

**SPECIAL AREAS TRUST ACCOUNT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

Letter from Management

Statement of Financial Position

Statement of Operations

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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 (GAAP) 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 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 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.

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Chairman, Special Areas Board

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Director of Finance and Administration



## Independent Auditor's Report

To the Minister of Municipal Affairs

### **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, 2012, and the statements of operations, changes 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

March 26, 2013

Edmonton, Alberta

**SPECIAL AREAS TRUST ACCOUNT**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2012**

	<b>2012</b>	<b>2011</b>
<b>Financial Assets</b>		
Cash (Note 3)	\$ 37,238,344	\$ 33,273,975
Accounts receivable (Note 4)	5,727,511	4,167,871
Notes receivable (Note 5)	18,417,718	20,832,968
Due from Province of Alberta (Note 6)	1,049,201	78,368
Taxes receivable (Note 7)	94,186	593,903
	62,526,960	58,947,085
Investments (Schedule 1)	26,234,975	25,257,363
<b>Total Financial Assets</b>	<b>88,761,935</b>	<b>84,204,448</b>
<b>Liabilities</b>		
Accounts payable and accruals	4,010,389	2,051,890
Deferred revenues	349,045	248,753
Deferred provincial grant revenue (Note 8)	1,187,813	168,652
Deferred federal grant revenue	263,547	-
Due to Province of Alberta (Note 6)	402,657	281,646
	6,213,451	2,750,941
Long-term debt (Note 9)	20,292,461	23,673,151
Provision for gravel pit reclamation (Note 10)	2,359,000	2,110,000
<b>Total Liabilities</b>	<b>28,864,912</b>	<b>28,534,092</b>
<b>Net Financial Assets (Schedule 3)</b>	<b>59,897,023</b>	<b>55,670,356</b>
<b>Non-financial assets (Note 11)</b>		
Prepaid assets	85,685	544,134
Tangible capital assets	184,748,625	169,777,089
Inventories	6,243,586	5,158,091
	191,077,896	175,479,314
<b>Accumulated Surplus (Note 12)</b>	<b>\$ 250,974,919</b>	<b>\$ 231,149,670</b>

Commitments (Note 22)

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

**SPECIAL AREAS TRUST ACCOUNT**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b><u>BUDGET</u></b> (Note 13) (Unaudited)	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
<b>Revenues</b>			
Taxation			
Power and pipeline	\$ 32,433,350	\$ 32,822,424	\$ 32,079,813
Real property	10,156,500	10,316,284	10,044,504
Grazing and cultivation	766,000	730,278	757,640
Penalties and costs on taxes	75,000	218,280	126,619
	<u>43,430,850</u>	<u>44,087,266</u>	<u>43,008,576</u>
Less requisitions (Note 14)	(16,406,100)	(16,690,674)	(16,406,332)
Net taxes for municipal purposes	<u><b>27,024,750</b></u>	<u><b>27,396,592</b></u>	<u><b>26,602,244</b></u>
Leases (Note 15)	15,655,335	11,538,204	10,188,929
Government transfers for operating (Note 16)	6,146,933	5,624,894	6,096,824
Government transfers for capital (Note 16)	1,863,547	2,594,000	2,019,088
Interest	1,885,974	1,887,774	2,105,141
Tax recovery land sales	575,000	1,108,827	380,597
Contributed assets (Note 17)	-	797,239	-
Other	2,019,047	1,945,785	2,880,421
<b>Total revenues</b>	<u><b>55,170,586</b></u>	<u><b>52,893,315</b></u>	<u><b>50,273,244</b></u>
<b>Expenses</b>			
Transportation services	26,108,645	13,387,255	19,459,220
Administrative services	5,041,808	5,233,477	4,358,218
Recreational and cultural services	2,490,964	2,232,242	2,748,807
Water and sanitation services	3,934,451	2,276,827	2,379,789
Agriculture and community development	2,432,112	2,175,731	2,176,766
Protective services	778,598	943,742	894,523
Industrial tax transfers	210,000	220,665	219,726
Loss on sale of capital assets	-	237,901	376,335
Amortization	-	6,360,226	5,476,525
<b>Total expenses (Note 18)</b>	<u><b>40,996,578</b></u>	<u><b>33,068,066</b></u>	<u><b>38,089,909</b></u>
<b>Excess of revenues over expenses</b>	<b>\$ 14,174,008</b>	<b>\$ 19,825,249</b>	<b>\$ 12,183,335</b>
<b>Accumulated surplus at beginning of year</b>	<u>231,149,670</u>	<u>231,149,670</u>	<u>218,966,335</u>
<b>Accumulated surplus at end of year</b>	<u><b>\$ 245,323,678</b></u>	<u><b>\$ 250,974,919</b></u>	<u><b>\$ 231,149,670</b></u>

