

**SPECIAL AREAS TRUST ACCOUNT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

Statement of Financial Position

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

Statement of Reserves

Statement of Equity in Physical Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Investments

Schedule of Salaries and Benefits



## Auditor's Report

To the Minister of Municipal Affairs

I have audited the statement of financial position of the Special Areas Trust Account as at December 31, 2008 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, 2008 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  
April 28, 2009

**SPECIAL AREAS TRUST ACCOUNT**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2008**

	2008	2007
<b><u>ASSETS</u></b>		
Financial Assets		
Current:		
Cash (Note 3)	\$ 37,477,537	\$ 24,636,662
Accounts receivable, net (Note 4)	3,398,194	5,298,543
Taxes receivable, net	281,206	359,667
	41,156,937	30,294,872
Non-current:		
Accounts receivable, net (Note 4)	3,602,480	3,769,601
Investments (Schedule 1)	25,408,664	26,774,426
<b>Total Financial Assets</b>	<b>70,168,081</b>	<b>60,838,899</b>
Physical Assets (Note 5)		
Capital assets	26,139,432	24,980,170
Inventories	5,435,803	4,093,850
<b>Total Physical Assets</b>	<b>31,575,235</b>	<b>29,074,020</b>
	<b>\$ 101,743,316</b>	<b>\$ 89,912,919</b>
<b><u>LIABILITIES AND TRUST EQUITY</u></b>		
Current:		
Accounts payable and accruals	\$ 4,894,770	\$ 2,660,890
Deferred revenues	482,596	487,284
Deferred provincial grant revenue (Note 6)	717,754	2,344,225
Due to Province of Alberta, net (Note 7)	3,741,266	1,287,915
Current portion of long term loan (Note 8)	693,777	-
	10,530,163	6,780,314
Non-current:		
Long term loan (Note 8)	7,468,652	-
Provision for gravel pit reclamation (Note 9)	1,640,000	1,550,000
<b>Total Liabilities</b>	<b>19,638,815</b>	<b>8,330,314</b>
Equity:		
Accumulated excess of revenue over expenditure	7,108,877	4,413,560
Reserves	43,420,389	48,095,025
In physical assets	31,575,235	29,074,020
<b>Total Equity</b>	<b>82,104,501</b>	<b>81,582,605</b>
	<b>\$ 101,743,316</b>	<b>\$ 89,912,919</b>

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, 2008**

	<b>2008</b>		<b>2007</b>
	<b><u>BUDGET</u></b> (Note 19)	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
<b>Revenue</b>			
General municipal:			
Taxation			
Power and pipeline	\$ 25,952,500	\$ 28,864,565	\$ 26,090,461
Real property	6,430,000	7,618,014	6,464,233
Grazing and cultivation	768,000	737,789	771,910
Penalties and costs on taxes	75,000	66,950	16,581
	<u>33,225,500</u>	<u>37,287,318</u>	<u>33,343,185</u>
Less amounts expended by transfers:			
Alberta School Foundation Fund	13,968,000	14,248,914	13,965,429
Seniors Foundation requisitions	2,014,000	2,913,318	1,963,922
	<u>15,982,000</u>	<u>17,162,232</u>	<u>15,929,351</u>
Net taxes for municipal purposes	17,243,500	20,125,086	17,413,834
Provincial grants (Note 10)	8,746,163	8,412,752	4,033,517
Leases (Note 11)	7,862,195	7,337,642	9,435,617
Interest	2,075,500	2,181,872	2,187,496
Tax recovery land sales	2,200,000	1,114,897	1,741,655
Other (Note 12)	4,271,800	5,130,205	3,497,999
<b>Total revenue, carried forward</b>	<b>\$ <u>42,399,158</u></b>	<b>\$ <u>44,302,454</u></b>	<b>\$ <u>38,310,118</u></b>

