

**STARLAND COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

**STARLAND COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Starland County, which comprise the statement of financial position as at December 31, 2014 and the statement of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Starland County as at December 31, 2014, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

HANNA, ALBERTA
APRIL 1, 2015

Endeavor
CHARTERED ACCOUNTANTS

STARLAND COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 10,499,741	\$ 9,647,163
Receivables		
Taxes and grants in place of taxes (Note 3)	120,443	175,422
Trade and other receivables	281,291	282,192
Receivables from other governments	452,150	878,172
Land inventory held for resale	17,170	17,170
Investments (Note 4)	<u>10,084</u>	<u>11,312</u>
	<u>11,380,879</u>	<u>11,011,431</u>
LIABILITIES		
Accounts payable and accrued liabilities	441,970	492,326
Deferred revenue (Note 5)	3,367,543	3,088,114
Employee benefit obligations (Note 6)	442,287	361,221
Gravel pit reclamation payable	<u>847,740</u>	<u>847,740</u>
	<u>5,099,540</u>	<u>4,789,401</u>
NET FINANCIAL ASSETS	<u>6,281,339</u>	<u>6,222,030</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	50,525,735	48,474,029
Inventory for consumption (Note 8)	1,593,988	2,508,867
Gravel reserves (Note 9)	490,653	490,653
Prepaid expenses	<u>294,403</u>	<u>280,227</u>
	<u>52,904,779</u>	<u>51,753,776</u>
ACCUMULATED SURPLUS	<u>\$ 59,186,118</u>	<u>\$ 57,975,806</u>
	COMMITMENTS (SEE NOTE 15)	
	CONTINGENCIES (SEE NOTE 16)	

STARLAND COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
REVENUE			
Net municipal taxes (Schedule 2)	\$ 11,387,101	\$ 11,375,244	\$ 10,996,076
User fees and sale of goods	724,150	790,066	823,825
Government transfers for operating (Schedule 3)	1,105,901	653,249	590,129
Investment income	97,500	123,862	95,666
Penalties and costs on taxes	25,200	26,633	29,005
Licenses and permits	3,550	3,120	11,945
Insurance proceeds	750	3,083	763
Other	<u>85,000</u>	<u>144,332</u>	<u>117,281</u>
Total Revenue	<u>13,429,152</u>	<u>13,119,589</u>	<u>12,664,690</u>
EXPENSES			
Legislative	256,000	162,488	160,536
Administration	1,874,000	1,905,616	1,608,740
Protective services	821,200	786,563	727,051
Transportation	6,705,700	8,401,853	7,907,045
Water supply and distribution	387,800	545,924	472,759
Wastewater treatment and disposal	40,100	53,174	59,245
Waste management	173,500	166,757	155,406
Public health and welfare	417,400	400,084	281,448
Land use planning, zoning and development	14,000	2,288	2,799
Economic/agricultural development	617,700	577,398	463,477
Land, housing and building rentals	10,000	7,726	7,966
Parks and recreation	393,500	391,140	384,686
Culture	<u>18,000</u>	<u>17,811</u>	<u>16,744</u>
Total Expenses	<u>11,728,900</u>	<u>13,418,822</u>	<u>12,247,902</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER			
	1,700,252	(299,233)	416,788
Government transfers for capital (Schedule 3)	2,511,450	1,388,045	1,284,632
Contributed and donated assets	384,000		
Other capital revenues	<u>309,250</u>	<u>121,500</u>	<u>68,500</u>
EXCESS OF REVENUE OVER EXPENSES	4,904,952	1,210,312	1,769,920
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>57,975,806</u>	<u>57,975,806</u>	<u>56,205,886</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 62,880,758</u>	<u>\$ 59,186,118</u>	<u>\$ 57,975,806</u>

STARLAND COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
EXCESS OF REVENUE OVER EXPENSES	\$ <u>4,904,952</u>	\$ <u>1,210,312</u>	\$ <u>1,769,920</u>
Acquisition of tangible capital assets	(4,293,405)	(5,248,220)	(3,767,783)
Proceeds on sale of tangible capital assets	258,250	242,160	
Amortization of tangible capital assets		2,799,779	2,708,862
Loss on sale of tangible capital assets	<u> </u>	<u>154,575</u>	<u>1,040</u>
	<u>(4,035,155)</u>	<u>(2,051,706)</u>	<u>(1,057,881)</u>
Change in gravel reserves			180
Change in prepaid expenses		(14,176)	(91,513)
Change in inventory	<u> </u>	<u>914,877</u>	<u>984,704</u>
	<u> </u>	<u>900,701</u>	<u>893,371</u>
INCREASE IN NET ASSETS	869,797	59,307	1,605,410
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>6,222,032</u>	<u>6,222,032</u>	<u>4,616,622</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 7,091,829</u>	<u>\$ 6,281,339</u>	<u>\$ 6,222,032</u>

