

**STARLAND COUNTY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**STARLAND COUNTY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	2
<b>FINANCIAL STATEMENTS</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Changes in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Schedule of Tangible Capital Assets	7
Schedule of Property and Other Taxes	8
Schedule of Government Transfers	8
Schedule of Consolidated Expenses by Object	9
Schedule of Changes in Accumulated Surplus	10
Notes to Financial Statements	11 - 20

## 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, 2011 and the statement of operations, change in net financial assets (debt) 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, 2011, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**HANNA, ALBERTA**  
**APRIL 5, 2012**

**CHARTERED ACCOUNTANTS**

**STARLAND COUNTY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011**

	2011	2010
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	\$ 6,986,695	\$ 3,604,745
Receivables		
Taxes and grants in place of taxes (Note 3)	147,646	124,957
Trade and other receivables	329,328	224,514
Receivables from other governments	874,610	3,641,641
Land inventory held for resale	17,170	17,170
Investments (Note 4)	10,907	11,290
Loans receivable (Note 5)	<u>7,880</u>	<u>7,880</u>
	<u>8,366,356</u>	<u>7,632,197</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	744,556	266,826
Deferred revenue (Note 6)	806,388	1,577,433
Employee benefit obligations (Note 7)	319,012	342,108
Long-term debt (Note 8)	<u>276,376</u>	<u>276,376</u>
	<u>1,869,956</u>	<u>2,462,743</u>
<b>NET FINANCIAL ASSETS</b>	<u>6,496,400</u>	<u>5,169,454</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	45,600,652	42,979,324
Inventory for consumption (Note 10)	1,505,421	2,481,537
Gravel reserves (Note 11)	490,904	491,167
Prepaid expenses	<u>135,030</u>	<u>98,786</u>
	<u>47,732,007</u>	<u>46,050,814</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 54,228,407</u>	<u>\$ 51,220,268</u>
	<b>COMMITMENTS (SEE NOTE 16)</b>	
	<b>CONTINGENCIES (SEE NOTE 17)</b>	

**STARLAND COUNTY**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budget (Unaudited)	2011	2010
<b>REVENUE</b>			
Net municipal taxes (Schedule 2)	\$ 10,630,258	\$ 10,456,662	\$ 10,888,495
User fees and sale of goods	616,100	785,508	566,016
Government transfers for operating (Schedule 3)	2,324,837	1,072,675	1,007,572
Investment income	52,000	70,490	39,095
Penalties and costs on taxes	30,425	38,553	34,195
Licenses and permits	2,450	5,895	4,025
Insurance proceeds	6,600	21,119	7,854
Gain on disposal of capital assets	2,913,600	462,378	52,565
Other	<u>39,500</u>	<u>39,932</u>	<u>67,285</u>
<b>Total Revenue</b>	<u>16,615,770</u>	<u>12,953,212</u>	<u>12,667,102</u>
<b>EXPENSES</b>			
Legislative	240,500	173,539	181,604
Administration	1,579,900	1,248,238	1,278,568
Protective services	701,000	749,270	643,671
Transportation	4,877,864	8,433,407	6,031,789
Water supply and distribution	253,100	427,052	466,384
Wastewater treatment and disposal	40,100	61,653	43,861
Waste management	162,700	163,454	158,016
Public health and welfare	293,100	286,175	196,836
Land use planning, zoning and development	14,000	4,176	2,330
Economic/agricultural development	544,800	431,731	417,071
Land, housing and building rentals	10,000	6,278	1,009
Parks and recreation	310,500	323,428	279,410
Culture	<u>16,692</u>	<u>16,692</u>	<u>16,692</u>
<b>Total Expenses</b>	<u>9,044,256</u>	<u>12,325,093</u>	<u>9,717,241</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>			
	7,571,514	628,119	2,949,861
Government transfers for capital (Schedule 3)		2,362,519	968,715
Contributed and donated assets	<u>2,165,864</u>	<u>17,500</u>	<u>408,000</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>			
	9,737,378	3,008,138	4,326,576
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>51,220,268</u>	<u>51,220,268</u>	<u>46,893,692</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 60,957,646</u>	<u>\$ 54,228,406</u>	<u>\$ 51,220,268</u>

