

SPECIAL AREAS TRUST ACCOUNT

FINANCIAL STATEMENTS

DECEMBER 31, 2009

Letter from Management

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Auditor's Report

To the Minister of Municipal Affairs

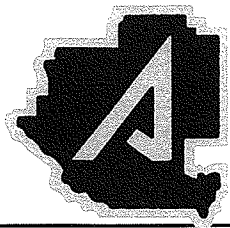
I have audited the statements of financial position of the Special Areas Trust Account as at December 31, 2009 and 2008 and the statements of operations, changes in net financial assets and cash flows for the years then ended. These financial statements are the responsibility of the Special Areas Trust Account's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

 CA
Auditor General

Edmonton, Alberta
August 24, 2010



Special Areas Board

ALBERTA MUNICIPAL AFFAIRS

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The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of Management. Management is responsible for the preparation and presentation of the accompanying financial statements including responsibility for significant accounting judgments and estimates. These financial statements are prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management has developed and maintains the necessary accounting and related internal control systems that provide reasonable assurance, that transactions are authorized, that assets are properly accounted for and safeguarded, and that financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Special Areas Board is composed of two elected Councilors who are neither management nor employees of the Board, plus one Chairman who is an employee of the Government of Alberta, Alberta Municipal Affairs, and is also a member of the management team for the Special Areas Trust Account. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

The office of the Auditor General of Alberta audits the financial statements and their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Special Areas Board and Special Areas Trust Account management to discuss their audit findings.

Chairman, Special Areas Board

Director of Finance and Administration

SPECIAL AREAS TRUST ACCOUNT
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2009

	2009	2008
Financial Assets		(Restated)
Current:		(Note 3)
Cash (Note 4)	\$ 29,019,032	\$ 37,477,537
Accounts receivable, net (Note 5)	2,971,109	3,398,194
Due from Province of Alberta, net (Note 6)	208,823	-
Taxes receivable, net	569,480	281,206
	32,768,444	41,156,937
Non-current:		
Accounts receivable, net (Note 5)	17,274,541	3,602,480
Investments (Schedule 1)	26,627,403	25,408,664
Total Financial Assets	76,670,388	70,168,081
Liabilities		
Current:		
Accounts payable and accruals	2,270,097	4,894,769
Deferred revenues	536,181	482,596
Deferred provincial grant revenue (Note 7)	1,454,941	717,754
Due to Province of Alberta, net (Note 6)	-	3,741,266
Current portion of long term debt (Note 8)	1,732,020	693,777
	5,993,239	10,530,162
Non-current:		
Long term debt (Note 8)	15,393,775	7,468,652
Provision for gravel pit reclamation (Note 9)	1,740,000	1,640,000
Total Liabilities	23,127,014	19,638,814
Net Financial Assets (Schedule 3)	53,543,374	50,529,267
Non-financial Assets		
Capital assets (Schedule 4)	148,423,833	139,184,242
Inventories (Schedule 4)	5,155,042	5,435,803
Non-financial Assets (Note 10)	153,578,875	144,620,045
Accumulated Surplus (Note 11)	\$ 207,122,249	\$ 195,149,312

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009		2008
Revenue	BUDGET	ACTUAL	ACTUAL
	(Note 12)		(Restated) (Note 3)
General municipal:			
Taxation			
Power and pipeline	\$ 30,424,000	\$ 31,015,478	\$ 28,864,565
Real property	8,029,500	8,219,121	7,618,014
Grazing and cultivation	777,500	720,449	737,789
Penalties and costs on taxes	75,000	109,366	66,950
	39,306,000	40,064,414	37,287,318
Less amounts expended by transfers:			
Alberta School Foundation Fund	14,249,000	13,642,219	14,248,914
Seniors Foundation requisitions	3,019,000	3,354,667	2,913,318
	17,268,000	16,996,886	17,162,232
Net taxes for municipal purposes	22,038,000	23,067,528	20,125,086
Provincial grants (Note 13)	10,898,923	8,032,259	8,412,752
Leases (Note 14)	8,274,695	7,135,104	7,337,642
Interest	2,154,500	2,102,549	2,181,872
Tax recovery land sales	1,100,000	798,551	1,114,897
Other	2,462,309	2,694,181	2,904,217
Total revenue	\$ 46,928,427	\$ 43,830,172	\$ 42,076,466
Expense			
General municipal:			
Transportation services	27,588,449	15,693,981	19,908,520
Administrative services	3,788,055	4,058,219	3,952,901
Recreational and cultural services	2,185,655	2,325,254	2,059,830
Agriculture and community development	3,092,634	2,040,856	3,930,867
Water and sanitation services	1,660,290	1,567,776	1,438,327
Protective services	1,212,290	1,185,867	1,261,108
Industrial tax transfers	225,000	240,071	224,200
Loss on sale of capital assets	-	109,802	259,981
Amortization	-	4,635,409	4,331,929
Total expense (Note 15)	39,752,373	31,857,235	37,367,663
Surplus for the year (Note 3)	\$ 7,176,054	\$ 11,972,937	\$ 4,708,803
Accumulated surplus at beginning of year (Note 3)	195,149,312	195,149,312	190,440,509
Accumulated surplus at end of year	\$ 202,325,366	\$ 207,122,249	\$ 195,149,312

