

SPECIAL AREAS TRUST ACCOUNT

FINANCIAL STATEMENTS

DECEMBER 31, 2013

Letter from Management

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Special Areas Board

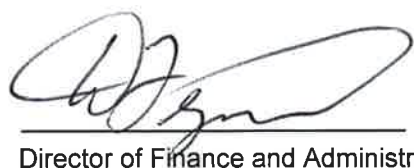
ALBERTA MUNICIPAL AFFAIRS

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

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


Chairman, Special Areas Board
Director of Finance and Administration



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, 2013, 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, 2013, and the results of its operations, changes in its 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, FCA]

Auditor General

May 27, 2014

Edmonton, Alberta

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

| | <u>2013</u> | <u>2012</u> |
|--|-----------------------|-----------------------|
| Financial Assets | | |
| Cash (Note 3) | \$ 38,034,668 | \$ 37,238,344 |
| Accounts receivable (Note 4) | 3,456,902 | 5,727,511 |
| Notes receivable (Note 5) | 16,423,183 | 18,417,718 |
| Due from Province of Alberta (Note 6) | 301,063 | 1,049,201 |
| Taxes receivable (Note 7) | 558,377 | 94,186 |
| | <u>58,774,193</u> | <u>62,526,960</u> |
| Investments (Schedule 1) | 27,410,458 | 26,234,975 |
| Total Financial Assets | <u>86,184,651</u> | <u>88,761,935</u> |
| Liabilities | | |
| Accounts payable and accruals | 2,130,979 | 3,258,191 |
| Vacation accrual | 829,742 | 752,198 |
| Deferred revenues | 344,889 | 349,045 |
| Deferred provincial grant revenue (Note 8) | 892,066 | 1,187,813 |
| Deferred federal grant revenue | - | 263,547 |
| Due to Province of Alberta (Note 6) | 542,932 | 402,657 |
| | <u>4,740,608</u> | <u>6,213,451</u> |
| Long-term debt (Note 9) | 17,209,065 | 20,292,461 |
| Provision for gravel pit reclamation (Note 10) | 2,411,000 | 2,359,000 |
| Total Liabilities | <u>24,360,673</u> | <u>28,864,912</u> |
| Net Financial Assets (Schedule 3) | 61,823,978 | 59,897,023 |
| Non-financial assets (Note 11) | | |
| Prepaid assets | 167,487 | 85,685 |
| Tangible capital assets | 202,090,324 | 184,748,625 |
| Inventory | 6,529,508 | 6,243,586 |
| | <u>208,787,319</u> | <u>191,077,896</u> |
| Accumulated Surplus (Note 12) | <u>\$ 270,611,297</u> | <u>\$ 250,974,919</u> |
| 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, 2013

| | 2013 | | 2012 |
|---|-----------------------|-----------------------|-----------------------|
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>ACTUAL</u> |
| | (Note 13) | | |
| Revenues | | | |
| Taxation | | | |
| Power and pipeline | \$ 33,699,850 | \$ 34,857,240 | \$ 32,822,424 |
| Real property | 10,493,200 | 10,812,823 | 10,316,284 |
| Grazing and cultivation | 742,700 | 766,355 | 730,278 |
| Penalties and costs on taxes | 75,000 | 254,857 | 218,280 |
| | <u>45,010,750</u> | <u>46,691,275</u> | <u>44,087,266</u> |
| Less requisitions (Note 14) | (16,725,100) | (16,809,310) | (16,690,674) |
| Net taxes for municipal purposes | <u>28,285,650</u> | <u>29,881,965</u> | <u>27,396,592</u> |
| Leases (Note 15) | 8,498,845 | 7,497,357 | 11,538,204 |
| Government transfers for operating (Note 16) | 7,314,067 | 5,613,639 | 5,624,894 |
| Government transfers for capital (Note 16) | 2,042,547 | 2,306,094 | 2,594,000 |
| Tax recovery land sales | 1,075,000 | 1,982,066 | 1,108,827 |
| Interest | 1,870,717 | 1,712,243 | 1,887,774 |
| Contributed assets (Note 17) | - | 57,257 | 797,239 |
| Other | 1,621,500 | 1,919,286 | 1,945,785 |
| Total revenues | <u>50,708,326</u> | <u>50,969,907</u> | <u>52,893,315</u> |
| Expenses | | | |
| Transportation services | 16,231,051 | 9,929,175 | 13,387,255 |
| Administrative services | 5,335,099 | 5,903,767 | 5,233,477 |
| Recreational and cultural services | 2,311,114 | 2,049,861 | 2,232,242 |
| Water and sanitation services | 3,704,890 | 2,757,452 | 2,276,827 |
| Agriculture and community development | 2,449,374 | 2,038,501 | 2,175,731 |
| Protective services | 1,034,036 | 1,136,651 | 943,742 |
| Industrial tax transfers | 510,000 | 580,000 | 220,665 |
| Loss on sale of capital assets | 100,000 | 151,892 | 237,901 |
| Amortization | 5,502,123 | 6,786,230 | 6,360,226 |
| Total expenses (Note 18) | <u>37,177,687</u> | <u>31,333,529</u> | <u>33,068,066</u> |
| Excess of revenues over expenses | \$ 13,530,639 | \$ 19,636,378 | \$ 19,825,249 |
| Accumulated surplus at beginning of year | <u>250,974,919</u> | <u>250,974,919</u> | <u>231,149,670</u> |
| Accumulated surplus at end of year | <u>\$ 264,505,558</u> | <u>\$ 270,611,297</u> | <u>\$ 250,974,919</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, 2013

