



2023 RATEPAYER MEETINGS

Update from Darcy Ferguson, Director
Finance & Administration
Special Areas Board

2022 Financial Statements

Audit Report

- The Auditor General of Alberta and his staff have audited the Special Areas Board's financial statements for the year ending December 31, 2022.
- We have included their report in the first section of the full package of financial statements. These are available online at www.specialareas.ab.ca.
- I would note that it is their opinion that these statements present fairly the financial position of the Special Areas Board's Trust Account

2022 Financial Statements

2022 CASH POSITION

\$63,600,037

- Cash is up \$3,680,000

2022 TAXES RECEIVABLE

\$ 636,875

*- \$3.1 million allowance for
doubtfuls*

2022 NOTES RECEIVABLE

*These are for loans, mainly to SA & Oyen Development Corp. and the Big Country
Waste Commission. Acadia Foundation repayments to Special Areas ended in 2021*

2022 INVESTMENTS

\$33,266,085

- Additional detail on Schedule 1

2021 CASH POSITION

\$59,920,411

2021 TAXES RECEIVABLE

\$ 539,644

- \$5.2 million w/o for doubtfuls

2021 NOTES RECEIVABLE

2021 INVESTMENTS

\$32,988,019

2022 Financial Statements

2022 ACCOUNTS PAYABLE

\$ 9,411,283

- increased Trade A/P back to normal.

2022 LONG TERM DEBT

\$ -

2022 NET FINANCIAL ASSETS

\$90,859,977

- Up \$7.5 million

2021 ACCOUNTS PAYABLE

\$ 14,685,785

-bump up due to Grant revenue being deferred, mainly Secondary Highway funding, Cereal, Fed Gas Tax

2021 LONG TERM DEBT

\$ -

- *Borrowing for Acadia Foundation*

2021 NET FINANCIAL ASSETS

\$83,322,279

2022 Financial Statements

2022 NON-FINANCIAL ASSETS

\$251,929,951

- *Up \$1.9 million and this represents Special Areas net investment in assets being greater than amortization. Additional detail is on Schedule 6.*
- *Special Areas invested \$9.6 million in assets, less \$7.8 million for amortization. Note due to supply chain issues Capital Asset component decreased \$0.5 million, normal operations (pre-pandemic) would see this as a \$1.5 to \$2.0 million increase.*

2021 NON-FINANCIAL ASSETS

\$250,012,290

2022 ACCUMULATED SURPLUS

\$342,789,928

- Up \$9.45 million.

- *Increase consists of:*
 - majority comes from Operational Surplus net increase of \$7.5 million.*
 - Operations surplus on a cash basis total of \$37.7 million (Note 12).*
 - Equity in TCA increase of \$1.46 million and increase in inventory \$464K.*
 - Tax Recovery Reserve, balance \$55.019 million.*

2021 ACCUMULATED SURPLUS

\$333,334,569

2022 Financial Statements

Statement of Financial Position

- The Special Areas Board is in a strong financial position. The Board has sufficient financial resources to fund future operational and capital requirements.
- The Board also has a significant financial reserve as a result of the Tax Recovery Land Sale process and investments in TCA.
- The Board's operational surplus is available for funding of future expenditures.
- \$37.7 million. It should be noted that part of this surplus is a result of TRLS II funds being transferred to this surplus account (approx. \$12.2 million).

2022 Financial Statements

Statement of Operations

- Format of financial statements is different than those used for budget preparation and comparison.
- Revenues and expenses discussion refers to the same format (ACCRUAL ACCOUNTING) as financial statements are prepared by.
- The budget is prepared on a MODIFIED CASH BASIS.
- The key difference between these two methods is with the accrual basis self constructed roads (SAB crew work) are capitalized and then amortized over several years. The modified cash basis expenses these when the work is performed.
- Schedule 4 and Note 13 of the Audited Financial Statements help us to interpret the cash basis from the accrual method.