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENTS OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2009

	2009		2008
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 12)		(Restated) (Note 3)
Increase in surplus during the year	7,176,054	11,972,937	4,708,803
Acquisition of tangible capital assets	(6,079,775)	(14,184,251)	(13,506,019)
Loss on sale of tangible capital assets	-	109,802	259,981
Proceeds on disposal of tangible capital assets	192,200	199,449	2,225,988
Amortization of tangible capital assets	-	4,635,409	4,331,929
Change in inventory	-	280,761	-
	<u>1,288,479</u>	<u>3,014,107</u>	<u>(1,979,318)</u>
Net financial assets, beginning of year	<u>50,529,267</u>	<u>50,529,267</u>	<u>52,508,585</u>
Net financial assets, end of year	<u><u>51,817,746</u></u>	<u><u>53,543,374</u></u>	<u><u>50,529,267</u></u>

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
		(Restated)
		(Note 3)
Operating activities:		
Surplus for the year	\$ 11,972,937	\$ 4,708,803
Amortization of investment premiums, less discounts	122,088	100,043
Gain on sale of investments	(218,591)	(65,119)
Amortization of capital assets	4,635,409	4,331,929
Loss on sale of capital assets	109,802	259,981
Increase in provision for gravel pit reclamation	100,000	90,000
	<u>16,721,645</u>	<u>9,425,637</u>
Changes in non-cash operating items:		
Accounts receivable	427,085	1,900,349
Taxes receivable, net	(288,274)	78,461
Accounts payable and accruals	(2,624,672)	2,233,880
Deferred lease revenue	53,585	(4,688)
Deferred provincial grant revenue	737,187	(1,626,471)
Due to Province of Alberta, net	(3,950,089)	2,453,351
Current portion of long term debt	1,038,243	693,777
Inventories	280,761	-
	<u>(4,326,174)</u>	<u>5,728,659</u>
Cash provided by operating activities	<u>12,395,471</u>	<u>15,154,296</u>
Capital activities:		
Sale of capital assets	199,449	2,225,988
Purchase of capital assets	(14,184,251)	(13,506,019)
Cash applied to capital activities	<u>(13,984,802)</u>	<u>(11,280,031)</u>
Investing activities:		
Net change in non - current accounts receivable	(13,672,061)	167,121
Proceeds from redemption of investments	7,038,329	6,980,419
Purchase of investments	(8,160,565)	(5,649,582)
Cash (applied to) provided by investing activities	<u>(14,794,297)</u>	<u>1,497,958</u>
Financing activities:		
Long term debt issued	8,766,027	7,639,223
Long term debt repaid	(840,904)	(170,571)
Increase in pension liability	-	-
Cash provided by financing activities	<u>7,925,123</u>	<u>7,468,652</u>
(Decrease) increase in cash	<u>(8,458,505)</u>	<u>12,840,875</u>
Cash at the beginning of year	<u>37,477,537</u>	<u>24,636,662</u>
Cash at end of year	<u>\$ 29,019,032</u>	<u>\$ 37,477,537</u>

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 1 Authority and Purpose

The Special Areas Trust Account operates under the authority of the *Special Areas Act*, Revised Statutes of Alberta 2000, chapter S-16. The Special Areas Trust Account is held by the Special Areas Board, an agent of the Crown in right of Alberta, and as such, has a tax exempt status.

The Special Areas Board ("The Board") is appointed by the Lieutenant Governor in Council. The Board provides municipal services and long-term land resource management.

Note 2 Significant Accounting Policies

(a) General

These financial statements have been prepared in accordance with generally accepted accounting principles for municipal governments.

(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.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 2 (c) Land

(cont'd) Tax recovery land, including any mineral surface leases attached thereto, was acquired for insignificant amounts and is not recorded in the Statements of Financial Position. Approximately 1.060 million acres of tax recovery land remains unsold as at December 31, 2009 (2008 - 1.090 million acres).

Crown land transferred to the Province of Alberta from the Government of Canada for no monetary consideration, located within the Special Areas and administered by the Special Areas Board, is not valued for financial statement purposes. This consists of approximately 1.584 million acres (2008 - 1.587 million acres).

