

**SPECIAL AREAS TRUST ACCOUNT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

Letter from Management

Independent Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Change in Net Financial Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Investments

Schedule of Salaries and Benefits

Supplementary Net Financial Asset Information Schedule

Supplementary Accumulated Surplus Information Schedule

Schedule of Segment Revenue and Expense Disclosure by Object

Schedule of Tangible Capital Assets



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 statements. 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

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

## **Report on the Financial Statements**

### **Opinion**

I have audited the financial statements of the Special Areas Trust Account (the Trust) which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2018, 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.

### **Basis for opinion**

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Trust in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie, FCPA, FCMA, ICD.D]  
Auditor General

April 23, 2019  
Edmonton, Alberta

**SPECIAL AREAS TRUST ACCOUNT**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Financial Assets</b>		
Cash and cash equivalents (Note 4)	\$ 37,800,661	\$ 31,352,073
Accounts receivable (Note 5)	3,297,702	3,307,118
Notes receivable (Note 6)	6,605,317	8,403,034
Due from Province of Alberta (Note 7)	537,549	4,092,804
Due from Government of Canada (Note 8)	1,432,805	909,585
Taxes receivable (Note 9)	1,224,130	471,741
	<u>50,898,164</u>	<u>48,536,355</u>
Investments (Schedule 1)	30,020,570	29,105,414
<b>Total Financial Assets</b>	<u>80,918,734</u>	<u>77,641,769</u>
<b>Liabilities</b>		
Accounts payable and accruals	2,978,417	3,484,351
Vacation accruals	1,125,542	1,148,375
Deferred revenues	475,471	388,404
Deferred government grant revenue (Note 10)	306,701	-
Due to Province of Alberta (Note 7)	470,370	654,767
	<u>5,356,501</u>	<u>5,675,897</u>
Long-term debt (Note 11)	2,602,182	5,124,731
Provision for gravel pit reclamation (Note 12)	3,210,000	3,150,000
<b>Total Liabilities</b>	<u>11,168,683</u>	<u>13,950,628</u>
<b>Net Financial Assets (Schedule 3)</b>	69,750,051	63,691,141
<b>Non-financial assets</b>		
Prepaid expenses	699,219	246,772
Tangible capital assets (Schedule 6)	226,588,474	222,792,337
Inventory (Note 13)	9,011,322	9,109,022
<b>Total Non-Financial Assets</b>	<u>236,299,015</u>	<u>232,148,131</u>
<b>Accumulated Surplus (Note 14)</b>	<u>\$ 306,049,066</u>	<u>\$ 295,839,272</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, 2018**

	<b>2018</b>		<b>2017</b>
	<b><u>BUDGET</u></b> (Note 15)	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
<b>Revenues</b>			
Net taxes for municipal purposes (Note 16)	30,582,000	32,198,179	30,204,532
Lease revenue (Note 17)	9,350,280	8,980,163	12,302,371
Government transfers for operating (Note 18)	5,199,751	7,228,365	6,451,977
Government transfers for capital (Note 18)	2,021,246	2,021,246	1,311,699
Interest	1,078,111	1,114,185	1,167,306
Tax recovery land sales	160,000	120,173	561,089
(Loss) gain on sale of tangible capital assets	100,000	(330,582)	97,687
Other revenue (Note 19)	2,535,585	4,395,371	3,146,350
<b>Total revenues</b>	<b><u>51,026,973</u></b>	<b><u>55,727,100</u></b>	<b><u>55,243,011</u></b>
<b>Expenses</b>			
Transportation services	20,797,409	21,008,364	30,285,823
Administrative services	5,354,869	5,703,807	5,310,911
Water and sanitation services	3,173,392	3,024,331	3,287,982
Agriculture and community development	2,868,460	2,603,114	2,634,868
Recreational and cultural services	2,439,558	2,171,763	2,258,462
Protective services	2,002,916	2,019,787	1,939,617
Industrial tax transfers	580,000	580,000	580,000
Amortization	7,861,787	8,406,140	8,086,221
<b>Total expenses (Note 20)</b>	<b><u>45,078,391</u></b>	<b><u>45,517,306</u></b>	<b><u>54,383,884</u></b>
<b>Excess of revenues over expenses</b>	<b>\$ 5,948,582</b>	<b>\$ 10,209,794</b>	<b>\$ 859,127</b>
<b>Accumulated surplus at beginning of year</b>	<b><u>295,839,272</u></b>	<b><u>295,839,272</u></b>	<b><u>294,980,145</u></b>
<b>Accumulated surplus at end of year</b>	<b>\$ <u>301,787,854</u></b>	<b>\$ <u>306,049,066</u></b>	<b>\$ <u>295,839,272</u></b>

