

**SPECIAL AREAS TRUST ACCOUNT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

Letter from Management

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## 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 Public Sector Accounting Standards. 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 systems and related internal control systems to provide reasonable assurance, that transactions are authorized, 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 three elected Councilors who are neither management nor employees of the Board, plus one Chair 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.

Chair, Special Areas Board

Director of Finance and Administration



## Independent Auditor's Report

To the Minister of Municipal Affairs and the Chair of the Special Areas Board

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Special Areas Trust Account, which comprise the statement of financial position as at December 31, 2016, and the statements 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2016, and the results of its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

April 25, 2017

Edmonton, Alberta

**SPECIAL AREAS TRUST ACCOUNT**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2016**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Financial Assets</b>		
Cash and cash equivalents (Note 3)	\$ 38,097,061	\$ 39,369,846
Accounts receivable (Note 4)	4,167,818	4,159,351
Notes receivable (Note 5)	10,566,785	12,424,111
Due from Province of Alberta (Note 6)	258,112	565,750
Due from Government of Canada	338,839	-
Taxes receivable (Note 7)	703,880	921,428
	<u>54,132,495</u>	<u>57,440,486</u>
Investments (Schedule 1)	29,358,818	28,835,804
<b>Total Financial Assets</b>	<u>83,491,313</u>	<u>86,276,290</u>
<b>Liabilities</b>		
Accounts payable and accruals	2,997,341	3,169,510
Vacation accruals	1,155,108	1,055,534
Deferred revenues	441,891	392,119
Deferred government grant revenue (Note 8)	1,202	357,879
Due to Province of Alberta (Note 6)	786,900	385,695
	<u>5,382,442</u>	<u>5,360,737</u>
Long-term debt (Note 9)	7,811,101	10,401,659
Provision for gravel pit reclamation (Note 10)	2,537,000	2,537,000
<b>Total Liabilities</b>	<u>15,730,543</u>	<u>18,299,396</u>
<b>Net Financial Assets (Schedule 3)</b>	67,760,770	67,976,894
<b>Non-financial assets</b>		
Prepaid assets	121,486	119,902
Tangible capital assets (Schedule 6)	220,190,231	216,873,228
Inventory (Note 11)	6,907,658	6,582,881
	<u>227,219,375</u>	<u>223,576,011</u>
<b>Accumulated Surplus (Note 12)</b>	<u>\$ 294,980,145</u>	<u>\$ 291,552,905</u>

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

**SPECIAL AREAS TRUST ACCOUNT**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>2016</b>		<b>2015</b>
	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
	(Note 13)		
<b>Revenues</b>			
Taxation			
Power and pipeline	\$ 37,780,433	\$ 36,088,267	\$ 38,049,886
Real property	12,588,837	12,652,646	12,609,332
Grazing and cultivation	737,321	734,559	737,321
Penalties and costs on taxes	423,000	173,042	489,648
	<u>51,529,591</u>	<u>49,648,514</u>	<u>51,886,187</u>
Less requisitions and bad debt (Note 14)	(17,675,591)	(18,577,537)	(17,867,144)
Net taxes for municipal purposes	<u><b>33,854,000</b></u>	<u><b>31,070,977</b></u>	<u><b>34,019,043</b></u>
Leases (Note 15)	9,961,795	9,738,391	8,896,998
Government transfers for operating (Note 16)	7,393,873	7,150,247	5,556,403
Government transfers for capital (Note 16)	2,073,317	2,073,317	2,006,615
Interest	1,341,756	1,263,997	1,484,517
Tax recovery land sales	740,000	476,861	2,972,773
Other revenue (Note 17)	2,103,800	3,142,767	2,514,896
<b>Total revenues</b>	<u><b>57,468,541</b></u>	<u><b>54,916,557</b></u>	<u><b>57,451,245</b></u>
<b>Expenses</b>			
Transportation services	23,138,723	24,490,762	26,170,928
Water and sanitation services	5,723,265	5,648,736	3,094,808
Administrative services	5,563,295	5,261,608	4,932,992
Agriculture and community development	2,781,831	2,625,845	2,376,877
Recreational and cultural services	2,682,417	2,592,452	2,253,015
Protective services	1,796,288	2,325,426	1,926,340
Industrial tax transfers	580,000	580,000	580,000
(Gain) loss on sale of capital assets	100,000	(13,095)	61,971
Amortization	7,702,078	7,977,583	7,845,891
<b>Total expenses (Note 18)</b>	<u><b>50,067,897</b></u>	<u><b>51,489,317</b></u>	<u><b>49,242,822</b></u>
<b>Excess of revenues over expenses</b>	<b>\$ 7,400,644</b>	<b>\$ 3,427,240</b>	<b>\$ 8,208,423</b>
<b>Accumulated surplus at beginning of year</b>	<u>291,552,905</u>	<u>291,552,905</u>	<u>283,344,482</u>
<b>Accumulated surplus at end of year</b>	<u><b>\$ 298,953,549</b></u>	<u><b>\$ 294,980,145</b></u>	<u><b>\$ 291,552,905</b></u>

