

**STARLAND COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

**STARLAND COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the financial statements of the Starland County, which comprise of the statement of financial position as at, December 31, 2020 and the results of its operations and changes in its net financial assets (debt) 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 financial statements present fairly, in all material respects, the financial position of the Starland County as at December 31, 2020, the results of its operations, changes in net financial assets (debt) 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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:

- 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.

Ascend

HANNA, ALBERTA
APRIL 8, 2021

ASCEND LLP
CHARTERED PROFESSIONAL ACCOUNTANTS



STARLAND COUNTY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 808,389	\$ 5,433,027
Receivables		
Taxes and grants in place of taxes (Note 3)	2,772,158	153,966
Trade and other receivables	198,358	815,560
Receivables from other governments	787,016	641,425
Land inventory held for resale	17,170	17,170
Investments (Note 4)	<u>9,112</u>	<u>9,112</u>
	<u>4,592,203</u>	<u>7,070,260</u>
LIABILITIES		
Accounts payable and accrued liabilities	228,364	1,603,626
Deferred revenue (Note 5)	629,904	5,259,618
Employee benefit obligations (Note 6)	585,608	559,151
Gravel pit reclamation payable	<u>797,990</u>	<u>797,990</u>
	<u>2,241,866</u>	<u>8,220,385</u>
NET FINANCIAL ASSETS (DEBT)	<u>2,350,337</u>	<u>(1,150,125)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	58,443,985	56,094,302
Inventory for consumption (Note 8)	2,485,179	2,844,488
Gravel reserves (Note 9)	490,653	490,653
Prepaid expenses	<u>147,538</u>	<u>171,072</u>
	<u>61,567,355</u>	<u>59,600,515</u>
ACCUMULATED SURPLUS	<u>\$ 63,917,692</u>	<u>\$ 58,450,390</u>

COMMITMENTS (SEE NOTE 16)
SUBSEQUENT EVENTS (SEE NOTE 18)

STARLAND COUNTY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
REVENUE			
Net municipal taxes (Schedule 2)	\$ 10,487,600	\$ 10,443,602	\$ 11,323,617
User fees and sale of goods	692,250	785,091	715,704
Government transfers for operating (Schedule 3)	825,007	1,290,701	1,313,048
Investment income	42,300	29,360	62,181
Penalties and costs on taxes	15,400	147,772	641,339
Licenses and permits	2,250	1,659	4,843
Insurance proceeds		153,127	1,077,222
Gain on disposal of tangible capital assets		27,630	80,289
Other	<u>20,373</u>	<u>18,218</u>	<u>22,745</u>
Total Revenue	<u>12,085,180</u>	<u>12,897,160</u>	<u>15,240,988</u>
EXPENSES			
Legislative	139,260	129,340	174,492
Administration	5,766,750	4,277,370	6,762,330
Protective services	918,900	1,060,700	1,071,692
Transportation	3,962,250	6,182,020	6,830,446
Water supply and distribution	424,885	733,506	657,516
Wastewater treatment and disposal	31,600	81,016	57,895
Waste management	196,750	194,416	189,373
Public health and welfare	177,500	167,184	222,762
Land use planning, zoning and development	8,600	3,998	45,255
Economic/agricultural development	473,700	431,483	570,656
Land, housing and building rentals	3,000	3,037	9,187
Parks and recreation	299,100	389,315	466,481
Culture	<u>22,200</u>	<u>22,189</u>	<u>21,693</u>
Total Expenses	<u>12,424,495</u>	<u>13,675,574</u>	<u>17,079,778</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	339,315	(778,414)	(1,838,790)
Government transfers for capital (Schedule 3)	4,207,382	3,745,616	3,892,017
Other capital revenues	<u>1,936,499</u>	<u>2,500,100</u>	
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	5,804,566	5,467,302	2,053,227
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>58,450,390</u>	<u>58,450,390</u>	<u>56,397,163</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 64,254,956</u>	<u>\$ 63,917,692</u>	<u>\$ 58,450,390</u>