**STARLAND COUNTY**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budget (Unaudited)	2011	2010
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	\$ <u>9,737,378</u>	\$ <u>3,008,138</u>	\$ <u>4,326,576</u>
Acquisition of tangible capital assets	(1,887,500)	(5,662,912)	(4,566,083)
Proceeds on sale of tangible capital assets	144,500	814,830	60,463
Amortization of tangible capital assets	(495,076)	2,689,132	2,602,494
Gain(loss) on sale of tangible capital assets	<u>2,913,600</u>	<u>(462,378)</u>	<u>(52,565)</u>
	<u>(5,151,676)</u>	<u>(2,621,328)</u>	<u>(1,955,691)</u>
Change in gravel reserves		263	525
Change in prepaid expenses		(36,244)	30,005
Change in inventory		<u>976,116</u>	<u>(335,961)</u>
		<u>940,135</u>	<u>(305,431)</u>
<b>INCREASE IN NET DEBT</b>	4,585,702	1,326,945	2,065,454
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>5,169,454</u>	<u>5,169,454</u>	<u>3,104,000</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>\$ 9,755,156</u>	<u>\$ 6,496,399</u>	<u>\$ 5,169,454</u>

**STARLAND COUNTY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>2011</b>	<b>2010</b>
<b>NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenues over expenses	\$ 3,008,138	\$ 4,326,576
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	2,689,132	2,602,494
Gain(loss) on sale of tangible capital assets	<u>(462,378)</u>	<u>(52,565)</u>
	5,234,892	6,876,505
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	(22,689)	236,593
Decrease(increase) in trade and other receivables	(104,814)	28,550
Decrease(increase) in receivables from other governments	2,767,031	4,014,388
Decrease(increase) in prepaid expenses	(36,244)	30,005
Decrease(increase) on inventory for consumption	976,116	(335,961)
Increase(decrease) in accounts payable and accrued liabilities	477,731	(2,614,656)
Increase(decrease) in deferred revenue	(771,045)	1,167,663
Increase(decrease) in employee benefit obligations	<u>(23,096)</u>	<u>41,266</u>
Cash provided by (applied to) operating transactions	<u>8,497,882</u>	<u>9,444,353</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(5,662,912)	(4,566,083)
Proceeds on sale of tangible capital assets	<u>814,830</u>	<u>60,463</u>
Cash provided by (applied to) capital transactions	<u>(4,848,082)</u>	<u>(4,505,620)</u>
<b>INVESTING</b>		
Increase (decrease) in investments	383	(120)
Increase (decrease) in loans receivable	7,880	10,964
Increase (decrease) in gravel reserves	<u>263</u>	<u>525</u>
Cash provided by (applied to) investing transactions	<u>8,526</u>	<u>11,369</u>
<b>FINANCING</b>		
Long term debt repaid	<u>(276,376)</u>	<u>(534,231)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	3,381,950	4,415,871
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,604,745</u>	<u>(811,126)</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 6,986,695</u>	<u>\$ 3,604,745</u>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	<u>\$ 6,986,695</u>	<u>\$ 3,604,745</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 6,986,695</u>	<u>\$ 3,604,745</u>

