

SPECIAL AREAS TRUST ACCOUNT

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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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 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

Independent Auditor's Report



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, 2021, 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 Trust as at December 31, 2021, 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.

Other information

The financial statements of the Trust are included in the *Annual Report of the Ministry of Municipal Affairs* that is prepared by the Ministry of Municipal Affairs. The other information comprises the information included in the *Annual Report of the Ministry of Municipal Affairs* relating to the Trust, but does not include the financial statements of the Trust and my auditor's report thereon. The *Annual Report of the Ministry of Municipal Affairs* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

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

May 10, 2022
Edmonton, Alberta

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 59,920,411	\$ 49,279,018
Accounts receivable (Note 4)	2,009,600	2,319,925
Notes receivable (Note 5)	3,298,906	4,036,356
Due from Province of Alberta (Note 6)	1,451,290	2,506,610
Due from Government of Canada (Note 7)	957,194	-
Taxes receivable (Note 8)	539,644	509,993
	<u>68,177,045</u>	<u>58,651,902</u>
Investments (Schedule 1)	32,988,019	32,136,839
Total Financial Assets	<u>101,165,064</u>	<u>90,788,741</u>
Liabilities		
Accounts payable and accruals	4,485,761	1,982,951
Vacation accruals	1,050,834	1,091,768
Deferred revenues	240,010	870,217
Deferred government grant revenue (Note 9)	6,640,304	2,715,728
Due to Province of Alberta (Note 6)	604,958	398,238
	<u>13,021,867</u>	<u>7,058,902</u>
Long-term debt (Note 10)	-	159,608
Provision for gravel pit reclamation (Note 11)	3,157,000	3,117,000
Total Liabilities	<u>16,178,867</u>	<u>10,335,510</u>
Net Financial Assets (Schedule 3)	84,986,197	80,453,231
Non-financial assets		
Prepaid expenses	215,201	220,783
Tangible capital assets (Schedule 6)	241,475,311	236,918,189
Inventory (Note 12)	8,321,778	7,098,404
Total Non-Financial Assets	<u>250,012,290</u>	<u>244,237,376</u>
Accumulated Surplus (Note 13)	<u><u>\$ 334,998,487</u></u>	<u><u>\$ 324,690,607</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, 2021

	2021		2020
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 14)		
Revenues			
Net taxes for municipal purposes (Note 15)	27,872,000	29,982,207	27,678,268
Lease revenue (Note 16)	9,249,680	9,013,937	8,190,064
Government transfers for operating (Note 17)	6,400,487	6,900,304	4,930,964
Government transfers for capital (Note 17)	1,810,000	1,809,508	1,695,022
Interest	879,762	872,096	1,101,304
Contributed asset (Note 18)	-	229,600	97,133
Tax recovery land sales	18,000	4,733	6,179
(Loss) gain on sale of tangible capital assets	-	-	(231,312)
Restructuring transaction (Note 19)	-	3,693,557	-
Other revenue (Note 20)	2,158,634	2,350,641	2,505,250
Total revenues	<u>48,388,563</u>	<u>54,856,583</u>	<u>45,972,872</u>
Expenses			
Transportation services	21,444,966	20,094,177	13,817,811
Administrative services	5,055,432	4,890,923	4,487,618
Water and sanitation services	3,222,527	3,998,254	2,852,851
Agriculture and community development	2,568,546	2,657,811	2,205,457
Recreational and cultural services	2,225,810	2,011,943	1,645,701
Protective services	1,884,069	2,095,386	1,407,399
Industrial tax transfers	825,000	825,000	580,000
Amortization	7,872,293	7,975,209	8,031,356
Total expenses (Note 21)	<u>45,098,643</u>	<u>44,548,703</u>	<u>35,028,193</u>
Excess of revenues over expenses	\$ 3,289,920	\$ 10,307,880	\$ 10,944,679
Accumulated surplus at beginning of year	<u>324,690,607</u>	<u>324,690,607</u>	<u>313,745,928</u>
Accumulated surplus at end of year	\$ <u>327,980,527</u>	\$ <u>334,998,487</u>	\$ <u>324,690,607</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, 2021

	2021		2020
	<u>BUDGET</u> (Note 14)	<u>ACTUAL</u>	<u>ACTUAL</u>
Excess of revenue over expenses	\$ 3,289,920	\$ 10,307,880	\$ 10,944,679
Acquisition of tangible capital assets	(6,807,950)	(3,637,236)	(4,905,071)
Construction of roads and road surfaces	(4,896,000)	(5,166,856)	(6,300,565)
Loss (gain) on sale of tangible capital assets	-	-	231,312
Proceeds on disposal of tangible capital assets	378,500	-	1,854,303
Amortization of tangible capital assets	7,872,293	7,975,209	8,031,356
Change in prepaid assets	-	5,582	76,298
Change in inventory	-	(1,223,374)	(381,191)
Increase (decrease) in net financial assets	(163,237)	4,532,966	9,551,121
Net financial assets, beginning of year	80,453,231	80,453,231	70,902,110
Net financial assets, end of year	\$ 80,289,994	\$ 84,986,197	\$ 80,453,231