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

**SPECIAL AREAS TRUST ACCOUNT**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>2016</b>		<b>2015</b>
	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
	(Note 13)		
<b>Excess of revenue over expenses</b>	\$ 7,400,644	\$ 3,427,240	\$ 8,208,423
Acquisition of tangible capital assets	(8,489,520)	(6,380,661)	(9,337,450)
Construction of roads and road surfaces	(9,388,067)	(5,289,039)	(4,590,535)
(Gain) loss on sale of tangible capital assets	100,000	(13,095)	61,971
Proceeds on disposal of tangible capital assets	757,100	388,209	387,697
Amortization of tangible capital assets	7,702,078	7,977,583	7,845,891
Change in prepaid assets	-	(1,584)	22,971
Change in inventory	-	(324,777)	(262,605)
<b>Increase in net financial assets</b>	(1,917,765)	(216,124)	2,336,363
<b>Net financial assets, beginning of year</b>	67,976,894	67,976,894	65,640,531
<b>Net financial assets, end of year</b>	<b>\$ 66,059,129</b>	<b>\$ 67,760,770</b>	<b>\$ 67,976,894</b>

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

**SPECIAL AREAS TRUST ACCOUNT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>Operating activities:</b>		
Excess of revenues over expenses	\$ 3,427,240	\$ 8,208,423
Amortization of investment premiums, less discounts	262,794	258,706
Gain on sale of investments	(30,179)	(110,365)
Amortization of tangible capital assets	7,977,583	7,845,891
Amortization relating to self-constructed assets	(1,730,978)	(1,821,585)
(Gain) loss on sale of tangible capital assets	(13,095)	61,971
Increase in provision for gravel pit reclamation	-	126,000
	<u>9,893,365</u>	<u>14,569,041</u>
Changes in non-cash operating items:		
Prepaid assets and accounts receivable	(10,051)	(221,641)
Due from Province of Alberta	307,638	233,161
Due from Government of Canada	(338,839)	-
Taxes receivable	217,548	(29,906)
Accounts payable and accruals	(72,595)	570,982
Deferred revenues	49,772	82,944
Deferred government grant revenue	(356,677)	350,000
Due to Province of Alberta	401,205	(309,425)
Inventory	(324,777)	(262,605)
	<u>(126,776)</u>	<u>413,510</u>
Cash provided by operating activities	<u>9,766,589</u>	<u>14,982,551</u>
<b>Capital activities:</b>		
Proceeds of sale of tangible capital assets	388,209	387,697
Purchase of tangible capital assets	(9,938,722)	(12,106,400)
Cash applied to capital activities	<u>(9,550,513)</u>	<u>(11,718,703)</u>
<b>Investing activities:</b>		
Net change in notes receivable	1,857,326	1,503,812
Proceeds from redemption of investments	11,517,201	27,395,036
Purchase of investments	(12,272,830)	(28,214,811)
Cash provided by investing activities	<u>1,101,697</u>	<u>684,037</u>
<b>Financing activities:</b>		
Long term debt repaid	(2,590,558)	(2,498,210)
Cash applied to financing activities	<u>(2,590,558)</u>	<u>(2,498,210)</u>
<b>(Decrease) increase in cash and cash equivalents</b>	<u>(1,272,785)</u>	<u>1,449,675</u>
Cash and cash equivalents at the beginning of year	<u>39,369,846</u>	<u>37,920,171</u>
<b>Cash and cash equivalents at the end of year</b>	<b>\$ <u>38,097,061</u></b>	<b>\$ <u>39,369,846</u></b>

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

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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 are the representations of management, and have been prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(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.

Revenue resulting from mineral surface leases are first recognized on the initial agreement date and then on the anniversary date each year thereafter. All other leases are recognized as earned on an annual basis (e.g. cultivation and grazing) and are due and payable at the beginning of the year.



**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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 Statement of Financial Position. Approximately 0.946 million acres of tax recovery land remains unsold as at December 31, 2016 (2015 - 0.957 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 Board, is not valued for financial statement purposes. This consists of approximately 1.575 million acres (2015 - 1.575 million acres).

Road infrastructure land right of ways, located within the Special Areas and administered by the Board, were transferred to the Province of Alberta from the Government of Canada for no monetary consideration. The Board has also acquired additional right of way for road widening purposes for insignificant amounts. As at December 31, 2016, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2015 - 0.012 million acres) and are not recorded in the Statement of Financial Position.

(d) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the allowance for doubtful taxes and accounts receivable, gravel inventory, gravel pit reclamation, and both current and prior years tangible capital asset historical costs and related amortization. A significant component of these tangible capital asset costs are self constructed and their cost is measured by the use of equipment rates which are approximations of actual costs incurred. Actual results could differ from management's best estimates as additional information becomes available.

(e) Contaminated Site Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post remediation including operation, maintenance and monitoring.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2 (f) Financial Instruments

(cont'd) Cash and cash equivalents, accounts receivable, notes receivable, taxes receivable, amounts due to/from Province of Alberta, vacation accruals and accounts payable are measured at cost.

All non-current receivables and long-term debt are a result of binding contractual agreements. The carrying value of these non-current accounts are measured at amortized cost.

The fair value of investments are disclosed on Schedule 1.

(g) Requisition over/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. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(h) Investments

Investments are valued at amortized cost adjusted for the applicable amortization of discount or premium using the effective interest method over the period to maturity. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. A write down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

(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.

(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 or stipulations have been met, and reasonable estimates of the amounts can be determined.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2 (k) 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.

Prepaid expenses

Prepaid expenses include pre-payments on goods and services which will be utilized in the following year.

Inventory

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

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.

Tangible Capital Assets

Tangible capital assets consist of engineering structures, roads, buildings, vehicles, equipment, land, water/wastewater utilities and dams.