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, 2008**

	2008		2007
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 19)		
<b>Total revenue, brought forward</b>	\$ <u>42,399,158</u>	\$ <u>44,302,454</u>	\$ <u>38,310,118</u>
<b>Expenditure</b>			
General municipal:			
Transportation services	29,884,755	31,456,759	27,939,350
Administrative services	4,470,150	4,420,790	4,328,594
Agriculture and community pasture services	3,123,381	4,248,372	2,385,668
Recreational and cultural services	2,387,713	2,216,018	1,946,977
Protective services	2,546,963	1,945,711	1,570,887
Water and sanitation services	3,009,614	1,769,923	1,846,530
Industrial tax transfers	200,000	224,200	198,912
<b>Total expenditure (Note 13, 15 and 16)</b>	<u>45,622,576</u>	<u>46,281,773</u>	<u>40,216,918</u>
<b>(Deficiency) excess of revenue over expenditure</b>	\$ <u><u>(3,223,418)</u></u>	(1,979,319)	(1,906,800)
 Accumulated excess of revenue over expenditure at beginning of year		4,413,560	4,920,033
		2,434,241	3,013,233
Less: transfers (to) from tax recovery land sales reserve (Note 17):			
Phase I	-	(7,182)	39,902
Phase II	-	-	(203,566)
Phase III	(2,450,000)	(991,600)	(1,551,100)
	<u>(2,450,000)</u>	<u>(998,782)</u>	<u>(1,714,764)</u>
Add: transfer from tax recovery land sales reserve (Note 17):			
Phase II	5,673,418	5,673,418	3,115,091
	\$ <u>3,223,418</u>	<u>4,674,636</u>	<u>1,400,327</u>
<b>Accumulated excess of revenue over expenditure at end of year</b>		\$ <u><u>7,108,877</u></u>	\$ <u><u>4,413,560</u></u>
 <b>Increase (decrease) in accumulated excess of revenue over expenditure during the year</b>	\$ <u><u>-</u></u>	\$ <u><u>2,695,317</u></u>	\$ <u><u>(506,473)</u></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, 2008**

	<u>2008</u>	<u>2007</u>
<b>Tax recovery land sales reserves :</b>		
Phase I		
Balance at beginning of year	\$ 39,230,508	\$ 39,270,410
Add (deduct) transfers of accumulated excess of revenue over expenditure (Note 17)	7,182	(39,902)
Balance at end of year	<u>39,237,690</u>	<u>39,230,508</u>
Phase II		
Balance at beginning of year	945,118	3,856,643
Add transfers of accumulated excess of revenue over expenditure (Note 17)	-	203,566
Deduct transfers of funds to operations (Note 17)	(945,118)	(3,115,091)
Balance at end of year	<u>-</u>	<u>945,118</u>
Phase III		
Balance at beginning of year	7,918,080	6,366,980
Add transfer from accumulated excess of revenue over expenditure (Note 17)	991,600	1,551,100
Deduct transfers of funds to operations (Note 17)	(4,728,300)	-
Balance at end of year	<u>4,181,380</u>	<u>7,918,080</u>
Total balance at end of year	43,419,070	48,093,706
<b>Public reserve:</b>		
Balance at beginning and end of year	<u>1,319</u>	<u>1,319</u>
<b>Total reserves</b>	<b>\$ <u>43,420,389</u></b>	<b>\$ <u>48,095,025</u></b>

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, 2008**

	<u>2008</u>	<u>2007</u>
<b>Equity in capital assets at beginning of year</b>	\$ 24,980,170	\$ 22,549,004
Add purchase of capital assets:		
Transportation services	4,231,983	4,301,772
Administrative services	467,889	804,648
Protective services	684,603	373,351
Agriculture and community pasture services	317,505	350,474
Water and sanitation services	333,650	279,388
Recreation and cultural services	156,188	148,824
	<u>6,191,818</u>	<u>6,258,457</u>
Annual amortization of capital assets	<u>(2,546,587)</u>	<u>(2,399,487)</u>
Disposal of capital assets	<u>(2,485,969)</u>	<u>(1,427,804)</u>
<b>Equity in capital assets at end of year (Note 5)</b>	\$ <u>26,139,432</u>	\$ <u>24,980,170</u>
<b>Equity in inventories at beginning of year</b>	\$ 4,093,850	\$ 3,038,186
Add purchases and other inventory costs	3,958,225	3,130,829
Deduct requisitions	<u>(2,616,272)</u>	<u>(2,075,165)</u>
<b>Equity in inventory at end of year (Note 5)</b>	\$ <u>5,435,803</u>	\$ <u>4,093,850</u>
<b>Equity in physical assets at end of year</b>	\$ <u>31,575,235</u>	\$ <u>29,074,020</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, 2008**