2022 Financial Statements

Revenue Summary

2022 ACTUAL REVENUE

\$ 56,330,874

2022 BUDGETED REVENUE

\$ 47,670,687

2021 ACTUAL REVENUE

\$ 54,849,139

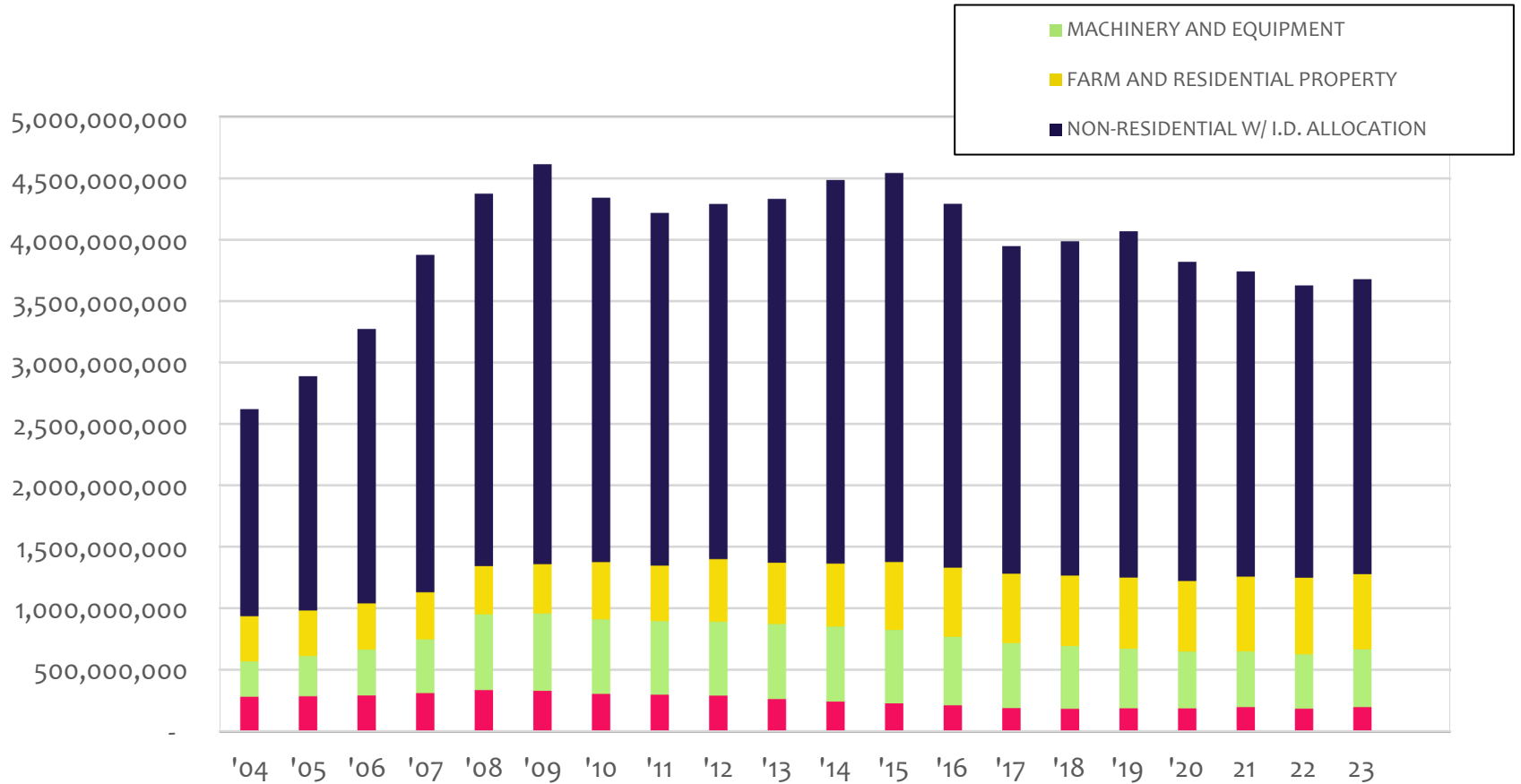
2021 BUDGETED REVENUE

\$ 54,856,583

Total 2022 actual revenue is up from 2021 actual revenue and up to the 2022 budgeted revenue. Increase in Net Tax revenue due to impact if previous Oil & Gas bad debts being collected.