For the purposes of the Board, tangible capital assets having a useful life greater than one year are shown at net book value. Recognition thresholds for these assets are \$10,000 for engineered structures or third party software development and \$2,500 for all other categories. Purchased land and all other off the shelf electronic data processing equipment are all capitalized.

The Board in its provision of transportation services, undertakes using its own forces, a significant amount of construction activity consisting of road building and road resurfacing. These activities are considered to be capital in nature as they result in the construction of tangible capital assets. Thus the expenditures made for direct manpower, materials and indirect equipment costs relating to these activities are removed from operational expenditures to reflect the capital component of the assets being self-constructed. An hourly equipment rate is used to estimate the actual indirect equipment cost, including amortization, and is the basis for allocating these costs to the road construction projects. Annually, the total estimated equipment costs included in the road construction projects is compared to actual equipment costs incurred.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2 (k) Non-financial Assets

(cont'd) Tangible capital assets are recorded at cost, net of asset disposals, write-downs and amortization.

The cost of tangible capital assets shown on the statement of financial position is amortized to estimated salvage value in a manner that reflects the consumption of their future economic benefits 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	2.50	2.50	2.50	2.50
Engineered structures	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	0.00
- Software	25.00	25.00	25.00	0.00
Road infrastructure	0.25 to 10.00	0.25 to 10.00	0.25 to 10.00	30.00 to 90.00
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.

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

Note 3 Cash and cash equivalents

Cash includes funds held in the Consolidated Cash Investment Trust Fund of the Province of Alberta which 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 cashable fixed income securities with a maximum term-to-maturity of three years. As at December 31, 2016, the Board's portfolio of securities held by the Fund had an average effective yield of 0.87% per annum (2015 - 0.93% per annum).

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 4 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of \$212,103 (2015 - \$139,572), are comprised of the following:

	<u>2016</u>	<u>2015</u>
Current:		
From sale of tax recovery land and related mineral surface leases	\$ 362,494	\$ 393,370
Accrued interest	<u>54,974</u>	<u>74,019</u>
	417,468	467,389
Leases	358,221	242,510
Agreement for sale of fixed assets	343,843	-
Oil well drilling	200,225	42,427
Parks permit receivable	136,498	136,498
Accrued interest on investments	76,263	80,664
Local improvement recoveries	71,816	70,393
Sheerness deadfish irrigation	36,005	50,694
Miscellaneous	<u>136,319</u>	<u>155,958</u>
	<u>\$ 1,776,658</u>	<u>\$ 1,246,533</u>
Non-current:		
From sale of tax recovery land and related mineral surface leases	\$ 2,182,304	\$ 2,659,302
Local improvement recoveries	208,856	252,599
Other	<u>-</u>	<u>917</u>
	<u>\$ 2,391,160</u>	<u>\$ 2,912,818</u>
	<u><u>\$ 4,167,818</u></u>	<u><u>\$ 4,159,351</u></u>

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 6% per annum is applied to tax recovery land sales that commenced in 2004. Sales revenue is recognized when the agreement is signed and first payment is received. 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.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 5 Notes Receivable

Notes receivable are comprised of the following:

	<u>2016</u>	<u>2015</u>
Current:		
Acadia Foundation	\$ 2,560,281	\$ 2,468,874
Acadia Foundation - accrued interest	14,139	18,107
	<u>2,574,420</u>	<u>2,486,981</u>
Hanna Medical Centre	270,627	-
Big Country Waste Management Commission	157,733	155,529
Neutral Hills Child Care Society	56,200	27,281
Other	19,660	44,582
	<u>\$ 3,078,640</u>	<u>\$ 2,714,373</u>
Non-current:		
Acadia Foundation	\$ 6,195,310	\$ 8,755,590
Association of Consort & District Seniors Centre	545,000	-
Big Country Waste Management Commission	486,738	644,471
Neutral Hills Child Care Society	193,800	222,719
Other	67,297	86,958
	<u>\$ 7,488,145</u>	<u>\$ 9,709,738</u>
	<u><u>\$ 10,566,785</u></u>	<u><u>\$ 12,424,111</u></u>

The Acadia Foundation loan is a result of the Board entering into a memorandum of understanding with the other municipal members of the Acadia Foundation to borrow on behalf of the Acadia Foundation from the Alberta Capital Finance Authority. These funds were advanced to the Acadia Foundation for the construction and renovation of the seniors lodges in Oyen, Consort and Hanna. Repayment is based on the issuance of unsecured interest bearing promissory notes of either 10 or 25 year terms with respective interest rates ranging from 3.14% to 5.00% (2015 - 3.14% to 5.00%). Semi-annual payments totaling \$2,859,730 (2015 - \$2,859,730) were made in June and December. Interest revenue recognized as a result of this loan in 2016 was \$386,888 (2015 - \$475,131).

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 5 Notes Receivable

(cont'd) The Big Country Waste Management Commission note is a result of the board entering into a memorandum of understanding to advance funds to complete a new landfill cell construction at Youngstown. Repayment is based on the issuance of an unsecured interest bearing note of a 5 year term at 1.417% interest.

The amount owed by the Hanna Medical Centre is a result of the board taking the lead in the renovation of the doctor's clinic. Repayment will be made in 2017 through their regular requisition.

The Neutral Hills Child Care Society note is a result of the board entering into a memorandum of understanding to advance funds to complete a new daycare building in Consort. Repayment is based on the issuance of an unsecured interest bearing note of a 15 year term at 3.00% interest.