| | 2013 | | 2012 |
|---|----------------------|----------------------|----------------------|
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>ACTUAL</u> |
| | (Note 13) | | |
| Excess of revenue over expenses | \$ 13,530,639 | \$ 19,636,378 | \$ 19,825,249 |
| Acquisition of tangible capital assets | (11,100,916) | (11,923,832) | (11,934,620) |
| Construction of roads and road surfaces | (9,000,000) | (14,261,549) | (10,261,836) |
| Loss on sale of tangible capital assets | 100,000 | 151,892 | 237,901 |
| Net transfers to capital | (1,271,000) | - | - |
| Proceeds on disposal of tangible capital assets | 420,000 | 1,905,560 | 626,793 |
| Amortization of tangible capital assets | 5,502,123 | 6,786,230 | 6,360,226 |
| Use (acquisition) of prepaid assets | - | (81,802) | 458,449 |
| Change in inventory | - | (285,922) | (1,085,495) |
| Increase in net financial assets | (1,819,154) | 1,926,955 | 4,226,667 |
| Net financial assets, beginning of year | 59,897,023 | 59,897,023 | 55,670,356 |
| Net financial assets, end of year | \$ 58,077,869 | \$ 61,823,978 | \$ 59,897,023 |

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, 2013

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| Operating activities: | | |
| Excess of revenue over expenses | \$ 19,636,378 | \$ 19,825,249 |
| Amortization of investment premiums, less discounts | 199,461 | 168,366 |
| Gain on sale of investments | (35,076) | (83,872) |
| Amortization of tangible capital assets | 6,786,230 | 6,360,226 |
| Amortization relating to self-constructed assets | (1,516,173) | (1,482,819) |
| Contributed assets | (57,257) | (797,239) |
| Loss on sale of tangible capital assets | 151,892 | 237,901 |
| Increase in provision for gravel pit reclamation | 52,000 | 249,000 |
| | <u>25,217,455</u> | <u>24,476,812</u> |
| Changes in non-cash operating items: | | |
| Prepaid assets and accounts receivable | 2,188,807 | (1,101,191) |
| Due from Province of Alberta | 748,138 | (970,833) |
| Taxes receivable | (464,191) | 499,717 |
| Accounts payable and accruals | (1,049,668) | 1,958,499 |
| Deferred revenues | (4,156) | 100,292 |
| Deferred government grant revenue | (559,294) | 1,282,708 |
| Due to Province of Alberta | 140,275 | 121,011 |
| Inventory | (285,922) | (1,085,495) |
| | <u>713,989</u> | <u>804,708</u> |
| Cash provided by operating activities | <u>25,931,444</u> | <u>25,281,520</u> |
| Capital activities: | | |
| Proceeds of sale of tangible capital assets | 1,905,560 | 626,793 |
| Purchase of tangible capital assets | (24,611,951) | (19,916,398) |
| Cash applied to capital activities | <u>(22,706,391)</u> | <u>(19,289,605)</u> |
| Investing activities: | | |
| Net change in notes receivable | 1,994,535 | 2,415,250 |
| Proceeds from redemption of investments | 9,018,002 | 17,035,356 |
| Purchase of investments | (10,357,870) | (18,097,462) |
| Cash provided by investing activities | <u>654,667</u> | <u>1,353,144</u> |
| Financing activities: | | |
| Long term debt issued | - | - |
| Long term debt repaid | (3,083,396) | (3,380,690) |
| Cash applied to financing activities | <u>(3,083,396)</u> | <u>(3,380,690)</u> |
| Increase in cash | <u>796,324</u> | <u>3,964,369</u> |
| Cash at the beginning of year | <u>37,238,344</u> | <u>33,273,975</u> |
| Cash at end of year | <u>\$ 38,034,668</u> | <u>\$ 37,238,344</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, 2013

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, 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, 2013

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 1.021 million acres of tax recovery land remains unsold as at December 31, 2013 (2012 - 1.030 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 (2012 - 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, 2013, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2012 - 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, 2013

Note 2 (e) Financial Instruments

(cont'd) The carrying value of cash, accounts receivable, notes receivable, taxes receivable, amounts due to / from Province of Alberta, 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.