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, 2021

	<u>2021</u>	<u>2020</u>
Operating activities:		
Excess of revenues over expenses	\$ 10,307,880	\$ 10,944,679
Amortization of investment premiums, less discounts	236,085	215,566
(Gain) on sale of investments	(96,527)	(93,858)
Amortization of tangible capital assets	7,975,209	8,031,356
Transfers to tangible capital assets from restructuring	(3,728,239)	-
Amortization relating to self-constructed assets	(1,647,233)	(1,669,320)
Contributed assets	(229,600)	(97,133)
Loss on sale of tangible capital assets	-	231,312
Increase (decrease) in provision for gravel pit reclamation	40,000	(179,000)
	<u>12,857,575</u>	<u>17,383,602</u>
Changes in non-cash operating items:		
Prepaid assets and accounts receivable	315,907	434,830
Due from Province of Alberta	1,055,320	(903,533)
Due from Government of Canada	(957,194)	-
Taxes receivable	(29,651)	1,270,767
Accounts payable and accruals	2,461,876	(663,649)
Deferred revenues	(630,207)	444,454
Deferred government grant revenue	3,924,576	2,284,030
Due to Province of Alberta	206,720	(74,318)
Inventory	(1,223,374)	(381,191)
	<u>5,123,973</u>	<u>2,411,390</u>
Cash provided by operating activities	<u>17,981,548</u>	<u>19,794,992</u>
Capital activities:		
Proceeds of sale of tangible capital assets	-	1,854,303
Purchase of tangible capital assets	(6,927,259)	(9,439,183)
Cash applied to capital activities	(6,927,259)	(7,584,880)
Investing activities:		
Net change in notes receivable	737,450	353,658
Proceeds from redemption of investments	9,011,007	9,555,083
Purchase of investments	(10,001,745)	(10,849,370)
Cash (applied to) provided by investing activities	(253,288)	(940,629)
Financing activities:		
Long term debt repaid	(159,608)	(605,356)
Cash applied to financing activities	(159,608)	(605,356)
Increase in cash and cash equivalents	<u>10,641,393</u>	<u>10,664,127</u>
Cash and cash equivalents at the beginning of year	49,279,018	38,614,891
Cash and cash equivalents at the end of year	<u><u>\$ 59,920,411</u></u>	<u><u>\$ 49,279,018</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, 2021

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, 2021

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 0.928 million acres of tax recovery land remains unsold as at December 31, 2021 (2020 - 0.928 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 (2020 - 1.568 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, 2021, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2020 - 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. All sites that are under the control and ownership of The Board and are at a higher risk of contamination, are compliant with guidelines set out by the Alberta Safety Codes Authority.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021

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, 2021

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.

Note 3 Cash and Cash Equivalents

Cash and cash equivalents include deposits of \$59,109,592 (2020 - \$47,969,777) 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, 2021, the Board's portfolio of securities held by the Fund have a time weighted return of 0.18% per annum (2020 - 0.92%) per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

Included in cash and cash equivalents are restricted amounts of \$1,800,405 (2020 - \$665,728) that are held exclusively for approved projects (Note 9).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 4 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of \$361,514 (2020 - \$184,895), are comprised of the following:

	<u>2021</u>	<u>2020</u>
Current:		
From sale of tax recovery land and related mineral surface leases	\$ 221,264	\$ 262,271
Accrued interest	<u>15,353</u>	<u>21,344</u>
	236,617	283,615
Leases	558,563	484,722
Parks permit receivable	253,858	253,858
Oil well drilling	1,641	64,414
Accrued interest on investments	105,523	119,305
Local improvement recoveries	41,651	70,078
Sheerness deadfish irrigation	74,937	7,312
Miscellaneous	<u>202,277</u>	<u>182,513</u>
	<u>\$ 1,475,067</u>	<u>\$ 1,465,817</u>
Non-current:		
From sale of tax recovery land and related mineral surface leases	\$ 534,533	\$ 809,347
Local improvement recoveries	-	42,849
Other	-	1,912
	<u>\$ 534,533</u>	<u>\$ 854,108</u>
	<u><u>\$ 2,009,600</u></u>	<u><u>\$ 2,319,925</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, 2021

Note 5 Notes Receivable

Notes receivable are comprised of the following:

	<u>2021</u>	<u>2020</u>
Current:		
Acadia Foundation	\$ -	\$ 169,555
Acadia Foundation - accrued interest	-	470
	<u>-</u>	<u>170,025</u>
Special Areas & Oyen Development Corporation	79,841	77,888
Association of Consort & District Seniors Centre	12,008	11,702
Big Country Waste Management Commission	147,119	216,578
Village of Cereal	-	150,000
Other	22,534	24,128
	<u>\$ 261,502</u>	<u>\$ 650,321</u>
Non-current:		
Special Areas & Oyen Development Corporation	\$ 2,352,100	\$ 2,442,989
Association of Consort & District Seniors Centre	360,629	372,637
Big Country Waste Management Commission	-	221,199
Neutral Hills Child Care Society	250,000	250,000
Other	74,675	99,210
	<u>\$ 3,037,404</u>	<u>\$ 3,386,035</u>
	<u><u>\$ 3,298,906</u></u>	<u><u>\$ 4,036,356</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 Province of Alberta. 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 3.514% (2020 - 3.14% to 3.514%). The final semi-annual payment totaling \$172,217 was made in June (payments in 2020 were \$598,838). Interest revenue recognized as a result of this loan in 2021 was \$2,191 (2020 - \$16,995).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 5 Notes Receivable

(cont'd) 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-purpose and upgrade the industrial railyard in Oyen. Repayment is based on the issuance of (2) unsecured interest bearing notes of a 25 year term at 2.5430% and 2.2261% interest.

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 is based on the issuance of an unsecured interest bearing note of a 25 year term at 2.6220% interest.

The amount owed by the Village of Cereal is a result of the Board entering into a memorandum of understanding to advance funds to facilitate the dissolution of the Village. Repayment is based on the issuance of an unsecured note bearing interest at 0.8256%. During the year, the village of Cereal was dissolved and amalgamated with the Special Areas as a Hamlet.

Principal repayments are estimated as follows:

2022	261,502
2023	136,661
2024	139,993
2025	121,422
2026	124,572
Thereafter	2,514,756
	<u>\$ 3,298,906</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 6 Due from (to) Province of Alberta

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

	<u>2021</u>	<u>2020</u>
Due from Province of Alberta:		
Municipal Affairs	\$ 1,169,275	\$ 1,010,208
Agriculture	217,295	-
Transportation	49,445	50,209
Environment and Parks	15,275	36,537
Service Alberta	-	1,409,656
	<u>1,451,290</u>	<u>2,506,610</u>
Due to Province of Alberta:		
Environment and Parks	(337,054)	(341,695)
Other	(267,904)	(56,543)
	<u>(604,958)</u>	<u>(398,238)</u>
Due from Province of Alberta, net	<u><u>\$ 846,332</u></u>	<u><u>\$ 2,108,372</u></u>

Note 7 Due from Government of Canada

	<u>2021</u>	<u>2020</u>
Federal Gas Tax Funding	\$ 739,899	\$ -
Canada Infrastructure Bank	217,295	-
	<u><u>\$ 957,194</u></u>	<u><u>\$ -</u></u>

Note 8 Taxes Receivable

	<u>2021</u>	<u>2020</u>
Current taxes	\$ 1,416,987	\$ 3,369,772
Less bad debt write-offs:	(984,402)	(3,053,823)
	432,585	315,949
(Over)/Under levy	-	137,316
Tax arrears	107,059	56,728
	<u><u>\$ 539,644</u></u>	<u><u>\$ 509,993</u></u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 9 Deferred Government Grant Revenue

	<u>2021</u>	<u>2020</u>
Transportation	\$ 4,100,000	\$ 2,050,000
Municipal Affairs	2,445,260	496,621
FCSS/Mental Health	56,077	-
Tourism	38,967	-
Agriculture and Forestry	<u>-</u>	<u>169,107</u>
	<u><u>\$ 6,640,304</u></u>	<u><u>\$ 2,715,728</u></u>

Note 10 Long-Term Debt

	<u>2021</u>	<u>2020</u>
Province of Alberta loan, repayable in semi-annual installments of \$162,114, including fixed interest at 3.14%, due June 2021	<u>-</u>	<u>159,608</u>
	-	159,608
Less: current portion	<u>-</u>	<u>159,608</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Interest on long-term debt for 2021 amounted to \$2,286 (2020 - \$16,650).

The total cash payments for interest in 2021 were \$2,506 (2020 - \$17,532).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 2021 it was estimated that 878,345 cubic meters (2020 - 846,988 cubic meters) of gravel pits were exposed for a total liability of \$3,157,000 (2020 - \$3,117,000).