STARLAND COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 1,210,312	\$ 1,769,920
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	2,799,779	2,708,862
Gain(loss) on sale of tangible capital assets	<u>154,575</u>	<u>1,040</u>
	4,164,666	4,479,822
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	54,979	(14,940)
Decrease(increase) in trade and other receivables	901	(97,382)
Decrease(increase) in receivables from other governments	426,022	(631,698)
Decrease(increase) in prepaid expenses	(14,176)	(91,513)
Decrease(increase) on inventory for consumption	914,877	984,704
Increase(decrease) in accounts payable and accrued liabilities	(50,355)	91,036
Increase(decrease) in deferred revenue	279,430	1,243,374
Increase(decrease) in employee benefit obligations	<u>81,066</u>	<u>(69,432)</u>
Cash provided by (applied to) operating transactions	<u>5,857,410</u>	<u>5,893,971</u>
CAPITAL		
Acquisition of tangible capital assets	(5,248,220)	(3,767,783)
Proceeds on sale of tangible capital assets	<u>242,160</u>	<u> </u>
Cash provided by (applied to) capital transactions	<u>(5,006,060)</u>	<u>(3,767,783)</u>
INVESTING		
Increase (decrease) in investments	1,228	993
Increase (decrease) in gravel reserves	<u> </u>	<u>180</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	852,578	2,127,361
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,647,163</u>	<u>7,519,802</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,499,741</u>	<u>\$ 9,647,163</u>

STARLAND COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2014	2013
COST:								
BALANCE, BEGINNING OF YEAR	\$ 1,246,631	\$ 501,689	\$ 3,444,306	\$ 64,797,018	\$ 10,872,518	\$ 3,291,532	\$ 84,153,694	\$ 80,387,383
Acquisition of tangible capital assets		78,488		3,155,516	1,032,038	604,457	4,870,499	1,551,401
Construction-in-progress				343,880		33,841	377,721	2,216,382
Disposal of tangible capital assets				(575,895)	(453,627)	(216,327)	(1,245,849)	(432)
Write down of tangible capital assets								(1,040)
BALANCE, END OF YEAR	<u>1,246,631</u>	<u>580,177</u>	<u>3,444,306</u>	<u>67,720,519</u>	<u>11,450,929</u>	<u>3,713,503</u>	<u>88,156,065</u>	<u>84,153,694</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		151,994	586,501	28,319,761	4,922,991	1,698,420	35,679,667	32,971,237
Annual amortization		19,962	70,379	1,659,043	790,180	260,215	2,799,779	2,708,862
Accumulated amortization on disposals				(554,199)	(126,522)	(168,395)	(849,116)	(432)
BALANCE, END OF YEAR		<u>171,956</u>	<u>656,880</u>	<u>29,424,605</u>	<u>5,586,649</u>	<u>1,790,240</u>	<u>37,630,330</u>	<u>35,679,667</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,246,631</u>	<u>\$ 408,221</u>	<u>\$ 2,787,426</u>	<u>\$ 38,295,914</u>	<u>\$ 5,864,280</u>	<u>\$ 1,923,263</u>	<u>\$ 50,525,735</u>	<u>\$ 48,474,027</u>
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,246,631</u>	<u>\$ 349,695</u>	<u>\$ 2,857,805</u>	<u>\$ 36,477,257</u>	<u>\$ 5,949,527</u>	<u>\$ 1,593,112</u>	<u>\$ 48,474,027</u>	

STARLAND COUNTY
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2014
Schedule 2

	Budget (Unaudited)	2014	2013
TAXATION			
Real property taxes	\$ 4,983,685	\$ 4,904,839	\$ 4,854,238
Linear property taxes	<u>8,858,500</u>	<u>8,925,467</u>	<u>8,554,674</u>
	<u>13,842,185</u>	<u>13,830,306</u>	<u>13,408,912</u>
REQUISITIONS			
Alberta School Foundation Fund	2,113,984	2,113,984	2,118,536
Drumheller and District Senior's Foundation	<u>341,100</u>	<u>341,078</u>	<u>294,300</u>
	<u>2,455,084</u>	<u>2,455,062</u>	<u>2,412,836</u>
NET MUNICIPAL TAXES	<u>\$ 11,387,101</u>	<u>\$ 11,375,244</u>	<u>\$ 10,996,076</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2014
Schedule 3

