

SPECIAL AREAS TRUST ACCOUNT

FINANCIAL STATEMENTS

DECEMBER 31, 2017

Letter from Management

Independent Auditor's Report

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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 Public Sector Accounting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management has developed and maintains the necessary accounting systems and related internal control systems to provide reasonable assurance, that transactions are authorized, assets are properly accounted for and safeguarded, and that financial records are properly maintained to provide reliable information for the preparation of financial statements.

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

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

Chair, Special Areas Board

Director of Finance and Administration

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Special Areas Trust Account, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2017, and the results of its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Auditor General

April 24, 2018

Edmonton, Alberta

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash and cash equivalents (Note 4)	\$ 31,352,073	\$ 38,097,061
Accounts receivable (Note 5)	3,307,118	4,167,818
Notes receivable (Note 6)	8,403,034	10,566,785
Due from Province of Alberta (Note 7)	4,092,804	258,112
Due from Government of Canada (Note 8)	909,585	338,839
Taxes receivable (Note 9)	471,741	703,880
	<u>48,536,355</u>	<u>54,132,495</u>
Investments (Schedule 1)	29,105,414	29,358,818
Total Financial Assets	<u>77,641,769</u>	<u>83,491,313</u>
Liabilities		
Accounts payable and accruals	3,484,351	2,997,341
Vacation accruals	1,148,375	1,155,108
Deferred revenues	388,404	443,093
Due to Province of Alberta (Note 7)	654,767	786,900
	<u>5,675,897</u>	<u>5,382,442</u>
Long-term debt (Note 10)	5,124,731	7,811,101
Provision for gravel pit reclamation (Note 11)	3,150,000	2,537,000
Total Liabilities	<u>13,950,628</u>	<u>15,730,543</u>
Net Financial Assets (Schedule 3)	63,691,141	67,760,770
Non-financial assets		
Prepaid expenses	246,772	121,486
Tangible capital assets (Schedule 6)	222,792,337	220,190,231
Inventory (Note 12)	9,109,022	6,907,658
	<u>232,148,131</u>	<u>227,219,375</u>
Accumulated Surplus (Note 13)	<u><u>\$ 295,839,272</u></u>	<u><u>\$ 294,980,145</u></u>

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

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		2016
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 14)		
Revenues			
Net taxes for municipal purposes (Note 15)	30,474,328	30,204,532	31,070,977
Leases (Note 16)	8,942,280	12,302,371	9,738,391
Government transfers for operating (Note 17)	5,884,884	6,451,977	7,150,247
Government transfers for capital (Note 17)	1,311,699	1,311,699	2,073,317
Interest	1,135,149	1,167,306	1,263,997
Tax recovery land sales	85,000	561,089	476,861
Gain on sale of tangible capital assets	100,000	97,687	13,095
Other revenue (Note 18)	2,093,500	3,146,350	3,142,767
Total revenues	<u>50,026,840</u>	<u>55,243,011</u>	<u>54,929,652</u>
Expenses			
Transportation services	22,999,792	30,285,823	24,490,762
Administrative services	5,068,614	5,310,911	5,261,608
Water and sanitation services	3,225,813	3,287,982	5,648,736
Agriculture and community development	2,637,113	2,634,868	2,625,845
Recreational and cultural services	2,301,407	2,258,462	2,592,452
Protective services	1,613,168	1,939,617	2,325,426
Industrial tax transfers	580,000	580,000	580,000
Amortization	7,861,787	8,086,221	7,977,583
Total expenses (Note 19)	<u>46,287,694</u>	<u>54,383,884</u>	<u>51,502,412</u>
Excess of revenues over expenses	\$ 3,739,146	\$ 859,127	\$ 3,427,240
Accumulated surplus at beginning of year	<u>294,980,145</u>	<u>294,980,145</u>	<u>291,552,905</u>
Accumulated surplus at end of year	\$ <u>298,719,291</u>	\$ <u>295,839,272</u>	\$ <u>294,980,145</u>

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

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		2016
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 14)		
Excess of revenue over expenses	\$ 3,739,146	\$ 859,127	\$ 3,427,240
Acquisition of tangible capital assets	(4,713,549)	(6,333,484)	(6,380,661)
Construction of roads and road surfaces	(10,384,980)	(5,500,815)	(5,289,039)
Gain on sale of tangible capital assets	(100,000)	(97,687)	(13,095)
Proceeds on disposal of tangible capital assets	745,000	1,243,659	388,209
Amortization of tangible capital assets	7,861,787	8,086,221	7,977,583
Change in prepaid assets	-	(125,286)	(1,584)
Change in inventory	-	(2,201,364)	(324,777)
Increase in net financial assets	(2,852,596)	(4,069,629)	(216,124)
Net financial assets, beginning of year	<u>67,760,770</u>	<u>67,760,770</u>	<u>67,976,894</u>
Net financial assets, end of year	<u><u>\$ 64,908,174</u></u>	<u><u>\$ 63,691,141</u></u>	<u><u>\$ 67,760,770</u></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, 2017

