

SPECIAL AREAS TRUST ACCOUNT

FINANCIAL STATEMENTS

DECEMBER 31, 2006

Statement of Financial Position

Statement of Revenue, Expenditure and Accumulated Excess of
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Statement of Reserves

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Auditor's Report

To the Minister of Municipal Affairs and Housing

I have audited the statement of financial position of the Special Areas Trust Account as at December 31, 2006 and the statements of revenue, expenditure and accumulated excess of revenue over expenditure, reserves, equity in physical assets and cash flows for the year then ended. These financial statements are the responsibility of the Special Areas Trust Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Fred J. Dunn]

FCA
Auditor General

Edmonton, Alberta
March 9, 2007

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006

	2006	2005
<u>ASSETS</u>		
Financial Assets		
Current:		
Cash (Note 3)	\$ 26,089,722	\$ 23,130,448
Accounts receivable, net (Note 4)	3,543,160	2,532,342
Taxes receivable, net	381,988	2,039,112
Due from Province of Alberta, net (Note 5)	-	129,086
	30,014,870	27,830,988
Non-current:		
Accounts receivable, net (Note 4)	3,414,967	3,032,456
Investments (Schedule 1)	26,502,718	26,350,208
Total Financial Assets	59,932,555	57,213,652
Physical Assets (Note 6)		
Capital assets	22,549,004	20,411,988
Inventories	3,038,186	2,317,588
Total Physical Assets	25,587,190	22,729,576
	\$ 85,519,745	\$ 79,943,228
<u>LIABILITIES AND TRUST EQUITY</u>		
Current:		
Accounts payable and accruals	\$ 2,698,045	\$ 2,058,071
Due to Province of Alberta, net (Note 5)	690,664	-
Deferred lease revenue	620,119	526,761
Deferred provincial grant revenue (Note 7)	81,983	1,064,136
	4,090,811	3,648,968
Non-current:		
Provision for disability benefits	26,359	135,136
Provision for gravel pit reclamation (Note 8)	1,400,000	1,300,000
Total Liabilities	5,517,170	5,084,104
Equity:		
Accumulated excess of revenue over expenditure	4,920,033	1,338,028
Reserves	49,495,352	50,791,520
In physical assets	25,587,190	22,729,576
Total Equity	80,002,575	74,859,124
	\$ 85,519,745	\$ 79,943,228

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

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED EXCESS
OF REVENUE OVER EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u> (Note 18)	<u>ACTUAL</u>	<u>ACTUAL</u>
Revenue			
General municipal:			
Taxation			
Power and pipeline	\$ 21,510,000	\$ 22,110,155	\$ 20,646,834
Real property	5,732,350	5,968,943	5,502,319
Grazing and cultivation	871,000	786,570	836,066
Penalties and costs on taxes	75,000	287,183	236,871
	<u>28,188,350</u>	<u>29,152,851</u>	<u>27,222,090</u>
Less amounts expended by transfers:			
Alberta School Foundation Fund	14,650,000	13,606,004	13,752,943
Seniors Foundation requisitions	995,000	1,082,980	878,129
	<u>15,645,000</u>	<u>14,688,984</u>	<u>14,631,072</u>
Net taxes for municipal purposes	12,543,350	14,463,867	12,591,018
Provincial grants (Note 9)	4,007,392	4,555,484	2,940,958
Leases (Note 10)	7,343,500	7,982,359	6,922,653
Interest	1,899,000	1,958,155	1,819,592
Tax recovery land sales	2,200,000	2,482,259	4,039,563
Other (Note 11)	3,426,850	3,199,992	2,375,676
Total revenue, carried forward	\$ <u>31,420,092</u>	\$ <u>34,642,116</u>	\$ <u>30,689,460</u>