The amount owed by the Association of Consort & District Seniors Centre is a result of the board entering into a memorandum of understanding to advance funds to complete a new community centre at Consort. Repayment terms will be determined when the project is completed in 2017.

Principal repayments on long-term receivable are estimated as follows:

2018	2,821,073
2019	2,014,364
2020	852,685
2021	279,413
Thereafter	1,520,610
	<u>\$ 7,488,145</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6 Due from Province of Alberta

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

	<u>2016</u>	<u>2015</u>
Due from Province of Alberta:		
Municipal Affairs	\$ 96,284	\$ 272,024
Service Alberta	62,815	231,458
Transportation	20,775	17,291
Environment and Parks	78,238	44,977
	<u>258,112</u>	<u>565,750</u>
Due to Province of Alberta:		
Environment and Parks	(398,369)	(277,725)
Infrastructure	(218,000)	-
Other	(170,531)	(107,970)
	<u>(786,900)</u>	<u>(385,695)</u>
Due (to) from Province of Alberta	<u><u>\$ (528,788)</u></u>	<u><u>\$ 180,055</u></u>

Note 7 Taxes Receivable

	<u>2016</u>	<u>2015</u>
Current taxes	\$ 783,611	\$ 1,678,559
Under levy	17,280	34,125
Tax arrears	358,200	2,183,736
	<u>1,159,091</u>	<u>3,896,420</u>
Less allowance for doubtful accounts:	<u>(455,211)</u>	<u>(2,974,992)</u>
	<u><u>\$ 703,880</u></u>	<u><u>\$ 921,428</u></u>

Note 8 Deferred Government Grant Revenue

	<u>2016</u>	<u>2015</u>
Agriculture and Forestry	\$ 771	\$ 7,879
Human Services	431	-
Municipal Affairs	<u>-</u>	<u>350,000</u>
	<u><u>\$ 1,202</u></u>	<u><u>\$ 357,879</u></u>



**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 9 Long-Term Debt

	<u>2016</u>	<u>2015</u>
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$263,223, including fixed interest at 4.39%, due June 2018	\$ 756,261	\$ 1,233,775
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$251,377, including fixed interest at 4.01%, due December 2018	957,037	1,407,787
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$493,631, including fixed interest at 3.34%, due December 2019	2,795,909	3,667,749
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$298,660, including fixed interest at 3.51%, due June 2020	1,951,108	2,466,250
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$162,114, including fixed interest at 3.14%, due June 2021	<u>1,350,786</u> 7,811,101	<u>1,626,098</u> 10,401,659
Less: current portion	<u>2,686,368</u>	<u>2,590,558</u>
	<u><u>\$ 5,124,733</u></u>	<u><u>\$ 7,811,101</u></u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 9 Long-Term Debt

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

2017	2,686,368
2018	2,522,549
2019	1,837,220
2020	605,356
2021	<u>159,608</u>
	<u>\$ 7,811,101</u>

Interest on long-term debt for 2016 amounted to \$343,348 (2015 - \$435,881).

The total cash payments for interest in 2016 were \$347,452 (2015 - \$439,837).

Note 10 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*.

The estimated liability is based on the total cubic meters of exposed gravel pits multiplied by the price per cubic meter to reclaim the sites.

In 2016 it was estimated that 845,690 cubic meters (2015 - 906,162 cubic meters) of gravel pits were exposed for a total liability of \$2,537,000 (2015 - \$2,537,000).

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**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 11 Inventory

	2016			2015
	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	\$ 1,619,220	\$ 29,536	\$ 1,589,684	\$ 1,483,215
Gravel	4,778,511	-	4,778,511	4,755,070
Culverts	96,757	-	96,757	61,442
Fuel	278,015	-	278,015	111,102
Fencing	58,417	-	58,417	85,378
Chemicals and other	106,274	-	106,274	86,674
Inventory	<u>\$ 6,937,194</u>	<u>\$ 29,536</u>	<u>\$ 6,907,658</u>	<u>\$ 6,582,881</u>

Note 12 Accumulated Surplus

Accumulated Surplus consists of equity in tangible capital assets, unrestricted amounts and internally restricted as follows:

	2016	2015
Equity in tangible capital assets	\$ 220,190,231	\$ 216,873,228
Equity in inventory	6,907,658	6,582,881
Unrestricted operational surplus	13,504,876	14,152,341
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales	<u>54,377,380</u>	<u>53,944,455</u>
Total Accumulated Surplus (Schedule 4)	<u>\$294,980,145</u>	<u>\$291,552,905</u>

The internally restricted accumulated surplus are funds that are available to meet cash flow needs but may not be used for expenditures without authorization by the Minister of Municipal Affairs.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 13 Budget

The 2016 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs in January 2016. The budget was prepared on a cash basis.