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, 2021

Note 12 Inventory

	2021			2020
	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	\$ 1,766,829	\$ 210,324	\$ 1,556,505	\$ 1,397,479
Gravel	6,024,051	-	6,024,051	5,037,443
Culverts	248,773	-	248,773	211,793
Fuel	281,108	-	281,108	238,000
Fencing	87,735	-	87,735	76,891
Chemicals and other	123,606	-	123,606	136,798
Inventory	<u>\$ 8,532,102</u>	<u>\$ 210,324</u>	<u>\$ 8,321,778</u>	<u>\$ 7,098,404</u>

Note 13 Accumulated Surplus

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

	2021	2020
Equity in tangible capital assets	\$ 241,475,311	\$ 236,918,189
Equity in inventory	8,321,778	7,098,404
Unrestricted operational surplus	30,186,414	25,664,371
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales	<u>55,014,984</u>	<u>55,009,643</u>
Total Accumulated Surplus (Schedule 4)	<u>\$334,998,487</u>	<u>\$324,690,607</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, 2021

Note 14 Budget

The 2021 municipal budget was adopted by the Board in December 2020 and approved by the Minister of Municipal Affairs in May 2021. The budget was prepared on a cash basis. A reconciliation to that basis is as follows:

	2021		2020
	Budgeted	Actual	Actual
Excess of revenues over expenses	\$ 3,289,920	\$ 10,307,880	\$ 10,944,679
Acquisition of tangible capital assets	(6,807,950)	(3,637,236)	(4,905,071)
Construction of road and road surfaces	(4,896,000)	(5,166,856)	(6,300,565)
Loss (gain) on sale of tangible capital assets	-	-	231,312
Proceeds on disposal of tangible capital assets	378,500	-	1,854,303
Amortization of tangible capital assets	7,872,293	7,975,209	8,031,356
	(163,237)	9,478,997	9,856,014
Tax Recovery Land Sales - transferred to internally restricted reserves (Schedule 4)	-	(5,341)	(4,731)
Surplus (deficit), as per budget	\$ (163,237)	\$ 9,473,656	\$ 9,851,283

Note 15 Taxation

	2021		2020
	Budgeted	Actual	Actual
Power and pipeline	\$ 31,338,000	\$ 31,867,300	\$ 33,028,079
Real property	11,215,000	11,421,016	11,091,408
Grazing and cultivation	704,000	708,695	703,760
Penalties and costs on taxes	200,000	81,031	94,515
	43,457,000	44,078,042	44,917,762
Less amounts expended by transfers:			
Alberta School Foundation Fund	11,703,000	11,260,631	12,060,051
Seniors Foundation	1,638,000	1,642,887	1,881,166
Bad Debt	2,000,000	984,402	3,053,823
Designated Industrial Properties	244,000	207,915	244,454
	\$ 15,585,000	\$ 14,095,835	\$ 17,239,494
Net taxes for municipal purposes	\$ 27,872,000	\$ 29,982,207	\$ 27,678,268

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 16 Lease Revenue

	2021		2020
	Budgeted	Actual	Actual
Mineral surface leases	\$ 3,150,000	\$ 3,069,950	\$ 2,376,512
Equipment rentals	2,068,000	2,099,800	2,056,354
Grazing leases	2,099,000	1,959,395	1,973,050
Community pastures	942,400	916,148	832,180
Cultivation leases	437,000	454,470	420,510
Miscellaneous leases	125,000	124,310	124,414
Rights of entry	95,000	90,975	93,094
Easements	120,000	35,011	114,305
Other	213,280	263,878	199,645
	<u>\$ 9,249,680</u>	<u>\$ 9,013,937</u>	<u>\$ 8,190,064</u>

Note 17 Government Transfers

	2021		2020
	Budgeted	Actual	Actual
Transfers for operating:			
Municipal Affairs	\$ 1,940,000	\$ 3,263,427	\$ 2,436,242
Transportation	1,551,720	1,563,420	1,551,720
Agriculture and Forestry	658,814	1,074,057	347,814
Infrastructure	720,500	541,479	118,892
Human Services	176,931	202,493	176,932
Government of Canada	1,327,522	192,295	264,332
Environment	-	56,033	25,932
Culture and Tourism	25,000	7,100	9,100
	<u>\$ 6,400,487</u>	<u>\$ 6,900,304</u>	<u>\$ 4,930,964</u>
Transfers for capital:			
Municipal Affairs	<u>\$ 1,810,000</u>	<u>\$ 1,809,508</u>	<u>\$ 1,695,022</u>

Note 18 Contributed Asset

In 2021, the Board received an estimated 33,951 cubic metres of gravel from Alberta Transportation. This gravel is valued at \$229,600 or \$6.05/m³.

In 2020, the Board received an estimated 54,321 cubic metres of asphalt millings from Alberta Transportation. These millings are valued at \$97,133 or \$1.79/m³.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 19 Restructuring transaction

On January 1, 2021, the Board completed a restructuring transaction with the Village of Cereal. The restructuring transaction was completed as a result of a Province of Alberta Order in Council dissolving the Village of Cereal and the former area of the village becoming part of Special Areas.

Under the restructuring transaction, the Board received all liabilities, and all assets, rights, duties, functions and obligations of the Village.

The following table summarizes the carrying amounts of the assets and liabilities received by the Board, in aggregate, as a result of the restructuring transaction.