STARLAND COUNTY
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ <u>5,804,566</u>	\$ <u>5,467,302</u>	\$ <u>2,053,227</u>
Acquisition of tangible capital assets	(5,749,160)	(5,185,199)	(6,287,664)
Proceeds on sale of tangible capital assets		100,370	402,190
Amortization of tangible capital assets		2,757,090	2,860,534
Gain (loss) on sale of tangible capital assets		(21,942)	(66,151)
	<u>(5,749,160)</u>	<u>(2,349,681)</u>	<u>(3,091,091)</u>
Change in prepaid expenses		23,534	6,380
Change in inventory		359,307	(158,963)
		<u>382,841</u>	<u>(152,583)</u>
(INCREASE) DECREASE IN NET DEBT	55,406	3,500,462	(1,190,447)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>(1,150,125)</u>	<u>(1,150,125)</u>	<u>40,322</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ (1,094,719)</u>	<u>\$ 2,350,337</u>	<u>\$ (1,150,125)</u>

STARLAND COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ 5,467,302	\$ 2,053,227
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	2,757,090	2,860,534
Gain(loss) on sale of tangible capital assets	<u>(21,942)</u>	<u>(66,151)</u>
	8,202,450	4,847,610
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	(2,618,192)	1,705,563
Decrease(increase) in trade and other receivables	617,202	(562,154)
Decrease(increase) in receivables from other governments	(145,591)	(68,281)
Decrease(increase) in prepaid expenses	23,534	6,380
Decrease(increase) on inventory for consumption	359,307	(158,963)
Increase(decrease) in accounts payable and accrued liabilities	(1,375,262)	1,277,264
Increase(decrease) in deferred revenue	(4,629,714)	(2,443,619)
Increase(decrease) in employee benefit obligations	<u>26,457</u>	<u>39,880</u>
Cash provided by (applied to) operating transactions	<u>460,191</u>	<u>4,643,680</u>
CAPITAL		
Acquisition of tangible capital assets	(5,185,199)	(6,287,664)
Proceeds on sale of tangible capital assets	<u>100,370</u>	<u>402,190</u>
Cash provided by (applied to) capital transactions	<u>(5,084,829)</u>	<u>(5,885,474)</u>
INVESTING		
Increase in investments	<u> </u>	<u>(3)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(4,624,638)	(1,241,797)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,433,027</u>	<u>6,674,824</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 808,389</u>	<u>\$ 5,433,027</u>

STARLAND COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2020	2019
COST:								
BALANCE, BEGINNING OF YEAR	\$ 1,802,310	\$ 747,163	\$ 9,966,336	\$ 76,254,890	\$ 11,773,633	\$ 4,314,475	\$104,858,807	\$ 99,660,731
Acquisition of tangible capital assets			4,627,267		394,483	36,006	5,057,756	1,786,245
Construction-in-progress				127,443			127,443	4,501,419
Disposal of tangible capital assets	(7,700)				(77,627)		(85,327)	(1,089,588)
BALANCE, END OF YEAR	<u>1,794,610</u>	<u>747,163</u>	<u>14,593,603</u>	<u>76,382,333</u>	<u>12,090,489</u>	<u>4,350,481</u>	<u>109,958,679</u>	<u>104,858,807</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		291,019	629,064	38,070,213	7,158,876	2,615,333	48,764,505	46,657,520
Annual amortization		27,491	145,647	1,575,991	746,783	261,178	2,757,090	2,860,534
Accumulated amortization on disposals					(6,901)		(6,901)	(753,549)
BALANCE, END OF YEAR		<u>318,510</u>	<u>774,711</u>	<u>39,646,204</u>	<u>7,898,758</u>	<u>2,876,511</u>	<u>51,514,694</u>	<u>48,764,505</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,794,610</u>	<u>\$ 428,653</u>	<u>\$ 13,818,892</u>	<u>\$ 36,736,129</u>	<u>\$ 4,191,731</u>	<u>\$ 1,473,970</u>	<u>\$ 58,443,985</u>	<u>\$ 56,094,302</u>
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,802,310</u>	<u>\$ 456,144</u>	<u>\$ 9,337,272</u>	<u>\$ 38,184,677</u>	<u>\$ 4,614,757</u>	<u>\$ 1,699,142</u>	<u>\$ 56,094,302</u>	