	<u>2017</u>	<u>2016</u>
Operating activities:		
Excess of revenues over expenses	\$ 859,127	\$ 3,427,240
Amortization of investment premiums, less discounts	283,316	262,794
Gain on sale of investments	(34,224)	(30,179)
Amortization of tangible capital assets	8,086,221	7,977,583
Amortization relating to self-constructed assets	(1,713,123)	(1,730,978)
Gain on sale of tangible capital assets	(97,687)	(13,095)
Increase in provision for gravel pit reclamation	613,000	-
	<u>7,996,630</u>	<u>9,893,365</u>
Changes in non-cash operating items:		
Prepaid assets and accounts receivable	735,414	(10,051)
Due from Province of Alberta	(3,834,692)	307,638
Due from Government of Canada	(570,746)	(338,839)
Taxes receivable	232,139	217,548
Accounts payable and accruals	480,277	(72,595)
Deferred revenues	(54,689)	49,772
Deferred government grant revenue	-	(356,677)
Due to Province of Alberta	(132,133)	401,205
Inventory	(2,201,364)	(324,777)
	<u>(5,345,794)</u>	<u>(126,776)</u>
Cash provided by operating activities	<u>2,650,836</u>	<u>9,766,589</u>
Capital activities:		
Proceeds of sale of tangible capital assets	1,243,659	388,209
Purchase of tangible capital assets	(10,121,176)	(9,938,722)
Cash applied to capital activities	<u>(8,877,517)</u>	<u>(9,550,513)</u>
Investing activities:		
Net change in notes receivable	2,163,751	1,857,326
Proceeds from redemption of investments	12,020,497	11,517,201
Purchase of investments	(12,016,186)	(12,272,830)
Cash provided by investing activities	<u>2,168,062</u>	<u>1,101,697</u>
Financing activities:		
Long term debt repaid	(2,686,369)	(2,590,558)
Cash applied to financing activities	<u>(2,686,369)</u>	<u>(2,590,558)</u>
Decrease in cash and cash equivalents	<u>(6,744,988)</u>	<u>(1,272,785)</u>
Cash and cash equivalents at the beginning of year	<u>38,097,061</u>	<u>39,369,846</u>
Cash and cash equivalents at the end of year	<u><u>\$ 31,352,073</u></u>	<u><u>\$ 38,097,061</u></u>

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

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Authority and Purpose

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

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

Note 2 Significant Accounting Policies

(a) General

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

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

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

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2 (c) Land

(cont'd) Tax recovery land, including any mineral surface leases attached thereto, was acquired for insignificant amounts and is not recorded in the Statement of Financial Position. Approximately 0.938 million acres of tax recovery land remains unsold as at December 31, 2017 (2016 - 0.946 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 (2016 - 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, 2017, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2016 - 0.012 million acres) and are not recorded in the Statement of Financial Position.

(d) Use of Estimates

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

(e) Contaminated Site Liability

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

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2 (f) Financial Instruments

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

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

The fair value of investments are disclosed on Schedule 1.

(g) Requisition over/under levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(h) Investments

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

(i) Pensions

The Board participates in two multi-employer defined benefit pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Board accounts for its participation in these plans on a defined contribution basis. Pension costs included in these statements comprise of the cost of employer contributions for current service of employees during the year.

(j) Government Transfers

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

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

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2 (k) Non-financial Assets

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

Prepaid expenses

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

Inventory

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

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Tangible Capital Assets

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

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

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

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2 (k) Non-financial Assets

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

The cost of tangible capital assets shown on the statement of financial position is amortized to estimated salvage value in a manner that reflects the consumption of their future economic benefits at the following rates (rates and values expressed as a percentage of original cost):

	<u>Annual Amortization</u>			Estimated Salvage Value
	Year 1	Year 2	Year 3 and Thereafter	
	%	%	%	%
Mobile equipment	5.00	5.00	5.00	5.00
Buildings	2.50	2.50	2.50	2.50
Engineered structures	2.50	2.50	2.50	2.50
Automotive equipment	20.00	15.00	10.00	10.00
Machinery and equip.	6.67	6.67	6.67	6.67
Electronic data processing				
- Hardware	40.00	30.00	20.00	0.00
- Software	25.00	25.00	25.00	0.00
Road infrastructure	0.25 to 10.00	0.25 to 10.00	0.25 to 10.00	30.00 to 90.00
Water/wastewater lines	2.50	2.50	2.50	0.00
Dams	2.50	2.50	2.50	0.00

The portion of the cost of purchased land attributed to the value of gravel situated on the land, is amortized at the rate at which the gravel is excavated.

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

Note 3 Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting standards:

(a) PS2200 Related Party Disclosure and PS 3420 Inter-Entity Transactions
(effective April 1, 2017)

PS2200 defines a related party and establishes disclosures required for related party transactions; PS3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 3 Future Accounting Changes

(cont'd) (b) PS3210 Assets, PS3320 Contingent Assets, and PS3380 Contractual Rights
(effective April 1, 2017)

PS3210 provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS1000, and establishes general disclosure standards for assets; PS3320 defines and establishes disclosure standards on contingent assets; PS3380 defines and establishes disclosure standards on contractual rights.