(i) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 2 (j) Non-financial Assets

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

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
AS AT DECEMBER 31, 2013

Note 2 (j) 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

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, 2013, securities held by the Fund had an average effective yield of 1.21% per annum (2012 - 1.23% per annum).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 4 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of \$77,625 (2012- \$46,070), are comprised of the following:

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Current: | | |
| From sale of tax recovery land and related mineral surface leases | \$ 352,758 | \$ 375,740 |
| Accrued interest | 39,819 | 38,799 |
| | <u>392,577</u> | <u>414,539</u> |
| Equipment rentals | - | 2,621,925 |
| Leases | 216,343 | 143,422 |
| Accrued interest on investments | 115,929 | 100,709 |
| Local improvement recoveries | 75,690 | 86,304 |
| Oil well drilling | 29,639 | 73,058 |
| Parks permit receivable | 64,756 | 64,756 |
| High speed wireless | 39,565 | 39,565 |
| Miscellaneous | 228,558 | 168,758 |
| | <u>\$ 1,163,057</u> | <u>\$ 3,713,036</u> |
| Non-current: | | |
| From sale of tax recovery land and related mineral surface leases | \$ 1,587,593 | \$ 1,362,112 |
| High speed wireless | 356,088 | 356,088 |
| Miscellaneous | 350,164 | 296,275 |
| | <u>\$ 2,293,845</u> | <u>\$ 2,014,475</u> |
| | <u>\$ 3,456,902</u> | <u>\$ 5,727,511</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 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, 2013

Note 5 Notes Receivable

Notes receivable are comprised of the following:

| | <u>2013</u> | <u>2012</u> |
|--------------------------------------|----------------------|----------------------|
| Current: | | |
| Acadia Foundation | \$ 2,295,859 | \$ 2,214,013 |
| Acadia Foundation - accrued interest | 25,617 | 29,169 |
| | <u>2,321,476</u> | <u>2,243,182</u> |
| Neutral Hills Child Care Society | 13,454 | 250,000 |
| Village of Consort | 250,000 | - |
| | <u>\$ 2,584,930</u> | <u>\$ 2,493,182</u> |
| Non-current: | | |
| Acadia Foundation | \$ 13,605,238 | \$ 15,901,098 |
| Neutral Hills Child Care Society | 236,546 | - |
| Other | (3,531) | 23,438 |
| | <u>\$ 13,838,253</u> | <u>\$ 15,924,536</u> |
| | <u>\$ 16,423,183</u> | <u>\$ 18,417,718</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% (2012 - 3.14% to 5.00%). Semi-annual payments totaling \$2,859,730 (2012 - \$2,859,730) were made in June and December. Interest revenue recognized as a result of this loan in 2013 was \$642,165 (2012 - \$721,183).

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 Village of Consort note is a result of the board entering into a memorandum of understanding to advance funds to complete a new doctor's house in Consort. The loan is interest free until the new house is built and the sale of the old house is completed.

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

| | |
|------------|----------------------|
| 2015 | 2,391,070 |
| 2016 | 2,483,118 |
| 2017 | 2,574,956 |
| 2018 | 2,610,205 |
| Thereafter | 3,778,904 |
| | <u>\$ 13,838,253</u> |

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 6 Due (to) from Province of Alberta

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

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|---------------------|-------------------|
| Due from Province of Alberta: | | |
| Transportation | \$ - | \$ 786,196 |
| Municipal Affairs | 195,762 | 251,731 |
| Environment | 37,438 | 9,674 |
| Agriculture and Rural Development | 1,600 | 1,600 |
| Service Alberta | 66,263 | - |
| | <u>301,063</u> | <u>1,049,201</u> |
| Due to Province of Alberta: | | |
| Environment | (335,793) | (199,370) |
| Other | (207,140) | (203,287) |
| | <u>(542,932)</u> | <u>(402,657)</u> |
| Due (to) from Province of Alberta | <u>\$ (241,869)</u> | <u>\$ 646,544</u> |

Note 7 Taxes Receivable

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------|--------------------|------------------|
| Current taxes | \$ 1,083,404 | \$ 780,308 |
| Over levy | (49,872) | (318,684) |
| Tax arrears | 984,086 | 563,285 |
| | <u>2,017,618</u> | <u>1,024,909</u> |
| Less allowance for doubtful accounts: | <u>(1,459,241)</u> | <u>(930,723)</u> |
| | <u>\$ 558,377</u> | <u>\$ 94,186</u> |

Note 8 Deferred Provincial Grant Revenue

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|-------------------|---------------------|
| Municipal Affairs | \$ 649,309 | \$ 750,000 |
| Agriculture and Rural Development | 49,766 | 262,221 |
| Transportation | 192,991 | 175,592 |
| | <u>\$ 892,066</u> | <u>\$ 1,187,813</u> |