STARLAND COUNTY
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2020
Schedule 2

	Budget (Unaudited)	2020	2019
TAXATION			
Real property taxes	\$ 5,864,463	\$ 5,911,482	\$ 5,824,572
Linear property taxes	<u>7,180,161</u>	<u>7,089,863</u>	<u>8,007,140</u>
	<u>13,044,624</u>	<u>13,001,345</u>	<u>13,831,712</u>
REQUISITIONS			
Alberta School Foundation Fund	2,131,024	2,131,927	2,087,894
Drumheller and District Senior's Foundation	<u>426,000</u>	<u>425,816</u>	<u>420,201</u>
	<u>2,557,024</u>	<u>2,557,743</u>	<u>2,508,095</u>
NET MUNICIPAL TAXES	<u>\$ 10,487,600</u>	<u>\$ 10,443,602</u>	<u>\$ 11,323,617</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2020
Schedule 3

	Budget (Unaudited)	2020	2019
TRANSFERS FOR OPERATING			
Provincial government	\$ 803,072	\$ 1,247,766	\$ 1,286,913
Federal government		21,000	4,200
Local governments	<u>21,935</u>	<u>21,935</u>	<u>21,935</u>
	<u>825,007</u>	<u>1,290,701</u>	<u>1,313,048</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>4,207,382</u>	<u>3,745,616</u>	<u>3,892,017</u>
	<u>4,207,382</u>	<u>3,745,616</u>	<u>3,892,017</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 5,032,389</u>	<u>\$ 5,036,317</u>	<u>\$ 5,205,065</u>

STARLAND COUNTY
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 4

	Budget (Unaudited)	2020	2019
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 4,569,450	\$ 4,455,369	\$ 5,050,134
Contracted and general services	1,749,860	1,915,778	2,120,374
Purchases from other governments	39,800	29,843	34,946
Materials, goods, supplies and utilities	1,461,585	1,371,178	1,681,506
Provision for allowances	4,000,000	2,515,756	4,243,373
Transfers to individuals and organizations	502,300	456,234	735,121
Bank charges and short term interest	101,500	2,076	883
Amortization of tangible capital assets		2,757,090	2,717,019
Loss on disposal of tangible capital assets		5,688	14,138
Other expenses		166,562	482,284
	<u>\$ 12,424,495</u>	<u>\$ 13,675,574</u>	<u>\$ 17,079,778</u>

STARLAND COUNTY
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 56,684	\$ 2,299,404	\$ 56,094,302	\$ 58,450,390	\$ 56,397,163
Excess of revenues over expenses	5,467,302			5,467,302	2,053,227
Unrestricted funds designated for future use	(2,985,000)	2,985,000			
Current year funds used for tangible capital assets	(5,185,199)		5,185,199		
Disposal of tangible capital assets	78,426		(78,426)		
Annual amortization expense	2,757,090		(2,757,090)		
Change in accumulated surplus	132,619	2,985,000	2,349,683	5,467,302	2,053,227
BALANCE, END OF YEAR	\$ 189,303	\$ 5,284,404	\$ 58,443,985	\$ 63,917,692	\$ 58,450,390