(c) PS3430 Restructuring Transactions (effective April 1, 2018)

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

(d) PS3450 Financial Instruments (effective April 1, 2019)

The Board has not yet adopted this standard and has the option of adopting it in fiscal year 2019-20 or earlier. Adopting of this standard requires corresponding adoption of: PS2601, Foreign Currency Translation; PS1201, Financial Statement Presentation; and PS3041, Portfolio Investments in the same fiscal period. These standards provide guidance on; recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments.

Management is currently assessing the impact of these standards on the financial statements.

Note 4 Cash and cash equivalents

Cash includes funds held in the Consolidated Cash Investment Trust Fund of the Province of Alberta which is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term cashable fixed income securities with a maximum term-to-maturity of three years. As at December 31, 2017, the Board's portfolio of securities held by the Fund had an average effective yield of 0.95% per annum (2016 - 0.87% per annum).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 5 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of \$577,878 (2016 - \$212,103), are comprised of the following:

	<u>2017</u>	<u>2016</u>
Current:		
From sale of tax recovery land and related mineral surface leases	\$ 314,784	\$ 362,494
Accrued interest	<u>45,342</u>	<u>54,974</u>
	360,126	417,468
Leases	205,301	358,221
Agreement for sale of fixed assets	80,401	343,843
Oil well drilling	187,483	200,225
Parks permit receivable	136,498	136,498
Accrued interest on investments	78,484	76,263
Local improvement recoveries	73,291	71,816
Sheerness deadfish irrigation	43,723	36,005
Miscellaneous	<u>127,649</u>	<u>136,319</u>
	<u>\$ 1,292,956</u>	<u>\$ 1,776,658</u>
Non-current:		
From sale of tax recovery land and related mineral surface leases	\$ 1,849,534	\$ 2,182,304
Local improvement recoveries	164,045	208,856
Other	<u>583</u>	<u>-</u>
	<u>\$ 2,014,162</u>	<u>\$ 2,391,160</u>
	<u><u>\$ 3,307,118</u></u>	<u><u>\$ 4,167,818</u></u>

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

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Notes Receivable

Notes receivable are comprised of the following:

	<u>2017</u>	<u>2016</u>
Current:		
Acadia Foundation	\$ 2,595,087	\$ 2,560,281
Acadia Foundation - accrued interest	10,022	14,139
	<u>2,605,109</u>	<u>2,574,420</u>
Hanna Medical Centre	-	270,627
Big Country Waste Management Commission	203,284	157,733
Neutral Hills Child Care Society	71,319	56,200
Association of Consort & District Seniors Centre	40,550	-
Other	23,236	19,660
	<u>\$ 2,943,498</u>	<u>\$ 3,078,640</u>
Non-current:		
Acadia Foundation	\$ 3,600,224	\$ 6,195,310
Association of Consort & District Seniors Centre	770,450	545,000
Big Country Waste Management Commission	857,451	486,738
Neutral Hills Child Care Society	178,681	193,800
Other	52,730	67,297
	<u>\$ 5,459,536</u>	<u>\$ 7,488,145</u>
	<u><u>\$ 8,403,034</u></u>	<u><u>\$ 10,566,785</u></u>

The Acadia Foundation loan is a result of the Board entering into a memorandum of understanding with the other municipal members of the Acadia Foundation to borrow on behalf of the Acadia Foundation from the Alberta Capital Finance Authority. These funds were advanced to the Acadia Foundation for the construction and renovation of the seniors lodges in Oyen, Consort and Hanna. Repayment is based on the issuance of unsecured interest bearing promissory notes of either 10 or 25 year terms with respective interest rates ranging from 3.14% to 5.00% (2015 - 3.14% to 5.00%). Semi-annual payments totaling \$2,859,730 (2016 - \$2,859,730) were made in June and December. Interest revenue recognized as a result of this loan in 2017 was \$295,333 (2016 - \$386,888).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Notes Receivable

(cont'd) The Big Country Waste Management Commission note is a result of the board entering into a memorandum of understanding to advance funds to complete a new landfill cell construction at Youngstown. Repayment is based on the issuance of an unsecured interest bearing note of a 5 year term at 2.1347% interest.

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

The amount owed by the Association of Consort & District Seniors Centre is a result of the board entering into a memorandum of understanding to advance funds to complete a new community centre at Consort. Repayment terms will be determined in 2018.