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 9 Long Term Debt

| | <u>2013</u> | <u>2012</u> |
|---|--------------------------------|--------------------------------|
| Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$263,223, including fixed interest at 4.39%, due June 2018 | \$ 2,128,841 | \$ 2,548,078 |
| Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$251,377, including fixed interest at 4.01%, due December 2018 | 2,257,309 | 2,657,421 |
| Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$493,631, including fixed interest at 3.34%, due December 2019 | 5,327,040 | 6,116,316 |
| Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$298,660, including fixed interest at 3.51%, due June 2020 | 3,444,230 | 3,908,255 |
| Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$162,114, including fixed interest at 3.14%, due June 2021 | 2,151,645 | 2,402,391 |
| 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>1,900,000</u> 17,209,065 | <u>2,660,000</u> 20,292,461 |
| Less: current portion | <u>4,309,196</u> | <u>4,983,396</u> |
| | <u><u>\$ 12,899,869</u></u> | <u><u>\$ 15,309,065</u></u> |

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

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:

| | |
|------------|----------------------|
| 2014 | 3,169,196 |
| 2015 | 3,258,210 |
| 2016 | 2,970,558 |
| 2017 | 2,686,369 |
| 2018 | 2,522,549 |
| Thereafter | <u>2,602,183</u> |
| | <u>\$ 17,209,065</u> |

Interest on long-term debt amounted to \$677,933 (2012 - \$781,928).

The total cash payments for interest in 2013 were \$682,526 (2012 - \$786,389).

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 2013 it was estimated that 846,130 cubic meters (2012 - 827,602 cubic meters) of gravel pits were exposed at an approximate cost for reclamation of \$2.85 per cubic meter (2012 - \$2.85 per cubic meter), for a total liability of \$2,411,000 (2012 - \$2,359,000).

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, 2013

Note 11 Non-financial Assets

| | 2013 | | | 2012 |
|-----------------------------------|-----------------------|-------------------------------|----------------------|----------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Tangible Capital Assets: | | | | |
| Mobile equipment | \$ 32,523,889 | \$ 7,587,011 | \$ 24,936,878 | \$ 21,032,328 |
| Engineered structures | 11,592,899 | 1,570,235 | 10,022,664 | 8,333,055 |
| Buildings | 9,604,804 | 4,421,463 | 5,183,341 | 5,165,172 |
| Automotive equipment | 16,851,770 | 10,889,552 | 5,962,218 | 6,428,771 |
| Machinery and equipment | 4,525,288 | 2,383,392 | 2,141,896 | 1,994,047 |
| Land | 1,108,370 | 138,005 | 970,365 | 970,365 |
| Electronic data processing | | | | |
| - Hardware | 1,589,016 | 1,243,402 | 345,614 | 220,220 |
| - Software | 1,801,617 | 1,255,296 | 546,321 | 200,562 |
| Road infrastructure | 189,796,085 | 37,875,304 | 151,920,781 | 140,341,781 |
| Water/wastewater lines | 54,027 | 53,368 | 659 | 683 |
| Dams | 367,494 | 307,907 | 59,587 | 61,641 |
| Tangible Capital Assets | \$ 269,815,259 | \$ 67,724,935 | \$202,090,324 | \$184,748,625 |
| | | | | |
| | Cost | Allowance for obsolescence | Net Book Value | Net Book Value |
| Inventory: | | | | |
| Parts | \$ 1,485,438 | \$ 92,098 | \$ 1,393,340 | \$ 1,377,318 |
| Gravel | 4,769,720 | - | 4,769,720 | 4,560,315 |
| Culverts | 57,553 | - | 57,553 | 114,856 |
| Fuel | 123,003 | - | 123,003 | 150,563 |
| Fencing | 139,327 | - | 139,327 | 15,002 |
| Chemicals and other | 46,565 | - | 46,565 | 25,532 |
| Inventory | \$ 6,621,606 | \$ 92,098 | \$ 6,529,508 | \$ 6,243,586 |
| | | | | |
| Prepaid assets | | | \$ 167,487 | \$ 85,685 |
| | | | | |
| Total non-financial assets | | | \$208,787,319 | \$191,077,896 |