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

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED EXCESS
OF REVENUE OVER EXPENDITURE (cont'd)
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006		2005
	BUDGET (Note 18)	ACTUAL	ACTUAL
Total revenue, brought forward	\$ <u>31,420,092</u>	\$ <u>34,642,116</u>	\$ <u>30,689,460</u>
Expenditure			
General municipal:			
Transportation services	23,095,675	22,116,832	19,395,841
Administrative services	3,860,545	3,661,986	3,444,195
Water and sanitation services	1,877,914	1,291,661	1,470,350
Agriculture and community pasture services	2,140,666	2,139,767	2,118,252
Recreational and cultural services	1,498,625	1,285,697	2,161,930
Protective services	1,572,935	1,720,686	1,430,602
Industrial tax transfers	140,000	139,650	139,840
Total expenditure (Note 12, 14 and 15)	<u>34,186,360</u>	<u>32,356,279</u>	<u>30,161,010</u>
Excess (deficiency) of revenue over expenditure	\$ <u>(2,766,268)</u>	2,285,837	528,450
 Accumulated excess of revenue over expenditure at beginning of year		1,338,028	1,826,552
		3,623,865	2,355,002
Less: transfers (to) from tax recovery land sales reserve (Note 16):			
Phase I	-	3,305	30,561
Phase II	-	(488,537)	(368,755)
Phase III	(2,325,000)	(2,218,600)	(3,678,780)
	<u>(2,325,000)</u>	<u>(2,703,832)</u>	<u>(4,016,974)</u>
Add: transfer from tax recovery land sales reserve (Note 16):			
Phase II	4,000,000	4,000,000	3,000,000
	\$ <u>1,675,000</u>	<u>1,296,168</u>	<u>(1,016,974)</u>
Accumulated excess of revenue over expenditure at end of year		<u>\$ 4,920,033</u>	<u>\$ 1,338,028</u>
 Increase (decrease) in accumulated excess of revenue over expenditure during the year	\$ <u>(1,091,268)</u>	<u>\$ 3,582,005</u>	<u>\$ (488,524)</u>

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

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>	<u>2005</u>
Tax recovery land sales reserves :		
Phase I		
Balance at beginning of year	\$ 39,273,715	\$ 39,304,276
Deduct transfers of accumulated excess of revenue over expenditure (Note 16)	<u>(3,305)</u>	<u>(30,561)</u>
Balance at end of year	<u>39,270,410</u>	<u>39,273,715</u>
Phase II		
Balance at beginning of year	7,368,106	9,999,351
Add transfers of accumulated excess of revenue over expenditure (Note 16)	488,537	368,755
Deduct transfers of funds to operations (Note 16)	<u>(4,000,000)</u>	<u>(3,000,000)</u>
Balance at end of year	<u>3,856,643</u>	<u>7,368,106</u>
Phase III		
Balance at beginning of year	4,148,380	469,600
Add transfer from accumulated excess of revenue over expenditure (Note 16)	<u>2,218,600</u>	<u>3,678,780</u>
Balance at end of year	<u>6,366,980</u>	<u>4,148,380</u>
Total balance at end of year	49,494,033	50,790,201
Public reserve:		
Balance at beginning and end of year	<u>1,319</u>	<u>1,319</u>
Total reserves	\$ <u><u>49,495,352</u></u>	\$ <u><u>50,791,520</u></u>

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

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF EQUITY IN PHYSICAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>	<u>2005</u>
Equity in capital assets at beginning of year	\$ 20,411,988	\$ 18,070,959
Add purchase of capital assets:		
Transportation services	4,057,781	3,140,932
Administrative services	409,149	532,117
Water and sanitation services	267,780	75,882
Protective services	458,822	530,497
Agriculture and community pasture services	149,520	224,767
Recreation and cultural services	26,305	108,968
	<u>5,369,357</u>	<u>4,613,163</u>
Annual amortization of capital assets	<u>(2,122,972)</u>	<u>(2,046,498)</u>
Disposal of capital assets	<u>(1,109,369)</u>	<u>(225,636)</u>
Equity in capital assets at end of year	<u>\$ 22,549,004</u>	<u>\$ 20,411,988</u>
Equity in inventories at beginning of year	\$ 2,317,588	\$ 2,358,948
Add purchases and other inventory costs	2,617,084	1,761,833
Deduct requisitions	<u>(1,896,486)</u>	<u>(1,803,193)</u>
Equity in inventory at end of year	<u>\$ 3,038,186</u>	<u>\$ 2,317,588</u>
Equity in physical assets at end of year	<u>\$ 25,587,190</u>	<u>\$ 22,729,576</u>