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

2018	2,943,498
2019	2,063,969
2020	904,419
2021	500,208
2022	338,351
Thereafter	1,652,589
	<u>\$ 8,403,034</u>

Note 7 Due from Province of Alberta

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

	<u>2017</u>	<u>2016</u>
Due from Province of Alberta:		
Transportation	\$ 2,489,483	\$ 20,775
Municipal Affairs	809,132	96,284
Service Alberta	721,580	62,815
Environment and Parks	72,609	78,238
	<u>4,092,804</u>	<u>258,112</u>
Due to Province of Alberta:		
Environment and Parks	(536,679)	(507,278)
Other	(118,088)	(61,622)
Infrastructure	-	(218,000)
	<u>(654,767)</u>	<u>(786,900)</u>
Due (to) from Province of Alberta	<u>\$ 3,438,037</u>	<u>\$ (528,788)</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 8 Due from Government of Canada

	<u>2017</u>	<u>2016</u>
Department of Defence	\$ 678,828	\$ -
Infrastructure - SCF	230,757	96,284
Infrastructure - FGFT	<u>-</u>	<u>242,555</u>
	<u>\$ 909,585</u>	<u>\$ 338,839</u>

Note 9 Taxes Receivable

	<u>2017</u>	<u>2016</u>
Current taxes	\$ 1,260,509	\$ 783,611
Under levy	29,660	17,280
Tax arrears	<u>247,945</u>	<u>358,200</u>
	1,538,114	1,159,091
Less allowance for doubtful accounts:	<u>(1,066,373)</u>	<u>(455,211)</u>
	<u>\$ 471,741</u>	<u>\$ 703,880</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 10 Long-Term Debt

	<u>2017</u>	<u>2016</u>
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$263,223, including fixed interest at 4.39%, due June 2018	\$ 257,575	\$ 756,261
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$251,377, including fixed interest at 4.01%, due December 2018	488,021	957,037
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$493,631, including fixed interest at 3.34%, due December 2019	1,894,670	2,795,909
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$298,660, including fixed interest at 3.51%, due June 2020	1,417,705	1,951,108
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$162,114, including fixed interest at 3.14%, due June 2021	<u>1,066,760</u> 5,124,731	<u>1,350,786</u> 7,811,101
Less: current portion	<u>2,522,549</u>	<u>2,686,370</u>
	<u><u>\$ 2,602,182</u></u>	<u><u>\$ 5,124,731</u></u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 10 Long-Term Debt

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

2018	2,522,549
2019	1,837,218
2020	605,356
2021	<u>159,608</u>
	<u>\$ 5,124,731</u>

Interest on long-term debt for 2017 amounted to \$247,384 (2016 - \$343,348).

The total cash payments for interest in 2017 were \$251,642 (2016 - \$347,452).

Note 11 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 2017 it was estimated that 878,768 cubic meters (2016 - 845,690 cubic meters) of gravel pits were exposed for a total liability of \$3,150,000 (2016 - \$2,537,000).

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

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

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 12 Inventory

	2017			2016
	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	\$ 1,729,997	\$ 29,536	\$ 1,700,461	\$ 1,589,684
Gravel	6,919,500	-	6,919,500	4,778,511
Culverts	112,723	-	112,723	96,757
Fuel	209,717	-	209,717	278,015
Fencing	71,881	-	71,881	58,417
Chemicals and other	94,740	-	94,740	106,274
Inventory	<u>\$ 9,138,558</u>	<u>\$ 29,536</u>	<u>\$ 9,109,022</u>	<u>\$ 6,907,658</u>

Note 13 Accumulated Surplus

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

	2017	2016
Equity in tangible capital assets	\$ 222,792,337	\$ 220,190,231
Equity in inventory	9,109,022	6,907,658
Unrestricted operational surplus	9,047,816	13,504,876
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales	<u>54,890,097</u>	<u>54,377,380</u>
Total Accumulated Surplus (Schedule 4)	<u>\$295,839,272</u>	<u>\$294,980,145</u>

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

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 14 Budget

The 2017 municipal budget was adopted by the Board in November 2016 and approved by the Minister of Municipal Affairs in February 2017. The budget was prepared on a cash basis. A reconciliation to that basis is as follows:

	2017		2016
	Budgeted	Actual	Actual
Excess of revenues over expenses	\$ 3,739,146	\$ 859,127	\$ 3,427,240
Acquisition of tangible capital assets	(4,713,549)	(6,333,484)	(6,380,661)
Construction of road and road surfaces	(10,384,980)	(5,500,815)	(5,289,039)
Loss on sale of tangible capital assets	(100,000)	(97,687)	(13,095)
Proceeds on disposal of tangible capital assets	745,000	1,243,659	388,209
Amortization of tangible capital assets	7,861,787	8,086,221	7,977,583
	(2,852,596)	(1,742,979)	110,237
Tax Recovery Land Sales - transferred to internally restricted reserves (Schedule 4)	-	(512,717)	(432,925)
(Deficit, as per Budget)	<u>\$ (2,852,596)</u>	<u>\$ (2,255,696)</u>	<u>\$ (322,688)</u>

Note 15 Taxation

	2017		2016
	Budgeted	Actual	Actual
Power and pipeline	\$ 34,020,897	\$ 33,444,686	\$ 35,924,021
Real property	12,987,042	12,852,184	12,816,892
Grazing and cultivation	739,324	738,695	734,559
Penalties and costs on taxes	400,000	276,640	173,042
	48,147,263	47,312,205	49,648,514
Less amounts expended by transfers:			
Alberta School Foundation Fund	\$ 12,890,303	\$ 12,168,895	\$ 12,890,303
Seniors Foundation	4,229,632	3,956,075	4,229,632
Bad Debt	553,000	982,703	1,457,602
	<u>\$ 17,672,935</u>	<u>\$ 17,107,673</u>	<u>\$ 18,577,537</u>
Net taxes for municipal purposes	<u>\$ 30,474,328</u>	<u>\$ 30,204,532</u>	<u>\$ 31,070,977</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 16 Leases