Road infrastructure right of ways, located within the Special Areas and administered by the Special Areas Board, were also transferred to the Province of Alberta from the Government of Canada for no monetary consideration. The Board has also acquired additional land for road widening purposes for insignificant amounts. As at December 31, 2009, the road infrastructure right of ways and the road widenings consist of approximately 0.012 million acres and are not recorded in the Statements of Financial Position.

(d) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of employee benefit plans, allowance for doubtful accounts receivable, provision for contingencies and prior years tangible capital asset historical costs and related amortization. Actual results could differ from management's best estimates and additional information becomes available. Adjustments, if any, will be reflected in the financial statements in the period that the change in estimate is made, as well as in the period of settlement of the amount is different.

(e) 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.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 2 (f) Financial Instruments

(cont'd) The carrying value of cash, current accounts receivable, taxes receivable, amounts due to / from Province of Alberta, and accounts payable and accruals approximate fair value due to the short-term nature of these items.

All non-current accounts receivable are a result of binding contractual agreements. The carrying value of these non-current accounts receivable approximate their fair value.

The fair value of investments are disclosed on Schedule 1.

(g) Investments

Investments are valued at cost adjusted for the applicable amortization of discount or premium using the straight-line method over the period to maturity.

(h) Inventories

The cost of consumable supplies is included as an expenditure when incurred. For information purposes, inventories of consumable supplies are shown on the balance sheet as non-financial assets at net book value.

Inventories are valued at the lower of cost or net replacement value. Costs for all inventories are determined by using the first-in-first-out method with the exception of parts which are valued by using the average costing method.

(i) Pensions

The Board participates in two multi-employer defined benefit pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Board accounts for its participation in these plans on a defined contribution basis. Pension costs included in these statements comprise of the cost of employer contributions for current service of employees during the year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 2 (j) Non-financial Assets

(cont'd) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Prior to 2008, capital asset acquisitions were included as expenditures in the statement of revenue, expenditure and accumulated excess of revenue over expenditure. For information purposes, capital assets having an original cost greater than \$2,500 (\$10,000 for engineered structures and third party software development) are shown on the statement of financial position as non-financial assets at net book value. Purchased land and other off the shelf electronic data processing equipment is capitalized.

Capital Assets are recorded at cost, net of capital asset disposals, write-downs and amortization. The cost of capital assets shown on the statement of financial position is amortized to estimated salvage value at the following rates (rates and values expressed as a percentage of original cost):

	<u>Annual Amortization</u>			Estimated Salvage Value
	Year 1	Year 2	Year 3 and Thereafter	
	%	%	%	%
Mobile equipment	5.00	5.00	5.00	5.00
Buildings / Eng. struct.	2.50	2.50	2.50	2.50
Automotive equipment	20.00	15.00	10.00	10.00
Machinery and equip.	6.67	6.67	6.67	6.67
Electronic data processing				
- Hardware	40.00	30.00	20.00	-
- Software	25.00	25.00	25.00	-
Road bases	1.25	1.25	1.25	50.00
Road sub-surfaces				
- Mini-base	0.25	0.25	0.25	90.00
- Full graveled base	0.25	0.25	0.25	90.00
- Stabilized cement	0.25	0.25	0.25	90.00
Road surfaces				
- Oil/chip on grade	10.00	10.00	10.00	30.00
- Oil/chip on impr.	5.00	5.00	5.00	50.00
- Pavement	2.50	2.50	2.50	50.00
Water/wastewater lines	2.50	2.50	2.50	0.00
Dams	2.50	2.50	2.50	0.00

The portion of the cost of purchased land attributed to the value of gravel situated on the land, is amortized at the rate at which the gravel is excavated.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 3 Prior Period Adjustment

Effective January 1, 2009, The Board changed its method of recording tangible capital assets (TCA), inventory of supplies and prepayment of expenses to accept the recommendations of Section 3150.43 of the CICA Public Sector Accounting Handbook. The handbook requires the accrual of these assets that were previously expensed. These assets are now on the statement of financial position as non-financial assets. The change has been applied retroactively.