	<u>2021</u>
Assets received	
Cash and cash equivalents	\$ 105,404
Accounts receivable	29,309
Due from the Province of Alberta	742,814
Due from the Government of Canada	300,000
Taxes receivable	17,343
Investments	1,285
Prepaid expenses	13,333
Tangible capital assets	3,728,239
Total assets	<u>4,937,727</u>
Liabilities received	
Accounts payable and accruals	(74,274)
Due to the Province of Alberta	(7,089)
Deferred revenue	(1,025,737)
Long-term debt	(137,070)
Total liabilities	<u>(1,244,170)</u>
Net assets received	3,693,557
Restructuring grant	<u>822,000</u>
Net effect of restructuring	<u><u>\$ 4,515,557</u></u>

The net effect of the restructuring transaction is included in the statement of operations as \$3,693,557 in contributed assets and \$278,829 in Government transfers for operating plus \$543,171 as deferred revenue on the statement of financial position.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 20 Other Revenue

	2021		2020
	Budgeted	Actual	Actual
Park permits and concession revenues	\$ 729,999	\$ 693,936	\$ 641,737
Water sales	310,000	438,208	288,835
License, assignment and application fees	272,000	317,579	162,067
Cost recoveries	195,135	125,372	109,286
Chemical Sales	80,000	120,788	88,418
Fire cost recoveries	100,000	111,362	97,790
Gravel sales	120,000	71,302	37,429
Bylaw enforcement cost recoveries	70,000	68,104	68,546
Oil well drilling tax revenue	-	55,369	717,146
Cultivation conversion	32,000	34,674	98,218
Other	249,500	313,947	195,778
	<u>\$ 2,158,634</u>	<u>\$ 2,350,641</u>	<u>\$ 2,505,250</u>

Note 21 Total Expenses

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

	2021		2020
	Budgeted	Actual	Actual
Manpower (Schedule 2)	\$ 17,574,670	\$ 17,359,342	\$ 15,630,254
Materials, goods, and utilities	13,241,546	13,075,803	9,179,838
Amortization of tangible capital assets	7,872,293	7,975,209	8,031,356
Contract and general services	7,727,546	8,106,092	6,186,595
Grants	2,195,082	1,861,728	1,335,974
Industrial tax transfers	825,000	825,000	580,000
Interest on long-term debt	2,506	2,286	16,650
Goods and services from Alberta Government departments			
Alberta Treasury Board & Finance	326,000	322,808	308,458
Alberta Transportation	10,000	1	-
Alberta Municipal Affairs	20,000	13,173	12,545
Provision for doubtful accounts	200,000	174,117	47,088
Less:			
Internal road projects capitalized in the year	(4,896,000)	(5,166,856)	(6,300,565)
	<u>\$ 45,098,643</u>	<u>\$ 44,548,703</u>	<u>\$ 35,028,193</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 21 Total Expenses

(cont'd) Included in manpower, materials, goods and utilities and contract and general services, are \$3,427,343 of expenses (2020 - \$1,649,597), 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 22 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>2021</u>	<u>2020</u>
Total debt limit	\$ 73,685,877	\$ 66,763,743
Total debt	<u>-</u>	<u>159,608</u>
Amount of debt limit unused	<u>\$ 73,685,877</u>	<u>\$ 66,604,135</u>
Debt servicing limit	\$ 12,280,980	\$ 11,127,291
Debt servicing	<u>-</u>	<u>162,114</u>
Amount of debt servicing limit unused	<u>\$ 12,280,980</u>	<u>\$ 10,965,177</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 23 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 21.

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 6.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 24 Pension Plan

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

Total current contributions by the Board in 2021 to the PSPP were \$800,525 (2020 - \$858,470) and to the MEPP were \$134,743 (2020 - \$139,900).

At December 31, 2020, the PSPP reported a surplus of \$2,223,582,000 (2019 surplus - \$2,759,320,000) and the MEPP reported a surplus of \$809,850,000 (2019 surplus - \$1,008,135,000).

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

Note 25 Future Accounting Changes

PS 3280 Asset Retirement Obligations (effective April 1, 2022)

This standard provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

PS 3400 Revenue (effective April 1, 2023)

This standard provides guidance on how to account for and report on revenue, and specifically, addresses revenue arising from exchange transactions and unilateral transactions.

PS 3450 Financial Instruments (effective April 1, 2022)

Adoption of this standard requires corresponding adoption of: PS 2601, Foreign Currency Translation; PS 1201, Financial Statement Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of the 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 the financial statements; and how to account for and report portfolio investments.

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

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 26 Impact of COVID-19 Pandemic

The COVID-19 pandemic is complex and rapidly evolving. It has caused material disruption to businesses and has resulted in an economic slowdown. The magnitude and duration of COVID-19 is uncertain and, accordingly, it is difficult to reliably measure the potential future impact on the Board's financial position and operations.

Note 27 Comparative Figures

Certain 2020 figures have been reclassified to conform to 2021 presentation.