A reconciliation to that basis is as follows:

	<u>2016</u>		<u>2015</u>
	Budgeted	Actual	Actual
Excess of revenues over expenses	\$ 7,400,644	\$ 3,427,240	\$ 8,208,423
Acquisition of tangible capital assets	(8,489,520)	(6,380,662)	(9,337,450)
Construction of road and road surfaces	(9,388,067)	(5,289,039)	(4,590,535)
Net transfers to capital	-	-	-
Loss on sale of tangible capital assets	100,000	(13,095)	61,971
Proceeds on disposal of tangible capital assets	757,100	388,209	387,698
Amortization of tangible capital assets	7,702,078	7,977,583	7,845,891
	<u>(1,917,765)</u>	<u>110,236</u>	<u>2,575,998</u>
Tax Recovery Land Sales - transferred to internally restricted reserves (Schedule 4)	<u>(660,000)</u>	<u>(432,925)</u>	<u>(2,837,452)</u>
(Deficit, as per Budget)	<u>\$ (2,577,765)</u>	<u>\$ (322,689)</u>	<u>\$ (261,454)</u>

Note 14 Requisitions and Bad Debt

	<u>2016</u>	<u>2015</u>
Alberta School Foundation Fund	\$ 12,890,303	\$ 12,736,190
Seniors Foundation	4,229,632	4,234,716
Bad Debt	<u>1,457,602</u>	<u>896,238</u>
	<u>\$ 18,577,537</u>	<u>\$ 17,867,144</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 15 Leases

	<u>2016</u>	<u>2015</u>
Mineral surface leases	\$ 3,273,835	\$ 3,331,853
Equipment rentals	1,994,315	2,070,709
Grazing leases	2,822,444	1,885,297
Community pastures	702,301	649,751
Cultivation leases	391,369	415,642
Miscellaneous leases	121,425	132,082
Easements	92,858	128,828
Rights of entry	94,801	98,145
Other	245,043	184,691
	<u>\$ 9,738,391</u>	<u>\$ 8,896,998</u>

Note 16 Government Transfers

	<u>2016</u>	<u>2015</u>
Transfers for operating:		
Municipal Affairs	\$ 4,437,982	\$ 3,065,359
Transportation	1,551,720	1,551,720
Agriculture and Forestry	756,604	499,496
Human Services	176,500	158,501
Infrastructure	223,328	227,970
Culture and Tourism	4,113	53,357
	<u>\$ 7,150,247</u>	<u>\$ 5,556,403</u>
Transfers for capital:		
Municipal Affairs	<u>\$ 2,073,317</u>	<u>\$ 2,006,615</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 17 Other Revenue

	<u>2016</u>	<u>2015</u>
Licence, assignment and application fees	\$ 579,759	\$ 824,456
Park permits and concession revenues	592,824	628,817
Water sales	269,376	243,550
Oil well drilling tax revenue	533,904	181,250
Fire cost recoveries	81,480	104,870
Cost recoveries	502,284	78,788
Gravel sales	212,858	70,943
Bylaw enforcement cost recoveries	61,452	53,558
Other	308,830	328,664
	<u>\$ 3,142,767</u>	<u>\$ 2,514,896</u>

Note 18 Total Expenses

Total expenses for the year is analyzed by object as follows:

	<u>2016</u>	<u>2015</u>
Manpower (Schedule 2)	\$ 18,817,151	\$ 18,105,369
Materials, goods, and utilities	14,327,785	16,050,674
Contract and general services	11,887,289	8,538,623
Amortization of tangible capital assets	7,977,583	7,845,891
Grants	1,873,627	1,540,077
Industrial tax transfers	580,000	580,000
Interest on long-term debt	343,348	435,881
Goods and services from Alberta Government departments		
Alberta Environment		
Special Areas Water Supply Project	460,692	203,451
Alberta Treasury Board & Finance		
Risk Management	288,650	280,936
Investment fees	20,117	20,464
Alberta Municipal Affairs		
Linear assessment	110,544	113,564
Government Services	20,197	27,561
(Gain) loss on sale of tangible capital assets	(13,095)	61,971
Provision for doubtful accounts	84,468	28,895
Less:		
Internal road projects capitalized in the year	<u>(5,289,039)</u>	<u>(4,590,535)</u>
	<u>\$ 51,489,317</u>	<u>\$ 49,242,822</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 18 Total Expenses

(cont'd) Included in manpower, materials, goods and utilities and contract and general services, are \$9,609,972 of expenses (2015 - \$10,080,304). These expenses were incurred in the normal course of road construction and road surfacing work performed on secondary highways that are the property of the Department of Transportation.

Note 19 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>2016</u>	<u>2015</u>
Total debt limit	\$ 79,264,860	\$ 83,166,945
Total debt	<u>7,811,101</u>	<u>10,401,659</u>
Amount of debt limit unused	<u>\$ 71,453,759</u>	<u>\$ 72,765,286</u>
Debt servicing limit	\$ 13,210,810	\$ 13,861,158
Debt servicing	<u>2,938,010</u>	<u>2,938,010</u>
Amount of debt servicing limit unused	<u>\$ 10,272,800</u>	<u>\$ 10,923,148</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 20 Related Party Transactions

Expenditures for goods and services are conducted in the normal course of operations with the Province of Alberta and are charged to the Board as disclosed in Note 18.

Grants provided by the Province of Alberta are disclosed in Note 16 and the amounts outstanding at the end of the year are disclosed in Note 6.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 21 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. The Board's contribution to the PSPP is 11.70% up to the CPP threshold of \$52,500, and 16.72% thereafter. The Board's contribution to the MEPP is 21.85% up to the Salary Cap of \$138,500.

Total current contributions by the Board in 2016 to the PSPP were \$962,171 (2015 - \$892,630) and to the MEPP were \$213,058 (2015 - \$211,867).

At December 31, 2015, the PSPP reported a deficit of \$133,188,000 (2014 deficit - \$803,299,000) and the MEPP reported a surplus of \$299,051,000 (2014 surplus - \$75,805,000).