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

**SPECIAL AREAS TRUST ACCOUNT**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**AS AT DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
	(Note 13)		
	(Unaudited)		
<b>Excess of revenue over expenses</b>	\$ 14,174,008	\$ 19,825,249	\$ 12,183,335
Acquisition of tangible capital assets	(14,115,650)	(22,196,456)	(17,832,361)
Loss on sale of tangible capital assets	-	237,901	376,335
Net transfers to capital	(1,024,000)	-	-
Proceeds on disposal of tangible capital assets	504,000	626,793	952,817
Amortization of tangible capital assets	-	6,360,226	5,476,525
Use (acquisition) of prepaid assets	-	458,449	(413,404)
Change in inventory	-	(1,085,495)	211,773
	<hr/>	<hr/>	<hr/>
<b>Increase in net financial assets</b>	(461,642)	4,226,667	955,020
<b>Net financial assets, beginning of year</b>	<hr/> 55,670,356	<hr/> 55,670,356	<hr/> 54,715,336
<b>Net financial assets, end of year</b>	<b>\$ <u>55,208,714</u></b>	<b>\$ <u>59,897,023</u></b>	<b>\$ <u>55,670,356</u></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, 2012**

	<u>2012</u>	<u>2011</u>
<b>Operating activities:</b>		
Excess of revenue over expenses	\$ 19,825,249	\$ 12,183,335
Amortization of investment premiums, less discounts	168,366	136,366
Gain on sale of investments	(83,872)	(127,462)
Amortization of tangible capital assets	6,360,226	5,476,525
Amortization relating to self-constructed assets	(1,482,819)	(1,193,320)
Contributed assets	(797,239)	-
Loss on sale of tangible capital assets	237,901	376,335
Increase in provision for gravel pit reclamation	249,000	210,000
	<u>24,476,812</u>	<u>17,061,779</u>
Changes in non-cash operating items:		
Prepaid assets and accounts receivable	(1,101,191)	198,615
Due from Province of Alberta	(970,833)	2,008,930
Taxes receivable	499,717	685,284
Accounts payable and accruals	1,958,499	(35,044)
Deferred revenues	100,292	(116,900)
Deferred government grant revenue	1,282,708	(172,599)
Due to Province of Alberta	121,011	(100,352)
Inventory	(1,085,495)	211,773
	<u>804,708</u>	<u>2,679,707</u>
Cash provided by operating activities	<u>25,281,520</u>	<u>19,741,486</u>
<b>Capital activities:</b>		
Proceeds of sale of tangible capital assets	626,793	952,817
Purchase of tangible capital assets	(19,916,398)	(16,639,041)
Cash applied to capital activities	<u>(19,289,605)</u>	<u>(15,686,224)</u>
<b>Investing activities:</b>		
Net change in notes receivable	2,415,250	(1,804,293)
Proceeds from redemption of investments	17,035,356	7,438,179
Purchase of investments	(18,097,462)	(7,045,926)
Cash provided by (applied to) investing activities	<u>1,353,144</u>	<u>(1,412,040)</u>
<b>Financing activities:</b>		
Long term debt issued	-	6,564,161
Long term debt repaid	(3,380,690)	(2,044,085)
Cash (applied to) provided by financing activities	<u>(3,380,690)</u>	<u>4,520,076</u>
<b>Increase in cash</b>	<u>3,964,369</u>	<u>7,163,298</u>
Cash at the beginning of year	<u>33,273,975</u>	<u>26,110,677</u>
<b>Cash at end of year</b>	<u>\$ 37,238,344</u>	<u>\$ 33,273,975</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, 2012**

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.

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.

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, grazing, etc.) and are due and payable at the beginning of the year.



**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

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 1.030 million acres of tax recovery land remains unsold as at December 31, 2012 (2011 - 1.044 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 1.576 million acres (2011 - 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, 2012, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2011 - 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 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 revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the allowance for doubtful 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.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

Note 2 (e) Financial Instruments

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

All non-current receivables and long-term debt are a result of binding contractual agreements. The carrying value of these non-current accounts approximate their fair value.