Note 28 Approval of Financial Statements

These financial statements have been approved by the Board.

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2021

Schedule 1

	2021						2020
	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	\$ 819,723	\$ 800,020	\$ 800,017
Canada Housing Trust	3.800%	1.371%	June 15, 2021	-	-	-	1,010,325
Canada Housing Trust	2.650%	1.386%	March 15, 2022	-	-	-	2,295,625
Canada Housing Trust	1.750%	2.314%	June 15, 2022	763,000	767,887	764,762	1,559,808
Canada Housing Trust	2.400%	2.373%	December 15, 2022	942,000	956,796	942,911	2,787,478
Canada Housing Trust	2.350%	0.510%	June 15, 2023	2,370,000	2,417,538	2,434,926	1,170,188
Canada Housing Trust	2.350%	2.731%	September 15, 2023	1,210,000	12,236,442	1,213,970	1,216,286
Canada Housing Trust	3.150%	2.561%	September 15, 2023	1,010,000	1,045,516	1,020,130	1,025,939
Canada Housing Trust	2.550%	2.406%	December 15, 2023	1,505,000	1,546,370	1,511,763	1,515,122
Canada Housing Trust	2.900%	1.495%	June 15, 2024	3,283,000	3,414,786	3,393,253	3,436,657
Canada Housing Trust	1.800%	1.400%	December 15, 2024	1,350,000	1,368,792	1,365,533	1,370,662
Canada Housing Trust	1.250%	1.078%	December 15, 2026	1,820,000	1,800,552	1,834,415	-
Canada Housing Trust	2.550%	0.903%	March 15, 2025	2,530,000	2,624,159	2,670,990	2,714,382
Canada Housing Trust	0.950%	0.700%	June 15, 2025	1,509,000	1,487,397	1,523,741	1,527,952
Canada Housing Trust	1.900%	1.627%	September 15, 2026	1,597,000	1,624,444	1,616,575	-
Canada Housing Trust	1.950%	1.163%	December 15, 2025	1,580,000	1,610,881	1,631,173	-
Canadian Imperial Bank of Commerce	2.900%	2.901%	September 14, 2021	-	-	-	499,968
Canadian Imperial Bank of Commerce	1.100%	1.561%	January 19, 2026	710,000	686,819	697,189	-
Government of Canada	1.250%	0.396%	March 1, 2025	500,000	501,787	513,382	517,585
Province of Manitoba	2.550%	2.567%	June 2, 2023	2,000,000	2,043,437	1,999,580	1,999,269
Province of Ontario	3.150%	2.573%	June 2, 2022	155,000	156,787	155,403	736,310
Province of Ontario	2.850%	2.230%	June 2, 2023	515,000	528,376	519,428	522,466
Province of Ontario	2.600%	0.661%	June 2, 2025	360,000	373,772	383,534	-
Province of Ontario	1.750%	0.765%	September 8, 2025	1,425,000	1,439,029	1,475,835	1,489,432
Province of Ontario	2.400%	1.236%	June 2, 2026	560,000	580,169	587,928	-
Province of Quebec	3.090%	1.763%	September 1, 2023	1,890,000	1,951,298	1,928,068	1,950,525
Province of Quebec	3.000%	0.733%	September 1, 2025	455,000	476,396	488,084	496,983
Royal Bank of Canada	2.880%	2.880%	December 23, 2029	600,000	614,817	600,164	600,217
TD Bank	1.128%	1.404%	December 9, 2025	925,000	899,435	915,259	-
TD Bank	1.994%	2.586%	March 23, 2022	-	-	-	893,640
				32,364,000	43,973,405	32,988,016	32,136,836
Special Areas & Oyen Development Corp			(1 share)	1	1	1	1
Hanna and District Medical Corporation			(2 shares)	2	2	2	2
				<u>\$ 32,364,003</u>	<u>\$ 43,973,408</u>	<u>\$ 32,988,019</u>	<u>\$ 32,136,839</u>

Notes:

- 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, 2021

	2021					2020	
	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	1	\$ 144,284	\$ -	\$ 26,979	\$ 171,263	1	\$ 170,932
Special Areas Board members	3	22,917	-	1,367	24,284	3	24,516
Director of Finance and Administration	1	133,318	-	27,428	160,746	1	159,473
Director of Municipal Services	1	131,967	-	26,764	158,731	1	157,779
Director of Properties Administration	1	115,965	-	26,208	142,173	1	141,253
Roads & Equipment Superintendent	1	107,153	-	23,424	130,577	1	129,877
Managers (e)	3.69	\$388,592	2,981	85,779	477,352	3.99	509,516
Other full time staff (f)	101.08	7,850,015	-	1,686,455	9,536,470	103.89	9,644,627
Part time and casual wage staff		5,922,414	-	622,572	6,544,986		4,604,854
Other Boards and committees		9,941	-	376	10,317		12,999
Advisory Councilors	13	25,683	-	15,806	41,489	13	26,349
(Decrease) in overtime accrual		1,887	-	-	1,887		(2,456)
Increase (decrease) in vacation accrual		(40,933)	-	-	(40,933)		50,535
		<u>\$ 14,813,203</u>	<u>\$ 2,981</u>	<u>\$ 2,543,158</u>	<u>\$ 17,359,342</u>		<u>\$ 15,630,254</u>