The adjustments are as follows:	<u>2008</u>
Adjustments to opening accumulated surplus	
As previously reported at December 31, 2007	\$ 4,413,560
Adjustment to net book value of tangible capital assets	186,026,949
As restated at December 31, 2007	<u>\$190,440,509</u>
Adjustments to surplus	
As previously reported for year	
ended December 31, 2008	\$ (1,979,318)
Purchase of tangible capital assets	13,506,019
Proceeds on disposal of tangible capital assets	(2,225,988)
Loss on disposal of tangible capital assets	(259,981)
Annual amortization expense	(4,331,929)
As restated for year ended December 31, 2008	<u>\$ 4,708,803</u>
Adjustments to tangible capital assets	
As previously reported as at December 31, 2008	\$ 26,139,432
Adjustments to historical cost of tangible capital assets	140,168,699
Accumulated amortization recorded	(27,123,889)
As restated as at December 31, 2008	<u>\$139,184,242</u>

Effective, January 1, 2009, The Board adopted Section PS 1200 Financial Statement Presentation, which establishes general reporting principles and standards for the disclosure of information in government financial statements.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 4 Cash

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term-to-maturity of three years. As at December 31, 2009, securities held by the Fund had a time-weighted return of 1.4% per annum (2008 - 3.5% per annum).

Note 5 Accounts Receivable, Net

Accounts receivable, net of applicable allowances for doubtful accounts of \$62,474 (2008 - \$88,261), are comprised of the following:

	2009	2008
Current:		
From sale of tax recovery land & related mineral surface leases	\$ 464,789	\$ 463,902
Accrued interest	57,881	79,100
	522,670	543,002
Acadia Foundation	1,342,280	-
Secondary highway rentals	333,123	1,189,292
Sand and gravel	32,411	405,961
Accrued interest on investments	105,826	160,746
Leases	95,814	147,977
High speed wireless	116,701	168,897
Local improvement recoveries	57,983	99,891
Miscellaneous	364,301	682,428
	\$ 2,971,109	\$ 3,398,194
Non-current:		
Acadia Foundation	\$ 14,273,605	\$ -
From sale of tax recovery land and related mineral surface leases	2,374,710	2,813,898
High speed wireless	356,175	356,174
Other	270,051	432,408
	\$ 17,274,541	\$ 3,602,480

Secondary highway rentals are owed by one company and is supported by their agreement with Alberta Infrastructure.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 5 Accounts Receivable, Net

(cont'd) Payment for tax recovery land sold and for the sales of related mineral surface leases may be made in installments over a period not exceeding ten years. An interest rate of 8% per annum is applied to tax recovery land sales I & II and 6% per annum to tax recovery land sale III that commenced in 2004. Title to tax recovery land sold (and related leases sold) is transferred from the Minister of Municipal Affairs to the purchaser after all payments have been received. If a purchaser defaults in payment, the agreement(s) for sale may be declared null and void and all monies received may be retained as liquidated damages.

The high speed wireless receivable is a result of The Board entering into a memorandum of agreement with an internet service provider to facilitate the delivery of high-speed internet to residents of the Special Areas. Certain equipment was offered for sale by The Board to the internet service provider at The Board's cost. Repayment terms will be based on network usage and a promissory note that will be signed upon completion of the joint project.

The Acadia Foundation receivable is a result of The Board entering into a memorandum of understanding with the other members of the Acadia Foundation to borrow from the Alberta Capital Finance Authority for the construction and renovation of the seniors lodges in Oyen, Consort and Hanna (Note 8). Repayment terms are based on the promissory notes of either 10 or 25 year terms with respective interest rates ranging from 3.34% to 5.00%.

Note 6 Due from (to) Province of Alberta, Net

The net amount due from (to) the Province of Alberta is comprised of the following:

	<u>2009</u>	<u>2008</u>
Due from Province of Alberta:		
Transportation	\$ 807,279	\$ 701,878
Infrastructure	-	37,500
Agriculture and Rural Development	226,600	181,600
Finance	-	95,587
Other	20,585	8,730
	<u>1,054,464</u>	<u>1,025,295</u>
Due to Province of Alberta:		
Transportation	(511,736)	(4,413,383)
Environment	(207,603)	(208,235)
Other	(126,302)	(144,943)
	<u>(845,641)</u>	<u>(4,766,561)</u>
Due from (to) Province of Alberta, net	<u>\$ 208,823</u>	<u>\$ (3,741,266)</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 7 Deferred Provincial Grant Revenue

	2009	2008
Municipal Affairs	\$ 1,299,396	\$ 565,168
Transportation	123,395	105,996
Children and Youth Services	20,380	41,220
Agriculture and Rural Development	11,770	5,370
	\$ 1,454,941	\$ 717,754

Note 8 Long Term Debt

	2009	2008
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$263,223, including fixed interest at 4.39%, due June 2018	\$ 3,701,983	\$ 4,054,429
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$251,377, including fixed interest at 4.01%, due December 2018	3,766,669	4,108,000
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$493,631, including fixed interest at 3.34%, due December 2019	8,333,000	-
Alberta Treasury Branches (ATB) loan, repayable in semi-annual installments of \$147,127, plus monthly variable interest at ATB prime (December 31, 2009 - 2.25%), due May 2014	1,324,143	-
	17,125,795	8,162,429
Less: current portion	1,732,020	693,777
	\$ 15,393,775	\$ 7,468,652

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 8 Long Term Debt

(cont'd) Principal repayments on long-term debt in each of the next five years are estimated as follows:

2010	\$	1,732,020
2011		1,786,826
2012		1,843,752
2013		1,902,879
2014		<u>1,817,169</u>
	\$	<u>9,082,646</u>

Note 9 Provision for Gravel Pit Reclamation

The provision for gravel pit reclamation costs are estimates of future costs of restoring gravel pits to the standards required by the *Environmental Protection and Enhancement Act*.

