighting	600	600
Operating contingencies	824,307	2,164,307
Administrative - capital	75,000	75,000
Fire - capital	152,921	677,921
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>53,003,211</u>	<u>53,901,369</u>
	<u>\$ 56,397,163</u>	<u>\$ 62,835,596</u>

12. SEGMENTED DISCLOSURE

Starland County provides a range of services to its ratepayers. For each reported segment, revenues and expenses represents 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 followed in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure (Schedule 6)

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

13. BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2018 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	\$ 12,060,518
Capital budget	4,099,879
Less:	
Transfer to other funds	<u>(1,838,500)</u>
Total revenues	<u>14,321,897</u>
Expenses	
Operating budget	12,060,050
Capital budget	4,099,879
Less:	
Transfer to other funds	(1,313,500)
Capital expenses	<u>(4,064,879)</u>
Total expenses	<u>10,781,550</u>
Excess of revenue over expenses	<u>\$ 3,540,347</u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

14. 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:

	2018					2017		
	Number of Persons	(1) Salary	(2) Benefits & allowances	Total	Employee Deductions	Number of Persons	Total	Employee Deductions
Councillors:								
Division 1	1	\$ 24,899	\$ 1,456	\$ 26,355	\$ 648	1	\$ 25,665	\$ 704
Division 2	1	32,439	1,650	34,089	897	1	31,656	890
Division 3	1	19,619	1,282	20,901	474	1	23,475	634
Division 4	1	25,659	1,616	27,275	674	2	26,491	13
Division 5	1	22,939	584	23,523	584	2	32,924	723
Chief Administrative Officer	1	191,113	33,672	224,785	59,099	1	139,928	46,789
Former Chief Administrative Officer						1	99,214	38,247
Supervisors (3)	7	894,330	159,756	1,054,086	326,227	6	984,291	324,145
Other full time (4)	28	2,235,542	675,335	2,910,877	1,182,572	28	2,959,334	853,900
Part Time/Casual (5)	38	1,311,300	233,799	1,545,099	325,135	35	1,644,962	315,076

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 \$127,761 and average benefits are \$22,822, totalling \$150,583 (2017 - \$164,065).
4. For other full time staff noted, average salary is \$79,841 and average benefits are \$24,119, totalling \$103,960 (2017 - \$105,690).
5. For part time and casual staff noted, average salary is \$34,508 and average benefits are \$6,153, totalling \$40,661 (2017 - \$46,999).

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

15. 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2018 were \$315,355 (2017 - \$339,716). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2017 were \$289,120 (2017 - \$313,477).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion. This amount is not specifically allocated to the participating government organizations. The 2018 actuarial balance was not available at the date these financial statements were released.

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

16.COMMITMENTS

During the current year the County's administration building was destroyed by a fire. The County has received insurance proceeds which are committed to replace the administration building.

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 \$21,197 in 2018 (2017 - \$20,317). 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 2018 was \$80,852 (2017 - \$79,692). 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 42.23% of an annual budget of net expenditures of the housing foundation. The requisition for 2018 was \$415,966 (2017 - \$426,975).

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 2018 was \$38,330 (2017 - \$37,579). The County has the right to cease being a shareholder by giving 600 days notice.

17.CONTINGENCIES

No provision has been made for legal claims filed against the County as management believes the County has minimal exposure to these actions.

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

18. 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.

19. BUDGET AMOUNTS

The 2018 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.

20. COMPARATIVE FIGURES

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

21. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