	<b>2008</b>	<b>2007</b>
<b>Operating activities:</b>		
Excess of expenditure over revenue	\$ (1,979,319)	\$ (1,906,800)
Amortization of investment premiums, less discounts	100,043	104,814
Gain on sale of investments	(65,119)	(68,213)
Increase in provision for gravel pit reclamation	90,000	150,000
Sale of capital assets	(2,485,969)	(1,427,804)
Purchase of capital assets	6,191,818	6,258,457
Increase in inventories	1,341,954	1,055,663
	<u>3,193,408</u>	<u>4,166,117</u>
Changes in non-cash working capital accounts:		
Accounts receivable	1,900,349	(1,755,383)
Taxes receivable, net	78,461	22,321
Accounts payable and accruals	2,233,880	(63,514)
Deferred lease revenue	(4,688)	(132,835)
Deferred provincial grant revenue	(1,626,471)	2,262,242
Due to Province of Alberta, net	2,453,351	597,251
Current portion of long term debt	693,777	-
Inventories	(1,341,954)	(1,055,663)
	<u>4,386,705</u>	<u>(125,581)</u>
Cash provided by operating activities	<u>7,580,113</u>	<u>4,040,536</u>
<b>Investing activities:</b>		
Net change in non - current accounts receivable	167,121	(354,634)
Proceeds from redemption of investments	6,980,420	8,538,676
Purchase of investments	(5,649,582)	(8,846,985)
Sale of capital assets	2,485,969	1,427,804
Purchase of capital assets	(6,191,818)	(6,258,457)
Cash applied to investing activities	<u>(2,207,890)</u>	<u>(5,493,596)</u>
<b>Financing activities:</b>		
Increase in long term loan	7,468,652	-
Cash provided by financing activities	<u>7,468,652</u>	<u>-</u>
<b>Increase (decrease) in cash</b>	12,840,875	(1,453,060)
Cash at the beginning of year	<u>24,636,662</u>	<u>26,089,722</u>
<b>Cash at end of year</b>	<u>\$ 37,477,537</u>	<u>\$ 24,636,662</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, 2008**

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 1.090 million acres of tax recovery land remains unsold as at December 31, 2008 (2007 - 1.105 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 1.587 million acres (2007 - 1.588 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, 2008**

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 Salvage Value
	Year 1	Year 2	Year 3 and Thereafter	
	%	%	%	
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) Tangible Capital Assets

Effective January 1, 2007, The Board adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2008**

Note 2 (f) Prior to January 1, 2007, The Board previously recorded tangible capital assets including assets held under capital leases at cost in the period they were acquired on the statement of financial position and as an expenditure.  
 (cont'd)

During 2008, The Board continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, The Board is compliant with PSG-7 in the following categories (Note 5); land, buildings, engineered structures, machinery and equipment, mobile equipment, EDP hardware, EDP software and vehicles.

A rate of amortization for the roads, land right of ways, bridges, water lines and wastewater lines is currently underway and is expected to be completed for presentation in the following format for the December 31, 2009 Financial Statements.

	<u>Annual Amortization</u>			Estimated Salvage Value
	Year 1	Year 2	Year 3 and Thereafter	
Roads	-	-	-	-
Land right of ways	-	-	-	-
Bridges	-	-	-	-
Water lines	-	-	-	-
Wastewater lines	-	-	-	-

A complete listing of assets and values for the roads, land right of ways, bridges, water lines and wastewater lines are currently underway and is expected to be completed for presentation in the following format for the December 31, 2009 financial statements.

	<u>2009</u>			<u>2008</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Capital Assets:				
Roads	\$ -	\$ -	\$ -	\$ -
Land right of ways	-	-	-	-
Bridges	-	-	-	-
Water lines	-	-	-	-
Wastewater lines	-	-	-	-
Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2008**

Note 2 (g) Pensions

(cont'd) 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.

(h) Financial Instruments

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

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

The fair value of investments 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, 2008, securities held by the Fund have an average effective market yield of 3.47% per annum (2007 - 4.41% per annum). It is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2008**

Note 4 Accounts Receivable, Net

Accounts receivable, net of applicable allowances for doubtful accounts of \$88,261 (2007 - \$94,474), are comprised of the following:

	<u>2008</u>	<u>2007</u>
Current:		
From sale of tax recovery land & related mineral surface leases	\$ 463,902	\$ 492,946
Accrued interest	79,100	89,950
	<u>543,002</u>	<u>582,896</u>
Secondary highway rentals	1,189,292	3,506,174
Sand and gravel	405,961	7,577
Accrued interest on investments	160,746	196,160
Leases	147,977	178,772
High speed wireless	168,897	173,450
Local improvement recoveries	99,891	83,122
Miscellaneous	682,428	570,392
	<u>\$ 3,398,194</u>	<u>\$ 5,298,543</u>
Non-current:		
From sale of tax recovery land and related mineral surface leases	\$ 2,813,898	\$ 3,247,376
High speed wireless	356,174	306,757
Other	432,408	215,468
	<u>\$ 3,602,480</u>	<u>\$ 3,769,601</u>