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 12 Accumulated Surplus

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

| | <u>2013</u> | <u>2012</u> |
|---|-----------------------------|-----------------------------|
| Equity in tangible capital assets | \$200,190,324 | \$ 182,088,625 |
| Equity in inventory | 6,529,508 | 6,243,586 |
| Unrestricted operational surplus | 15,873,789 | 16,482,943 |
| Internally Restricted Accumulated Surplus | | |
| Tax Recovery Land Sales | <u>48,017,676</u> | <u>46,159,765</u> |
| Total Accumulated Surplus (Schedule 4) | <u><u>\$270,611,297</u></u> | <u><u>\$250,974,919</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 2013 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs in January 2014. 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>2013</u> | | <u>2012</u> |
|---|------------------------------|----------------------------|----------------------------|
| | Budgeted | Actual | Actual |
| Surplus during the year | \$ 13,530,639 | \$ 19,636,378 | \$ 19,825,249 |
| Acquisition of tangible capital assets | (11,100,916) | (11,923,832) | (11,934,620) |
| Construction of road and road surfaces | (9,000,000) | (14,261,549) | (10,261,836) |
| Net transfers to capital | (1,271,000) | (760,000) | (1,140,000) |
| Loss on sale of tangible capital assets | 100,000 | 151,892 | 237,901 |
| Proceeds on disposal of tangible capital assets | 420,000 | 1,905,560 | 626,793 |
| Amortization of tangible capital assets | 5,502,123 | 6,786,230 | 6,360,226 |
| | <u>(1,819,154)</u> | <u>1,534,679</u> | <u>3,713,713</u> |
| Tax Recovery Land Sales - transferred from operations | <u>(1,000,000)</u> | <u>(1,857,911)</u> | <u>(1,049,913)</u> |
| (Deficit) Surplus | <u><u>\$ (2,819,154)</u></u> | <u><u>\$ (323,232)</u></u> | <u><u>\$ 2,663,800</u></u> |

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 14 Requisitions

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|-----------------------------|-----------------------------|
| Alberta School Foundation Fund | \$ 12,641,457 | \$ 12,544,153 |
| Seniors Foundation | <u>4,167,853</u> | <u>4,146,521</u> |
| | <u><u>\$ 16,809,310</u></u> | <u><u>\$ 16,690,674</u></u> |

Note 15 Lease Revenue

| | <u>2013</u> | <u>2012</u> |
|------------------------|----------------------------|-----------------------------|
| Mineral surface leases | \$ 3,450,809 | \$ 3,355,198 |
| Grazing leases | 1,569,115 | 1,473,440 |
| Community pastures | 603,389 | 583,344 |
| Equipment rentals | 560,049 | 2,840,665 |
| Easements | 497,806 | 2,347,186 |
| Cultivation leases | 402,583 | 281,593 |
| Other | <u>413,606</u> | <u>656,778</u> |
| | <u><u>\$ 7,497,357</u></u> | <u><u>\$ 11,538,204</u></u> |

Note 16 Government Transfers

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|----------------------------|----------------------------|
| Transfers for operating: | | |
| Municipal Affairs | \$ 3,112,368 | \$ 2,563,253 |
| Transportation | 1,553,756 | 2,320,517 |
| Agriculture and Rural Development | 665,017 | 488,134 |
| Human Services | 147,443 | 150,383 |
| Infrastructure | 131,055 | 86,607 |
| Tourism, Parks and Recreation | <u>4,000</u> | <u>16,000</u> |
| | <u><u>\$ 5,613,639</u></u> | <u><u>\$ 5,624,894</u></u> |
| Transfers for capital: | | |
| Municipal Affairs | <u><u>\$ 2,306,094</u></u> | <u><u>\$ 2,594,000</u></u> |

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

Note 17 Contributed assets

Assets transferred were as followed:

| | 2013 | | | 2012 |
|----------------------------|------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Tangible Capital Assets: | | | | |
| Electronic data processing | | | | |
| - Hardware | \$ 31,885 | \$ - | \$ 31,885 | \$ - |
| Automotive equipment | 25,372 | - | 25,372 | - |
| Engineered structures | - | - | - | 711,243 |
| Buildings | - | - | - | 85,996 |
| | <u>\$ 57,257</u> | <u>\$ -</u> | <u>\$ 57,257</u> | <u>\$ 797,239</u> |

In management's opinion, the calculated NBV approximates fair value.

Note 18 Total Expenses

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

| | 2013 | 2012 |
|--|----------------------|----------------------|
| Manpower (Schedule 2) | \$ 14,800,883 | \$ 13,527,857 |
| Materials, goods, and utilities | 11,566,940 | 11,486,608 |
| Contract and general services | 8,316,110 | 7,958,822 |
| Amortization of tangible capital assets | 6,786,230 | 6,360,226 |
| Grants | 1,712,837 | 1,909,423 |
| Goods and services from Alberta Government departments | | |
| Alberta Finance | | |
| Risk Management | 160,180 | 161,738 |
| Investment fees | 23,731 | 24,330 |
| Alberta Municipal Affairs | | |
| Linear assessment | 140,892 | 144,545 |
| Government Services | 26,639 | 22,665 |
| Interest on long-term debt | 677,933 | 781,928 |
| Provision for doubtful accounts | 650,811 | 493,194 |
| Industrial tax transfers | 580,000 | 220,665 |
| Loss on sale of tangible capital assets | 151,892 | 237,901 |
| Less: | | |
| Internal road projects capitalized in the year | <u>(14,261,549)</u> | <u>(10,261,836)</u> |
| | <u>\$ 31,333,529</u> | <u>\$ 33,068,066</u> |

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

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>2013</u> | <u>2012</u> |
|---------------------------------------|----------------------|----------------------|
| Total debt limit | \$ 72,909,834 | \$ 74,253,114 |
| Total debt | <u>17,209,065</u> | <u>20,292,461</u> |
| Amount of debt limit unused | <u>\$ 55,700,769</u> | <u>\$ 53,960,653</u> |
| Debt servicing limit | \$ 12,151,639 | \$ 12,375,519 |
| Debt servicing | <u>3,742,731</u> | <u>3,762,714</u> |
| Amount of debt servicing limit unused | <u>\$ 8,408,908</u> | <u>\$ 8,612,805</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, 2013

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 \$51,100, and 16.72% 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 2013 to the PSPP were \$799,721 (2012 - \$601,853) and to the MEPP were \$151,738 (2012 - \$137,682).

