

**STARLAND COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

**STARLAND COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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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, 2019 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, 2019, 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:



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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However future events or conditions may cause the County to cease to continue to be a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

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

**HANNA, ALBERTA
APRIL 6, 2020**

Endeavor
CHARTERED PROFESSIONAL ACCOUNTANTS

STARLAND COUNTY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
<hr/>		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 5,433,027	\$ 6,674,824
Receivables		
Taxes and grants in place of taxes (Note 3)	153,966	1,859,529
Trade and other receivables	815,560	253,406
Receivables from other governments	641,425	573,144
Land inventory held for resale	17,170	17,170
Investments (Note 4)	<u>9,112</u>	<u>9,109</u>
	<u>7,070,260</u>	<u>9,387,182</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,603,626	326,362
Deferred revenue (Note 5)	5,259,618	7,703,237
Employee benefit obligations (Note 6)	559,151	519,271
Gravel pit reclamation payable	<u>797,990</u>	<u>797,990</u>
	<u>8,220,385</u>	<u>9,346,860</u>
NET FINANCIAL ASSETS (DEBT)	<u>(1,150,125)</u>	<u>40,322</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	56,094,302	53,003,211
Inventory for consumption (Note 8)	2,844,488	2,685,525
Gravel reserves (Note 9)	490,653	490,653
Prepaid expenses	<u>171,072</u>	<u>177,452</u>
	<u>59,600,515</u>	<u>56,356,841</u>
ACCUMULATED SURPLUS	<u>\$ 58,450,390</u>	<u>\$ 56,397,163</u>
<p style="text-align: right;">COMMITMENTS (SEE NOTE 16) CONTINGENCIES (SEE NOTE 17) SUBSEQUENT EVENTS (SEE NOTE 19)</p>		

STARLAND COUNTY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
REVENUE			
Net municipal taxes (Schedule 2)	\$ 12,269,165	\$ 11,323,617	\$ 10,700,025
User fees and sale of goods	742,450	715,704	733,731
Government transfers for operating (Schedule 3)	578,383	1,313,048	465,846
Investment income	53,000	62,181	60,728
Penalties and costs on taxes	15,400	641,339	384,349
Licenses and permits	5,250	4,843	1,968
Insurance proceeds		511,572	1,078,189
Gain on disposal of tangible capital assets	45,000	80,289	97,250
Other	<u>295,774</u>	<u>22,745</u>	<u>22,252</u>
Total Revenue	<u>14,004,422</u>	<u>14,675,338</u>	<u>13,544,338</u>
EXPENSES			
Legislative	216,400	174,493	161,535
Administration	5,269,600	6,762,330	7,928,281
Protective services	894,200	1,071,692	913,154
Transportation	5,412,000	6,830,446	9,655,633
Water supply and distribution	450,000	657,516	659,503
Wastewater treatment and disposal	39,100	57,895	56,397
Waste management	187,550	189,373	187,351
Public health and welfare	191,050	222,762	214,042
Land use planning, zoning and development	45,100	45,255	5,601
Economic/agricultural development	565,100	570,656	587,211
Land, housing and building rentals	7,000	9,187	6,594
Parks and recreation	350,600	466,481	394,141
Culture	<u>21,700</u>	<u>21,693</u>	<u>21,197</u>
Total Expenses	<u>13,649,400</u>	<u>17,079,779</u>	<u>20,790,640</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	355,022	(2,404,441)	(7,246,302)
Government transfers for capital (Schedule 3)	1,433,415	3,892,017	807,869
Other capital revenues		<u>565,651</u>	
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,788,437	2,053,227	(6,438,433)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>56,397,163</u>	<u>56,397,163</u>	<u>62,835,596</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 58,185,600</u>	<u>\$ 58,450,390</u>	<u>\$ 56,397,163</u>