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

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

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

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2008**

Note 5 Physical Assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Capital Assets:				
Mobile equipment	\$ 17,170,786	\$ 4,936,741	\$ 12,234,045	\$ 12,149,582
Buildings / Eng. structures	10,489,062	3,688,257	6,800,805	6,261,021
Automotive equipment	10,872,514	6,563,577	4,308,937	3,743,162
Machinery and equipment	3,337,036	1,814,996	1,522,040	1,311,030
Land	1,036,729	89,563	947,166	1,005,007
Electronic data processing				
- Software	1,284,420	1,137,720	146,700	215,474
- Hardware	1,103,436	923,697	179,739	294,894
Capital Assets	<u>\$ 45,293,983</u>	<u>\$ 19,154,551</u>	<u>\$ 26,139,432</u>	<u>\$ 24,980,170</u>
	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	\$ 1,054,053	\$ 10,541	\$ 1,043,512	\$ 1,017,271
Gravel	4,150,617	-	4,150,617	2,786,105
Culverts	88,451	-	88,451	103,878
Fuel	79,556	-	79,556	85,237
Fencing	61,188	-	61,188	79,060
Chemicals and other	12,479	-	12,479	22,299
Inventory	<u>\$ 5,446,344</u>	<u>\$ 10,541</u>	<u>5,435,803</u>	<u>4,093,850</u>
Total physical assets			<u>\$ 31,575,235</u>	<u>\$ 29,074,020</u>

Note 6 Deferred Provincial Grant Revenue

	2008	2007
Municipal Affairs and Housing	\$ 565,168	\$ 2,255,628
Transportation	105,996	88,597
Children and Youth Services	41,220	-
Agriculture and Rural Development	5,370	-
	<u>\$ 717,754</u>	<u>\$ 2,344,225</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2008**

Note 7 Due to Province of Alberta, Net

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

	2008	2007
Due from Province of Alberta:		
Transportation	\$ 701,878	\$ 254,297
Infrastructure	37,500	37,500
Agriculture and Rural Development	181,600	122,925
Finance	95,587	-
Other	8,730	25,160
	1,025,295	439,882
Due to Province of Alberta:		
Transportation	(4,413,383)	(1,373,840)
Environment	(208,235)	(206,374)
Other	(144,943)	(147,583)
	(4,766,561)	(1,727,797)
Due to Province of Alberta, net	\$ (3,741,266)	\$ (1,287,915)

Note 8 Long Term Loan - Alberta Capital Finance Authority (ACFA)

The Board has entered into two 10-year term loans with the AFCA bearing interest at 4.39% and 4.01% respectively). Semi-annual installments of \$514,600 (\$263,223 and \$251,377 respectively), are due in June and December each year. The loan is for the purpose of providing financing for the upgrades to the seniors lodges in Oyen, Consort and Hanna and are issued on the credit and security of The Board at large. Repayments are as follows:

	Principal	Interest	Total
2009	\$ 693,777	\$ 335,424	\$ 1,029,201
2010	\$ 723,236	\$ 305,965	\$ 1,029,201
2011	753,949	275,252	\$ 1,029,201
2012	785,968	243,233	\$ 1,029,201
2013	819,350	209,851	\$ 1,029,201
Thereafter	4,386,149	496,634	\$ 4,882,783
Long term	\$ 7,468,652	\$ 1,530,935	\$ 8,999,587

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2008**

Note 9 Provision for Gravel Pit Reclamation

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

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

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

Note 10 Provincial Grants

	<u>2008</u>	<u>2007</u>
Municipal Affairs and Housing	\$ 4,916,740	\$ 472,174
Transportation	2,462,408	2,797,885
Agriculture and Rural Development	453,256	302,328
Environment	208,300	100,000
Children and Youth Services	122,171	122,171
Health and Wellness	118,346	132,139
Infrastructure	111,436	85,281
Tourism, Parks and Recreation	16,000	16,000
Employment and Immigration	4,095	5,539
	<u>\$ 8,412,752</u>	<u>\$ 4,033,517</u>

Note 11 Lease Revenue

	<u>2008</u>	<u>2007</u>
Mineral surface leases	\$ 3,542,772	\$ 3,521,439
Equipment rentals	1,376,120	3,386,479
Grazing leases	1,084,184	1,249,906
Community pastures	461,257	456,622
Cultivation leases	318,097	330,250
Other	555,212	490,921
	<u>\$ 7,337,642</u>	<u>\$ 9,435,617</u>