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, 2006

	2006	2005
Operating activities:		
Excess of expenditure over revenue	\$ 2,285,837	\$ 528,450
Amortization of investment premiums, less discounts	161,865	218,586
Loss (gain) on sale of investments	10,633	(36,342)
Increase in provision for gravel pit reclamation	100,000	250,000
Disposal of capital assets	(1,109,369)	(225,636)
Purchase of capital assets	5,369,357	4,613,163
Increase (decrease) in inventories	720,599	(41,360)
	7,538,922	5,306,861
Changes in non-cash working capital accounts:		
Accounts receivable	(1,010,818)	(938,464)
Taxes receivable, net	1,657,124	(1,577,808)
Due to Province of Alberta, net	819,750	(220,732)
Accounts payable and accruals	639,974	866,180
Capital lease	-	(43,900)
Deferred lease revenue	93,358	50,893
Deferred provincial grant revenue	(982,153)	920,477
Inventories	(720,599)	41,360
	496,636	(901,994)
Cash provided by operating activities	8,035,558	4,404,867
Investing activities:		
Net change in non - current accounts receivable	(382,511)	(907,974)
Proceeds from redemption of investments	9,325,574	8,903,794
Purchase of investments	(9,650,582)	(10,728,435)
Disposal of capital assets	1,109,369	225,636
Purchase of capital assets	(5,369,357)	(4,613,163)
Cash applied to investing activities	(4,967,507)	(7,120,142)
Financing activities:		
(Decrease) increase in provision for disability benefits	(108,777)	135,136
Cash (applied to) provided by financing activities	(108,777)	135,136
Increase (decrease) in cash	2,959,274	(2,580,139)
Cash at the beginning of year	23,130,448	25,710,587
Cash at end of year	\$ 26,089,722	\$ 23,130,448

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

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2006

Note 1 Authority and Purpose

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

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

Note 2 Significant Accounting Policies

(a) General

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

(b) Tax Recovery Land

Tax recovery land, including any mineral surface leases attached thereto, was acquired for insignificant amounts and is not recorded in the balance sheet. Approximately 1.107 million acres of tax recovery land remains unsold as at December 31, 2006 (2005 - 1.155 million acres).

Crown land transferred to the Province of Alberta from the Government of Canada for no monetary consideration, located within the Special Areas and administered by the Special Areas Board, is not valued for financial statement purposes. This consists of approximately 1.589 million acres (2005 - 1.591 million acres).

(c) 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.

(d) Inventories

The cost of consumable supplies is included as an expenditure when incurred. For information purposes, inventories of consumable supplies are shown on the balance sheet as physical assets at net book value with the offsetting credit to equity in physical assets.

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.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2006

Note 2 (e) Capital Assets

(cont'd) Capital asset acquisitions are included as expenditures in the statement of revenue, expenditure and accumulated excess of revenue over expenditure. For information purposes, capital assets except the cost of construction of roads and bridges, having an original cost greater than \$2,500 (\$10,000 for engineered structures and third party software development) are shown on the statement of financial position as physical assets at net book value with the offsetting credit to equity in physical assets. All land and other off the shelf electronic data processing equipment is capitalized.

The cost of capital assets shown on the statement of financial position is amortized to estimated salvage value at the following rates (rates and values expressed as a percentage of original cost):

	<u>Annual Amortization</u>			Estimated
	Year 1	Year 2	Year 3 and Thereafter	Salvage Value
	%	%	%	%
Mobile equipment	5.00	5.00	5.00	5.00
Buildings / Eng. structures	2.50	2.50	2.50	2.50
Automotive equipment	20.00	15.00	10.00	10.00
Machinery and equipment	6.67	6.67	6.67	6.67
Electronic data processing				
- Hardware	40.00	30.00	20.00	-
- Software	25.00	25.00	25.00	-

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.

(f) 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, 2006

Note 2 (g) Financial Instruments

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

The carrying value of non-current accounts receivable approximate their fair value.

The fair value of investments is disclosed on Schedule 1.

Note 3 Cash

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at December 31, 2006, securities held by the Fund have an average effective market yield of 3.91% per annum (2005 - 3.62% per annum).