The fair value of investments are disclosed on Schedule 1.

(f) 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.

(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. 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.

(h) 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, 2012**

Note 2 (i) 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.

Inventories

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.

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 an original cost greater than \$2,500 (\$10,000 for engineered structures and third party software development) and a useful life greater than one year 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 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**  
**AS AT DECEMBER 31, 2012**

Note 2 (i) 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
	Year 1	Year 2	Year 3 and	Salvage
	%	%	Thereafter	Value
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

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, 2012, securities held by the Fund had an average effective yield of 1.23% per annum (2011 - 1.27% per annum).

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

Note 4 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of \$46,070 (2011 - \$46,220), are comprised of the following:

	2012	2011
Current:		
From sale of tax recovery land and related mineral surface leases	\$ 375,740	\$ 408,209
Accrued interest	38,799	39,579
	414,539	447,788
Equipment rentals	2,621,925	515,091
Leases	119,086	628,578
Accrued interest on investments	100,709	95,878
Local improvement recoveries	86,304	58,744
Oil well drilling	73,058	28,930
Parks permit receivable	64,756	-
High speed wireless	39,565	71,701
Miscellaneous	193,094	324,252
	\$ 3,713,036	\$ 2,170,962
Non-current:		
From sale of tax recovery land and related mineral surface leases	\$ 1,362,112	\$ 1,570,244
High speed wireless	356,088	356,174
Miscellaneous	296,275	70,491
	\$ 2,014,475	\$ 1,996,909
	\$ 5,727,511	\$ 4,167,871

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 sale 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.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

Note 5 Notes Receivable

Notes receivable are comprised of the following:

	2012	2011
Current:		
Acadia Foundation	\$ 2,214,013	\$ 2,135,122
Acadia Foundation - accrued interest	29,169	32,980
	2,243,182	2,168,102
Neutral Hills Child Care Society	250,000	-
Village of Consort	-	500,000
Other	-	8,459
	\$ 2,493,182	\$ 2,676,561
Non-current:		
Acadia Foundation	\$ 15,901,098	\$ 18,115,110
Other	23,438	41,297
	\$ 15,924,536	\$ 18,156,407
	\$ 18,417,718	\$ 20,832,968

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 are then 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% (2011 - 3.14% to 5.00%). Semi-annual payments totaling \$2,859,730 (2011 - \$2,676,202) were made in June and December. Interest revenue recognized as a result of this loan in 2012 was \$721,183 (2011 - \$743,982).

The Neutral Hills Child Care Society loan is a result of the board entering into a memorandum of understanding with the Neutral Hills Child Care Society to advance the Society funds to complete a new daycare building in Consort. The loan is interest free until the building is complete and the society is operational; at this time, terms of repayment will then be negotiated.

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

2014	\$ 2,304,088
2015	2,390,059
2016	2,474,799
2017	2,560,281
Thereafter	6,195,309
	\$ 15,924,536

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

Note 6 Due (to) from Province of Alberta

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

	2012	2011
Due from Province of Alberta:		
Transportation	\$ 786,196	\$ -
Municipal Affairs	251,731	-
Environment	9,674	11,314
Agriculture and Rural Development	1,600	1,600
Service Alberta	-	65,454
	1,049,201	78,368
Due to Province of Alberta:		
Environment	(199,370)	(198,738)
Other	(203,287)	(82,908)
	(402,657)	(281,646)
Due (to) from Province of Alberta	\$ 646,544	\$ (203,278)

Note 7 Taxes Receivable

	2012	2011
Current taxes	\$ 780,308	\$ 666,808
(Over levy) Under levy	(318,684)	46,601
Tax arrears	563,285	331,981
	1,024,909	1,045,390
Less allowance for doubtful accounts:	(930,723)	(451,487)
	\$ 94,186	\$ 593,903

Note 8 Deferred Provincial Grant Revenue

	2012	2011
Municipal Affairs	\$ 750,000	\$ -
Agriculture and Rural Development	262,221	10,459
Transportation	175,592	158,193
	\$ 1,187,813	\$ 168,652