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, 2018**

	<b>2018</b>		<b>2017</b>
	<b><u>BUDGET</u></b> (Note 15)	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
<b>Excess of revenue over expenses</b>	\$ 5,948,582	\$ 10,209,794	\$ 859,127
Acquisition of tangible capital assets	(7,622,450)	(8,739,013)	(6,333,484)
Construction of roads and road surfaces	(10,198,125)	(7,975,851)	(5,500,815)
Loss (gain) on sale of tangible capital assets	(100,000)	330,582	(97,687)
Proceeds on disposal of tangible capital assets	1,250,000	1,618,475	1,243,659
Transfers from tangible capital assets to operations	-	2,563,530	-
Amortization of tangible capital assets	7,861,787	8,406,140	8,086,221
Change in prepaid assets	-	(452,447)	(125,286)
Change in inventory	-	97,700	(2,201,364)
<b>Increase (decrease) in net financial assets</b>	<b>(2,860,206)</b>	<b>6,058,910</b>	<b>(4,069,629)</b>
<b>Net financial assets, beginning of year</b>	<b>63,691,141</b>	<b>63,691,141</b>	<b>67,760,770</b>
<b>Net financial assets, end of year</b>	<b>\$ <u>60,830,935</u></b>	<b>\$ <u>69,750,051</u></b>	<b>\$ <u>63,691,141</u></b>

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

**SPECIAL AREAS TRUST ACCOUNT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Operating activities:</b>		
Excess of revenues over expenses	\$ 10,209,794	\$ 859,127
Amortization of investment premiums, less discounts	179,162	283,316
Loss (gain) on sale of investments	102,167	(34,224)
Amortization of tangible capital assets	8,406,140	8,086,221
Transfers from tangible capital assets to operations	2,563,530	-
Amortization relating to self-constructed assets	(1,821,000)	(1,713,123)
Loss (gain) on sale of tangible capital assets	330,582	(97,687)
Increase in provision for gravel pit reclamation	60,000	613,000
	<u>20,030,375</u>	<u>7,996,630</u>
Changes in non-cash operating items:		
Prepaid assets and accounts receivable	(443,031)	735,414
Due from Province of Alberta	3,555,255	(3,834,692)
Due from Government of Canada	(523,220)	(570,746)
Taxes receivable	(752,389)	232,139
Accounts payable and accruals	(528,767)	480,277
Deferred revenues	87,067	(54,689)
Deferred government grant revenue	306,701	-
Due to Province of Alberta	(184,397)	(132,133)
Inventory	97,700	(2,201,364)
	<u>1,614,919</u>	<u>(5,345,794)</u>
Cash provided by operating activities	<u>21,645,294</u>	<u>2,650,836</u>
<b>Capital activities:</b>		
Proceeds of sale of tangible capital assets	1,618,475	1,243,659
Purchase of tangible capital assets	(14,893,864)	(10,121,176)
Cash applied to capital activities	<u>(13,275,389)</u>	<u>(8,877,517)</u>
<b>Investing activities:</b>		
Net change in notes receivable	1,797,717	2,163,751
Proceeds from redemption of investments	14,931,557	12,020,497
Purchase of investments	(16,128,042)	(12,016,186)
Cash provided by investing activities	<u>601,232</u>	<u>2,168,062</u>
<b>Financing activities:</b>		
Long term debt repaid	(2,522,549)	(2,686,369)
Cash applied to financing activities	<u>(2,522,549)</u>	<u>(2,686,369)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>6,448,588</u>	<u>(6,744,988)</u>
Cash and cash equivalents at the beginning of year	<u>31,352,073</u>	<u>38,097,061</u>
<b>Cash and cash equivalents at the end of year</b>	<u>\$ 37,800,661</u>	<u>\$ 31,352,073</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, 2018**

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.

(c) Revenue Recognition

Taxation revenues are recognized when the tax has been authorized by board motion and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

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, 2018**

Note 2 (d) 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 0.934 million acres of tax recovery land remains unsold as at December 31, 2018 (2017 - 0.938 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 1.569 million acres (2017 - 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, 2018, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2017 - 0.012 million acres) and are not recorded in the Statement of Financial Position.

(e) 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.

(f) Contaminated Site Liability

Contaminated sites are a result of contamination being introduced into 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, 2018**

Note 2 (g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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, 2018**

Note 2 (l) 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, 2018**

Note 2 (l) 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
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

Engineered structures comprise of dams, waterline infrastructure, wastewater infrastructure buildings and engineered structure assets.

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.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 3 Changes in accounting policies

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

- (a) PS2200 Related Party Disclosure and PS3420 Inter-Entity Transactions  
(effective April 1, 2017)
- (b) PS3210 Assets, PS3320 Contingent Assets, and PS3380 Contractual Rights  
(effective April 1, 2017)

Management has assessed the impact of PS2200, PS3420, PS3210, PS3220, and PS3380 and determined that there is no effect on the financial statements.