STARLAND COUNTY
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 6

	General Government	Protective Services	Transportation Services	Water / Wastewater	Public Health & Welfare	Planning Development	Agricultural Development	Recreation & Culture	Total
REVENUE									
Net municipal taxes	\$ 10,443,602	\$	\$	\$	\$	\$	\$	\$	\$ 10,443,602
User fees and sales of goods	126,488	41,636	96,453	342,508	3,800	60,309	24,617	89,280	785,091
Government transfers	1,036,119		3,745,616		109,675		123,907	21,000	5,036,317
Investment Income	28,458			902					29,360
Penalties	147,772								147,772
Licenses and permits	1,429	230							1,659
Insurance proceeds	137,395			15,732			27,630		153,127
Gain on disposal		9,600	39,955		2,373		33,711		27,630
Other revenues	2,432,679								2,518,318
	<u>14,353,942</u>	<u>51,466</u>	<u>3,882,024</u>	<u>359,142</u>	<u>115,848</u>	<u>60,309</u>	<u>209,865</u>	<u>110,280</u>	<u>19,142,876</u>
EXPENSES									
Salaries & wages	1,165,324	638,904	2,142,766	90,338	20,456	2,040	303,832	91,709	4,455,369
Contract & general services	409,652	151,529	1,136,031	126,930	14,353	4,995	30,103	42,185	1,915,778
Purchases from other governments	2,443	25,900	1,500	345,246	1,078		55,503	31,881	29,843
Goods & supplies	51,047	93,562	792,861						1,371,178
Provision for allowance	2,515,756								2,515,756
Transfers to organizations	56,838	9,000		100,744	131,297		965	157,390	456,234
Bank charges and interest	2,076							5,688	2,076
Loss on sale of TCA									5,688
Other expenses	166,562								166,562
	<u>4,369,698</u>	<u>918,895</u>	<u>4,073,158</u>	<u>663,258</u>	<u>167,184</u>	<u>7,035</u>	<u>390,403</u>	<u>328,853</u>	<u>10,918,484</u>
NET REVENUE, BEFORE AMORTIZATION	<u>9,984,244</u>	<u>(867,429)</u>	<u>(191,134)</u>	<u>(304,116)</u>	<u>(51,336)</u>	<u>53,274</u>	<u>(180,538)</u>	<u>(218,573)</u>	<u>8,224,392</u>
Amortization expense	37,012	141,805	2,108,862	345,680			41,080	82,651	2,757,090
NET REVENUE	<u>\$ 9,947,232</u>	<u>\$ (1,009,234)</u>	<u>\$ (2,299,996)</u>	<u>\$ (649,796)</u>	<u>\$ (51,336)</u>	<u>\$ 53,274</u>	<u>\$ (221,618)</u>	<u>\$ (301,224)</u>	<u>\$ 5,467,302</u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The 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 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, 2020

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, 2020

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 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, 2020

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

	2020	2019
Cash	\$ 805,767	\$ 5,430,428
Temporary investments	2,622	2,599
	\$ 808,389	\$ 5,433,027

The County earns interest on its account deposits at rates between prime rate less 1.9% 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, \$308,264 (2019 - \$5,026,158) 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 \$10,000,000, which bears interest at prime rate. As of December 31, 2020 no amount was drawn on this line of credit.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2020	2019
Current taxes and grants in place receivables	\$ 3,048,006	\$ 624,004
Arrears taxes	776,419	190,838
	3,824,425	814,842
Less: allowance for doubtful accounts	(1,052,267)	(660,876)
	\$ 2,772,158	\$ 153,966

4. INVESTMENTS

	2020		2019	
	Cost	Market Value	Cost	Market Value
Other institutional and private corporation bonds	\$ 9,112	\$ 215,872	\$ 9,112	\$ 225,406

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, 2020 has a fair market value of \$206,760 (2019 - \$216,294).

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. DEFERRED REVENUE

	<u>2020</u>	<u>2019</u>
Alberta Municipal Sustainability Initiative	\$ 321,640	\$ 2,530,980
Federal Gas Tax Fund	265,945	349,231
Municipal Stimulus Program	33,000	
Family and Community Support Services	7,319	
Unearned revenues and donations	2,000	4,983
Building Insurance Proceeds		2,340,713
Insurance Proceeds		<u>33,711</u>
	<u>\$ 629,904</u>	<u>\$ 5,259,618</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.

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.

Municipal Stimulus Program

Provincial government funding was received in the current year to undertake certain eligible infrastructure project expenses within the Town that have not yet been expended.

Family and Community Support Services

Certain provincial government funding was received to undertake certain social programs and related expenditures with in the Town which have note yet been expended.

6. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2020</u>	<u>2019</u>
Vested sick leave payable	\$ <u>585,608</u>	\$ <u>559,151</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, 2020

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>2020</u>	<u>2019</u>
Total debt limit	\$ 19,454,850	\$ 23,344,334
Total debt		
Amount of debit limit unused	<u>\$ 19,454,850</u>	<u>\$ 23,344,334</u>
Debt servicing limit	\$ 3,242,475	\$ 3,890,722
Debt servicing		
Amount of debt servicing limit unused	<u>\$ 3,242,475</u>	<u>\$ 3,890,722</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>2020</u>	<u>2019</u>
Transportation - gravel	\$ 1,774,105	\$ 2,106,535
Transportation - repairs	316,468	343,564
Transportation - fuel	43,193	47,514
Transportation - other	141,012	144,893
Water - parts and supplies	115,942	113,032
Sewer - parts and supplies	25,297	29,414
Agriculture - chemicals and other products	<u>69,162</u>	<u>59,536</u>
	<u>\$ 2,485,179</u>	<u>\$ 2,844,488</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, 2020

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>
Tangible capital assets	\$ 109,958,679	\$ 104,858,807
Accumulated amortization	<u>(51,514,694)</u>	<u>(48,764,505)</u>
	<u>\$ 58,443,985</u>	<u>\$ 56,094,302</u>

11. ACCUMULATED SURPLUS

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	\$ 189,303	\$ 56,684
Restricted surplus:		
Administrative	2,367	2,367
Fire	39,512	39,512
Roads, streets, walks and lighting	600	600
Operating contingencies	2,164,307	824,307
Administrative - capital	75,000	75,000
Fire - capital	782,921	187,921
Roads, streets, walks and lighting - capital	1,639,697	589,697
Wastewater - capital	30,000	30,000
General contingencies - capital	550,000	550,000
Equity in tangible capital assets	<u>58,443,985</u>	<u>56,094,302</u>
	<u>\$ 63,917,692</u>	<u>\$ 58,450,390</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, 2020

13. BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2020 operating and capital budgets approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	<u>Budget Amount</u>
Revenue	
Operating budget	\$ 12,085,180
Capital budget	5,803,881
Less:	
Transfer to other funds	<u>(35,000)</u>
Total revenues	<u>17,854,061</u>
Expenses	
Operating budget	12,084,495
Capital budget	5,749,160
Less:	
Transfer to other funds	(35,000)
Capital expenses	<u>(5,749,160)</u>
Total expenses	<u>12,049,495</u>
Excess of revenue over expenses	\$ <u>5,804,566</u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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:

	2020			2019
	Salary	Benefits & allowances	Total	Total
Councillors:				
Division 1	\$ 23,091	\$ 1,206	\$ 24,297	\$ 27,233
Division 2	31,326	2,166	33,492	36,029
Division 3	18,646	1,404	20,050	20,544
Division 4	26,526	1,961	28,487	28,910
Division 5	17,606	741	18,347	23,002
Chief Administrative Officer	186,073	31,711	217,784	235,892
Designated Officers (5 Positions)	644,534	85,368	729,902	770,840

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. Designated officers of Starland County include the Agricultural Fieldman (employee), Assessor (contracted service provider), Subdivision Authority Secretary (employee), Development Officer (employee), SDAB Secretary (employee)

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 2020 were \$270,089 (2019 - \$294,340). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2020 were \$245,346 (2019 - \$266,871).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.91 billion. This amount is not specifically allocated to the participating government organizations. The 2020 actuarial balance was not available at the date these financial statements were released.

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

16.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 \$22,189 in 2020 (2019 - \$21,693). 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 2020 was \$85,491 (2019 - \$82,227). 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 2020 was \$425,816 (2019 - \$420,201).

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 2020 was \$39,097 (2019 - \$39,097). The County has the right to cease being a shareholder by giving 600 days notice.

On June 10, 2020 the County committed funds to the Prairie Land Regional School Division for the construction of a new school in Morrin. The County has committed to pay future installments of \$50,000 each in January 2021 and 2022 as well as a \$100,000 installment in January 2023.

On August 27, 2018 the County committed funds to the Delia School Enhancement Fund for the purposes of constructing a community hub as part of the new Delia school. The County has committed to pay future installments of \$50,000 each in January 2021 and January 2022.

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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. SUBSEQUENT EVENTS

Subsequent to year end the County passed a borrowing bylaw authorizing the County to borrow funds up to \$600,000 in order to purchase certain equipment

19. BUDGET AMOUNTS

The 2020 budget for the County was approved by council and has been reported in the 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.