	2017		2016
	Budgeted	Actual	Actual
Equipment rentals	\$ 1,989,900	\$ 5,456,839	\$ 1,994,315
Mineral surface leases	3,300,000	3,307,052	3,273,835
Grazing leases	1,970,000	1,846,974	2,822,444
Community pastures	732,400	724,131	702,301
Cultivation leases	398,000	401,331	391,369
Easements	100,000	140,657	92,858
Miscellaneous leases	125,000	123,073	121,425
Rights of entry	100,000	94,903	94,801
Other	226,980	207,411	245,043
	<u>\$ 8,942,280</u>	<u>\$ 12,302,371</u>	<u>\$ 9,738,391</u>

Note 17 Government Transfers

	2017		2016
	Budgeted	Actual	Actual
Transfers for operating:			
Municipal Affairs	\$ 3,199,738	\$ 3,437,197	\$ 4,437,982
Transportation	1,551,720	1,551,720	1,551,720
Department of Defense	-	678,828	-
Agriculture and Forestry	749,495	500,266	756,604
Human Services	176,931	177,362	176,500
Infrastructure	207,000	106,604	223,328
Culture and Tourism	-	-	4,113
	<u>\$ 5,884,884</u>	<u>\$ 6,451,977</u>	<u>\$ 7,150,247</u>
Transfers for capital:			
Municipal Affairs	<u>\$ 1,311,699</u>	<u>\$ 1,311,699</u>	<u>\$ 2,073,317</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 18 Other Revenue

	2017		2016
	Budgeted	Actual	Actual
Oil well drilling tax revenue	\$ 100,000	\$ 1,197,402	\$ 533,904
Park permits and concession revenues	641,000	635,755	592,824
Licence, assignment and application fees	396,000	412,973	579,759
Water sales	255,000	302,968	269,376
Fire cost recoveries	100,000	107,666	81,480
Gravel sales	160,000	97,387	212,858
Bylaw enforcement cost recoveries	55,000	57,933	61,452
Cost recoveries	59,000	43,350	502,284
Other	327,500	290,916	308,830
	<u>\$ 2,093,500</u>	<u>\$ 3,146,350</u>	<u>\$ 3,142,767</u>

Note 19 Total Expenses

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

	2017		2016
	Budgeted	Actual	Actual
Manpower (Schedule 2)	\$ 18,858,019	\$ 18,285,822	\$ 18,817,151
Materials, goods, and utilities	15,081,454	15,353,491	14,327,785
Contract and general services	11,135,231	14,696,442	11,887,289
Amortization of tangible capital assets	7,861,787	8,086,221	7,977,583
Grants	2,094,542	1,708,761	1,873,627
Industrial tax transfers	580,000	580,000	580,000
Interest on long-term debt	251,641	247,384	343,348
Goods and services from Alberta Government departments			
Alberta Environment	350,000	235,063	460,692
Alberta Treasury Board & Finance	305,000	304,859	308,767
Alberta Municipal Affairs	135,000	19,357	130,741
Provision for doubtful accounts	20,000	367,299	84,468
Less:			
Internal road projects capitalized in the year	(10,384,980)	(5,500,815)	(5,289,039)
	<u>\$ 46,287,694</u>	<u>\$ 54,383,884</u>	<u>\$ 51,502,412</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 19 Total Expenses

(cont'd) Included in manpower, materials, goods and utilities and contract and general services, are \$14,844,207 of expenses (2016 - \$9,609,972). These expenses were incurred in the normal course of road construction and road surfacing work performed on secondary highways that are the property of the Department of Transportation.

Note 20 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>2017</u>	<u>2016</u>
Total debt limit	\$ 80,896,968	\$ 79,284,503
Total debt	<u>5,124,731</u>	<u>7,811,101</u>
Amount of debt limit unused	<u>\$ 75,772,237</u>	<u>\$ 71,473,402</u>
Debt servicing limit	\$ 13,482,828	\$ 13,214,084
Debt servicing	<u>2,938,010</u>	<u>2,938,010</u>
Amount of debt servicing limit unused	<u>\$ 10,544,818</u>	<u>\$ 10,276,074</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 21 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 19.

Grants provided by the Province of Alberta are disclosed in Note 17 and the amounts outstanding at the end of the year are disclosed in Note 7.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 22 Pension Plan

The Board participates with other employers in the Public Service Pension Plan ("PSPP") and the Management Employees Pension Plan ("MEPP"). These plans provide pensions for the Board's employees based on years of service and earnings. The Board's contribution to the PSPP is 11.70% up to the CPP threshold of \$52,500, and 16.72% thereafter. The Board's contribution to the MEPP is 21.85% up to the Salary Cap of \$138,500.