At December 31, 2012, the PSPP reported a deficit of \$1,645,141,000 (2011 deficit - \$1,790,383,000) and the MEPP reported a deficiency of \$303,423,000 (2011 - \$517,726,000).

Note 22 Commitments

The Board has entered into three long-term operating leases for equipment. The Board has also entered into contracts to purchase two fire trucks and five graders in 2014. The future payments are as follows:

| | |
|------|---------------------|
| 2014 | \$ 2,811,341 |
| 2015 | 58,341 |
| 2016 | <u>58,341</u> |
| | <u>\$ 2,928,023</u> |

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 2012 figures have been reclassified to conform to 2013 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, 2013

| | | 2013 | | 2012 | |
|------------------------------------|-------------------------|---------------|--------------------|---------------|---------------|
| Stated Interest Rate | Effective Interest Rate | Maturity Date | Par Value | Fair Value | Book Value |
| Bonds: | | | | | |
| Bank of Montreal | 4.870% | 3.900% | April 22, 2020 | \$ 700,000 | \$ 728,445 |
| Bank of Nova Scotia | 6.650% | 3.290% | January 22, 2021 | 440,000 | 480,497 |
| Canada Housing Trust | 2.750% | 1.036% | December 15, 2014 | 1,570,000 | 1,595,687 |
| Canada Housing Trust | 3.600% | 2.880% | June 15, 2013 | - | - |
| Canada Housing Trust | 2.700% | 2.650% | December 15, 2013 | - | - |
| Canada Housing Trust | 2.750% | 1.130% | September 15, 2014 | 1,350,000 | 1,366,363 |
| Canada Housing Trust | 2.950% | 3.080% | March 15, 2015 | 1,100,000 | 1,125,028 |
| Canada Housing Trust | 2.750% | 1.780% | June 15, 2016 | 5,333,000 | 5,520,989 |
| Canada Housing Trust | 2.050% | 1.590% | June 15, 2017 | 550,000 | 557,751 |
| Canada Housing Trust | 4.100% | 2.479% | December 15, 2018 | 1,800,000 | 1,958,736 |
| Canada Housing Trust | 1.700% | 1.730% | December 15, 2017 | 2,650,000 | 2,632,048 |
| Canadian Imperial Bank of Commerce | 4.110% | 4.070% | April 30, 2020 | 700,000 | 722,509 |
| Financement Quebec | 3.250% | 3.050% | June 1, 2014 | - | - |
| Government of Canada | 2.500% | 1.760% | June 1, 2015 | 1,500,000 | 1,530,675 |
| Government of Canada | 3.000% | 1.180% | December 1, 2015 | 1,310,000 | 1,356,414 |
| Government of Canada | 2.000% | 1.650% | June 1, 2016 | 1,425,000 | 1,453,908 |
| Government of Canada | 2.750% | 1.160% | September 1, 2016 | 182,000 | 189,174 |
| New Brunswick Provincial | 3.350% | 3.060% | June 1, 2013 | - | - |
| Province of Ontario | 2.100% | 2.280% | September 8, 2018 | 1,000,000 | 989,859 |
| Province of Ontario | 3.200% | 2.380% | September 8, 2016 | 3,420,000 | 3,580,693 |
| Province of Quebec | 5.250% | 3.650% | October 1, 2013 | - | - |
| Province of Quebec | 5.500% | 2.740% | December 1, 2014 | - | - |
| Province of Quebec | 4.500% | 2.318% | December 1, 2018 | 1,000,000 | 1,095,970 |
| TD Bank | 5.690% | 5.020% | June 3, 2018 | - | - |
| Royal Bank of Canada | 2.680% | 2.040% | December 8, 2016 | 676,000 | 688,970 |
| | | | 26,706,000 | 27,573,716 | 27,410,308 |
| | | | 150 | 150 | 150 |
| | | | \$ 26,706,150 | \$ 27,573,866 | \$ 27,410,458 |
| | | | | | |
| | | | 26,706,000 | 27,410,308 | 26,234,825 |
| | | | 150 | 150 | 150 |
| | | | \$ 26,706,150 | \$ 27,410,458 | \$ 26,234,975 |

Alberta Capital Finance Authority

(15 Shares)