- (a) Number of individuals consists of full time equivalents, except for Special Areas Board members and Advisory Councilors.
- (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 2021.
- (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.
- (e) Average salary is \$105,310 and average benefits (column c & d) are \$24,054 totaling \$129,364 (2020 - \$127,379).
- (f) Average salary is \$77,661 and average benefits are \$15,174 totaling \$94,346 (2020 - \$92,835).

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE
AS AT DECEMBER 31, 2021

	<u>Schedule 3</u>	
	<u>2021</u>	<u>2020</u>
Change in Financial Assets		
Cash and cash equivalents	\$ 10,641,393	\$ 10,664,127
Accounts receivable	(310,325)	(358,532)
Notes receivable	(737,450)	(353,658)
Due from Province of Alberta	(1,055,320)	903,533
Due from Government of Canada	957,194	-
Taxes receivable	29,651	(1,270,767)
	<u>9,525,143</u>	<u>9,584,703</u>
Investments	<u>851,180</u>	<u>1,172,579</u>
Increase (decrease) in Financial Assets	<u>10,376,323</u>	<u>10,757,282</u>
Change in Liabilities		
Accounts payable and accruals	(2,502,810)	714,184
Vacation accrual	40,934	(50,535)
Deferred revenues	630,207	(444,454)
Deferred government grant revenue	(3,924,576)	(2,284,030)
Due to Province of Alberta	(206,720)	74,318
	<u>(5,962,965)</u>	<u>(1,990,517)</u>
Long-term debt	159,608	605,356
Provision for gravel pit reclamation	(40,000)	179,000
(Increase) decrease in Liabilities	<u>(5,843,357)</u>	<u>(1,206,161)</u>
Net increase in net financial assets	4,532,966	9,551,121
Net financial assets at the beginning of year	<u>80,453,231</u>	<u>70,902,110</u>
Net financial assets at end of year	<u><u>\$ 84,986,197</u></u>	<u><u>\$ 80,453,231</u></u>

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY ACCUMULATED SURPLUS INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>		<u>Schedule 4</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 14)		
Equity in tangible capital assets at beginning of year	\$	236,918,189	\$ 235,829,524
Addition of capital assets:			
Road infrastructure	4,896,000	5,166,856	6,300,565
Transportation services	2,597,750	2,204,692	4,139,592
Agriculture and community			
pasture services	299,200	124,139	139,915
Administrative services	341,500	275,685	90,807
Water and sanitation services	2,822,500	159,263	29,043
Recreation and cultural services	112,000	108,941	147,381
Protective services	635,000	764,516	358,333
	<u>11,703,950</u>	<u>8,804,092</u>	<u>11,205,636</u>
Annual amortization of capital assets		(7,975,209)	(8,031,356)
Disposal of capital assets		-	(2,085,615)
		<u>237,747,072</u>	<u>236,918,189</u>
Transfers from operations		3,728,239	-
Equity in tangible capital assets at end of year (Note 13)	\$	<u>241,475,311</u>	\$ <u>236,918,189</u>
Equity in inventory at beginning of year	\$	7,098,404	\$ 6,717,213
Add purchases and other inventory costs		6,683,827	4,203,964
Deduct requisitions		(5,460,453)	(3,822,773)
Equity in inventory at end of year (Note 12, 13)	\$	<u>8,321,778</u>	\$ <u>7,098,404</u>
Accumulated operational surplus at beginning of year	\$	25,664,371	\$ 16,194,279
Excess of revenues over expenses		10,307,880	10,944,679
Equity change in inventory		(1,223,374)	(381,191)
Equity change in capital assets		(4,557,122)	(1,088,665)
		<u>30,191,755</u>	<u>25,669,102</u>
Transfers to internally restricted reserves (Note 14)		(5,341)	(4,731)
Accumulated operational surplus at end of year (Note 13)	\$	<u>30,186,414</u>	\$ <u>25,664,371</u>
Internally restricted accumulated surplus at beginning of year	\$	55,009,643	\$ 55,004,912
Tax Recovery Land Sales - Transfers from operations		5,341	4,731
Internally restricted accumulated surplus at end of year (Note 13)	\$	<u>55,014,984</u>	\$ <u>55,009,643</u>
	\$	<u>334,998,487</u>	\$ <u>324,690,607</u>