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

Note 9 Long Term Debt

	<u>2012</u>	<u>2011</u>
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$263,223, including fixed interest at 4.39%, due June 2018	\$ 2,548,078	\$ 2,949,516
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$251,377, including fixed interest at 4.01%, due December 2018	2,657,421	3,041,951
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$493,631, including fixed interest at 3.34%, due December 2019	6,116,316	6,879,846
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$298,660, including fixed interest at 3.51%, due June 2020	3,908,255	4,356,393
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$162,114, including fixed interest at 3.14%, due June 2021	2,402,391	2,645,445
Alberta Treasury Branches (ATB) demand loan, repayable in semi-annual installments of \$380,000, plus monthly variable interest at ATB prime -0.25%, due December 2016	<u>2,660,000</u> 20,292,461	<u>3,800,000</u> 23,673,151
Less: current portion	<u>4,983,396</u>	<u>6,040,690</u>
	<u><u>\$ 15,309,065</u></u>	<u><u>\$ 17,632,461</u></u>



**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

Note 9 Long Term Debt

(cont'd) The current portion of long-term debt includes all of the ATB loan due to its demand feature.

Principal repayments on long-term debt in each of the next five years (assuming the demand loan will not be called and will be renewed at similar terms as it comes due) are estimated as follows:

2013	\$	3,083,396
2014		3,169,196
2015		3,258,210
2016		2,970,558
2017		2,686,369
Thereafter		<u>5,124,732</u>
		<u>\$ 20,292,461</u>

Interest on long-term debt amounted to \$781,928 (2011 - \$760,819).

The total cash payments for interest in 2012 were \$786,389 (2011 - \$756,147).

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 2012 it was estimated that 827,602 cubic meters (2011 - 798,547 cubic meters) of gravel pits were exposed at an approximate cost for reclamation of \$2.85 per cubic meter (2011 - \$2.65 per cubic meter), for a total liability of \$2,359,000 (2011 - \$2,110,000).

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**  
**AS AT DECEMBER 31, 2012**

Note 11 Non-financial Assets

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
<b>Tangible Capital Assets:</b>				
Mobile equipment	\$ 27,927,138	\$ 6,894,810	\$ 21,032,328	\$ 16,655,459
Engineered structures	9,628,619	1,295,564	8,333,055	6,720,125
Buildings	9,357,159	4,191,987	5,165,172	5,306,166
Automotive equipment	16,194,391	9,765,620	6,428,771	5,115,795
Machinery and equipment	4,192,601	2,198,554	1,994,047	2,212,219
Land	1,108,370	138,005	970,365	898,724
Electronic data processing				
- Hardware	1,448,235	1,228,015	220,220	164,371
- Software	1,814,681	1,614,119	200,562	148,616
Road infrastructure	175,534,536	35,192,755	140,341,781	132,491,213
Water/wastewater lines	54,027	53,344	683	705
Dams	367,494	305,853	61,641	63,696
<b>Tangible Capital Assets</b>	<b>\$ 247,627,251</b>	<b>\$ 62,878,626</b>	<b>\$184,748,625</b>	<b>\$169,777,089</b>
	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
<b>Inventory:</b>				
Parts	\$ 1,469,416	\$ 92,098	\$ 1,377,318	\$ 1,140,282
Gravel	4,560,315	-	4,560,315	3,606,662
Culverts	114,856	-	114,856	132,617
Fuel	150,563	-	150,563	162,675
Fencing	15,002	-	15,002	82,197
Chemicals and other	25,532	-	25,532	33,658
<b>Inventory</b>	<b>\$ 6,335,684</b>	<b>\$ 92,098</b>	<b>\$ 6,243,586</b>	<b>\$ 5,158,091</b>
Prepaid assets			\$ 85,685	\$ 544,134
<b>Total non-financial assets</b>			<b>\$191,077,896</b>	<b>\$175,479,314</b>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

Note 12 Accumulated Surplus

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

	<u>2012</u>	<u>2011</u>
Equity in tangible capital assets	\$ 182,088,625	\$ 165,977,089
Equity in inventory	6,243,586	5,158,091
Unrestricted operational surplus	16,482,943	14,904,638
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales	<u>46,159,765</u>	<u>45,109,852</u>
 Total Accumulated Surplus (Schedule 4)	 <u><u>\$250,974,919</u></u>	 <u><u>\$231,149,670</u></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.