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, 2013

| | 2013 | | | | 2012 | |
|--|--------------------------------|----------------------|------------------------------|----------------------------------|--------------------------|----------------------|
| | Number of Individuals (a) | Salary (b) | Other Cash Benefits (c) | Other Non-cash Benefits (d) | Number of Individuals | Total |
| Chairman of the Special Areas Board | 1 | \$ 157,305 | \$ - | \$ 10,141 | 1 | \$ 167,446 |
| Special Areas Board members | 2 | 22,268 | - | 1,522 | 2 | 23,790 |
| Director of Finance and Administration | 1 | 127,442 | 4,861 | 33,970 | 1 | 166,273 |
| Director of Municipal Services | 1 | 118,941 | - | 32,065 | 1 | 151,006 |
| Director of Properties Administration | 1 | 120,681 | - | 31,237 | 1 | 151,918 |
| Roads & Equipment Superintendent | 1 | 102,740 | - | 28,776 | 1 | 131,516 |
| Managers (e) | 3.25 | 330,641 | - | 92,532 | 3 | 423,173 |
| Other full time staff (f) | 99.0 | 7,042,833 | - | 1,508,678 | 93.8 | 8,551,511 |
| Part time and casual wage staff | | 4,399,956 | - | 481,061 | | 4,881,017 |
| Other Boards and committees | | 14,912 | - | 673 | | 15,585 |
| Advisory Councillors | 13 | 59,745 | - | 359 | 13 | 60,104 |
| Increase in vacation accrual | | 77,544 | - | - | | 77,544 |
| | | <u>\$ 12,575,008</u> | <u>\$ 4,861</u> | <u>\$ 2,221,014</u> | | <u>\$ 14,800,883</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.
- (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, tuition and long and short-term disability plan.
- (e) Average salary is \$101,736 and average benefits (column c & d) are \$28,471 totaling \$130,207 (2012 - \$130,043).
- (f) Average salary is \$71,140 and average benefits are \$15,239 totaling \$86,379 (2012 - \$79,571).

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE
AS AT DECEMBER 31, 2013

| | <u>Schedule 3</u> | |
|---|-----------------------------|-----------------------------|
| | <u>2013</u> | <u>2012</u> |
| Change in Financial Assets | | |
| Cash | \$ 796,324 | \$ 3,964,369 |
| Accounts receivable | (2,270,609) | 1,559,640 |
| Notes receivable | (1,994,535) | (2,415,250) |
| Due from Province of Alberta | (748,138) | 970,833 |
| Taxes receivable | 464,191 | (499,717) |
| | <u>(3,752,767)</u> | <u>3,579,875</u> |
| Investments | <u>1,175,483</u> | <u>977,612</u> |
| Increase in Financial Assets | <u>(2,577,284)</u> | <u>4,557,487</u> |
| Change in Liabilities | | |
| Accounts payable and accruals | 1,127,212 | (1,938,542) |
| Vacation accrual | (77,544) | (19,957) |
| Deferred revenues | 4,156 | (100,292) |
| Deferred provincial grant revenue | 295,747 | (1,019,161) |
| Deferred federal grant revenue | 263,547 | (263,547) |
| Due to Province of Alberta | (140,275) | (121,011) |
| | <u>1,472,843</u> | <u>(3,462,510)</u> |
| Long term loan | 3,083,396 | 3,380,690 |
| Provision for gravel pit reclamation | <u>(52,000)</u> | <u>(249,000)</u> |
| Increase in Liabilities | <u>4,504,239</u> | <u>(330,820)</u> |
| Net increase in net financial assets | 1,926,955 | 4,226,667 |
| Net financial assets at the beginning of year | <u>59,897,023</u> | <u>55,670,356</u> |
| Net financial assets at end of year | <u><u>\$ 61,823,978</u></u> | <u><u>\$ 59,897,023</u></u> |

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY UNRESTRICTED ACCUMULATED SURPLUS INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