Note 4 Cash and cash equivalents

Cash and Cash Equivalents include deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF 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 securities with a maximum term to maturity of three years. As at December 31, 2018, the Board's portfolio of securities held by the Fund have a time weighted return of 1.65% per annum (2017 - 0.92%) per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 5 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of \$710,270 (2017 - \$577,878), are comprised of the following:

	<u>2018</u>	<u>2017</u>
Current:		
From sale of tax recovery land and related mineral surface leases	\$ 306,560	\$ 314,784
Accrued interest	36,559	45,342
	<u>343,119</u>	<u>360,126</u>
Oil well drilling	451,217	187,483
Leases	327,644	205,301
Parks permit receivable	253,858	136,498
Accrued interest on investments	81,638	78,484
Local improvement recoveries	67,691	73,291
Sheerness deadfish irrigation	36,560	43,723
Agreement for sale of fixed assets	-	80,401
Miscellaneous	163,707	127,649
	<u>\$ 1,725,434</u>	<u>\$ 1,292,956</u>
Non-current:		
From sale of tax recovery land and related mineral surface leases	\$ 1,447,126	\$ 1,849,534
Local improvement recoveries	124,834	164,045
Other	308	583
	<u>\$ 1,572,268</u>	<u>\$ 2,014,162</u>
	<u>\$ 3,297,702</u>	<u>\$ 3,307,118</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, 2018**

Note 6 Notes Receivable

Notes receivable are comprised of the following:

	<u>2018</u>	<u>2017</u>
Current:		
Acadia Foundation	\$ 1,740,813	\$ 2,595,087
Acadia Foundation - accrued interest	3,631	10,022
	<u>1,744,444</u>	<u>2,605,109</u>
Special Areas & Oyen Development Corporation	2,339,721	-
Big Country Waste Management Commission	207,622	203,284
Association of Consort & District Seniors Centre	111,000	40,550
Neutral Hills Child Care Society	86,895	71,319
Other	9,729	23,236
	<u>\$ 4,499,411</u>	<u>\$ 2,943,498</u>
Non-current:		
Acadia Foundation	\$ 750,797	\$ 3,600,224
Big Country Waste Management Commission	649,829	857,451
Association of Consort & District Seniors Centre	500,000	770,450
Neutral Hills Child Care Society	163,105	178,681
Other	42,175	52,730
	<u>\$ 2,105,906</u>	<u>\$ 5,459,536</u>
	<u><u>\$ 6,605,317</u></u>	<u><u>\$ 8,403,034</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% (2017 - 3.14% to 5.00%). Semi-annual payments totaling \$3,889,564 (2017 - \$2,859,730) were made in June and December that effectively paid off all four 25-year loans as well as the first of the four 10-year loans. Interest revenue recognized as a result of this loan in 2018 was \$179,473 (2017 - \$295,333).

The Special Areas & Oyen Development Corp. is a part 9 company that is jointly owned by the Special Areas Board and the Town of Oyen. The amount owed is a result of advancing funds to re-purposing and upgrade the industrial railyard in Oyen. Repayment terms are yet to be determined.



**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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 are yet to be determined.

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

2019	4,499,411
2020	832,739
2021	426,144
2022	261,792
2023	41,194
Thereafter	544,037
	<u>\$ 6,605,317</u>

Note 7 Due from (to) Province of Alberta

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

	<u>2018</u>	<u>2017</u>
Due from Province of Alberta:		
Municipal Affairs	\$ 472,299	\$ 809,132
Transportation	47,963	2,489,483
Environment and Parks	17,287	72,609
Service Alberta	-	721,580
	<u>537,549</u>	<u>4,092,804</u>
Due to Province of Alberta:		
Environment and Parks	(410,685)	(536,679)
Other	(59,685)	(118,088)
	<u>(470,370)</u>	<u>(654,767)</u>
Due from Province of Alberta, net	<u>\$ 67,179</u>	<u>\$ 3,438,037</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 8 Due from Government of Canada

	<u>2018</u>	<u>2017</u>
Department of Defence	\$ 1,410,763	\$ 678,828
Infrastructure - Small Communities Fund	22,042	230,757
	<u>\$ 1,432,805</u>	<u>\$ 909,585</u>

Note 9 Taxes Receivable

	<u>2018</u>	<u>2017</u>
Current taxes	\$ 1,073,679	\$ 1,260,509
Under levy	100,467	29,660
Tax arrears	88,949	247,945
	<u>1,263,095</u>	<u>1,538,114</u>
Less allowance for doubtful accounts:	<u>(38,965)</u>	<u>(1,066,373)</u>
	<u>\$ 1,224,130</u>	<u>\$ 471,741</u>

Note 10 Deferred Government Grant Revenue

	<u>2018</u>	<u>2017</u>
Municipal Affairs	\$ 306,701	\$ -
	<u>\$ 306,701</u>	<u>\$ -</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 11 Long-Term Debt

	<u>2018</u>	<u>2017</u>
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$263,223, including fixed interest at 4.39%, fully repaid during the year	\$ -	\$ 257,575
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$251,377, including fixed interest at 4.01%, fully repaid during the year	-	488,021
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$493,631, including fixed interest at 3.34%, due December 2019	963,042	1,894,670
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$298,660, including fixed interest at 3.51%, due June 2020	865,393	1,417,705
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$162,114, including fixed interest at 3.14%, due June 2021	773,747	1,066,760
	<u>2,602,182</u>	<u>5,124,731</u>
Less: current portion	<u>1,837,218</u>	<u>2,522,549</u>
	<u>\$ 764,964</u>	<u>\$ 2,602,182</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 11 Long-Term Debt

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

2019	1,837,218
2020	605,356
2021	<u>159,608</u>
	<u>\$ 2,602,182</u>

Interest on long-term debt for 2018 amounted to \$148,296 (2017 - \$247,384).