**STARLAND COUNTY**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**Schedule 1**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2011	2010
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	\$ 505,233	\$ 230,565	\$ 1,290,219	\$ 59,274,792	\$ 8,612,218	\$ 2,869,711	\$ 72,782,738	\$ 68,590,880
Acquisition of tangible capital assets	2,973	117,035	97,029	1,470,354	1,977,883	206,108	3,871,382	4,466,322
Construction-in-progress			1,785,645	5,884			1,791,529	99,761
Disposal of tangible capital assets	<u>          </u>	<u>          </u>	<u>          </u>	<u>(2,334)</u>	<u>(1,647,800)</u>	<u>          </u>	<u>(1,650,134)</u>	<u>(374,225)</u>
BALANCE, END OF YEAR	<u>508,206</u>	<u>347,600</u>	<u>3,172,893</u>	<u>60,748,696</u>	<u>8,942,301</u>	<u>3,075,819</u>	<u>76,795,515</u>	<u>72,782,738</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR		131,433	434,323	23,434,371	4,566,513	1,236,774	29,803,414	27,567,246
Annual amortization		9,220	22,336	1,616,611	811,337	229,628	2,689,132	2,602,495
Accumulated amortization on disposals	<u>          </u>	<u>          </u>	<u>          </u>	<u>(2,334)</u>	<u>(1,295,349)</u>	<u>          </u>	<u>(1,297,683)</u>	<u>(366,327)</u>
BALANCE, END OF YEAR	<u>          </u>	<u>140,653</u>	<u>456,659</u>	<u>25,048,648</u>	<u>4,082,501</u>	<u>1,466,402</u>	<u>31,194,863</u>	<u>29,803,414</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 508,206</u>	<u>\$ 206,947</u>	<u>\$ 2,716,234</u>	<u>\$ 35,700,048</u>	<u>\$ 4,859,800</u>	<u>\$ 1,609,417</u>	<u>\$ 45,600,652</u>	<u>\$ 42,979,324</u>



**STARLAND COUNTY**  
**SCHEDULE OF PROPERTY AND OTHER TAXES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**Schedule 2**

	Budget (Unaudited)	2011	2010
<b>TAXATION</b>			
Real property taxes	\$ 5,153,842	\$ 4,912,669	\$ 5,004,419
Linear property taxes	<u>7,771,141</u>	<u>7,838,718</u>	<u>8,070,339</u>
	<u>12,924,983</u>	<u>12,751,387</u>	<u>13,074,758</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	2,078,362	2,078,362	2,067,397
Drumheller and District Senior's Foundation	<u>216,363</u>	<u>216,363</u>	<u>118,866</u>
	<u>2,294,725</u>	<u>2,294,725</u>	<u>2,186,263</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 10,630,258</u>	<u>\$ 10,456,662</u>	<u>\$ 10,888,495</u>

**SCHEDULE OF GOVERNMENT TRANSFERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**Schedule 3**

	Budget (Unaudited)	2011	2010
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	\$ 2,306,558	\$ 1,054,396	\$ 1,003,226
Local governments	<u>18,279</u>	<u>18,279</u>	<u>4,346</u>
	<u>2,324,837</u>	<u>1,072,675</u>	<u>1,007,572</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government		2,227,117	531,005
Federal government		<u>135,402</u>	<u>437,710</u>
		<u>2,362,519</u>	<u>968,715</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 2,324,837</u>	<u>\$ 3,435,194</u>	<u>\$ 1,976,287</u>

**STARLAND COUNTY**  
**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**Schedule 4**

	Budget (Unaudited)	2011	2010
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 3,625,860	\$ 3,583,936	\$ 3,050,531
Contracted and general services	3,339,194	3,263,460	2,744,944
Purchases from other governments	46,765	41,655	36,718
Materials, goods, supplies and utilities	2,069,657	2,677,057	1,293,174
Provision for allowances	13,500	(362)	10,084
Transfers to individuals and organizations	416,992	437,657	371,400
Bank charges and short term interest	21,000	5,034	57,397
Interest on capital long term debt	6,364	6,364	31,248
Amortization of tangible capital assets	495,076	2,310,292	2,121,745
	<u>\$ 9,044,256</u>	<u>\$ 12,325,093</u>	<u>\$ 9,717,241</u>

**STARLAND COUNTY**  
**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**Schedule 5**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2011	2010
<b>BALANCE, BEGINNING OF YEAR</b>	\$ <u>5,122,917</u>	\$ <u>3,394,403</u>	\$ <u>42,702,948</u>	\$ <u>51,220,268</u>	\$ <u>46,893,692</u>
Excess (deficiency) of revenues over expenses	3,008,138			3,008,138	4,326,576
Unrestricted funds designated for future use	(25,000)	25,000			
Current year funds used for tangible capital assets	(5,662,912)		5,662,912		
Disposal of tangible capital assets	352,452		(352,452)		
Annual amortization expense	2,689,132		(2,689,132)		
Long term debt repaid	<u>(276,376)</u>	<u>                    </u>	<u>276,376</u>	<u>                    </u>	<u>                    </u>
Change in accumulated surplus	<u>85,434</u>	<u>25,000</u>	<u>2,897,704</u>	<u>3,008,138</u>	<u>4,326,576</u>
<b>BALANCE, END OF YEAR</b>	\$ <u><u>5,208,351</u></u>	\$ <u><u>3,419,403</u></u>	\$ <u><u>45,600,652</u></u>	\$ <u><u>54,228,406</u></u>	\$ <u><u>51,220,268</u></u>