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SEGMENT REVENUE AND EXPENSE DISCLOSURE BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021						
	Administrative Services	Protective Services	Transportation Services	Water & Sanitation Services	Agriculture & Community Development	Recreation & Cultural Services	Total
Revenue:							
Taxation	\$ 29,982,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,982,207
Leases	5,997,989	-	2,099,580	-	916,368	-	9,013,937
Provincial Grants	60,727	506,934	6,100,606	712,060	1,087,190	50,000	8,517,517
Interest	872,096	-	-	-	-	-	872,096
Federal Grants	(25,000)	-	-	-	217,295	-	192,295
Contributed Asset	-	-	229,600	-	-	-	229,600
Tax Recovery Land Sales	4,733	-	-	-	-	-	4,733
Restructuring Transaction	(34,682)	-	3,728,239	-	-	-	3,693,557
Other	730,419	179,466	86,052	523,980	136,788	693,936	2,350,641
Revenues per statement of operations	<u>\$ 37,588,489</u>	<u>\$ 686,400</u>	<u>\$ 12,244,077</u>	<u>\$ 1,236,040</u>	<u>\$ 2,357,641</u>	<u>\$ 743,936</u>	<u>\$ 54,856,583</u>
Expenses:							
Manpower (Schedule 2)	\$ 2,901,788	\$ 386,299	\$ 11,556,630	\$ 796,551	\$ 1,251,924	\$ 466,150	\$ 17,359,342
Materials, goods, and utilities	176,752	389,828	11,390,840	226,174	522,190	370,019	13,075,803
Contract and general services	1,128,024	1,319,205	2,311,062	2,725,555	432,770	189,476	8,106,092
Grants	184,008	-	2,500	249,974	438,948	986,298	1,861,728
Interest on long-term debt	2,286	-	-	-	-	-	2,286
Goods and services from GOA	323,948	54	1	-	11,979	-	335,982
Provision for doubtful accounts	174,117	-	-	-	-	-	174,117
Internal road projects capitalized in the year	-	-	(5,166,856)	-	-	-	(5,166,856)
Industrial tax transfers	825,000	-	-	-	-	-	825,000
Amortization of tangible capital assets	550,277	427,375	6,404,592	351,850	127,526	113,589	7,975,209
Expenses per statement of operations	<u>\$ 6,266,200</u>	<u>\$ 2,522,761</u>	<u>\$ 26,498,769</u>	<u>\$ 4,350,104</u>	<u>\$ 2,785,337</u>	<u>\$ 2,125,532</u>	<u>\$ 44,548,703</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, 2021

	Mobile equipment	Engineered structures	Automotive equipment	Machinery and equipment	Land	Road infrastructure	EDP equipment	2021	2020
Cost									
Balance, beginning of the year	\$44,054,029	\$33,765,957	\$23,642,352	\$6,652,899	\$1,318,520	\$234,990,768	\$4,923,467	\$349,347,992	\$343,353,532
Add:									
Additions during the year	1,816,256	886,210	431,966	229,887	-	5,166,856	272,917	8,804,092	11,205,636
Transfers from	-	5,986,339	25,000	209,245	90,588	-	19,688	6,330,860	-
Less:									
Disposals during the year	-	-	-	-	-	-	(849,088)	(849,088)	(5,211,176)
Balance, end of the year	\$45,870,285	\$40,638,506	\$24,099,318	\$7,092,031	\$1,409,108	\$240,157,624	\$4,366,984	\$363,633,856	\$349,347,992
Accumulated Amortization									
Balance, beginning of the year	\$14,643,221	\$11,445,682	\$18,167,246	\$4,128,147	\$ 194,533	\$ 59,103,804	\$4,747,170	\$112,429,803	\$107,524,008
Add:									
Amortization	2,245,611	910,530	1,048,854	347,428	-	3,207,106	215,680	7,975,209	8,024,611
Transfers from	-	2,410,852	25,000	147,081	-	-	19,688	2,602,621	-
Depletion	-	-	-	-	-	-	-	-	6,745
Less:									
Accumulated Amortization on Disposals	-	-	-	-	-	-	(849,088)	(849,088)	(3,125,561)
Balance, end of the year	\$16,888,832	\$14,767,064	\$19,241,100	\$4,622,656	\$ 194,533	\$ 62,310,910	\$4,133,450	\$122,158,545	\$112,429,803
Net book value, 2021	\$28,981,453	\$25,871,442	\$ 4,858,218	\$2,469,375	\$1,214,575	\$177,846,714	\$ 233,534	\$241,475,311	
Net book value, 2020	\$29,410,808	\$22,320,275	\$ 5,475,106	\$2,524,752	\$1,123,987	\$175,886,964	\$ 176,297		\$236,918,189

Note:

- Engineered structures comprise of dams, waterline infrastructure, wastewater infrastructure, buildings and engineered structures assets. The ending balance includes \$794,574 in assets that were not in service at year-end (2020 - \$977,857); no related amortization was recorded.