There is uncertainty with respect to the measurement of the estimates. Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Reclamation is ongoing and the uncertainty inherent in the provision will thus be partially resolved each year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 10 Non-financial Assets

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Tangible Capital Assets:				(Restated)
Mobile equipment	\$ 18,199,924	\$ 5,338,447	\$ 12,861,477	\$ 12,234,046
Buildings / Eng. structures	12,246,424	3,989,425	8,256,999	6,800,805
Automotive equipment	11,919,877	7,335,115	4,584,762	4,308,937
Machinery and equipment	3,795,381	1,903,626	1,891,755	1,522,040
Land	1,036,729	89,563	947,166	947,166
Electronic data processing				
- Software	1,463,530	1,255,740	207,790	146,700
- Hardware	1,203,760	1,079,642	124,118	179,739
Road bases	134,629,690	23,825,399	110,804,291	105,638,613
Road sub-surfaces	4,672,181	77,484	4,594,697	4,024,667
Road surfaces	8,883,741	4,801,518	4,082,223	3,310,896
Water/wastewater lines	48,125	47,375	750	773
Dams	367,494	299,689	67,805	69,860
Tangible Capital Assets	<u>\$ 198,466,856</u>	<u>\$ 50,043,023</u>	<u>\$148,423,833</u>	<u>\$139,184,242</u>
	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	\$ 1,038,172	\$ 10,382	\$ 1,027,790	\$ 1,043,512
Gravel	3,812,596	-	3,812,596	4,150,617
Culverts	112,627	-	112,627	88,451
Fuel	115,799	-	115,799	79,556
Fencing	62,270	-	62,270	61,188
Chemicals and other	23,960	-	23,960	12,479
Inventory	<u>\$ 5,165,424</u>	<u>\$ 10,382</u>	<u>5,155,042</u>	<u>5,435,803</u>
Total non-financial assets			<u><u>\$153,578,875</u></u>	<u><u>\$144,620,045</u></u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 11 Accumulated Surplus

Accumulated Surplus consists of unrestricted amounts and internally restricted as follows:

	2009	2008
		(Restated)
		(Note 3)
Unrestricted Accumulated Surplusses		
Equity in capital assets (Schedule 4)	\$ 148,423,833	\$ 139,184,242
Equity in inventory (Schedule 4)	5,155,042	5,435,803
Unrestricted operational surplus (Schedule 4)	9,410,558	7,108,878
	162,989,433	151,728,923
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales (Schedule 5)	44,132,816	43,420,389
	\$207,122,249	\$195,149,312

The internally restricted accumulated surplus are funds that may not be accessed without authorization by the Minister of Municipal Affairs.

Note 12 Budget

The 2009 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs and Housing in January 2009. The budget was prepared on the previous basis of accounting and as such does not reflect the impact of adopting Tangible Capital Assets (TCA).

Note 13 Provincial Grants

	2009	2008
Transportation	\$ 5,232,691	\$ 2,462,408
Municipal Affairs and Housing	1,865,402	4,916,740
Agriculture and Rural Development	431,684	453,256
Environment	178,101	208,300
Children and Youth Services	167,560	122,171
Infrastructure	132,981	111,436
Tourism, Parks and Recreation	16,000	16,000
Employment and Immigration	7,840	4,095
Health and Wellness	-	118,346
	\$ 8,032,259	\$ 8,412,752

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 14 Lease Revenue

	<u>2009</u>	<u>2008</u>
Mineral surface leases	\$ 3,395,886	\$ 3,542,772
Equipment rentals	1,750,779	1,376,120
Grazing leases	798,213	1,084,184
Community pastures	468,511	461,257
Cultivation leases	308,272	318,097
Other	413,443	555,212
	<u>\$ 7,135,104</u>	<u>\$ 7,337,642</u>

Note 15 Total Expenditure

Total expenditure for the year is analyzed by object of expenditure as follows:

	<u>2009</u>	<u>2008</u>
Manpower (Schedule 2)	\$ 12,799,513	\$ 11,728,574
Materials, goods, and utilities	10,009,790	12,722,057
Contract and general services	9,749,018	11,152,171
Amortization	4,635,409	4,331,929
Grants	1,994,198	3,858,151
Goods and services from Alberta Government departments		
Alberta Finance		
Risk Management	150,757	180,390
Investment fees	14,527	10,420
Alberta Municipal Affairs		
Linear assessment	94,079	91,218
Government Services	74,431	16,327
Interest on long-term debt	354,349	107,185
Industrial tax transfers	240,071	224,200
Loss on sale of capital assets	109,802	259,981
Provision for doubtful accounts	62,402	(739)
Less:		
Internal road projects capitalized in the year	<u>(8,431,111)</u>	<u>(7,314,201)</u>
	<u>\$ 31,857,235</u>	<u>\$ 37,367,663</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 16 Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for The Board be disclosed as follows:

	<u>2009</u>	<u>2008</u>
Total debt limit	\$ 63,804,156	\$ 60,275,008
Total debt	<u>17,125,795</u>	<u>8,162,429</u>
Amount of debt limit unused	<u>\$ 46,678,361</u>	<u>\$ 52,112,579</u>
Debt servicing limit	\$ 10,634,026	\$ 10,045,835
Debt servicing	<u>2,338,302</u>	<u>1,029,201</u>
Amount of debt servicing limit unused	<u>\$ 8,295,724</u>	<u>\$ 9,016,634</u>

The debt limit is calculated at 1.5 times revenue of The Board (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitation 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 Board. Rather, the financial statements must be interpreted as a whole.

Note 17 Related Party Transactions

Expenditures for goods and services are conducted in the normal course of operations with the Province of Alberta and are billed to the Board as disclosed in Note 15.

Grants provided by the Province of Alberta are disclosed in Note 13 and the amounts outstanding at the end of the year are disclosed in Note 6.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

Note 18 Pension Plan

The Board participates with other employers in the Public Service Pension Plan ("PSPP") and the Management Employees Pension Plan ("MEPP"). These plans provide pensions for the Board's employees based on years of service and earnings.

Total current contributions by the Board in 2009 to the PSPP were \$370,998 (2008 - \$332,904) and to the MEPP were \$171,648 (2008 - \$170,587).

At December 31, 2008, the PSPP reported a deficit of \$1,187,538,000 (2007 deficit - \$92,509,000) and the MEPP reported a deficiency of \$568,574,000 (2007 - \$84,341,000).

Note 19 Contractual Obligations

The Board has entered into seventeen long-term operating leases for equipment. The future lease payments are as follows:

2010	\$ 1,346,544
2011	1,073,443
2012	<u>477,825</u>
	<u>\$ 2,897,812</u>

The Board had entered into a long-term gravel crushing contract in which The Board has committed to crushing 1,500,000 Tonnes from 2008 to 2013. Depending on conditions, an average of 300,000 Tonnes will be crushed annually.

Note 20 Administration Expenses

Accommodation costs for the offices at Hanna, amounting to approximately \$70,000 annually, have not been included in the expenditures of the Board. The building is owned and operated by Alberta Infrastructure and all costs are recorded as expenditure of that Ministry.

Note 21 Comparative Figures

Certain 2008 figures have been reclassified to conform to 2009 presentation.

Note 22 Approval of Financial Statements

These financial statements have been approved by the Board.