STARLAND COUNTY
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 1,788,437	\$ 2,053,227	\$ (6,438,433)
Acquisition of tangible capital assets	(7,705,000)	(6,287,664)	(4,777,664)
Proceeds on sale of tangible capital assets	(320,000)	402,190	622,498
Amortization of tangible capital assets		2,860,534	2,950,714
Gain (loss) on sale of tangible capital assets	45,000	(66,151)	2,102,613
	<u>(8,070,000)</u>	<u>(3,091,091)</u>	<u>898,161</u>
Change in prepaid expenses		6,380	15,734
Change in inventory		(158,963)	1,531,781
		<u>(152,583)</u>	<u>1,547,515</u>
(INCREASE) DECREASE IN NET DEBT	(6,281,563)	(1,190,447)	(3,992,757)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	40,322	40,322	4,033,079
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ <u>(6,241,241)</u>	\$ <u>(1,150,125)</u>	\$ <u>40,322</u>

STARLAND COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
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NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ 2,053,227	\$ (6,438,433)
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	2,860,534	2,950,714
Gain(loss) on sale of tangible capital assets	<u>(66,151)</u>	<u>2,102,613</u>
	4,847,610	(1,385,106)
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	1,705,563	(1,750,139)
Decrease(increase) in trade and other receivables	(562,154)	(67,889)
Decrease(increase) in receivables from other governments	(68,281)	(390,955)
Decrease(increase) in prepaid expenses	6,380	15,734
Decrease(increase) on inventory for consumption	(158,963)	1,531,781
Increase(decrease) in accounts payable and accrued liabilities	1,277,264	(770,860)
Increase(decrease) in deferred revenue	(2,443,619)	3,666,993
Increase(decrease) in employee benefit obligations	<u>39,880</u>	<u>(96,737)</u>
Cash provided by (applied to) operating transactions	<u>4,643,680</u>	<u>752,822</u>
CAPITAL		
Acquisition of tangible capital assets	(6,287,664)	(4,777,664)
Proceeds on sale of tangible capital assets	<u>402,190</u>	<u>622,498</u>
Cash provided by (applied to) capital transactions	<u>(5,885,474)</u>	<u>(4,155,166)</u>
INVESTING		
Increase (decrease) in investments	<u>(3)</u>	<u>(120)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(1,241,797)	(3,402,464)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,674,824</u>	<u>10,077,288</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,433,027</u>	<u>\$ 6,674,824</u>

STARLAND COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
COST:								
BALANCE, BEGINNING OF YEAR	\$ 2,029,810	\$ 747,163	\$ 5,508,668	\$ 74,909,207	\$ 12,221,926	\$ 4,243,957	\$ 99,660,731	\$ 98,990,593
Acquisition of tangible capital assets	7,500			1,395,299	123,199	260,247	1,786,245	4,196,705
Construction-in-progress			4,457,668	43,751			4,501,419	580,959
Disposal of tangible capital assets	(235,000)			(93,367)	(571,492)	(189,729)	(1,089,588)	(4,107,526)
BALANCE, END OF YEAR	<u>1,802,310</u>	<u>747,163</u>	<u>9,966,336</u>	<u>76,254,890</u>	<u>11,773,633</u>	<u>4,314,475</u>	<u>104,858,807</u>	<u>99,660,731</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		262,940	526,244	36,446,754	6,904,127	2,517,455	46,657,520	45,089,224
Annual amortization		28,079	102,820	1,702,688	739,340	287,607	2,860,534	2,950,714
Accumulated amortization on disposals				(79,229)	(484,591)	(189,729)	(753,549)	(1,382,418)
BALANCE, END OF YEAR	<u></u>	<u>291,019</u>	<u>629,064</u>	<u>38,070,213</u>	<u>7,158,876</u>	<u>2,615,333</u>	<u>48,764,505</u>	<u>46,657,520</u>
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>	<u>\$ 53,003,211</u>
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 2,029,810</u>	<u>\$ 484,223</u>	<u>\$ 4,982,424</u>	<u>\$ 38,462,453</u>	<u>\$ 5,317,799</u>	<u>\$ 1,726,502</u>	<u>\$ 53,003,211</u>	

STARLAND COUNTY
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2019
Schedule 2

	Budget (Unaudited)	2019	2018
TAXATION			
Real property taxes	\$ 5,844,008	\$ 5,824,572	\$ 5,471,026
Linear property taxes	<u>8,866,372</u>	<u>8,007,140</u>	<u>7,661,259</u>
	<u>14,710,380</u>	<u>13,831,712</u>	<u>13,132,285</u>
REQUISITIONS			
Alberta School Foundation Fund	2,021,215	2,087,894	2,016,294
Drumheller and District Senior's Foundation	<u>420,000</u>	<u>420,201</u>	<u>415,966</u>
	<u>2,441,215</u>	<u>2,508,095</u>	<u>2,432,260</u>
NET MUNICIPAL TAXES	<u>\$ 12,269,165</u>	<u>\$ 11,323,617</u>	<u>\$ 10,700,025</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 3