| | <u>Schedule 4</u> | |
|--|-----------------------------------|-----------------------|
| | 2013 | 2012 |
| | <u>BUDGET</u> (Note 13) | <u>ACTUAL</u> |
| | | <u>ACTUAL</u> |
| Equity in capital assets at beginning of year | \$ 182,088,625 | \$ 165,977,089 |
| Addition of capital assets: | | |
| Road infrastructure | 9,000,000 | 14,261,549 |
| Water and sanitation services | 1,536,000 | 380,562 |
| Transportation services | 4,967,881 | 9,196,010 |
| Protective services | 395,600 | 374,337 |
| Administrative services | 3,238,935 | 854,561 |
| Recreation and cultural services | 515,000 | 716,679 |
| Agriculture and community pasture services | 447,500 | 401,683 |
| | <u>20,100,916</u> | <u>22,196,456</u> |
| Annual amortization of capital assets | (6,786,230) | (6,360,226) |
| Disposal of capital assets | (2,057,452) | (864,694) |
| | <u>199,430,324</u> | <u>180,948,625</u> |
| Debt retired in the year | 760,000 | 1,140,000 |
| Equity in capital assets at end of year (Note 12) | \$ 200,190,324 | \$ 182,088,625 |
| Equity in inventory at beginning of year | \$ 6,243,586 | \$ 5,158,091 |
| Add purchases and other inventory costs | 4,058,678 | 4,538,521 |
| Deduct requisitions | (3,772,756) | (3,453,026) |
| Equity in inventory at end of year (Note 11, 12) | \$ 6,529,508 | \$ 6,243,586 |
| Accumulated operational surplus at beginning of year | \$ 16,482,943 | \$ 14,904,638 |
| Surplus for the year | 19,636,378 | 19,825,249 |
| Debt retired in the year | (760,000) | (1,140,000) |
| Change in Non-Financial Assets | (17,627,621) | (16,057,031) |
| | <u>17,731,700</u> | <u>17,532,856</u> |
| Transfers to internally restricted reserves | (1,857,911) | (1,049,913) |
| Accumulated operational surplus at end of year (Note 12) | \$ 15,873,789 | \$ 16,482,943 |
| Internally restricted accumulated surplusses at beginning of year | \$ 46,159,765 | \$ 45,109,852 |
| Tax Recovery Land Sales - Transfers from operations | <u>1,857,911</u> | <u>1,049,913</u> |
| Internally restricted accumulated surplusses at end of year (Note 12) | \$ 48,017,676 | \$ 46,159,765 |
| | \$ 270,611,297 | \$ 250,974,919 |

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SEGMENT EXPENDITURE DISCLOSURE BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2013

2013

| | Administrative Services | Protective Services | Transportation Services | Sanitation Services | Agriculture & Community Development | Recreation & Cultural Services | Total |
|--|-------------------------|---------------------|-------------------------|---------------------|-------------------------------------|--------------------------------|---------------|
| Expenditures: | | | | | | | |
| Manpower (Schedule 2) | \$ 2,941,012 | \$ 223,079 | \$ 9,462,216 | \$ 637,868 | \$ 1,075,537 | \$ 461,171 | \$ 14,800,883 |
| Materials, goods, and utilities | 160,763 | 125,314 | 10,429,188 | 195,045 | 299,095 | 357,535 | 11,566,940 |
| Contract and general services | 1,058,616 | 788,258 | 4,297,160 | 1,726,333 | 323,307 | 122,436 | 8,316,110 |
| Grants | 88,049 | - | 1,640 | 198,206 | 316,223 | 1,108,719 | 1,712,837 |
| Interest on long-term debt | 610,939 | - | 66,994 | - | - | - | 677,933 |
| Goods and services from GOA | 326,583 | - | 520 | - | 24,339 | - | 351,442 |
| Provision for doubtful accounts | 650,811 | - | - | - | - | - | 650,811 |
| Internal road projects capitalized in the year | - | - | (14,261,549) | - | - | - | (14,261,549) |
| Segmented expenditures per department | \$ 5,836,773 | \$ 1,136,651 | \$ 9,996,169 | \$ 2,757,452 | \$ 2,038,501 | \$ 2,049,861 | \$ 23,815,407 |
| Industrial tax transfers | 580,000 | - | - | - | - | - | 580,000 |
| Loss on sale of tangible capital assets | 9,469 | 1,925 | 132,786 | - | (4,279) | 11,991 | 151,892 |
| Amortization of tangible capital assets | 412,844 | 427,770 | 5,574,790 | 230,793 | 73,102 | 66,931 | 6,786,230 |
| Expenditures per statement of operations | \$ 6,839,086 | \$ 1,566,346 | \$ 15,703,745 | \$ 2,988,245 | \$ 2,107,324 | \$ 2,128,783 | \$ 31,333,529 |
| Cash Basis Reconciliation: | | | | | | | |
| Segmented expenditures per department | \$ 5,836,773 | \$ 1,136,651 | \$ 9,996,169 | \$ 2,757,452 | \$ 2,038,501 | \$ 2,049,861 | \$ 23,815,407 |
| Industrial tax transfers | 580,000 | - | - | - | - | - | 580,000 |
| Purchase of tangible capital assets | 854,561 | 374,337 | 23,457,559 | 380,562 | 401,683 | 716,679 | 26,185,381 |
| Tax recovery land sales | 1,857,911 | - | - | - | - | - | 1,857,911 |
| Segmented expenses per cash basis | \$ 9,129,245 | \$ 1,510,988 | \$ 33,453,728 | \$ 3,138,014 | \$ 2,440,184 | \$ 2,766,540 | \$ 52,438,699 |
| Budgeted expenditures per cash basis | \$ 10,084,034 | \$ 1,429,636 | \$ 31,469,932 | \$ 5,240,890 | \$ 2,896,874 | \$ 2,826,114 | \$ 53,947,480 |

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.