Note 13 Budget

The 2012 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs in December 2011. The budget was prepared on the previous basis of accounting and as such does not reflect the impact of adopting Tangible Capital Assets (TCA). A reconciliation to that basis is as follows:

	<u>2012</u>		<u>2011</u>
	Budgeted	Actual	Actual
Surplus during the year	\$ 14,174,008	\$ 19,825,249	\$ 12,183,335
Acquisition of tangible capital assets	(14,115,650)	(22,196,456)	(17,832,361)
Net transfers to capital	(1,024,000)	(1,140,000)	3,800,000
Loss on sale of tangible capital assets	-	237,901	376,335
Proceeds on disposal of tangible capital assets	504,000	626,793	952,818
Amortization of tangible capital assets	-	6,360,226	5,476,525
	<u>(461,642)</u>	<u>3,713,713</u>	<u>4,956,652</u>
Tax Recovery Land Sales - transferred from operations	<u>(500,000)</u>	<u>(1,049,913)</u>	<u>(349,152)</u>
 Surplus (Deficit)	 <u><u>\$ (961,642)</u></u>	 <u><u>\$ 2,663,800</u></u>	 <u><u>\$ 4,607,500</u></u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

Note 14 Requisitions

	<u>2012</u>	<u>2011</u>
Alberta School Foundation Fund	\$ 12,544,153	\$ 12,637,078
Seniors Foundation	4,146,521	3,769,254
	<u>\$ 16,690,674</u>	<u>\$ 16,406,332</u>

Note 15 Lease Revenue

	<u>2012</u>	<u>2011</u>
Equipment rentals	\$ 2,840,665	\$ 3,826,001
Mineral surface leases	3,355,198	3,350,509
Grazing leases	1,473,440	1,214,996
Easements	2,347,186	558,616
Community pastures	583,344	542,708
Cultivation leases	281,593	294,847
Other	656,778	401,252
	<u>\$ 11,538,204</u>	<u>\$ 10,188,929</u>

Note 16 Government Transfers

	<u>2012</u>	<u>2011</u>
Transfers for operating:		
Municipal Affairs	\$ 2,563,253	\$ 3,680,144
Transportation	2,320,517	1,747,823
Agriculture and Rural Development	488,134	386,761
Human Services	150,383	150,383
Infrastructure	86,607	115,713
Tourism, Parks and Recreation	16,000	16,000
	<u>\$ 5,624,894</u>	<u>\$ 6,096,824</u>
Transfers for capital:		
Municipal Affairs	\$ 2,594,000	\$ 1,517,061
Finance	-	502,027
	<u>\$ 2,594,000</u>	<u>\$ 2,019,088</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

Note 17 Contributed assets

The Hanna East Water Co-op dissolved in September of 2012 and transferred their assets to the Board for future management. The assets were commissioned in 2003 and in management's opinion the calculated NBV approximates fair value.

Assets transferred were as followed:

	2012		
	Cost	Accumulated Amortization	Net Book Value
Tangible Capital Assets:			
Engineered structures	\$ 917,733	\$ 206,490	\$ 711,243
Buildings	110,963	24,967	85,996
	\$ 1,028,696	\$ 231,457	\$ 797,239

Note 18 Total Expenses

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

	2012	2011
Manpower (Schedule 2)	\$ 13,527,857	\$ 13,879,927
Materials, goods, and utilities	11,486,608	13,944,381
Contract and general services	7,958,822	10,267,756
Amortization of tangible capital assets	6,360,226	5,476,525
Grants	1,909,423	2,503,734
Goods and services from Alberta Government departments		
Alberta Finance		
Risk Management	161,738	164,677
Investment fees	24,330	28,166
Alberta Municipal Affairs		
Linear assessment	144,545	152,248
Government Services	22,665	15,804
Interest on long-term debt	781,928	760,819
Industrial tax transfers	220,665	219,726
Loss on sale of tangible capital assets	237,901	376,335
Provision for (recovery of) doubtful accounts	493,194	(234,716)
Less:		
Internal road projects capitalized in the year	(10,261,836)	(9,465,473)
	\$ 33,068,066	\$ 38,089,909

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2012**

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>2012</u>	<u>2011</u>
Total debt limit	\$ 74,253,114	\$ 72,381,234
Total debt	<u>20,292,461</u>	<u>23,673,151</u>
Amount of debt limit unused	<u>\$ 53,960,653</u>	<u>\$ 48,708,083</u>
Debt servicing limit	\$ 12,375,519	\$ 12,063,539
Debt servicing	<u>3,762,714</u>	<u>4,187,292</u>
Amount of debt servicing limit unused	<u>\$ 8,612,805</u>	<u>\$ 7,876,247</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**  
**AS AT DECEMBER 31, 2012**

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 9.90% up to the CPP threshold of \$50,100, and 14.14% thereafter. The Board's contribution to the MEPP is 19.14% up to the Salary Cap of \$134,834.