The Board is not responsible for future funding of the plan deficit other than through contribution increases.

Note 22 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 expenditures of that Ministry.

Note 23 Comparative Figures

Certain 2015 figures have been reclassified to conform to 2016 presentation.

Note 24 Approval of Financial Statements

These financial statements have been approved by the Board.



**SPECIAL AREAS TRUST ACCOUNT**  
**SCHEDULE OF INVESTMENTS**  
**AS AT DECEMBER 31, 2016**

**Schedule 1**

	2016					2015	
	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Fair Value	Book Value	Book Value
Bonds:							
Bank of Montreal	2.430%	2.435%	March 4, 2019	\$ 740,000	\$ 755,371	\$ 739,986	\$ 740,110
Bank of Nova Scotia	2.462%	2.462%	March 14, 2019	500,000	510,872	500,000	500,000
Canada Housing Trust	2.050%	1.590%	June 15, 2017	370,000	372,396	372,179	5,220,883
Canada Housing Trust	1.700%	1.730%	December 15, 2017	-	-	-	5,706,870
Canada Housing Trust	1.750%	0.842%	June 15, 2018	1,250,000	1,267,591	1,266,258	-
Canada Housing Trust	2.350%	0.783%	December 15, 2018	1,700,000	1,747,149	1,751,520	1,777,554
Canada Housing Trust	4.100%	2.479%	December 15, 2018	3,166,000	3,360,377	3,342,551	786,514
Canada Housing Trust	1.950%	1.629%	June 15, 2019	2,795,000	2,857,380	2,840,189	985,450
Canada Housing Trust	2.000%	1.681%	December 15, 2019	980,000	1,004,529	988,990	991,932
Canada Housing Trust	3.750%	1.207%	March 15, 2020	620,000	669,897	669,377	684,370
Canada Housing Trust	1.200%	1.114%	June 15, 2020	650,000	648,864	651,876	652,408
Canada Housing Trust	1.450%	1.278%	June 15, 2020	740,000	744,944	744,283	745,491
Canada Housing Trust	1.250%	1.153%	December 15, 2020	1,000,000	996,413	1,003,734	-
Canada Housing Trust	3.350%	1.073%	December 15, 2020	925,000	996,018	1,007,845	-
Canada Housing Trust	3.800%	1.371%	June 15, 2021	715,000	787,244	789,655	-
Canada Housing Trust	1.250%	1.025%	June 15, 2021	1,840,000	1,824,636	1,857,766	-
CPP Investment Board	1.400%	1.440%	June 4, 2020	1,500,000	1,497,276	1,498,067	1,497,689
Government of Canada	1.000%	0.658%	August 1, 2016	-	-	-	205,424
Government of Canada	1.500%	0.566%	March 1, 2017	205,000	205,328	205,325	-
Government of Canada	3.500%	1.027%	June 1, 2020	482,000	523,002	521,857	533,254
Government of Canada	3.250%	0.737%	June 1, 2021	800,000	874,098	887,000	-
Province of Ontario	2.100%	2.280%	September 8, 2018	1,000,000	1,018,695	997,203	995,670
Province of Ontario	2.100%	2.132%	September 8, 2019	1,700,000	1,739,129	1,718,450	1,725,111
Province of Quebec	4.500%	2.318%	December 1, 2018	3,280,000	3,495,820	3,429,838	3,505,688
Royal Bank of Canada	3.040%	2.995%	July 17, 2024	-	-	-	781,236
Royal Bank of Canada	2.990%	2.155%	December 6, 2024	760,000	784,376	774,717	-
TD Bank	2.447%	2.447%	April 2, 2019	800,000	817,393	800,000	800,000
				28,518,000	29,498,798	29,358,666	28,835,654
Hanna and District Medical Corporation		(2 Shares)		2	2	2	-
Alberta Capital Finance Authority		(15 Shares)		150	150	150	150
				<u>\$ 28,518,152</u>	<u>\$ 29,498,950</u>	<u>\$ 29,358,818</u>	<u>\$ 28,835,804</u>

- Notes:
- The Board, as part of its operations, carries these financial instruments. It is management's opinion that the Board is not exposed to significant interest rate or currency risks arising from these financial instruments.
  - The Board does not hold equities in an active market nor engage in derivative contracts or foreign currency transactions.

**SPECIAL AREAS TRUST ACCOUNT**  
**SCHEDULE OF SALARIES AND BENEFITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016					2015	
	Number of Individuals ( a )	Salary ( b )	Other Cash Benefits ( c )	Other Non-cash Benefits ( d )	Total	Number of Individuals	Total
Chair of the Special Areas Board ( e )	1	\$ 143,985	\$ -	\$38,955	\$ 182,940	1.42	\$ 276,513
Special Areas Board members	3	32,928	-	2,666	35,594	3	35,267
Director of Finance and Administration	1	133,318	-	37,850	171,168	1	184,313
Director of Municipal Services	1	131,866	-	37,493	169,359	1	173,630
Director of Properties Administration	1	115,758	-	36,000	151,758	1	146,987
Roads & Equipment Superintendent	1	107,152	-	32,220	139,372	1	143,799
Managers ( f )	3.25	346,938	-	103,339	450,277	3	429,873
Other full time staff ( g )	110.25	8,250,853	-	1,913,154	10,164,007	106	9,646,323
Part time and casual wage staff		6,341,816	-	736,432	7,078,248		7,005,372
Other Boards and committees		25,070	-	1,903	26,973		24,321
Advisory Councillors	13	37,861	-	6,849	44,710	13	46,046
Overtime accrual		103,171			103,171		-
Increase (decrease) in vacation accrual		99,574		-	99,574		(7,075)
		<u>\$ 15,870,290</u>	<u>\$ -</u>	<u>\$ 2,946,861</u>	<u>\$ 18,817,151</u>		<u>\$ 18,105,369</u>