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING			
Provincial government	\$ 552,948	\$ 1,286,913	\$ 439,467
Federal government	3,500	4,200	3,264
Local governments	<u>21,935</u>	<u>21,935</u>	<u>23,115</u>
	<u>578,383</u>	<u>1,313,048</u>	<u>465,846</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>1,433,415</u>	<u>3,892,017</u>	<u>807,869</u>
	<u>1,433,415</u>	<u>3,892,017</u>	<u>807,869</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,011,798</u>	<u>\$ 5,205,065</u>	<u>\$ 1,273,715</u>

STARLAND COUNTY
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 4

	Budget (Unaudited)	2019	2018
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 4,942,250	\$ 5,050,135	\$ 5,242,644
Contracted and general services	2,893,700	2,120,374	3,820,123
Purchases from other governments	37,100	34,946	39,066
Materials, goods, supplies and utilities	1,859,050	1,681,506	2,122,093
Provision for allowances	3,200,000	4,243,373	3,161,015
Transfers to individuals and organizations	675,800	735,121	341,660
Bank charges and short term interest	41,500	883	3,329
Amortization of tangible capital assets		2,717,019	2,886,698
Loss on disposal of tangible capital assets		14,138	2,199,863
Other expenses		482,284	974,149
	<u>\$ 13,649,400</u>	<u>\$ 17,079,779</u>	<u>\$ 20,790,640</u>

STARLAND COUNTY
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF YEAR	\$ 79,548	\$ 3,314,404	\$ 53,003,211	\$ 56,397,163	\$ 62,835,596
Excess of revenues over expenses	2,053,227			2,053,227	(6,438,433)
Unrestricted funds designated for future use	(35,000)	35,000			
Restricted funds used for tangible capital assets		(1,050,000)	1,050,000		
Current year funds used for tangible capital assets	(5,237,663)		5,237,663		
Disposal of tangible capital assets	336,039		(336,039)		
Annual amortization expense	2,860,533		(2,860,533)		
Change in accumulated surplus	(22,864)	(1,015,000)	3,091,091	2,053,227	(6,438,433)
BALANCE, END OF YEAR	\$ 56,684	\$ 2,299,404	\$ 56,094,302	\$ 58,450,390	\$ 56,397,163

STARLAND COUNTY
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2019
Schedule 6

	General Government	Protective Services	Transportation Services	Water / Wastewater	Public Health & Welfare	Planning Development	Agricultural Development	Recreation & Culture	Total
REVENUE									
Net municipal taxes	\$ 11,323,617	\$	\$	\$	\$	\$	\$	\$	\$ 11,323,617
User fees and sales of goods	120,854	54,399	156,642	217,299	5,788	66,397	35,559	58,766	715,704
Government transfers	963,769	6,000	3,892,017	1,745	120,720	20,000	198,359	4,200	5,205,065
Investment Income	60,436								62,181
Penalties	641,339								641,339
Licenses and permits	4,573	270							4,843
Insurance proceeds	511,572		54,141				26,148		511,572
Gain on disposal			13,960		8,785				80,289
Other revenues	565,651								588,396
	<u>14,191,811</u>	<u>60,669</u>	<u>4,116,760</u>	<u>219,044</u>	<u>135,293</u>	<u>86,397</u>	<u>260,066</u>	<u>62,966</u>	<u>19,133,006</u>
EXPENSES									
Salaries & wages	1,316,001	634,493	2,345,237	89,367	104,380	3,183	397,369	160,105	5,050,135
Contract & general services	451,857	134,779	1,284,114	68,904	24,092	51,259	62,858	42,511	2,120,374
Purchases from other governments	2,536	30,910	1,500	305,579	8,304		66,668	41,455	34,946
Goods & supplies	51,476	97,638	1,110,386						1,681,506
Provision for allowance	4,243,373								4,243,373
Transfers to organizations	380,727	9,000		95,254	85,986		2,711	161,443	735,121
Bank charges and interest	883								883
Loss on sale of TCA			14,138						14,138
Other expenses	482,284								482,284
	<u>6,929,137</u>	<u>906,820</u>	<u>4,755,375</u>	<u>559,104</u>	<u>222,762</u>	<u>54,442</u>	<u>529,606</u>	<u>405,514</u>	<u>14,362,760</u>
NET REVENUE, BEFORE AMORTIZATION	<u>7,262,674</u>	<u>(846,151)</u>	<u>(638,615)</u>	<u>(340,060)</u>	<u>(87,469)</u>	<u>31,955</u>	<u>(269,540)</u>	<u>(342,548)</u>	<u>4,770,246</u>
Amortization expense	<u>7,686</u>	<u>164,872</u>	<u>2,075,071</u>	<u>345,680</u>			<u>41,050</u>	<u>82,660</u>	<u>2,717,019</u>
NET REVENUE	<u>\$ 7,254,988</u>	<u>\$ (1,011,023)</u>	<u>\$ (2,713,686)</u>	<u>\$ (685,740)</u>	<u>\$ (87,469)</u>	<u>\$ 31,955</u>	<u>\$ (310,590)</u>	<u>\$ (425,208)</u>	<u>\$ 2,053,227</u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