**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Starland County are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting polices 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.

**d) 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.

**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

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

**e) 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.

**f) 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.

**g) 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.

**h) 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.

**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

**i) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

**i. Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<b>YEARS</b>
Land improvements	10 to 45
Buildings	25 to 50
Engineering structures	
Water system	45 to 75
Wastewater system	45 to 75
Other engineered structures	5 to 75
Machinery and equipment	5 to 40
Vehicles	10 to 40

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

**ii. Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

**iii. Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**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.

**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**2. CASH AND TEMPORARY INVESTMENTS**

	<u>2011</u>	<u>2010</u>
Cash	\$ 6,888,730	\$ 3,509,922
Temporary investments	97,965	94,823
	\$ 6,986,695	\$ 3,604,745

Temporary investments are short-term deposits bearing interest at 0.9% with original maturities of three months 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, \$806,388 (2010 - \$1,577,433) of the cash and temporary investments are not available for general use by the county.

The County is authorized to a maximum operating line of credit of \$5,000,000.

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

	<u>2011</u>	<u>2010</u>
Current taxes and grants in place receivables	\$ 90,008	\$ 87,920
Arrears taxes	57,638	37,037
	\$ 147,646	\$ 124,957

**4. INVESTMENTS**

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Other institutional and private corporation bonds	\$ 10,907	\$ 120,899	\$ 11,290	\$ 121,282

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, 2010 has a fair market value of \$109,992 (2008 - \$110,503)

**5. LOANS RECEIVABLE**

	<u>2011</u>	<u>2010</u>
Loan agreement - Village of Delia	\$	\$ 7,880

In 1995, Starland County advanced funds to the Village of Delia for the construction of a joint regional water supply pipeline. The loan is repayable over 15 years at 9.5% and matures January 2011.

**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**6. DEFERRED REVENUE**

	<u>2011</u>	<u>2010</u>
Alberta Municipal Sustainability Initiative	\$ 553,801	\$ 1,067,888
Federal Gas Tax Fund	179,087	473,491
Basic Municipal Transportation Grant		36,054
Alberta Rural Connections	<u>73,500</u>	
	<u>\$ 806,388</u>	<u>\$ 1,577,433</u>

**Alberta Municipal Sustainability Initiative**

Provincial government funding was received in the current year to undertake certain eligible infrastructure expenditures within Starland County and in co-operation with neighbouring municipalities, 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 environmentally sustainable projects within the county that have not yet been expended.

**Alberta Rural Connections**

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

**7. EMPLOYEE BENEFIT OBLIGATIONS**

	<u>2011</u>	<u>2010</u>
Vested sick leave payable	\$ <u>319,012</u>	\$ <u>342,108</u>

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

**8. LONG TERM DEBT**

	<u>2011</u>	<u>2010</u>
Tax supported debentures	\$ <u>                    </u>	\$ <u>276,376</u>

The current portion of the long-term debt amounts to \$nil (2010 - \$276,376)



**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**9. 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>2011</u>	<u>2010</u>
Total debt limit	\$ 19,958,496	\$ 19,012,500
Total debt		<u>276,376</u>
Amount of debit limit unused	<u>\$ 19,958,496</u>	<u>\$ 18,736,124</u>
Debt servicing limit	\$ 3,326,416	\$ 3,168,750
Debt servicing		<u>276,376</u>
Amount of debt servicing limit unused	<u>\$ 3,326,416</u>	<u>\$ 2,892,374</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.