Total current contributions by the Board in 2012 to the PSPP were \$601,853 (2011 - \$533,921) and to the MEPP were \$137,682 (2011 - \$122,811).

At December 31, 2011, the PSPP reported a deficit of \$1,790,383,000 (2010 deficit - \$2,067,151,000) and the MEPP reported a deficiency of \$517,726,000 (2010 - \$397,087,000).

Note 22 Commitments

The Board has entered into three long-term operating leases for equipment. The Board has also entered into contracts to purchase three scrapers and five graders in 2013. The future payments are as follows:

2013	\$ 4,499,642
2014	58,341
2015	58,341
2016	58,341
	<hr/>
	\$ 4,674,665
	<hr/>

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 23 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 24 Comparative Figures

Certain 2011 figures have been reclassified to conform to 2012 presentation.

Note 25 Approval of Financial Statements

These financial statements have been approved by the Board.

**SPECIAL AREAS TRUST ACCOUNT**  
**SCHEDULE OF INVESTMENTS**  
**AS AT DECEMBER 31, 2012**

	2012						2011
	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Fair Value	Book Value	Book Value
	Bonds:						
Bank of Montreal	4.870%	3.900%	April 22, 2020	\$ 700,000	\$ 746,032	\$ 722,313	\$ 725,373
Bank of Nova Scotia	6.650%	3.290%	January 22, 2021	440,000	496,069	491,558	497,968
Canada Housing Trust	4.000%	4.290%	June 15, 2012	-	-	-	2,357,236
Canada Housing Trust	3.600%	2.880%	June 15, 2013	1,560,000	1,577,675	1,565,072	5,314,804
Canada Housing Trust	2.700%	2.650%	December 15, 2013	3,300,000	3,348,939	3,301,507	3,303,087
Canada Housing Trust	2.750%	1.130%	September 15, 2014	450,000	461,709	462,308	-
Canada Housing Trust	2.950%	3.080%	March 15, 2015	1,100,000	1,140,326	1,097,040	1,095,693
Canada Housing Trust	2.750%	1.780%	June 15, 2016	5,333,000	5,559,599	5,515,401	1,232,803
Canada Housing Trust	2.050%	1.590%	June 15, 2017	550,000	559,905	560,812	-
Canada Housing Trust	1.700%	1.730%	December 15, 2017	1,650,000	1,650,512	1,647,819	-
Canadian Imperial Bank of Commerce	4.110%	4.070%	April 30, 2020	700,000	735,364	700,000	700,000
Financement Quebec	3.250%	3.050%	June 1, 2014	500,000	513,580	501,317	502,250
Government of Canada	2.500%	1.760%	June 1, 2015	1,500,000	1,547,775	1,526,659	1,537,722
Government of Canada	3.000%	1.180%	December 1, 2015	1,310,000	1,375,696	1,378,307	-
Government of Canada	2.000%	1.650%	June 1, 2016	1,425,000	1,458,516	1,441,881	2,827,668
Government of Canada	2.750%	1.160%	September 1, 2016	182,000	191,233	192,376	748,338
New Brunswick Provincial	3.350%	3.060%	June 1, 2013	500,000	504,590	500,560	501,910
Province of Ontario	3.200%	2.380%	September 8, 2016	1,440,000	1,517,717	1,482,819	711,430
Province of Quebec	5.250%	3.650%	October 1, 2013	800,000	824,064	808,764	820,470
Province of Quebec	5.500%	2.740%	December 1, 2014	1,550,000	1,671,861	1,626,402	1,666,350
TD Bank	5.690%	5.020%	June 3, 2018	700,000	711,865	711,910	714,111
				25,690,000	26,593,027	26,234,825	25,257,213
Alberta Capital Finance Authority			(15 Shares)	150	150	150	150
				\$ 25,690,150	\$ 26,593,177	\$ 26,234,975	\$ 25,257,363

## 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 interest rate or currency risks arising from these financial instruments.