The total cash payments for interest in 2018 were \$152,238 (2017 - \$251,642).

Note 12 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 2018 it was estimated that 881,831 cubic meters (2017 - 878,768 cubic meters) of gravel pits were exposed for a total liability of \$3,210,000 (2017 - \$3,150,000).

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, 2018**

## Note 13 Inventory

	<u>2018</u>			<u>2017</u>
	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	\$ 1,644,310	\$ 29,536	\$ 1,614,774	\$ 1,700,461
Gravel	6,816,162	-	6,816,162	6,919,500
Culverts	117,748	-	117,748	112,723
Fuel	172,739	-	172,739	209,717
Fencing	143,320	-	143,320	71,881
Chemicals and other	146,579	-	146,579	94,740
Inventory	<u>\$ 9,040,858</u>	<u>\$ 29,536</u>	<u>\$ 9,011,322</u>	<u>\$ 9,109,022</u>

## Note 14 Accumulated Surplus

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

	<u>2018</u>	<u>2017</u>
Equity in tangible capital assets	\$ 226,588,474	\$ 222,792,337
Equity in inventory	9,011,322	9,109,022
Unrestricted operational surplus	15,451,081	9,047,816
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales	<u>54,998,189</u>	<u>54,890,097</u>
Total Accumulated Surplus (Schedule 4)	<u>\$306,049,066</u>	<u>\$295,839,272</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, 2018**

Note 15 Budget

The 2018 municipal budget was adopted by the Board in December 2017 and approved by the Minister of Municipal Affairs in April 2018. The budget was prepared on a cash basis. A reconciliation to that basis is as follows:

	<u>2018</u>		<u>2017</u>
	Budgeted	Actual	Actual
Excess of revenues over expenses	\$ 5,948,582	\$ 10,209,794	\$ 859,127
Acquisition of tangible capital assets	(7,622,450)	(8,739,013)	(6,333,484)
Construction of road and road surfaces	(10,198,125)	(7,975,851)	(5,500,815)
Loss (gain) on sale of tangible capital assets	(100,000)	330,582	(97,687)
Proceeds on disposal of tangible capital assets	1,250,000	1,618,475	1,243,659
Amortization of tangible capital assets	7,861,787	8,406,140	8,086,221
	<u>(2,860,206)</u>	<u>3,850,127</u>	<u>(1,742,979)</u>
Tax Recovery Land Sales - transferred to internally restricted reserves (Schedule 4)	-	(108,092)	(512,717)
	<u>\$ (2,860,206)</u>	<u>\$ 3,742,035</u>	<u>\$ (2,255,696)</u>

Note 16 Taxation

	<u>2018</u>		<u>2017</u>
	Budgeted	Actual	Actual
Power and pipeline	\$ 34,424,239	\$ 33,992,050	\$ 33,444,686
Real property	12,965,444	12,848,294	12,852,184
Grazing and cultivation	738,695	719,122	738,695
Penalties and costs on taxes	300,000	459,260	276,640
	<u>48,428,378</u>	<u>48,018,726</u>	<u>47,312,205</u>
Less amounts expended by transfers:			
Alberta School Foundation Fund	\$ 12,890,303	\$ 11,449,677	\$ 12,168,895
Seniors Foundation	3,956,075	2,908,360	3,956,075
Bad Debt	1,000,000	1,462,510	982,703
	<u>\$ 17,846,378</u>	<u>\$ 15,820,547</u>	<u>\$ 17,107,673</u>
Net taxes for municipal purposes	<u>\$ 30,582,000</u>	<u>\$ 32,198,179</u>	<u>\$ 30,204,532</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

## Note 17 Lease Revenue

	2018		2017
	Budgeted	Actual	Actual
Equipment rentals	\$ 2,239,900	\$ 1,911,646	\$ 5,456,839
Mineral surface leases	3,300,000	3,251,511	3,307,052
Grazing leases	2,111,000	2,098,139	1,846,974
Community pastures	752,400	695,526	724,131
Cultivation leases	395,000	398,610	401,331
Easements	100,000	212,790	140,657
Miscellaneous leases	125,000	123,537	123,073
Rights of entry	100,000	94,904	94,903
Other	226,980	193,500	207,411
	<u>\$ 9,350,280</u>	<u>\$ 8,980,163</u>	<u>\$ 12,302,371</u>