**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2008**

Note 12 Other Revenue

	<u>2008</u>	<u>2007</u>
Proceeds on sale of capital assets	\$ 2,225,988	\$ 1,623,592
Sale of sand and gravel	1,164,670	142,553
Park permits and concessions	439,563	440,750
Municipal services cost recovery	250,775	199,286
License, permits, assignments and application fees	237,380	192,581
Fuel tax rebates	161,749	-
Oil well drilling taxes	112,013	139,918
Miscellaneous	538,067	759,319
	<u>\$ 5,130,205</u>	<u>\$ 3,497,999</u>

Note 13 Total Expenditure

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

	<u>2008</u>	<u>2007</u>
Materials, goods, and utilities	\$ 12,722,058	\$ 11,346,803
Manpower (Schedule 2)	11,728,574	10,850,617
Contract and general services	11,152,171	9,195,109
Capital assets acquired	6,191,818	6,258,457
Grants	3,858,151	2,075,866
Goods and services from Alberta Government departments		
Alberta Finance		
Risk Management	180,390	159,044
Investment fees	10,420	4,292
Alberta Municipal Affairs		
Linear assessment	91,218	86,629
Government Services	16,327	17,765
Industrial tax transfers	224,200	198,912
Interest on long-term debt	107,185	-
Provision for doubtful accounts	(739)	23,424
	<u>\$ 46,281,773</u>	<u>\$ 40,216,918</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2008**

Note 14 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 2008 to the PSPP were \$332,904 (2007 - \$302,888) and to the MEPP were \$170,587 (2007 - \$152,895).

At December 31, 2007, the PSPP reported a deficit of \$92,070,000 (2006 surplus - \$153,024,000) and the MEPP reported a deficiency of \$84,341,000 (2006 - \$6,765,000). Figures as at December 31, 2008 are not available.

Note 15 Related Party Transactions

Expenditures for goods and services are conducted in the normal course of operations with the Province of Alberta and are billed to the Board as disclosed in Note 13.

Grants provided by the Province of Alberta are disclosed in Note 10 and the amounts outstanding at the end of the year are disclosed in Note 6.

During 2008, the Board received funds as agent for Alberta Environment amounting to \$208,235 (2007 - \$206,374), all of which is included as due to the Department at the end of the year.

Note 16 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.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2008**

Note 17 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 \$	7,182	\$ -	\$ 991,600	\$ 998,782
Transfers	-	(945,118)	-	(945,118)
Interest	-	(4,728,300)	-	(4,728,300)
	<u>\$ 7,182</u>	<u>\$ (5,673,418)</u>	<u>\$ 991,600</u>	<u>\$ (4,674,636)</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. Phase II reserves were expended during the year, therefore no investment interest was earned.

Note 18 Contractual Obligations

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

2009	\$ 1,346,544
2010	1,346,544
2011	1,073,443
2012	<u>477,825</u>
	<u>\$ 4,244,356</u>

The Board has also 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.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2008**

Note 19 Budget (unaudited)

The 2008 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs and Housing in January 2008.

Note 20 Comparative Figures

Certain 2007 figures have been reclassified to conform to 2008 presentation.

Note 21 Approval of Financial Statements

These financial statements have been approved by the Board.



**SPECIAL AREAS TRUST ACCOUNT  
SCHEDULE OF SALARIES AND BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008				2007		
	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	142,896	15,326	35,232	193,454	1	179,974
Special Areas Board members	2	10,374	-	1,097	11,471	2	7,880
Director of Finance and Administration	1	105,069	11,648	26,629	143,346	1	134,341
Director of Municipal Services	1	104,271	11,032	7,700	123,003	1	117,400
Director of Properties Administration	1	104,271	6,028	26,469	136,768	1	131,682
Roads & Equipment Superintendent	1	93,327	10,024	24,264	127,615	1	80,166
Managers (e)	4	363,648	20,593	93,672	477,913	4	442,885
Other full time staff (f)	85.0	5,021,101	-	910,258	5,931,359	81.0	5,424,912
Part time and casual wage staff		3,933,398	-	477,069	4,410,467		4,304,861
Other Boards and committees		47,583	-	2,432	50,015		39,852
Advisory Councillors	13	24,060	-	505	24,565	13	19,808
Increase (Decrease) in vacation accrual		98,598	-	-	98,598		(33,144)
		<u>\$ 10,048,596</u>	<u>\$ 74,651</u>	<u>\$ 1,605,327</u>	<u>\$ 11,728,574</u>		<u>\$ 10,850,617</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 \$90,912 and average benefits (column c & d) are \$28,566 totaling \$119,478 (2007 - \$110,722).

(f) Average salary is \$59,072 and average benefits are \$10,709 totaling \$69,781 (2007 - \$66,974).