2022 Financial Statements

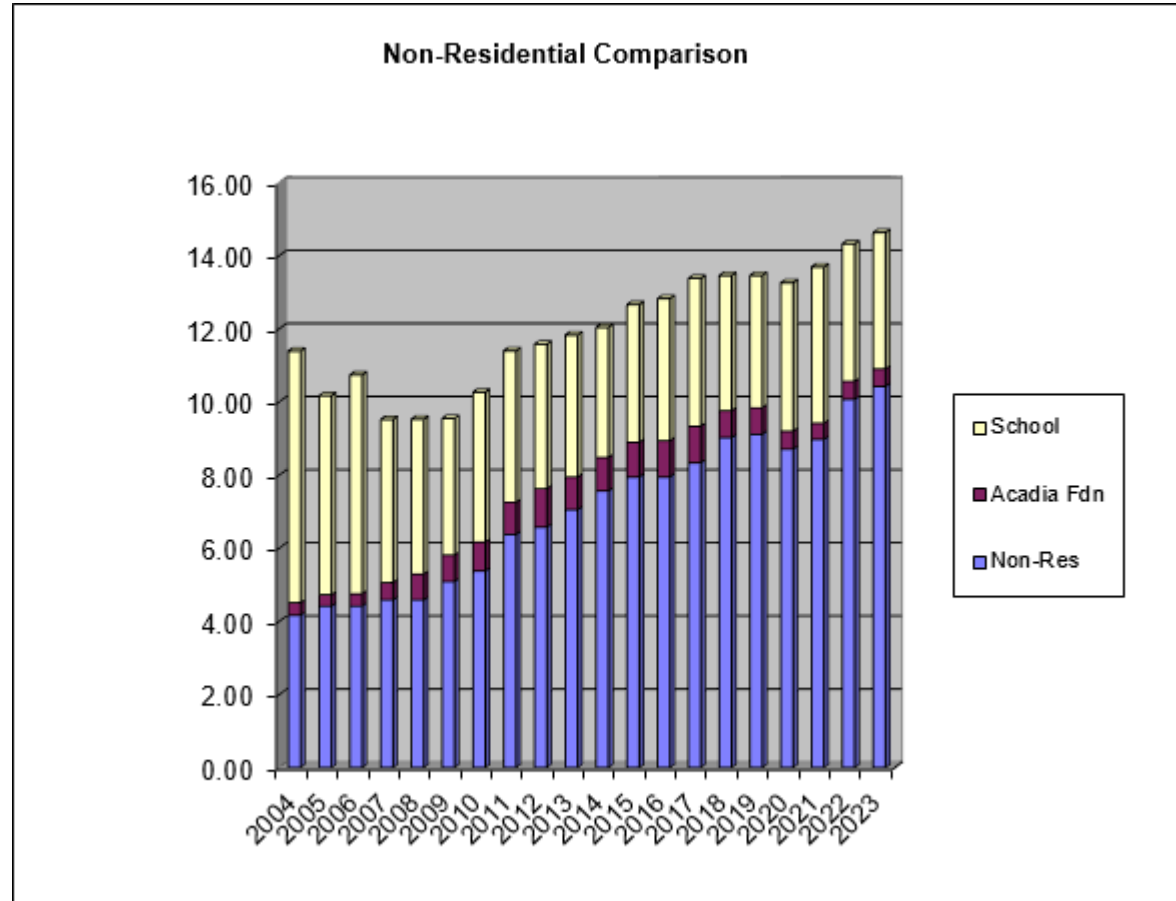
Assessment Value Trends



2022 Financial Statements

Non-Residential Millrates

- Overall strategy has been to increase millrates gradually when necessary.
- Special Areas has been moving into the millrate room that has been created in the past by lower provincial school and seniors' levies



2022 Financial Statements

Revenue Summary

2022 ACTUAL NET TAXES

\$ 36,225,878

- Municipal millrate no change at 5.71, split was up 2.40 to 2.80.
- Bad debt levy on industrial accts in the year was .81 up from 0.15 ('19 - 0.3414).
- Residential up .07 from 2.93 to 3.00.
- Overall tax revenue is up \$5.6 million and recoveries relating to bad debt resulted in a \$4.4 million swing in the net taxes.

2022 ACTUAL LEASES

\$ 9,065,370

2022 BUDGETED NET TAXES

\$ 29,982,207

- Decreased assessment, \$124 million as a result of gas well abandonments. Still a tax holiday for the Oil and Gas industry on new well drilling initiative.
- Increased bad debt millrates and taxes on increased assessment did increase net taxes from budgeted amounts.
- Board's decision to increase non-residential taxes with both the change to the split millrate and bad debt levy. These increases were offset by drop in school.