- (a) Number of individuals consists of full time equivalents, except for Special Areas Board members and Advisory Councillors.
- (b) Salary includes pensionable base pay and honoraria.
- (c) Other cash benefits includes lump sum payments and vacation payouts. There were no bonuses paid in 2016.
- (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, tuition and long and short-term disability plan.
- (e) The Chair position was occupied by two individuals during 2015. From January to May 2015 there was an Acting Chair in place.
- (f) Average salary is \$106,750 and average benefits (column c & d) are \$31,797 totaling \$138,547 (2015 - \$143,291).
- (g) Average salary is \$74,838 and average benefits are \$17,353 totaling \$92,191 (2015 - \$91,003).

**SPECIAL AREAS TRUST ACCOUNT**  
**SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE**  
**AS AT DECEMBER 31, 2016**

	<b><u>Schedule 3</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Change in Financial Assets</b>		
Cash and cash equivalents	\$ (1,272,785)	\$ 1,449,675
Accounts receivable	8,467	244,612
Notes receivable	(1,857,326)	(1,503,812)
Due from Province of Alberta	(307,638)	(233,161)
Due from Government of Canada	338,839	-
Taxes receivable	(217,548)	29,906
	<u>(3,307,991)</u>	<u>(12,780)</u>
Investments	<u>523,014</u>	<u>671,434</u>
<b>(Decrease) Increase in Financial Assets</b>	<u>(2,784,977)</u>	<u>658,654</u>
<b>Change in Liabilities</b>		
Accounts payable and accruals	172,169	(578,057)
Vacation accrual	(99,574)	7,075
Deferred revenues	(49,772)	(82,944)
Deferred government grant revenue	356,677	(350,000)
Due to Province of Alberta	(401,205)	309,425
	<u>(21,705)</u>	<u>(694,501)</u>
Long-term debt	2,590,558	2,498,210
Provision for gravel pit reclamation	<u>-</u>	<u>(126,000)</u>
<b>Increase in Liabilities</b>	<u>2,568,853</u>	<u>1,677,709</u>
<b>Net increase in net financial assets</b>	(216,124)	2,336,363
Net financial assets at the beginning of year	<u>67,976,894</u>	<u>65,640,531</u>
<b>Net financial assets at end of year</b>	<b><u>\$ 67,760,770</u></b>	<b><u>\$ 67,976,894</u></b>

**SPECIAL AREAS TRUST ACCOUNT**  
**SUPPLEMENTARY ACCUMULATED SURPLUS INFORMATION SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b><u>2016</u></b>		<b><u>Schedule 4</u></b>
	<b><u>BUDGET</u></b> (Note 13)	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
<b>Equity in capital assets at beginning of year</b>	\$	216,873,228	\$ 211,240,802
Addition of capital assets:			
Transportation services	3,879,300	3,163,978	4,661,970
Road infrastructure	9,388,067	5,289,039	4,590,535
Water and sanitation services	1,120,000	343,117	1,950,445
Administrative services	2,525,820	2,092,155	1,593,447
Recreation and cultural services	387,000	277,219	464,635
Protective services	377,000	388,344	413,613
Agriculture and community pasture services	200,400	115,848	253,340
	<u>17,877,587</u>	<u>11,669,700</u>	<u>13,927,985</u>
Annual amortization of capital assets		(7,977,583)	(7,845,891)
Disposal of capital assets		(375,114)	(449,668)
		<u>220,190,231</u>	<u>216,873,228</u>
Debt retired in the year		-	-
<b>Equity in capital assets at end of year (Note 12)</b>	\$	<u><b>220,190,231</b></u>	\$ <u><b>216,873,228</b></u>
<b>Equity in inventory at beginning of year</b>	\$	6,582,881	\$ 6,320,276
Add purchases and other inventory costs		6,014,534	5,746,865
Deduct requisitions		(5,689,757)	(5,484,260)
<b>Equity in inventory at end of year (Note 11, 12)</b>	\$	<u><b>6,907,658</b></u>	\$ <u><b>6,582,881</b></u>
<b>Accumulated operational surplus at beginning of year</b>	\$	14,152,341	\$ 14,676,401
Excess of revenues over expenses		3,427,240	8,208,423
Equity change in capital assets and inventory		(3,641,780)	(5,895,031)
		<u>13,937,801</u>	<u>16,989,793</u>
Transfers to internally restricted reserves (Note 13)		(432,925)	(2,837,452)
<b>Accumulated operational surplus at end of year (Note 12)</b>	\$	<u><b>13,504,876</b></u>	\$ <u><b>14,152,341</b></u>
<b>Internally restricted accumulated surplus at beginning of year</b>	\$	53,944,455	\$ 51,107,003
Tax Recovery Land Sales - Transfers from operations		<u>432,925</u>	<u>2,837,452</u>
<b>Internally restricted accumulated surplus at end of year (Note 12)</b>	\$	<u><b>54,377,380</b></u>	\$ <u><b>53,944,455</b></u>
	\$	<u><b>294,980,145</b></u>	\$ <u><b>291,552,905</b></u>