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2009

	2009						2008
	Stated	Effective	Maturity Date	Par	Fair Value	Book Value	Book Value
	Interest	Interest		Value			
Rate	Rate	Value					
Bonds:							
Bank of Montreal	7.000%	4.320%	January 28, 2010	\$ 180,000	\$ 180,794	\$ 180,328	\$ 184,607
Bank of Nova Scotia	3.030%	3.030%	June 4, 2012	500,000	510,135	499,988	-
Canada Housing Trust	2.700%	2.650%	December 15, 2013	3,300,000	3,305,874	3,306,238	-
Canada Housing Trust	3.750%	3.530%	March 15, 2010	-	-	-	1,503,464
Canada Housing Trust	4.050%	4.280%	March 15, 2011	-	-	-	3,135,051
Canada Housing Trust	3.950%	4.830%	December 15, 2011	1,100,000	1,149,918	1,083,177	1,074,577
Canada Housing Trust	4.000%	4.290%	June 15, 2012	3,560,000	3,735,543	3,537,608	3,528,496
Canada Housing Trust	3.600%	2.880%	June 15, 2013	5,260,000	5,459,512	5,390,004	3,828,702
Canadian Imperial Bank of Commerce	4.550%	4.710%	March 28, 2016	700,000	726,971	696,906	696,410
Government of Canada	5.500%	4.090%	June 1, 2010	520,000	530,894	522,811	529,561
Government of Canada	6.000%	5.920%	June 1, 2011	95,000	101,503	95,079	95,134
Government of Canada	3.750%	4.010%	September 1, 2011	1,800,000	1,871,838	1,792,934	1,788,699
Government of Canada	5.250%	4.030%	June 1, 2012	3,490,000	3,775,901	3,582,087	3,620,152
Province of Manitoba	6.250%	5.930%	September 1, 2009	-	-	-	400,690
New Brunswick Provincial	3.350%	3.060%	June 1, 2013	500,000	513,505	504,602	-
Province of Ontario	6.100%	4.070%	November 19, 2010	500,000	523,265	508,111	517,276
Province of Ontario	6.100%	4.490%	December 2, 2011	700,000	758,926	719,016	728,918
Province of Quebec	5.500%	2.740%	December 1, 2014	1,550,000	1,719,570	1,746,026	-
Province of Quebec	6.250%	4.400%	December 1, 2010	-	-	-	1,805,425
Province of Quebec	5.250%	3.650%	October 1, 2013	800,000	873,552	843,819	855,494
Financement Quebec	3.250%	3.050%	June 1, 2014	500,000	506,330	504,110	-
Royal Bank of Canada	3.700%	4.190%	June 24, 2015	400,000	405,600	395,907	395,161
TD Bank	5.690%	5.020%	June 3, 2018	700,000	763,861	718,502	720,697
				26,155,000	27,413,492	26,627,253	25,408,514
Alberta Capital Finance Authority			(15 Shares)	150	150	150	150
				\$ 26,155,150	\$ 27,413,642	\$ 26,627,403	\$ 25,408,664

Note:

The Board, as part of its operations, carries these financial instruments. It is management's opinion that the Board is not exposed to significant currency or credit risks arising from these financial instruments.

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009					2008	
	Number of Individuals (a)	Salary (b)	Other Cash Benefits (c)	Other Non-cash Benefits (d)	Total	Number of Individuals	Total
Chairman of the Special Areas Board	1	\$ 148,379	\$ 8,734	\$ 35,922	\$ 193,035	1	\$ 193,454
Special Areas Board members	2	13,797	-	1,508	15,305	2	11,471
Director of Finance and Administration	1	111,575	6,422	27,445	145,442	1	143,346
Director of Municipal Services	1	107,571	6,332	7,281	121,184	1	123,003
Director of Properties Administration	1	107,571	6,332	26,643	140,546	1	136,768
Roads & Equipment Superintendent	1	96,910	12,908	24,506	134,324	1	127,615
Managers (e)	4	379,570	22,229	95,803	497,602	4	477,913
Other full time staff (f)	89.0	5,563,687	-	957,355	6,521,042	85.0	5,931,359
Part time and casual wage staff		4,279,101	-	665,587	4,944,688		4,410,467
Other Boards and committees		51,959	-	1,802	53,761		50,015
Advisory Councillors	13	26,660	-	880	27,540	13	24,565
Increase (Decrease) in vacation accrual		5,044	-	-	5,044		98,598
		<u>\$ 10,891,824</u>	<u>\$ 62,957</u>	<u>\$ 1,844,732</u>	<u>\$ 12,799,513</u>		<u>\$ 11,728,574</u>

- (a) Number of individuals consists of full time equivalents, except for Special Areas Board members and Advisory Councillors.
- (b) Salary includes regular base pay.
- (c) Other cash benefits includes bonuses, lump sum payments, honoraria and vacation payouts.
- (d) Employer's share of all employee benefits and contributions or payments made on behalf of employees, managers and board members including Workers' Compensation Board, Canada Pension Plan, Employment Insurance, camp allowances, pension, health care, dental coverage, out of country medical benefits, membership fees, group life insurance, accidental death and dismemberment insurance and long-term disability plan.
- (e) Average salary is \$94,893 and average benefits (column c & d) are \$29,508 totaling \$124,401 (2008 - \$119,478).
- (f) Average salary is \$62,513 and average benefits are \$10,757 totaling \$673,270 (2008 - \$69,781).