Note 4 Accounts Receivable, Net

Accounts receivable, net of applicable allowances for doubtful accounts of \$91,650 (2005 - \$83,804), are comprised of the following:

	<u>2006</u>	<u>2005</u>
Current:		
From sale of tax recovery land and related mineral surface leases	\$ 519,958	\$ 526,577
Accrued interest	<u>102,738</u>	<u>105,596</u>
	622,696	632,173
Secondary highway rentals	1,392,559	678,888
Federal government grants	4,917	367,192
Accrued interest on investments	254,714	251,581
Leases	374,936	122,459
Miscellaneous	893,338	480,049
	<u>\$ 3,543,160</u>	<u>\$ 2,532,342</u>
Non-current:		
From sale of tax recovery land and related mineral surface leases	\$ 2,954,885	\$ 2,724,665
Other	<u>460,084</u>	<u>307,791</u>
	<u>\$ 3,414,969</u>	<u>\$ 3,032,456</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2006

Note 4 (cont'd) Payment for tax recovery land sold and for the sales of related mineral surface leases may be made in installments over a period not exceeding ten years. An interest rate of 8% per annum is applied to tax recovery land sales I & II and 6% per annum to tax recovery land sale III that commenced in 2004. Title to tax recovery land sold (and related leases sold) is transferred from the Minister of Municipal Affairs to the purchaser after all payments have been received. If a purchaser defaults in payment, the agreement(s) for sale may be declared null and void and all monies received may be retained as liquidated damages.

Note 5 Due (to) from Province of Alberta, Net

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

	2006	2005
Due from Province of Alberta:		
Alberta Infrastructure and Transportation	\$ 1,196,767	\$ 410,725
Alberta Agriculture	140,574	-
Alberta Finance	57,307	-
Other	50,268	45,323
	1,444,916	456,048
Due to Province of Alberta:		
Alberta Infrastructure and Transportation	(1,899,522)	-
Alberta Environment	(199,359)	(193,126)
Other	(36,699)	(133,836)
	(2,135,580)	(326,962)
Due (to) from Province of Alberta, net	\$ (690,664)	\$ 129,086

Note 6 Physical Assets

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Capital Assets:				
Mobile equipment	\$ 16,624,442	\$ 5,037,342	\$ 11,587,100	\$ 10,595,611
Buildings / Eng. structures	8,567,494	3,240,933	5,326,561	4,614,829
Automotive equipment	8,425,669	5,340,769	3,084,900	2,821,277
Machinery and equipment	2,932,007	1,666,204	1,265,803	1,061,025
Land	1,088,379	89,563	998,816	998,816
Electronic data processing				
- Hardware	742,758	539,176	203,582	175,797
- Software	1,018,083	935,841	82,242	144,633
	\$ 39,398,832	\$ 16,849,828	\$ 22,549,004	\$ 20,411,988

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2006

Note 6		2006		2005
(cont'd)		Cost	Allowance for obsolescence	Net Book Value
	Inventory:			Net Book Value
	Parts	\$ 1,066,059	\$ 10,661	\$ 1,055,398
	Gravel	1,786,852	-	1,786,852
	Culverts	55,200	-	55,200
	Fuel	48,737	-	48,737
	Chemicals	56,070	-	56,070
	Fencing and other	35,929	-	35,929
		\$ 3,048,847	\$ 10,661	3,038,186
	Capital Assets, brought forward			22,549,004
	Total physical assets			\$ 22,729,576

Note 7 Deferred Provincial Grant Revenue

	2006	2005
Infrastructure and Transportation	\$ 71,199	\$ 1,047,852
Emergency Services	10,784	16,284
	\$ 81,983	\$ 1,064,136

Note 8 Provision for Gravel Pit Reclamation

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

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

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

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2006

Note 9 Provincial Grants

	<u>2006</u>	<u>2005</u>
Infrastructure and Transportation	\$ 3,555,163	\$ 1,908,785
Agriculture, Food and Rural Development	439,045	419,922
Environment	247,927	262,261
Health and Wellness	163,392	143,561
Children's Services	122,171	122,171
Community Development	16,000	16,000
Municipal Affairs	5,952	65,089
Human Resources and Employment	5,833	3,169
	<u>\$ 4,555,484</u>	<u>\$ 2,940,958</u>

Note 10 Lease Revenue

	<u>2006</u>	<u>2005</u>
Mineral surface leases	\$ 3,940,966	\$ 3,639,917
Equipment rentals	1,546,605	1,060,327
Grazing leases	1,225,398	903,727
Community pastures	452,293	440,040
Cultivation leases	341,229	362,714
Other	475,868	515,928
	<u>\$ 7,982,359</u>	<u>\$ 6,922,653</u>