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, 2019

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, 2019

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

	<u>2019</u>	<u>2018</u>
Cash	\$ 5,430,428	\$ 6,672,277
Temporary investments	<u>2,599</u>	<u>2,547</u>
	<u>\$ 5,433,027</u>	<u>\$ 6,674,824</u>

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, \$5,026,158 (2018 - \$5,499,247) 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, 2019 no amount was drawn on this line of credit.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2019</u>	<u>2018</u>
Current taxes and grants in place receivables	\$ 624,004	\$ 4,962,783
Arrears taxes	<u>190,838</u>	<u>60,138</u>
	814,842	5,022,921
Less: allowance for doubtful accounts	<u>(660,876)</u>	<u>(3,163,392)</u>
	<u>\$ 153,966</u>	<u>\$ 1,859,529</u>

4. INVESTMENTS

	2019		2018	
	Cost	Market Value	Cost	Market Value
Other institutional and private corporation bonds	\$ 9,112	\$ 225,406	\$ 9,109	\$ 174,553

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, 2019 has a fair market value of \$216,294 (2018 - \$165,444).

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. DEFERRED REVENUE

	<u>2019</u>	<u>2018</u>
Alberta Municipal Sustainability Initiative	\$ 2,530,980	\$ 5,385,299
Building Insurance Proceeds	2,340,713	2,203,990
Federal Gas Tax Fund	349,231	113,948
Insurance Proceeds	33,711	
Unearned Revenues	<u>4,983</u>	
	<u>\$ 5,259,618</u>	<u>\$ 7,703,237</u>

Alberta Municipal Sustainability Initiative

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

Building Insurance Proceeds

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

Federal Gas Tax Fund

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

6. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2019</u>	<u>2018</u>
Vested sick leave payable	\$ <u>559,151</u>	\$ <u>519,271</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, 2019

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>2019</u>	<u>2018</u>
Total debt limit	\$ 22,495,859	\$ 21,104,379
Total debt		
Amount of debt limit unused	<u>\$ 22,495,859</u>	<u>\$ 21,104,379</u>
Debt servicing limit	\$ 3,749,310	\$ 3,517,397
Debt servicing		
Amount of debt servicing limit unused	<u>\$ 3,749,310</u>	<u>\$ 3,517,397</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>2019</u>	<u>2018</u>
Transportation - gravel	\$ 2,106,535	\$ 1,972,906
Transportation - repairs	343,564	321,221
Transportation - fuel	47,514	59,833
Transportation - other	144,893	146,654
Water - parts and supplies	113,032	118,395
Sewer - parts and supplies	29,414	18,170
Agriculture - chemicals and other products	<u>59,536</u>	<u>48,346</u>
	<u>\$ 2,844,488</u>	<u>\$ 2,685,525</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, 2019

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets	\$ 104,858,807	\$ 99,660,731
Accumulated amortization	<u>(48,764,505)</u>	<u>(46,657,520)</u>
	<u>\$ 56,094,302</u>	<u>\$ 53,003,211</u>

11. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 56,684	\$ 79,548
Restricted surplus:		
Administrative	2,367	2,367
Fire	39,512	39,512
Roads, streets, walks and lighting	600	600
Operating contingencies	824,307	824,307
Administrative - capital	75,000	75,000
Fire - capital	187,921	152,921
Roads, streets, walks and lighting - capital	589,697	1,639,697
Wastewater - capital	30,000	30,000
General contingencies - capital	550,000	550,000
Equity in tangible capital assets	<u>56,094,302</u>	<u>53,003,211</u>
	<u>\$ 58,450,390</u>	<u>\$ 56,397,163</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, 2019

13.BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2019 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	\$ 13,684,422
Capital budget	7,753,415
Less:	
Transfer to other funds	<u>(6,000,000)</u>
Total revenues	<u>15,437,837</u>
Expenses	
Operating budget	13,649,400
Capital budget	7,740,000
Less:	
Transfer to other funds	(35,000)
Capital expenses	<u>(7,705,000)</u>
Total expenses	<u>13,649,400</u>
Excess of revenue over expenses	<u><u>\$ 1,788,437</u></u>

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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:

	2019					2018			
	Number of Persons	(1) Salary	(2) Benefits & allowances	Total	Employee Deductions	Number of Persons	Total	Employee Deductions	
Councillors:									
Division 1	1	\$ 25,375	\$ 1,858	\$ 27,233	\$ 1,192	1	\$ 26,355	\$ 648	
Division 2	1	33,795	2,234	36,029	1,622	1	34,089	897	
Division 3	1	19,015	1,528	20,543	873	1	20,901	474	
Division 4	1	26,975	1,934	28,909	1,279	1	27,275	674	
Division 5	1	22,055	946	23,001	946	1	23,523	584	
Chief Administrative Officer	1	202,479	33,413	235,892	77,462	1	224,785	59,099	
Supervisors (3)	6	930,720	160,346	1,091,066	344,563	7	1,054,086	326,227	
Other full time (4)	28	2,270,854	555,568	2,826,422	781,844	28	2,910,877	1,182,572	
Part Time/Casual (5)	36	1,164,447	346,951	1,511,398	293,486	38	1,545,099	325,135	

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 \$155,120 and average benefits are \$26,724, totalling \$181,844 (2018 - \$150,583).

4. For other full time staff noted, average salary is \$81,102 and average benefits are \$19,842, totalling \$100,944 (2018 - \$103,960).

5. For part time and casual staff noted, average salary is \$32,346 and average benefits are \$9,637, totalling \$41,983 (2018 - \$40,661).

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 2019 were \$294,340 (2018 - \$315,355). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2019 were \$266,871 (2018 - \$289,120).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion. This amount is not specifically allocated to the participating government organizations. The 2019 actuarial balance was not available at the date these financial statements were released.

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

16.COMMITMENTS

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

The County is committed under an agreement dated January 1, 1984 with the Marigold Library System to funding certain library initiatives annually based on a per capita formula. The County provided funding of \$21,693 in 2019 (2018 - \$21,197). 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 2019 was \$82,227 (2018 - \$80,852). 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 2019 was \$420,201 (2018 - \$415,966).

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 2019 was \$39,097 (2018 - \$38,330). The County has the right to cease being a shareholder by giving 600 days notice.

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 4 installments to the society once construction has commenced in the spring of 2020. The \$50,000 installments are projected to be paid on May 2020, June 2020, January 2021, and January 2022.

17.CONTINGENCIES

During the year the County made an application to the Provincial Government to receive funding under the Provincial Education requisition Credit program and the Designated Industrial Requisition Credit program and expects to receive approximately \$449,662. No provision has been made in these financial statements for this funding.

STARLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

18.FINANCIAL INSTRUMENTS

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

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

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

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

19.SUBSEQUENT EVENTS

In March 2020, the World Health organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving and the measures put in place are having multiple impacts on local, provincial, national and global economies. The overall effect of these events on the County and its operations is unknown at this time. The impacts will be accounted for when they are known and may be assessed.

20.BUDGET AMOUNTS

The 2019 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.

21.COMPARATIVE FIGURES

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

22.APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