	Budget (Unaudited)	2014	2013
TRANSFERS FOR OPERATING			
Provincial government	\$ 1,086,122	\$ 634,970	\$ 571,400
Federal government	1,500		450
Local governments	<u>18,279</u>	<u>18,279</u>	<u>18,279</u>
	<u>1,105,901</u>	<u>653,249</u>	<u>590,129</u>
TRANSFERS FOR CAPITAL			
Provincial government	1,737,545	861,612	790,211
Federal government	<u>773,905</u>	<u>526,433</u>	<u>494,421</u>
	<u>2,511,450</u>	<u>1,388,045</u>	<u>1,284,632</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,617,351</u>	<u>\$ 2,041,294</u>	<u>\$ 1,874,761</u>

STARLAND COUNTY
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2014

Schedule 4

	Budget (Unaudited)	2014	2013
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 5,001,700	\$ 4,459,737	\$ 4,003,966
Contracted and general services	3,750,300	3,628,492	3,349,828
Purchases from other governments	51,200	42,055	46,043
Materials, goods, supplies and utilities	2,354,100	1,984,725	1,956,516
Provision for allowances	4,500	1,304	963
Transfers to individuals and organizations	564,100	581,938	364,114
Bank charges and short term interest	3,000	325	965
Amortization of tangible capital assets		2,565,671	2,524,467
Loss on disposal of tangible capital assets		154,575	1,040
	<u>\$ 11,728,900</u>	<u>\$ 13,418,822</u>	<u>\$ 12,247,902</u>

STARLAND COUNTY
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
 FOR THE YEAR ENDED DECEMBER 31, 2014

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013
BALANCE, BEGINNING OF YEAR	\$ 4,482,375	\$ 5,019,404	\$ 48,474,027	\$ 57,975,806	\$ 56,205,886
Excess of revenues over expenses	1,210,312			1,210,312	1,769,920
Unrestricted funds designated for future use	(55,000)	55,000			
Current year funds used for tangible capital assets	(5,248,220)		5,248,220		
Disposal of tangible capital assets	396,733		(396,733)		
Annual amortization expense	2,799,779		(2,799,779)		
Change in accumulated surplus	(896,396)	55,000	2,051,708	1,210,312	1,769,920
BALANCE, END OF YEAR	<u>\$ 3,585,979</u>	<u>\$ 5,074,404</u>	<u>\$ 50,525,735</u>	<u>\$ 59,186,118</u>	<u>\$ 57,975,806</u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 Chartered Professional Accountants of Canada. 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.

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, 2014

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, 2014

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:

	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.

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, 2014

2. CASH AND TEMPORARY INVESTMENTS

	<u>2014</u>	<u>2013</u>
Cash	\$ 1,844,537	\$ 2,993,837
Temporary investments	8,655,204	6,653,326
	\$ 10,499,741	\$ 9,647,163

Temporary investments are short-term deposits bearing interest between 1.8% and 2.5% with original maturities between March and October 2015.

The County received certain Alberta Government grants that are restricted in their use and are to be utilized as funding for certain projects. Since certain projects have not been completed for which this restricted funding has been received, \$3,367,543 (2013 - \$3,088,114) 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, 2014 no amount was drawn on this line of credit.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2014</u>	<u>2013</u>
Current taxes and grants in place receivables	\$ 74,354	\$ 141,489
Arrears taxes	46,089	33,933
	\$ 120,443	\$ 175,422

4. INVESTMENTS

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Other institutional and private corporation bonds	\$ 10,084	\$ 163,218	\$ 11,312	\$ 148,373

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, 2014 has a fair market value of \$153,134 (2013 - \$137,061)

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

5. DEFERRED REVENUE

	<u>2014</u>	<u>2013</u>
Alberta Municipal Sustainability Initiative	\$ 3,367,543	\$ 2,589,534
Federal Gas Tax Fund		304,770
Regional Collaboration Program		192,000
Alberta Municipal Sustainability Initiative - Operating		<u>1,810</u>
	<u>\$ 3,367,543</u>	<u>\$ 3,088,114</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.

6. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2014</u>	<u>2013</u>
Vested sick leave payable	\$ <u>442,287</u>	\$ <u>361,221</u>

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

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>2014</u>	<u>2013</u>
Total debt limit	\$ 20,042,624	\$ 18,997,035
Total debt		
Amount of debit limit unused	<u>\$ 20,042,624</u>	<u>\$ 18,997,035</u>
Debt servicing limit	\$ 3,340,437	\$ 3,166,173
Debt servicing		
Amount of debt servicing limit unused	<u>\$ 3,340,437</u>	<u>\$ 3,166,173</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.