Note 11 Other Revenue

	<u>2006</u>	<u>2005</u>
Proceeds on sale of capital assets	\$ 1,157,386	\$ 211,723
Park permits and concessions	434,630	325,618
Municipal services cost recovery	405,807	174,097
Sale of sand and gravel	236,148	134,257
Oil well drilling taxes	233,630	305,367
License, permits, assignments and application fees	232,655	250,103
Fuel tax rebate	173,685	356,140
Federal government grants	1,967	369,743
Miscellaneous	324,084	248,628
	<u>\$ 3,199,992</u>	<u>\$ 2,375,676</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2006

Note 12 Total Expenditure

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

	<u>2006</u>	<u>2005</u>
Manpower (Schedule 2)	\$ 9,809,604	\$ 9,144,970
Materials, goods, and utilities	8,565,612	7,051,861
Contract and general services	6,597,123	6,494,031
Capital assets acquired	5,369,356	4,613,163
Grants	1,561,660	2,401,004
Goods and services from Alberta Government departments		
Alberta Revenue		
Risk Management	158,148	154,228
Investment fees	5,745	6,563
Alberta Municipal Affairs		
Linear assessment	81,192	80,219
Government Services	18,907	17,977
Provision (recovery) for doubtful accounts	49,282	57,154
Industrial tax transfers	139,650	139,840
	<u>\$ 32,356,279</u>	<u>\$ 30,161,010</u>

Note 13 Pension Plan

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

Total current contributions by the Board in 2006 to the PSPP were \$250,889 (2005 - \$230,468) and to the MEPP were \$152,792 (2005 - \$133,088).

At December 31, 2005, the PSPP reported a deficiency of \$187,704,000 (2004 - \$450,068,000) and the MEPP reported a deficiency of \$165,895,000 (2004 - \$268,101,000).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2006

Note 14 Related Party Transactions

Expenditures for goods and services provided by the Province of Alberta and billed to the Board are disclosed in Note 12.

Grants provided by the Province of Alberta are disclosed in Note 9 and the amounts outstanding at the end of the year are disclosed in Note 5.

During 2006, the Board received funds as agent for Alberta Environment amounting to \$199,359 (2005 - \$193,126), all of which is included as due to the Department at the end of the year

Note 15 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 & Transportation and all costs are recorded as expenditure of that Ministry.

Note 16 Tax Recovery Land Sales Reserve

Transfers to (from) tax recovery land sales reserve have been determined as follows:

	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>	<u>Total</u>
Land sales	\$ (3,305)	\$ -	\$ 2,218,600	\$ 2,215,295
Transfers	-	(4,000,000)	-	(4,000,000)
Interest	-	488,537	-	488,537
	<u>\$ (3,305)</u>	<u>\$ (3,511,463)</u>	<u>\$ 2,218,600</u>	<u>\$ (1,296,168)</u>

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

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

Phase II includes interest earned under agreements for sale and investment interest earned on Phase II funds and is earmarked for future capital projects as authorized by the Minister of Municipal Affairs.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2006

Note 17 Contractual Obligations

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

2007	\$	651,293
2008		498,738
2009		498,738
2010		273,101
2011		-
		\$ 1,921,870

Note 18 Budget

The 2006 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs in January 2006.

Note 19 Comparative Figures

Certain 2005 figures have been reclassified to conform to 2006 presentation.

Note 20 Approval of Financial Statements

These financial statements have been approved by the Board.