## Note 18 Government Transfers

	2018		2017
	Budgeted	Actual	Actual
Transfers for operating:			
Municipal Affairs	\$ 2,178,754	\$ 3,824,143	\$ 3,059,422
Transportation	1,551,720	1,551,720	1,551,720
Government of Canada	235,851	964,097	1,056,603
Agriculture and Forestry	499,495	499,495	500,266
Human Services	276,931	183,871	177,362
Infrastructure	207,000	83,549	106,604
Culture and Tourism	250,000	121,490	-
	<u>\$ 5,199,751</u>	<u>\$ 7,228,365</u>	<u>\$ 6,451,977</u>
Transfers for capital:			
Municipal Affairs	<u>\$ 2,021,246</u>	<u>\$ 2,021,246</u>	<u>\$ 1,311,699</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

## Note 19 Other Revenue

	2018		2017
	Budgeted	Actual	Actual
Oil well drilling tax revenue	\$ 500,000	\$ 2,245,453	\$ 1,197,402
Park permits and concession revenues	641,000	699,755	635,755
Licence, assignment and application fees	396,000	438,010	412,973
Water sales	310,000	283,678	302,968
Fire cost recoveries	100,000	107,969	107,666
Gravel sales	160,000	94,143	97,387
Bylaw enforcement cost recoveries	55,000	121,746	57,933
Cost recoveries	46,085	27,154	43,350
Other	327,500	377,463	290,916
	<u>\$ 2,535,585</u>	<u>\$ 4,395,371</u>	<u>\$ 3,146,350</u>

## Note 20 Total Expenses

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

	2018		2017
	Budgeted	Actual	Actual
Manpower (Schedule 2)	\$ 19,208,328	\$ 18,078,368	\$ 18,285,822
Materials, goods, and utilities	15,365,884	16,153,338	15,353,491
Contract and general services	8,884,667	7,614,735	14,696,442
Amortization of tangible capital assets	7,861,787	8,406,140	8,086,221
Grants	2,503,612	1,672,481	1,708,761
Industrial tax transfers	580,000	580,000	580,000
Interest on long-term debt	152,238	148,296	247,384
Goods and services from Alberta Government departments			
Alberta Environment	250,000	136,142	235,063
Alberta Treasury Board & Finance	315,000	320,967	304,859
Alberta Municipal Affairs	135,000	129,657	19,357
Provision for doubtful accounts	20,000	253,033	367,299
Less:			
Internal road projects capitalized in the year	(10,198,125)	(7,975,851)	(5,500,815)
	<u>\$ 45,078,391</u>	<u>\$ 45,517,306</u>	<u>\$ 54,383,884</u>



**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 20 Total Expenses

(cont'd) Included in manpower, materials, goods and utilities and contract and general services, are \$6,207,158 of expenses (2017 - \$14,844,207), that 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 21 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>2018</u>	<u>2017</u>
Total debt limit	\$ 80,558,781	\$ 80,896,968
Total debt	<u>2,602,182</u>	<u>5,124,731</u>
Amount of debt limit unused	<u>\$ 77,956,599</u>	<u>\$ 75,772,237</u>
Debt servicing limit	\$ 13,426,464	\$ 13,482,828
Debt servicing	<u>1,908,809</u>	<u>2,674,787</u>
Amount of debt servicing limit unused	<u>\$ 11,517,655</u>	<u>\$ 10,808,041</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 22 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 20.

Grants provided by the Province of Alberta are disclosed in Note 18 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, 2018**

Note 23 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 2018 to the PSPP were \$861,246 (2017 - \$972,978) and to the MEPP were \$181,534 (2017 - \$185,309).

At December 31, 2017, the PSPP reported a surplus of \$1,275,843,000 (2016 surplus - \$302,975,000) and the MEPP reported a surplus of \$866,006,000 (2016 surplus - \$402,033,000).

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

Note 24 Comparative Figures

Certain 2017 figures have been reclassified to conform to 2018 presentation.

Note 25 Approval of Financial Statements

These financial statements have been approved by the Board.