Total current contributions by the Board in 2017 to the PSPP were \$972,978 (2016 - \$962,171) and to the MEPP were \$185,309 (2016 - \$213,058).

At December 31, 2016, the PSPP reported a surplus of \$302,975,000 (2015 deficit - \$133,188,000) and the MEPP reported a surplus of \$402,033,000 (2015 surplus - \$299,051,000).

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

Note 23 Comparative Figures

Certain 2016 figures have been reclassified to conform to 2017 presentation.

Note 24 Approval of Financial Statements

These financial statements have been approved by the Board.

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2017

Schedule 1

	2017						2016
	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Fair Value	Book Value	Book Value
Bonds:							
Bank of Montreal	2.430%	2.435%	March 4, 2019	\$ 740,000	\$ 744,122	\$ 740,020	\$ 739,986
Bank of Nova Scotia	2.462%	2.462%	March 14, 2019	500,000	503,008	500,000	500,000
Canada Housing Trust	2.050%	1.590%	June 15, 2017	-	-	-	372,179
Canada Housing Trust	1.750%	0.842%	June 15, 2018	-	-	-	1,266,258
Canada Housing Trust	2.350%	0.783%	December 15, 2018	-	-	-	1,751,520
Canada Housing Trust	4.100%	2.479%	December 15, 2018	-	-	-	3,342,551
Canada Housing Trust	1.950%	1.629%	June 15, 2019	3,288,000	3,300,265	3,323,622	2,840,189
Canada Housing Trust	2.000%	1.681%	December 15, 2019	980,000	984,296	985,997	988,990
Canada Housing Trust	3.750%	1.207%	March 15, 2020	620,000	645,967	654,187	669,377
Canada Housing Trust	1.200%	1.114%	June 15, 2020	650,000	640,136	651,340	651,876
Canada Housing Trust	1.450%	1.278%	June 15, 2020	740,000	733,149	743,062	744,283
Canada Housing Trust	1.250%	1.153%	December 15, 2020	1,250,000	1,226,524	1,248,205	1,003,734
Canada Housing Trust	3.350%	1.073%	December 15, 2020	925,000	963,047	987,221	1,007,845
Canada Housing Trust	1.250%	1.025%	June 15, 2021	1,840,000	1,795,072	1,853,854	1,857,766
Canada Housing Trust	3.800%	1.371%	June 15, 2021	715,000	757,997	773,296	789,655
Canada Housing Trust	1.500%	1.522%	December 15, 2021	1,198,000	1,173,316	1,196,195	-
Canada Housing Trust	2.650%	1.386%	March 15, 2022	1,780,000	1,821,225	1,874,412	-
Canada Housing Trust	1.750%	1.564%	June 15, 2022	3,307,000	3,258,375	3,296,194	-
Canada Housing Trust	2.400%	2.008%	December 15, 2022	736,000	744,929	749,499	-
CPP Investment Board	1.400%	1.440%	June 4, 2020	1,500,000	1,481,682	1,498,617	1,498,067
Government of Canada	1.500%	0.566%	March 1, 2017	-	-	-	205,325
Government of Canada	3.500%	1.027%	June 1, 2020	482,000	502,161	510,339	521,857
Government of Canada	3.250%	0.737%	June 1, 2021	800,000	838,663	867,555	887,000
Province of Ontario	2.100%	2.280%	September 8, 2018	-	-	-	997,203
Province of Ontario	4.400%	1.630%	June 2, 2019	3,245,000	3,365,697	3,370,168	-
Province of Ontario	2.100%	2.132%	September 8, 2019	1,700,000	1,708,925	1,711,676	1,718,450
Province of Quebec	4.500%	2.318%	December 1, 2018	-	-	-	3,429,838
Royal Bank of Canada	2.990%	2.155%	December 6, 2024	760,000	769,998	769,803	774,717
TD Bank	2.447%	2.447%	April 2, 2019	800,000	804,910	800,000	800,000
				28,556,000	28,763,464	29,105,262	29,358,666
Hanna and District Medical Corporation		(2 Shares)		2	2	2	2
Alberta Capital Finance Authority		(15 Shares)		150	150	150	150
				\$ 28,556,152	\$ 28,763,616	\$ 29,105,414	\$ 29,358,818

Notes:

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

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017					2016	
	Number of Individuals (a)	Salary (b)	Other Cash Benefits (c)	Other Non-cash Benefits (d)	Total	Number of Individuals	Total
Chair of the Special Areas Board (e)	1	\$ 143,985	\$ -	\$32,476	\$ 176,461	1	\$ 182,940
Special Areas Board members	3	34,585	-	2,711	37,296	3	35,594
Director of Finance and Administration	1	133,318	-	31,861	165,179	1	171,168
Director of Municipal Services	1	131,867	-	31,572	163,439	1	169,359
Director of Properties Administration	1	115,725	-	30,541	146,266	1	151,758
Roads & Equipment Superintendent	1	107,152	-	27,725	134,877	1	139,372
Managers (f)	4	423,377	-	107,034	530,411	3.25	450,277
Other full time staff (g)	108.00	8,305,857	-	1,849,395	10,155,252	110.25	10,164,007
Part time and casual wage staff		6,019,524	-	706,189	6,725,713		7,078,248
Other Boards and committees		13,544	-	917	14,461		26,973
Advisory Councillors	13	44,119	-	6,595	50,714	13	44,710
(Decrease) increase in overtime accrual		(7,513)	-	-	(7,513)		103,171
(Decrease) increase in vacation accrual		(6,734)	-	-	(6,734)		99,574
		<u>\$ 15,458,806</u>	<u>\$ -</u>	<u>\$ 2,827,016</u>	<u>\$ 18,285,822</u>		<u>\$ 18,817,151</u>