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2006

	2006				2005			
	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Fair Value	Book Value	Book Value	Book Value
Bonds:								
Bank of Montreal	7.000%	4.320%	January 28, 2010	\$ 180,000	\$ 193,777	\$ 193,178	\$ 197,457	
Bank of Montreal	8.150%	5.450%	May 9, 2011	-	-	-	264,484	
Bank of Nova Scotia	4.515%	4.510%	November 19, 2008	700,000	702,989	700,000	700,000	
Canada Housing Trust	4.400%	3.730%	March 15, 2008	1,750,000	1,755,688	1,761,164	765,363	
Canada Housing Trust	3.700%	4.320%	September 15, 2008	600,000	595,872	594,299	1,575,907	
Canada Housing Trust	4.100%	4.120%	December 15, 2008	760,000	759,818	759,691	299,739	
Canada Housing Trust	3.550%	4.020%	March 15, 2009	1,760,000	1,739,830	1,743,497	1,736,015	
Canada Housing Trust	3.750%	3.530%	March 15, 2010	3,500,000	3,464,265	3,521,539	3,528,259	
Canada Housing Trust	4.050%	4.240%	March 15, 2011	2,700,000	2,695,896	2,680,722	-	
Canadian Imperial Bank of Commerce	4.550%	4.710%	May 9, 2011	700,000	704,354	695,417	-	
Government of Canada	7.000%	2.840%	December 1, 2006	-	-	-	207,453	
Government of Canada	3.000%	3.780%	June 1, 2007	-	-	-	1,078,302	
Government of Canada	7.250%	4.970%	June 1, 2007	-	-	-	936,668	
Government of Canada	4.500%	3.530%	September 1, 2007	-	-	-	2,294,195	
Government of Canada	6.000%	4.580%	June 1, 2008	-	-	-	1,969,167	
Government of Canada	4.250%	3.380%	September 1, 2008	880,000	882,807	892,288	899,640	
Government of Canada	5.500%	4.770%	June 1, 2009	1,380,000	1,427,734	1,408,511	1,420,297	
Government of Canada	4.250%	3.650%	September 1, 2009	1,735,000	1,745,861	1,760,755	1,770,396	
Government of Canada	5.500%	4.090%	June 1, 2010	520,000	545,069	543,080	549,830	
Government of Canada	6.000%	5.920%	June 1, 2011	95,000	102,668	95,246	95,301	
Government of Canada	3.750%	4.010%	September 1, 2011	1,800,000	1,781,820	1,780,217	-	
Government of Canada	5.250%	3.870%	June 1, 2012	1,040,000	1,102,161	1,109,522	-	
Province of Manitoba	6.250%	5.930%	September 1, 2009	400,000	421,196	402,756	403,788	
Province of Ontario	3.500%	2.640%	September 8, 2006	-	-	-	402,293	
Province of Ontario	5.700%	3.380%	December 1, 2008	740,000	761,083	771,098	787,290	
Province of Ontario	6.100%	4.070%	November 19, 2010	500,000	535,175	535,632	327,219	
Province of Ontario	6.100%	4.490%	December 2, 2011	700,000	760,473	748,748	-	
Province of Quebec	5.500%	4.160%	June 1, 2009	280,000	288,627	288,155	291,527	
Province of Quebec	6.250%	4.400%	December 1, 2010	1,750,000	1,880,935	1,863,306	1,892,206	
Financement Quebec	5.750%	3.760%	December 1, 2008	470,000	483,686	486,620	495,274	
Royal Bank of Canada	5.500%	4.360%	February 13, 2011	-	-	-	683,262	
Royal Bank of Canada	3.700%	4.190%	June 24, 2015	400,000	392,604	393,665	-	
TD Bank	5.200%	3.250%	September 4, 2012	700,000	703,682	729,912	735,176	
Alberta Capital Finance Authority			(15 Shares)	26,040,000	26,428,070	26,459,018	26,306,508	
Agricore United Common Shares			(7,918 Shares)	-	150	150	150	
				\$ 26,040,000	\$ 26,523,236	\$ 26,502,718	\$ 26,350,208	

**SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006				2005	
	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	124,395	8,950	29,606	1	142,062
Special Areas Board members	2	9,328	-	1,074	2	10,131
Director of Finance and Administration	1	90,447	6,774	23,402	1	112,608
Director of Municipal Services	1	93,765	9,542	16,468	1	120,535
Director of Properties Administration	1	93,762	7,019	24,060	1	116,349
Roads & Equipment Superintendent	1	81,252	2,925	21,528	1	99,748
Managers (e)	4	289,416	13,240	76,679	4	340,381
Other full time staff (f)	78.9	4,252,917	-	733,551	76.0	4,625,804
Part time and casual wage staff		3,333,254	-	290,621		3,504,098
Other Boards and committees		41,799	-	581		33,765
Advisory Councillors	13	17,160	-	1,025	13	20,128
Increase in vacation accrual		115,064	-	-		19,361
		<u>\$ 8,542,559</u>	<u>\$ 48,450</u>	<u>\$ 1,218,595</u>		<u>\$ 9,144,970</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 \$72,354 and average benefits (columns c & d) are \$22,480 totaling \$94,834. (2005 - \$85,096).

(f) Average salary is \$53,834 and average benefits are \$9,265 totaling \$63,099. (2005 - \$60,866).