**SPECIAL AREAS TRUST ACCOUNT**  
**SCHEDULE OF SALARIES AND BENEFITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012					2011	
	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	\$ 155,676	\$ 18,836	\$ 10,084	\$ 184,596	1	\$ 161,109
Special Areas Board members	2	14,267	-	1,760	16,027	2	15,034
Director of Finance and Administration	1	124,131	1,250	33,225	158,606	1	154,352
Director of Municipal Services	1	107,777	1,250	29,662	138,689	1	65,863
Director of Properties Administration	1	83,573	-	22,581	106,154	1	25,421
Roads & Equipment Superintendent	1	101,676	12,649	28,494	142,819	1	126,891
Managers ( e )	3	302,185	3,750	84,193	390,129	4	504,736
Other full time staff ( f )	93.8	6,226,109	-	1,237,695	7,463,804	94.0	7,494,990
Part time and casual wage staff		4,341,738	-	489,828	4,831,566		5,207,858
Other Boards and committees		46,990	-	789	47,779		47,337
Advisory Councillors	13	27,369	-	362	27,731	13	31,308
Increase in vacation accrual		19,957	-	-	19,957		45,028
		<u>\$ 11,551,448</u>	<u>\$ 37,735</u>	<u>\$ 1,938,674</u>	<u>\$ 13,527,857</u>		<u>\$ 13,879,927</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 \$100,728 and average benefits (column c & d) are \$29,314 totaling \$130,043 (2011 - \$126,184).
- (f) Average salary is \$66,376 and average benefits are \$13,195 totaling \$79,571 (2011 - \$79,734).

**SPECIAL AREAS TRUST ACCOUNT**  
**SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE**  
**AS AT DECEMBER 31, 2012**

	<u>2012</u>	<u>Schedule 3</u> <u>2011</u>
<b>Change in Financial Assets</b>		
Cash	\$ 3,964,369	\$ 7,163,298
Accounts receivable	1,559,640	(612,019)
Notes receivable	(2,415,250)	1,804,293
Due from Province of Alberta	970,833	(2,008,930)
Taxes receivable	(499,717)	(685,284)
	<u>3,579,875</u>	<u>5,661,358</u>
Investments	977,612	(401,157)
	<u>4,557,487</u>	<u>5,260,201</u>
<b>Increase in Financial Assets</b>		
<b>Change in Liabilities</b>		
Accounts payable and accruals	(1,958,499)	35,044
Deferred revenues	(100,292)	116,900
Deferred provincial grant revenue	(1,019,161)	172,599
Deferred federal grant revenue	(263,547)	-
Due to Province of Alberta	(121,011)	100,352
	<u>(3,462,510)</u>	<u>424,895</u>
Long term loan	3,380,690	(4,520,076)
Provision for gravel pit reclamation	(249,000)	(210,000)
	<u>(330,820)</u>	<u>(4,305,181)</u>
<b>Increase in Liabilities</b>		
<b>Net increase in net financial assets</b>	4,226,667	955,020
Net financial assets at the beginning of year	<u>55,670,356</u>	<u>54,715,336</u>
<b>Net financial assets at end of year</b>	<u>\$ 59,897,023</u>	<u>\$ 55,670,356</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**SUPPLEMENTARY UNRESTRICTED ACCUMULATED SURPLUS INFORMATION SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**Schedule 4**