- (a) Number of individuals consists of full time equivalents, except for Special Areas Board members and Advisory Councillors.
- (b) Salary includes pensionable base pay and honoraria.
- (c) Other cash benefits includes lump sum payments and vacation payouts. There were no bonuses paid in 2017.
- (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, professional membership fees, group life insurance, accidental death and dismemberment insurance, tuition and long and short-term disability plan.
- (f) Average salary is \$105,844 and average benefits (column c & d) are \$26,759 totaling \$132,603 (2016 - \$138,547).
- (g) Average salary is \$76,906 and average benefits are \$17,124 totaling \$94,030 (2016 - \$92,191).

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE
AS AT DECEMBER 31, 2017

	<u>Schedule 3</u>	
	<u>2017</u>	<u>2016</u>
Change in Financial Assets		
Cash and cash equivalents	\$ (6,744,988)	\$ (1,272,785)
Accounts receivable	(860,700)	8,467
Notes receivable	(2,163,751)	(1,857,326)
Due from Province of Alberta	3,834,692	(307,638)
Due from Government of Canada	570,746	338,839
Taxes receivable	(232,139)	(217,548)
	<u>(5,596,140)</u>	<u>(3,307,991)</u>
Investments	<u>(253,404)</u>	<u>523,014</u>
Decrease in Financial Assets	<u>(5,849,544)</u>	<u>(2,784,977)</u>
Change in Liabilities		
Accounts payable and accruals	(487,010)	172,169
Vacation accrual	6,733	(99,574)
Deferred revenues	54,689	(49,772)
Deferred government grant revenue	-	356,677
Due to Province of Alberta	132,133	(401,205)
	<u>(293,455)</u>	<u>(21,705)</u>
Long-term debt	2,686,370	2,590,558
Provision for gravel pit reclamation	<u>(613,000)</u>	<u>-</u>
Increase in Liabilities	<u>1,779,915</u>	<u>2,568,853</u>
Net decrease in net financial assets	(4,069,629)	(216,124)
Net financial assets at the beginning of year	<u>67,760,770</u>	<u>67,976,894</u>
Net financial assets at end of year	<u>\$ 63,691,141</u>	<u>\$ 67,760,770</u>

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY ACCUMULATED SURPLUS INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>		<u>Schedule 4</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 14)		
Equity in capital assets at beginning of year	\$	220,190,231	\$ 216,873,228
Addition of capital assets:			
Road infrastructure	10,384,980	5,500,815	5,289,039
Transportation services	3,199,749	3,663,497	3,163,978
Agriculture and community			
pasture services	281,700	1,182,792	115,848
Administrative services	941,600	720,727	2,092,155
Water and sanitation services	70,000	534,649	343,117
Recreation and cultural services	220,500	214,941	277,219
Protective services	-	16,878	388,344
	<u>15,098,529</u>	<u>11,834,299</u>	<u>11,669,700</u>
Annual amortization of capital assets		(8,086,221)	(7,977,583)
Disposal of capital assets		(1,145,972)	(375,114)
		<u>222,792,337</u>	<u>220,190,231</u>
Debt retired in the year		-	-
Equity in capital assets at end of year (Note 13)	\$	<u>222,792,337</u>	\$ <u>220,190,231</u>
Equity in inventory at beginning of year	\$	6,907,658	\$ 6,582,881
Add purchases and other inventory costs		8,794,213	6,014,534
Deduct requisitions		(6,592,849)	(5,689,757)
Equity in inventory at end of year (Note 12, 13)	\$	<u>9,109,022</u>	\$ <u>6,907,658</u>
Accumulated operational surplus at beginning of year	\$	13,504,876	\$ 14,152,341
Excess of revenues over expenses		859,127	3,427,240
Equity change in inventory		(2,201,364)	(324,777)
Equity change in capital assets		(2,602,106)	(3,317,003)
		<u>9,560,533</u>	<u>13,937,801</u>
Transfers to internally restricted reserves (Note 14)		(512,717)	(432,925)
Accumulated operational surplus at end of year (Note 13)	\$	<u>9,047,816</u>	\$ <u>13,504,876</u>
Internally restricted accumulated surplus	\$	54,377,380	\$ 53,944,455
at beginning of year			
Tax Recovery Land Sales - Transfers from operations		<u>512,717</u>	<u>432,925</u>
Internally restricted accumulated surplus			
at end of year (Note 13)	\$	<u>54,890,097</u>	\$ <u>54,377,380</u>
	\$	<u>295,839,272</u>	\$ <u>294,980,145</u>