**SPECIAL AREAS TRUST ACCOUNT**  
**SCHEDULE OF SEGMENT REVENUE AND EXPENDITURE DISCLOSURE BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016						
	Administrative Services	Protective Services	Transportation Services	Water & Sanitation Services	Agriculture & Community Development	Recreation & Cultural Services	Total
Revenue:							
Taxation	\$ 31,070,977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,070,977
Leases	7,041,775	-	1,990,665	-	705,951	-	9,738,391
Provincial Grants	7,108	454,000	5,231,901	2,114,812	499,496	4,113	8,311,430
Interest	1,263,997	-	-	-	-	-	1,263,997
Federal Grants	-	-	242,555	669,579	-	-	912,134
Tax Recovery Land Sales	476,861	-	-	-	-	-	476,861
Other	1,378,718	398,675	222,448	506,799	42,538	593,589	3,142,767
Revenues per statement of operations	<u>\$ 41,239,436</u>	<u>\$ 852,675</u>	<u>\$ 7,687,569</u>	<u>\$ 3,291,190</u>	<u>\$ 1,247,985</u>	<u>\$ 597,702</u>	<u>\$ 54,916,557</u>
Expenditures:							
Manpower (Schedule 2)	\$ 3,121,296	\$ 456,180	\$ 12,476,620	\$ 723,933	\$ 1,449,783	\$ 589,339	\$ 18,817,151
Materials, goods, and utilities	190,865	101,190	13,022,947	184,353	389,216	439,214	14,327,785
Contract and general services	1,028,321	1,768,056	4,278,234	4,076,425	523,503	212,750	11,887,289
Grants	72,824	-	2,000	203,333	244,321	1,351,149	1,873,627
Interest on long-term debt	343,348	-	-	-	-	-	343,348
Goods and services from GOA	420,486	-	-	460,692	19,022	-	900,200
Provision for doubtful accounts	84,468	-	-	-	-	-	84,468
Internal road projects capitalized in the year	-	-	(5,289,039)	-	-	-	(5,289,039)
Industrial tax transfers	580,000	-	-	-	-	-	580,000
Gain on sale of tangible capital assets	-	-	(13,095)	-	-	-	(13,095)
Amortization of tangible capital assets	652,905	587,016	6,205,744	320,119	96,550	115,249	7,977,583
Expenditures per statement of operations	<u>\$ 6,494,513</u>	<u>\$ 2,912,442</u>	<u>\$ 30,683,411</u>	<u>\$ 5,968,855</u>	<u>\$ 2,722,395</u>	<u>\$ 2,707,701</u>	<u>\$ 51,489,317</u>

## Note:

- The Board provides a range of services to its ratepayers. For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in the segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 2.

**SPECIAL AREAS TRUST ACCOUNT**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**AS AT DECEMBER 31, 2016**

	Mobile equipment	and engineered structures	Automotive equipment	Machinery and equipment	Land	Road infrastructure	EDP equipment	2016	2015
Cost									
Balance, beginning of the year	\$37,966,767	\$28,253,572	\$21,081,207	\$5,678,838	\$1,313,520	\$199,542,424	\$4,340,944	\$298,177,272	\$285,123,082
Add:									
Additions during the year	2,042,583	2,694,943	955,089	517,183	-	5,289,039	170,863	11,669,700	13,927,985
Less:									
Disposals during the year	(441,389)	(52,568)	(783,383)	(158,450)	-	-	-	(1,435,790)	(873,795)
Balance, end of the year	\$39,567,961	\$30,895,947	\$21,252,913	\$6,037,571	\$1,313,520	\$204,831,463	\$4,511,807	\$308,411,182	\$298,177,272
Accumulated Amortization									
Balance, beginning of the year	\$10,528,500	\$ 7,533,947	\$13,741,570	\$2,805,894	\$ 141,805	\$ 43,258,864	\$3,293,464	\$ 81,304,044	\$ 73,882,280
Add:									
Amortization	1,930,086	747,621	1,531,871	315,580	-	2,960,425	492,000	7,977,583	7,845,891
Depletion	-	-	-	-	-	-	-	-	-
Less:									
Accumulated Amortization on Disposals	(257,248)	(10,514)	(694,677)	(98,237)	-	-	-	(1,060,676)	(424,127)
Balance, end of the year	\$12,201,338	\$ 8,271,054	\$14,578,764	\$3,023,237	\$ 141,805	\$ 46,219,289	\$3,785,464	\$ 88,220,951	\$ 81,304,044
<b>Net book value, 2016</b>	<b>\$27,366,623</b>	<b>\$22,624,893</b>	<b>\$ 6,674,149</b>	<b>\$3,014,334</b>	<b>\$1,171,715</b>	<b>\$158,612,174</b>	<b>\$ 726,343</b>	<b>\$220,190,231</b>	
Net book value, 2015	\$27,438,267	\$20,719,625	\$ 7,339,637	\$2,872,944	\$1,171,715	\$156,283,560	\$1,047,480		\$216,873,228

## Note:

- Engineered structures comprise of dams, water/wastewater lines, buildings and engineered structures assets. The ending balance includes \$414,695 in assets that were under construction at year-end (2015 - \$1,723,382); no related amortization was recorded.