	<b>2012</b>		<b>2011</b>
	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
	(Note 13)		
	(Unaudited)		
<b>Equity in capital assets at beginning of year</b>	\$	169,777,089	\$ 158,750,405
Add purchase of capital assets:			
Road infrastructure	4,994,400	10,261,836	9,465,473
Water and sanitation services	1,417,200	935,648	394,311
Transportation services	4,432,950	7,915,486	6,539,127
Protective services	1,423,100	1,845,187	529,961
Administrative services	1,098,250	565,690	250,670
Recreation and cultural services	645,000	481,060	299,082
Agriculture and community pasture services	104,750	191,549	353,737
	14,115,650	22,196,456	17,832,361
Annual amortization of capital assets		(6,360,226)	(5,476,525)
Disposal of capital assets		(864,694)	(1,329,152)
		184,748,625	169,777,089
Debt acquired net of payments		(2,660,000)	(3,800,000)
<b>Equity in capital assets at end of year (Note 12)</b>	\$	<b>182,088,625</b>	\$ <b>165,977,089</b>
<b>Equity in inventories at beginning of year</b>	\$	5,158,091	\$ 5,369,864
Add purchases and other inventory costs		4,538,521	3,872,971
Deduct requisitions		(3,453,026)	(4,084,744)
<b>Equity in inventory at end of year (Note 11, 12)</b>	\$	<b>6,243,586</b>	\$ <b>5,158,091</b>
<b>Accumulated operational surplus at beginning of year</b>	\$	14,904,638	\$ 10,085,366
Surplus for the year		19,825,249	12,183,335
Debt acquired net of payments		(1,140,000)	3,800,000
Change in Non-Financial Assets		(16,057,031)	(10,814,911)
		17,532,856	15,253,790
Transfers to internally restricted reserves		(1,049,913)	(349,152)
<b>Accumulated operational surplus at end of year (Note 12)</b>	\$	<b>16,482,943</b>	\$ <b>14,904,638</b>
<b>Internally restricted accumulated surpluses at beginning of year</b>	\$	45,109,852	\$ 44,760,700
Tax Recovery Land Sales - Transfers from operations		1,049,913	349,152
<b>Internally restricted accumulated surpluses at end of year (Note 12)</b>	\$	<b>46,159,765</b>	\$ <b>45,109,852</b>
	\$	<b>250,974,919</b>	\$ <b>231,149,670</b>

**SPECIAL AREAS TRUST ACCOUNT**  
**SCHEDULE OF SEGMENT EXPENDITURE DISCLOSURE BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012						Total
	Administrative Services	Protective Services	Transportation Services	Water & Sanitation Services	Agriculture & Community Development	Recreation & Cultural Services	
Expenditures:							
Manpower (Schedule 2)	\$ 2,714,293	\$ 199,481	\$ 8,619,249	\$ 566,699	\$ 995,697	\$ 432,438	\$13,527,857
Materials, goods, and utilities	140,709	94,066	10,170,139	204,233	538,770	338,691	11,486,608
Contract and general services	692,504	650,195	4,857,558	1,300,218	324,756	133,591	7,958,822
Grants	76,291	-	1,556	205,677	298,377	1,327,522	1,909,423
Interest on long-term debt	781,928	-	-	-	-	-	781,928
Goods and services from GOA	334,558	-	589	-	18,131	-	353,278
Provision for doubtful accounts	493,194	-	-	-	-	-	493,194
Internal road projects capitalized in the	-	-	(10,261,836)	-	-	-	(10,261,836)
Segmented expenditures per department	<u>\$ 5,233,477</u>	<u>\$ 943,742</u>	<u>\$13,387,255</u>	<u>\$2,276,827</u>	<u>\$2,175,731</u>	<u>\$2,232,242</u>	<u>\$26,249,274</u>
Industrial tax transfers	220,665	-	-	-	-	-	220,665
Loss on sale of tangible capital assets	9,499	-	191,304	-	37,097	-	237,901
Amortization of tangible capital assets	378,084	189,369	5,546,874	204,154	17,339	24,406	6,360,226
Segmented expenditures per income statement	<u>\$ 5,841,725</u>	<u>\$1,133,111</u>	<u>\$19,125,433</u>	<u>\$2,480,981</u>	<u>\$2,230,167</u>	<u>\$2,256,648</u>	<u>\$33,068,066</u>
Cash Basis Reconciliation:							
Segmented expenditures per department	\$ 5,233,477	\$ 943,742	\$13,387,255	\$2,276,827	\$2,175,731	\$2,232,242	\$26,249,274
Industrial tax transfers	220,665	-	-	-	-	-	220,665
Purchase of tangible capital assets	565,690	1,845,187	18,177,322	935,648	191,549	481,060	22,196,456
Tax recovery land sales	1,049,913	-	-	-	-	-	1,049,913
Segmented expenses per cash basis	<u>\$ 7,069,745</u>	<u>\$2,788,929</u>	<u>\$31,564,577</u>	<u>\$3,212,475</u>	<u>\$2,367,280</u>	<u>\$2,713,302</u>	<u>\$49,716,308</u>
Budgeted expenditures per Cash Basis	<u>\$ 6,849,058</u>	<u>\$2,201,698</u>	<u>\$36,559,995</u>	<u>\$5,351,651</u>	<u>\$2,537,862</u>	<u>\$3,135,964</u>	<u>\$56,636,228</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.