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SEGMENT REVENUE AND EXPENDITURE DISCLOSURE BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017						
	Administrative Services	Protective Services	Transportation Services	Water & Sanitation Services	Agriculture & Community Development	Recreation & Cultural Services	Total
Revenue:							
Taxation	\$ 30,204,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,204,532
Leases	6,121,402	-	5,448,362	-	732,607	-	12,302,371
Provincial Grants	-	-	5,425,355	781,452	500,265	-	6,707,072
Interest	1,167,306	-	-	-	-	-	1,167,306
Federal Grants	-	-	243,347	134,428	678,829	-	1,056,604
Tax Recovery Land Sales	561,089	-	-	-	-	-	561,089
Gain on sale of tangible capital assets	-	-	97,687	-	-	-	97,687
Other	1,849,998	181,184	97,388	324,173	55,193	638,414	3,146,350
Revenues per statement of operations	<u>\$ 39,904,327</u>	<u>\$ 181,184</u>	<u>\$ 11,312,139</u>	<u>\$ 1,240,053</u>	<u>\$ 1,966,894</u>	<u>\$ 638,414</u>	<u>\$ 55,243,011</u>
Expenditures:							
Manpower (Schedule 2)	\$ 3,166,958	\$ 432,400	\$ 12,028,738	\$ 691,392	\$ 1,351,060	\$ 615,274	\$ 18,285,822
Materials, goods, and utilities	217,800	108,902	14,066,003	157,877	368,704	434,205	15,353,491
Contract and general services	925,355	1,398,315	9,691,797	1,987,143	524,793	169,039	14,696,442
Grants	78,083	-	-	216,507	374,227	1,039,944	1,708,761
Interest on long-term debt	247,384	-	-	-	-	-	247,384
Goods and services from GOA	308,032	-	100	235,063	16,084	-	559,279
Provision for doubtful accounts	367,299	-	-	-	-	-	367,299
Internal road projects capitalized in the year	-	-	(5,500,815)	-	-	-	(5,500,815)
Industrial tax transfers	580,000	-	-	-	-	-	580,000
Amortization of tangible capital assets	637,551	495,864	6,356,883	351,307	118,835	125,781	8,086,221
Expenditures per statement of operations	<u>\$ 6,528,462</u>	<u>\$ 2,435,481</u>	<u>\$ 36,642,706</u>	<u>\$ 3,639,289</u>	<u>\$ 2,753,703</u>	<u>\$ 2,384,243</u>	<u>\$ 54,383,884</u>

Note:

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

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF TANGIBLE CAPITAL ASSETS
AS AT DECEMBER 31, 2017

	Mobile equipment	Buildings and engineered structures	Automotive equipment	Machinery and equipment	Land	Road infrastructure	EDP equipment	2017	2016
Cost									
Balance, beginning of the year	\$39,567,961	\$ 30,895,947	\$21,252,913	\$6,037,571	\$1,313,520	\$204,831,463	\$4,511,807	\$308,411,182	\$298,177,272
Add:									
Additions during the year	2,337,772	2,084,276	1,332,969	405,150	-	5,500,815	173,317	11,834,299	11,669,700
Less:									
Disposals during the year	(2,583,926)	-	(328,448)	(110,950)	-	-	(40,329)	(3,063,653)	(1,435,790)
Balance, end of the year	\$39,321,807	\$ 32,980,223	\$22,257,434	\$6,331,771	\$1,313,520	\$210,332,278	\$4,644,795	\$317,181,828	\$308,411,182
Accumulated Amortization									
Balance, beginning of the year	\$12,201,338	\$ 8,271,054	\$14,578,764	\$3,023,237	\$ 141,805	\$ 46,219,289	\$3,785,464	\$ 88,220,951	\$ 81,304,044
Add:									
Amortization	1,913,969	785,822	1,512,259	335,875	-	3,090,349	447,947	8,086,221	7,977,583
Depletion	-	-	-	-	-	-	-	-	-
Less:									
Accumulated Amortization on Disposals	(1,487,174)	-	(287,976)	(102,460)	-	-	(40,071)	(1,917,681)	(1,060,676)
Balance, end of the year	\$12,628,133	\$ 9,056,876	\$15,803,047	\$3,256,652	\$ 141,805	\$ 49,309,638	\$4,193,340	\$ 94,389,491	\$ 88,220,951
Net book value, 2017	\$26,693,674	\$ 23,923,347	\$ 6,454,387	\$3,075,119	\$1,171,715	\$161,022,640	\$ 451,455	\$222,792,337	
Net book value, 2016	\$27,366,623	\$ 22,624,893	\$ 6,674,149	\$3,014,334	\$1,171,715	\$158,612,174	\$ 726,343		\$220,190,231

Note:

- Engineered structures comprise of dams, water/wastewater lines, buildings and engineered structures assets. The ending balance includes \$1,047,302 in assets that were under construction at year-end (2016 - \$414,695); no related amortization was recorded.