**SPECIAL AREAS TRUST ACCOUNT**  
**SCHEDULE OF INVESTMENTS**  
**AS AT DECEMBER 31, 2018**

**Schedule 1**

	2018				2017		
	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Fair Value	Book Value	Book Value
Bonds:							
Bank of Montreal	2.890%	2.890%	June 20, 2023	\$ 800,000	\$ 799,560	\$ 800,009	-
Bank of Montreal	2.430%	2.435%	March 4, 2019	\$ -	\$ -	\$ -	\$ 740,020
Bank of Nova Scotia	2.462%	2.462%	March 14, 2019	-	-	-	500,000
Canada Housing Trust	1.950%	1.629%	June 15, 2019	-	-	-	3,323,622
Canada Housing Trust	2.000%	1.681%	December 15, 2019	-	-	-	985,997
Canada Housing Trust	3.750%	1.865%	March 15, 2020	2,070,000	2,115,254	2,120,966	-
Canada Housing Trust	3.750%	1.207%	March 15, 2020	-	-	-	654,187
Canada Housing Trust	1.200%	1.114%	June 15, 2020	650,000	643,391	650,798	651,340
Canada Housing Trust	1.450%	2.150%	June 15, 2020	2,465,000	2,448,683	2,449,758	-
Canada Housing Trust	1.450%	1.278%	June 15, 2020	-	-	-	743,062
Canada Housing Trust	1.250%	1.153%	December 15, 2020	1,250,000	1,232,747	1,248,802	1,248,205
Canada Housing Trust	3.350%	2.090%	December 15, 2020	2,085,000	2,139,460	2,154,163	-
Canada Housing Trust	3.350%	1.073%	December 15, 2020	-	-	-	987,221
Canada Housing Trust	1.250%	1.025%	June 15, 2021	1,840,000	1,805,418	1,849,901	1,853,854
Canada Housing Trust	3.800%	1.371%	June 15, 2021	715,000	744,870	756,708	773,296
Canada Housing Trust	1.500%	1.522%	December 15, 2021	1,198,000	1,177,413	1,196,639	1,196,195
Canada Housing Trust	2.650%	1.386%	March 15, 2022	795,000	807,575	827,316	-
Canada Housing Trust	2.650%	1.386%	March 15, 2022	-	-	-	1,874,412
Canada Housing Trust	1.750%	2.314%	June 15, 2022	3,063,000	3,019,318	3,048,365	-
Canada Housing Trust	1.750%	1.564%	June 15, 2022	-	-	-	3,296,194
Canada Housing Trust	2.400%	2.373%	December 15, 2022	2,782,000	2,799,981	2,792,833	-
Canada Housing Trust	2.400%	2.008%	December 15, 2022	-	-	-	749,499
Canada Housing Trust	2.350%	2.731%	September 15, 2023	460,000	461,343	452,673	-
Canada Housing Trust	3.150%	2.561%	September 15, 2023	1,010,000	1,048,708	1,037,077	-
Canada Housing Trust	2.550%	2.406%	December 15, 2023	1,000,000	1,011,158	1,006,673	-
Canadian Imperial Bank of Commerce	2.900%	2.901%	September 14, 2021	500,000	501,670	500,010	-
CPP Investment Board	1.400%	1.440%	June 4, 2020	1,500,000	1,486,756	1,499,176	1,498,617
Government of Canada	3.500%	1.027%	June 1, 2020	482,000	493,140	498,699	510,339
Government of Canada	3.140%	0.737%	June 1, 2021	200,000	206,495	211,990	-
Government of Canada	3.250%	0.737%	June 1, 2021	-	-	-	867,555
Province of Manitoba	2.550%	2.567%	June 2, 2023	2,000,000	2,006,463	1,998,666	-
Province of Ontario	4.400%	1.630%	June 2, 2019	-	-	-	3,370,168
Province of Ontario	4.400%	1.630%	June 2, 2019	520,000	525,460	525,968	-
Province of Ontario	2.100%	2.132%	September 8, 2019	-	-	-	1,711,676
Province of Ontario	3.150%	2.573%	June 2, 2022	730,000	749,476	744,775	-
Royal Bank of Canada	2.990%	2.155%	December 6, 2024	760,000	761,776	764,776	769,803
TD Bank	2.447%	2.447%	April 2, 2019	-	-	-	800,000
TD Bank	1.994%	2.586%	March 23, 2022	900,000	878,560	883,677	-
				<u>29,775,000</u>	<u>29,065,117</u>	<u>30,020,418</u>	<u>29,105,262</u>
Hanna and District Medical Corporation			(2 Shares)	2	2	2	2
Alberta Capital Finance Authority			(15 Shares)	150	150	150	150
				<u>\$ 29,775,152</u>	<u>\$ 29,065,269</u>	<u>\$ 30,020,570</u>	<u>\$ 29,105,414</u>

**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, 2018**

	2018					2017	
	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	\$ -	\$31,777	\$ 175,762	1	\$ 176,461
Special Areas Board members	3	22,565	-	1,890	24,455	3	37,296
Director of Finance and Administration	1	133,318	-	31,201	164,519	1	165,179
Director of Municipal Services	1	131,867	-	30,907	162,774	1	163,439
Director of Properties Administration	1	115,725	-	29,865	145,590	1	146,266
Roads & Equipment Superintendent	1	107,152	-	26,871	134,023	1	134,877
Managers ( f )	4	423,377	-	104,398	527,775	4	530,411
Other full time staff ( g )	103.00	8,079,059	-	1,747,430	9,826,489	108.00	10,155,252
Part time and casual wage staff		6,218,066	-	665,978	6,884,044		6,725,713
Other Boards and committees		28,160	-	704	28,864		14,461
Advisory Councillors	13	25,422	-	6,591	32,013	13	50,714
Decrease in overtime accrual		(5,107)	-	-	(5,107)		(7,513)
Decrease in vacation accrual		(22,833)	-	-	(22,833)		(6,734)
		<u>\$ 15,400,756</u>	<u>\$ -</u>	<u>\$ 2,677,612</u>	<u>\$ 18,078,368</u>		<u>\$ 18,285,822</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 2018.
- (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 \$26,099 totaling \$131,943 (2017 - \$132,603).
- (g) Average salary is \$78,438 and average benefits are \$16,965 totaling \$95,403 (2017 - \$94,030).