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

8. INVENTORY FOR CONSUMPTION

	<u>2014</u>	<u>2013</u>
Transportation - gravel	\$ 1,009,978	\$ 1,899,397
Transportation - repairs	343,869	283,605
Transportation - fuel	45,293	54,727
Transportation - other	56,758	114,392
Water - parts and supplies	94,336	118,381
Sewer - parts and supplies	20,895	16,740
Agriculture - chemicals and other products	<u>22,859</u>	<u>21,625</u>
	<u>\$ 1,593,988</u>	<u>\$ 2,508,867</u>

9. GRAVEL RESERVES

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

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Tangible capital assets	\$ 88,156,065	\$ 84,153,694
Accumulated amortization	<u>(37,630,330)</u>	<u>(35,679,667)</u>
	<u>\$ 50,525,735</u>	<u>\$ 48,474,027</u>

11. ACCUMULATED SURPLUS

	<u>2014</u>	<u>2013</u>
Unrestricted surplus	\$ 3,585,979	\$ 4,482,375
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	572,921	517,921
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>50,525,735</u>	<u>48,474,027</u>
	<u>\$ 59,186,118</u>	<u>\$ 57,975,806</u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

12. BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2014 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	\$ 13,429,152
Capital budget	4,912,950
Less:	
Transfer to other funds	<u>(1,708,250)</u>
Total revenues	<u>16,633,852</u>
Expenses	
Operating budget	13,423,650
Capital budget	4,912,950
Less:	
Transfer to other funds	(2,314,295)
Capital expenses	<u>(4,293,405)</u>
Total expenses	<u>11,728,900</u>
Excess of revenue over expenses	<u>\$ 4,904,952</u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

13. SALARY AND BENEFITS

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	2014					2013		
	Number of Persons	(1) Salary	(2) Benefits & allowances	Total	Employee Deductions	Number of Persons	Total	Employee Deductions
Councillors:								
Division 1	1	\$ 23,782	\$ 1,295	\$ 25,077	\$ 733	1	\$ 24,310	\$ 1,959
Division 2	1	29,342	1,425	30,767	907	1	4,638	6
Division 2	1					1	20,528	
Division 3	1	20,982	1,202	22,184	640	1	20,343	579
Division 4	1	25,862		25,862		1	26,328	176
Division 5	1	31,662	1,555	33,217	993	1	33,277	993
Chief Administrative Officer	1	205,938	9,477	215,415	77,364	1	225,599	92,999
Supervisors (3)	7	929,139	165,950	1,095,089	356,400	7	978,523	313,217
Other full time (4)	29	1,927,353	428,629	2,355,982	666,675	25	1,921,004	543,086
Part Time/Casual (5)	39	979,059	76,878	1,055,937	234,177	43	1,148,118	265,369

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 \$132,734 and average benefits are \$23,707, totalling \$156,441 (2013 - \$138,789).

4. For other full time staff noted, average salary is \$66,460 and average benefits are \$14,780 totalling \$81,240 (2013 - \$76,840).

5. For part time and casual staff noted, average salary is \$25,104 and average benefits are \$1,971, totalling \$27,075 (2013 - \$26,701).

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The County is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2014 were \$305,512 (2013 - \$252,958). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2014 were \$281,546 (2013 - \$233,570).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.86 billion.

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
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15.COMMITMENTS

The County is committed under an agreement dated January 1, 1984 with the Marigold Library System to funding certain library initiatives annually based on a per capita formula. The County provided funding of \$17,811 in 2014 (2013 - \$16,744). 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 2014 was \$76,046 (2013 - \$74,463). The agreement allows for the County to terminate the agreement by giving notice in writing to all of the other participating municipalities of its intention to withdraw from the agreement at least one year in advance of the effective withdrawal date.

Under an agreement dated May 26, 1959 between the county and Drumheller and District Seniors Foundation and under a Ministerial Order from the Government of Alberta, Department of Seniors, the County is committed to contributing annually 44.52% of an annual budget of net expenditures of the housing foundation. The requisition for 2014 was \$341,078 (2013 - \$294,300).

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 2014 was \$35,895 (2013 - \$31,469). The County has the right to cease being a shareholder by giving 600 days notice.

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 \$21,548 (2013 - \$33,861). The minimum lease payments for each of the succeeding years are as follows:

	2014	2013
Gross payments required in the first year subsequent	\$ 12,313	\$ 12,313
Gross payments required in the second year subsequent	9,235	12,313
Gross payments required in the third year subsequent	_____	9,235
	\$ 21,548	\$ 33,861

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

16. CONTINGENCIES

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

17. FINANCIAL INSTRUMENTS

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

The County is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the County provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

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

18. COMPARATIVE FIGURES

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

19. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