**10. INVENTORY FOR CONSUMPTION**

	<u>2011</u>	<u>2010</u>
Transportation - gravel	\$ 959,463	\$ 1,715,802
Transportation - repairs	246,135	323,955
Transportation - fuel	39,636	59,990
Transportation - other	84,485	235,966
Water - parts and supplies	139,807	116,925
Sewer - parts and supplies	16,898	16,392
Agriculture - chemicals and other products	<u>18,997</u>	<u>12,507</u>
	<u>\$ 1,505,421</u>	<u>\$ 2,481,537</u>

**11. 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, 2011**

**12. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2011</u>	<u>2010</u>
Tangible capital assets	\$ 76,795,515	\$ 72,782,738
Accumulated amortization	(31,194,863)	(29,803,414)
Long-term debt (Note 8)		(276,376)
	<u>\$ 45,600,652</u>	<u>\$ 42,702,948</u>

**13. ACCUMULATED SURPLUS**

	<u>2011</u>	<u>2010</u>
Unrestricted surplus	\$ 5,208,352	\$ 5,122,917
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	467,921	442,921
Roads, streets, walks and lighting - capital	639,696	639,696
Wastewater - capital	30,000	30,000
Equity in tangible capital assets	<u>45,600,652</u>	<u>42,702,948</u>
	<u>\$ 54,228,407</u>	<u>\$ 51,220,268</u>

**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**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:

	2011					2010		
	Number of Persons	(1) Salary	(2) Benefits & allowances	Total	Employee Deductions	Number of Persons	Total	Employee Deductions
Councillors:								
Division 1	1	\$ 32,246	\$ 1,425	\$ 33,671	\$ 849	1	\$ 27,390	\$ 849
Division 2	1	33,506		33,506		1	34,692	
Division 3	1	27,485	1,268	28,753	998	1	26,858	998
Division 4	1	31,997	95	32,092	30	1	37,874	30
Division 5	1	49,686	2,000	51,686	1,455	1	46,617	1,455
Chief Administrative Officer	1	177,735	25,923	203,658	66,537	1	162,542	66,537
Supervisors (3)	8	793,569	141,781	935,350	263,763	8	733,134	263,763
Other full time (4)	32	1,588,621	288,675	1,877,296	364,254	25	1,158,556	364,254
Part Time/Casual (5)	35	743,427	59,371	802,798	199,116	39	850,568	199,116

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 \$99,196 and average benefits are \$17,722, totalling \$116,918 (2010 - \$109,140).

4. For other full time staff noted, average salary is \$49,644 and average benefits are \$9,021 totalling \$58,665 (2010 - \$61,481).

5. For part time and casual staff noted, average salary is \$21,241 and average benefits are \$1,696, totalling \$22,937 (2010 - \$23,228).

**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

**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 Alberta Public Sector Pension Plans Act. The LAPP serves about 200,000 people and 421 employers. 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 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the county are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the county to the LAPP in 2011 were \$163,923 (2010 - \$174,893). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2011 were \$191,960 (2010 - \$157,364).

At December 31, 2010, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

---

**16. COMMITMENTS**

The county has entered into lease agreements with IBM Canada Ltd. for certain computer server hardware and software in use at the county. The aggregate future minimum lease payments are \$25,668 (2010 - \$39,060). The minimum lease payments for each of the three succeeding years are as follows:

	<u>2011</u>	<u>2010</u>
Gross payments required in the first year subsequent	\$ 13,392	\$ 13,392
Gross payments required in the second year subsequent	12,276	13,392
Gross payments required in the third year subsequent	<u>          </u>	<u>12,276</u>
	\$ <u>25,668</u>	\$ <u>39,060</u>

---

**17. CONTINGENCIES**

The municipality is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the municipality could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The County is contingently liable for certain reclamation costs relating to certain gravel deposits for which Alberta environmental legislation requires the reclamation of the subject properties to certain standards. The financial statements do not contain a liability nor has opening surplus been adjusted as the amounts have not been determined at this time.

---

**STARLAND COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

**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.

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

---

**19.APPROVAL OF FINANCIAL STATEMENTS**

Council and management have approved these financial statements.

---