**SPECIAL AREAS TRUST ACCOUNT**  
**SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE**  
**AS AT DECEMBER 31, 2018**

	<u>2018</u>	<u>Schedule 3</u> <u>2017</u>
<b>Change in Financial Assets</b>		
Cash and cash equivalents	\$ 6,448,588	\$ (6,744,988)
Accounts receivable	(9,416)	(860,700)
Notes receivable	(1,797,717)	(2,163,751)
Due from Province of Alberta	(3,555,255)	3,834,692
Due from Government of Canada	523,220	570,746
Taxes receivable	752,389	(232,139)
	<u>2,361,809</u>	<u>(5,596,140)</u>
Investments	915,156	(253,404)
<b>Increase (decrease) in Financial Assets</b>	<u>3,276,965</u>	<u>(5,849,544)</u>
<b>Change in Liabilities</b>		
Accounts payable and accruals	505,934	(487,010)
Vacation accrual	22,833	6,733
Deferred revenues	(87,067)	54,689
Deferred government grant revenue	(306,701)	-
Due to Province of Alberta	184,397	132,133
	<u>319,396</u>	<u>(293,455)</u>
Long-term debt	2,522,549	2,686,370
Provision for gravel pit reclamation	(60,000)	(613,000)
<b>Decrease in Liabilities</b>	<u>2,781,945</u>	<u>1,779,915</u>
<b>Net increase (decrease) in net financial assets</b>	6,058,910	(4,069,629)
Net financial assets at the beginning of year	<u>63,691,141</u>	<u>67,760,770</u>
<b>Net financial assets at end of year</b>	<u>\$ 69,750,051</u>	<u>\$ 63,691,141</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**SUPPLEMENTARY ACCUMULATED SURPLUS INFORMATION SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Schedule 4**

	<b>2018</b>		<b>2017</b>
	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
	(Note 15)		
<b>Equity in tangible capital assets at beginning of year</b>	\$	222,792,337	\$ 220,190,231
Addition of capital assets:			
Road infrastructure	10,198,125	7,975,851	5,500,815
Transportation services	3,440,200	5,432,440	3,663,497
Agriculture and community pasture services	1,949,750	1,819,962	1,182,792
Administrative services	467,000	294,127	720,727
Water and sanitation services	254,000	180,338	534,649
Recreation and cultural services	188,500	156,211	214,941
Protective services	1,323,000	855,935	16,878
	17,820,575	16,714,864	11,834,299
Annual amortization of capital assets		(8,406,140)	(8,086,221)
Disposal of capital assets		(1,949,057)	(1,145,972)
		229,152,004	222,792,337
Transfers to operations		(2,563,530)	-
<b>Equity in tangible capital assets at end of year (Note 14)</b>	\$	<b>226,588,474</b>	<b>\$ 222,792,337</b>
<b>Equity in inventory at beginning of year</b>	\$	9,109,022	\$ 6,907,658
Add purchases and other inventory costs		5,271,937	8,794,213
Deduct requisitions		(5,369,637)	(6,592,849)
<b>Equity in inventory at end of year (Note 13, 14)</b>	\$	<b>9,011,322</b>	<b>\$ 9,109,022</b>
<b>Accumulated operational surplus at beginning of year</b>	\$	9,047,816	\$ 13,504,876
Excess of revenues over expenses		10,209,794	859,127
Equity change in inventory		97,700	(2,201,364)
Equity change in capital assets		(3,796,137)	(2,602,106)
		15,559,173	9,560,533
Transfers to internally restricted reserves (Note 15)		(108,092)	(512,717)
<b>Accumulated operational surplus at end of year (Note 14)</b>	\$	<b>15,451,081</b>	<b>\$ 9,047,816</b>
<b>Internally restricted accumulated surplus at beginning of year</b>	\$	54,890,097	\$ 54,377,380
Tax Recovery Land Sales - Transfers from operations		108,092	512,717
<b>Internally restricted accumulated surplus at end of year (Note 14)</b>	\$	<b>54,998,189</b>	<b>\$ 54,890,097</b>
	\$	<b>306,049,066</b>	<b>\$ 295,839,272</b>