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE
AS AT DECEMBER 31, 2009

	2009	Schedule 3 2008
Change in Financial Assets		(Restated) (Note 3)
Current:		
Cash	\$ (8,458,505)	\$ 12,840,875
Accounts receivable, net	(427,085)	(1,900,349)
Due to Province of Alberta, net	208,823	-
Taxes receivable, net	288,274	(78,461)
	<u>(8,388,493)</u>	<u>10,862,065</u>
Non-current:		
Accounts receivable, net	13,672,061	(167,121)
Acadia Foundation receivable	-	-
Investments	1,218,739	(1,365,762)
	<u>6,502,307</u>	<u>9,329,182</u>
Increase in Financial Assets		
Change in Liabilities		
Current:		
Accounts payable and accruals	2,624,672	(2,927,656)
Deferred revenues	(53,585)	4,688
Deferred provincial grant revenue	(737,187)	1,626,471
Due to Province of Alberta, net	3,741,266	(2,453,351)
Current portion of long term loan	(1,038,243)	-
	<u>4,536,923</u>	<u>(3,749,848)</u>
Non-current:		
Long term loan	(7,925,123)	(7,468,652)
Pension liability	-	-
Provision for gravel pit reclamation	(100,000)	(90,000)
	<u>(3,488,200)</u>	<u>(11,308,500)</u>
Increase in Liabilities		
Net increase (decrease) in net financial assets	3,014,107	(1,979,318)
Net financial assets at the beginning of year	<u>50,529,267</u>	<u>52,508,585</u>
Net financial assets at end of year	\$ <u>53,543,374</u>	\$ <u>50,529,267</u>

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY UNRESTRICTED ACCUMULATED SURPLUS INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009		Schedule 4
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 12)		(Restated) (Note 3)
Equity in capital assets at beginning of year		\$ <u>139,184,242</u>	\$ <u>132,496,121</u>
Add purchase of capital assets:			
Road infrastructure	-	8,431,111	7,314,201
Transportation services	1,604,150	2,890,464	4,231,983
Water and sanitation services	2,216,775	1,306,049	333,650
Protective services	1,673,000	1,000,025	684,603
Agriculture and community pasture services	278,500	298,250	317,505
Administrative services	176,350	115,495	467,889
Recreation and cultural services	131,000	142,857	156,188
	<u>6,079,775</u>	<u>14,184,251</u>	<u>13,506,019</u>
Annual amortization of capital assets		<u>(4,635,409)</u>	<u>(4,331,929)</u>
Disposal of capital assets		<u>(309,251)</u>	<u>(2,485,969)</u>
Equity in capital assets at end of year (Note 3, 10, 11)		\$ <u>148,423,833</u>	\$ <u>139,184,242</u>
Equity in inventories at beginning of year		\$ 5,435,803	\$ 4,093,850
Add purchases and other inventory costs		2,659,541	3,958,225
Deduct requisitions		<u>(2,940,302)</u>	<u>(2,616,272)</u>
Equity in inventory at end of year (Note 10, 11)		\$ <u>5,155,042</u>	\$ <u>5,435,803</u>
Accumulated operational surplus at beginning of year		\$ 7,108,878	\$ 4,413,560
Surplus for the year		11,972,937	4,708,803
Change in Non-Financial Assets		<u>(8,958,830)</u>	<u>(6,688,121)</u>
		10,122,985	2,434,242
Transfers (to) from Reserves (net)		<u>(712,427)</u>	4,674,636
Accumulated operational surplus at end of year (Note 11)		\$ <u>9,410,558</u>	\$ <u>7,108,878</u>
		<u>162,989,433</u>	<u>151,728,923</u>

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY INTERNALLY RESTRICTED ACCUMULATED
SURPLUSES INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
	<u>ACTUAL</u>	<u>ACTUAL</u> (Restated) (Note 3)
Tax recovery land sales surpluses:		
Phase I		
Balance at beginning of year	\$ 39,237,690	\$ 39,230,508
Add transfers of accumulated excess of revenue over expenditure	7,208	7,182
Balance at end of year	<u>39,244,898</u>	<u>39,237,690</u>
Phase II		
Balance at beginning of year	-	945,118
Add transfers of accumulated excess of revenue over expenditure	-	-
Deduct transfers of funds to operations	-	(945,118)
Balance at end of year	<u>-</u>	<u>-</u>
Phase III		
Balance at beginning of year	4,181,380	7,918,080
Add transfer from accumulated excess of revenue over expenditure	698,170	991,600
Deduct transfers of funds to operations	-	(4,728,300)
Balance at end of year	<u>4,879,550</u>	<u>4,181,380</u>
Total balance at end of year	44,124,448	43,419,070
Public reserve surpluses:		
Balance at beginning of year	1,319	1,319
Add transfers of Municipal Reserves held for development	7,049	-
Balance at end of year	<u>8,368</u>	<u>1,319</u>
Total internally restricted accumulated surpluses (Note 11)	<u>\$ 44,132,816</u>	<u>\$ 43,420,389</u>

Phases I, II and III relate to proceeds from sales under the 1981, 1988 and 2004 tax recovery land sales policies respectively.

Phases I and III exclude interest revenue and have not been earmarked for specific expenditures.

The internally restricted accumulated surplus are funds that may not be accessed without authorization by the Minister of Municipal Affairs.