**SPECIAL AREAS TRUST ACCOUNT**  
**SCHEDULE OF SEGMENT REVENUE AND EXPENSE DISCLOSURE BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018						Total
	Administrative Services	Protective Services	Transportation Services	Water & Sanitation Services	Agriculture & Community Development	Recreation & Cultural Services	
Revenue:							
Taxation	\$ 32,198,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,198,179
Leases	6,372,991	-	1,899,348	-	707,824	-	8,980,163
Provincial Grants	-	755,816	6,301,103	604,670	620,985	2,940	8,285,514
Interest	1,114,185	-	-	-	-	-	1,114,185
Federal Grants	-	-	230,765	1,397	731,935	-	964,097
Tax Recovery Land Sales	120,173	-	-	-	-	-	120,173
Loss on sale of tangible capital assets	-	-	(330,582)	-	-	-	(330,582)
Other	3,037,264	245,300	94,143	276,428	42,481	699,755	4,395,371
Revenues per statement of operations	<u>\$ 42,842,792</u>	<u>\$ 1,001,116</u>	<u>\$ 8,194,777</u>	<u>\$ 882,495</u>	<u>\$ 2,103,225</u>	<u>\$ 702,695</u>	<u>\$ 55,727,100</u>
Expenses:							
Manpower (Schedule 2)	\$ 3,079,414	\$ 471,574	\$ 11,987,299	\$ 720,799	\$ 1,271,688	\$ 547,594	\$ 18,078,368
Materials, goods, and utilities	226,204	115,245	14,836,962	163,993	380,587	430,347	16,153,338
Contract and general services	1,477,674	1,432,967	2,157,177	1,792,065	556,739	198,113	7,614,735
Grants	81,134	-	2,000	211,333	382,305	995,709	1,672,481
Interest on long-term debt	148,296	-	-	-	-	-	148,296
Goods and services from GOA	438,054	-	776	136,141	11,795	-	586,766
Provision for doubtful accounts	253,033	-	-	-	-	-	253,033
Internal road projects capitalized in the year	-	-	(7,975,851)	-	-	-	(7,975,851)
Industrial tax transfers	580,000	-	-	-	-	-	580,000
Amortization of tangible capital assets	620,018	611,470	6,555,098	367,834	130,497	121,223	8,406,140
Expenses per statement of operations	<u>\$ 6,903,827</u>	<u>\$ 2,631,256</u>	<u>\$ 27,563,461</u>	<u>\$ 3,392,165</u>	<u>\$ 2,733,611</u>	<u>\$ 2,292,986</u>	<u>\$ 45,517,306</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, 2018**

	Mobile equipment	Engineered structures	Automotive equipment	Machinery and equipment	Land	Road infrastructure	EDP equipment	2018	2017
<b>Cost</b>									
Balance, beginning 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
Add:									
Additions during the year	4,119,930	2,146,778	2,079,324	277,143	-	7,975,851	115,838	16,714,864	11,834,299
Less:									
Disposals during the year	(3,056,246)	-	(1,268,613)	(38,000)	-	-	(4,904)	(4,367,763)	(3,063,653)
Transfers to operations	-	(2,563,530)	-	-	-	-	-	(2,563,530)	-
Balance, end of the year	<u>\$40,385,491</u>	<u>\$32,563,471</u>	<u>\$23,068,145</u>	<u>\$6,570,914</u>	<u>\$1,313,520</u>	<u>\$218,308,129</u>	<u>\$4,755,729</u>	<u>\$326,965,399</u>	<u>\$317,181,828</u>
<b>Accumulated Amortization</b>									
Balance, beginning 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
Add:									
Amortization	1,966,142	797,193	1,675,877	343,447	-	3,169,292	413,149	8,365,100	8,086,221
Depletion	-	-	-	-	41,040	-	-	41,040	-
Less:									
Accumulated Amortization on	(1,284,925)	-	(1,117,681)	(12,667)	-	-	(3,433)	(2,418,706)	(1,917,681)
Balance, end of the year	<u>\$13,309,350</u>	<u>\$ 9,854,069</u>	<u>\$16,361,243</u>	<u>\$3,587,432</u>	<u>\$ 182,845</u>	<u>\$ 52,478,930</u>	<u>\$4,603,056</u>	<u>\$100,376,925</u>	<u>\$ 94,389,491</u>
<b>Net book value, 2018</b>	<u><b>\$27,076,141</b></u>	<u><b>\$22,709,402</b></u>	<u><b>\$ 6,706,902</b></u>	<u><b>\$2,983,482</b></u>	<u><b>\$1,130,675</b></u>	<u><b>\$165,829,199</b></u>	<u><b>\$ 152,673</b></u>	<u><b>\$226,588,474</b></u>	
Net book value, 2017	<u>\$26,693,674</u>	<u>\$23,923,347</u>	<u>\$ 6,454,387</u>	<u>\$3,075,119</u>	<u>\$1,171,715</u>	<u>\$161,022,640</u>	<u>\$ 451,455</u>		<u>\$222,792,337</u>

**Note:**

- Engineered structures comprise of dams, waterline infrastructure, wastewater infrastructure, buildings and engineered structures assets. The ending balance includes \$96,025 in assets that were under construction at year-end (2017 - \$1,047,302); no related amortization was recorded.