2022 BUDGETED LEASES

\$ 9,196,880

2022 Financial Statements

Revenue Summary

2022 ACTUAL PROV. GRANTS

\$ 6,117,071

\$ 284,142 Capital

2022 BUDGETED PROV. GRANTS

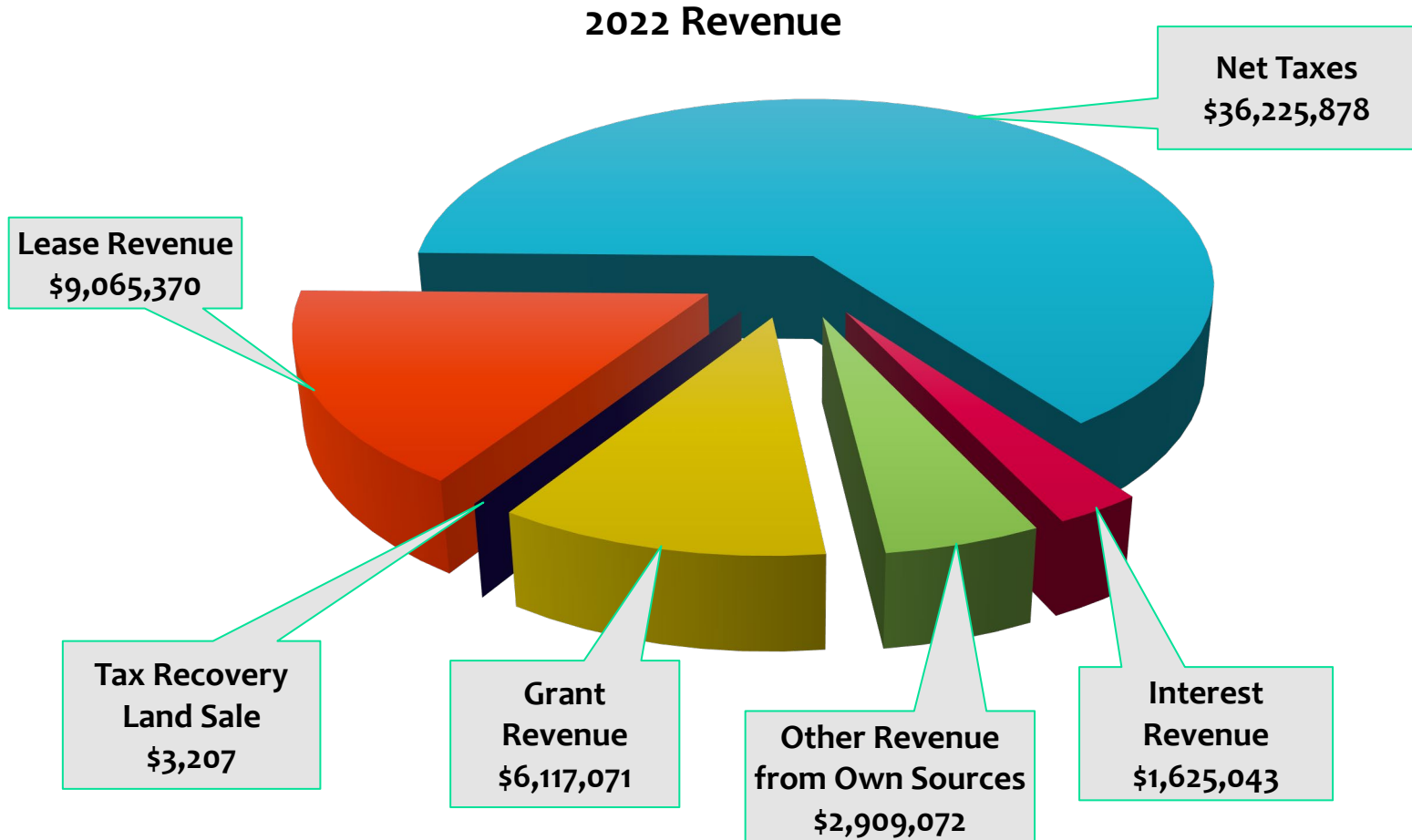
\$ 3,875,322

\$ 284,000 Capital

- Although \$ amounts are on budget, the source of funding was different than the budget anticipated including:
 - MSI funding of \$4.9 million with \$1.6 million being advanced in 2021. MSI for 2022 and beyond is currently forecast at \$2.3 million per year.
 - Regular transportation funding of \$1.5 million has been reduced to \$634,000 for 2022 and beyond.
 - Note grant funds were received to help with Cereal's transition and funds will be available for work in future years. Due to changes made to the MSI framework those amounts had to be utilized in 2022 and therefore this caused the increase from the budgeted amount.
 - Did not receive funding to extend the Monitor Water Line (\$1.5 million)
 - Funding was received to help explore the potential for irrigation.

2022 Financial Statements

Revenue Summary



2022 Financial Statements

Expenses Summary

2022 ACTUAL EXPENSES

\$ 46,490,282 *Accrual basis*

\$ 7,790,708 *Amortization*

\$ 9,635,491 *Assets acquired*

\$ 48,338,755 *Total cash basis*

2022 BUDGETED EXPENSES

\$ 48,474,694 *Accrual basis*

\$ 7,872,293 *Amortization*

\$ 11,703,950 *Assets acquired*

\$ 52,819,601 *Total cash basis*

- Overall expenses are up compared to 2021, primarily in the transportation services area.
- 2022 was a return to a more normal operating year for SAB but not without its challenges. There were, and still are, supply side issues with both pricing and availability. SAB was able for the most part to fill seasonal positions and most full time positions available but we are seeing recruitment issues. Savings in construction area wages was utilized in maintenance activities.
- Overall, the major reason for the difference from budget to actual is the delay of a GBC project, delayed capital purchases (due to availability) and associated cost savings.

2022 Financial Statements

Expenses Summary

2022 ACTUAL TRANSPORTATION

\$ 21,493,246 Accrual basis
\$ 29,838,649 *Cash expenditures
including capital*

2022 BUDGETED TRANSPORTATION

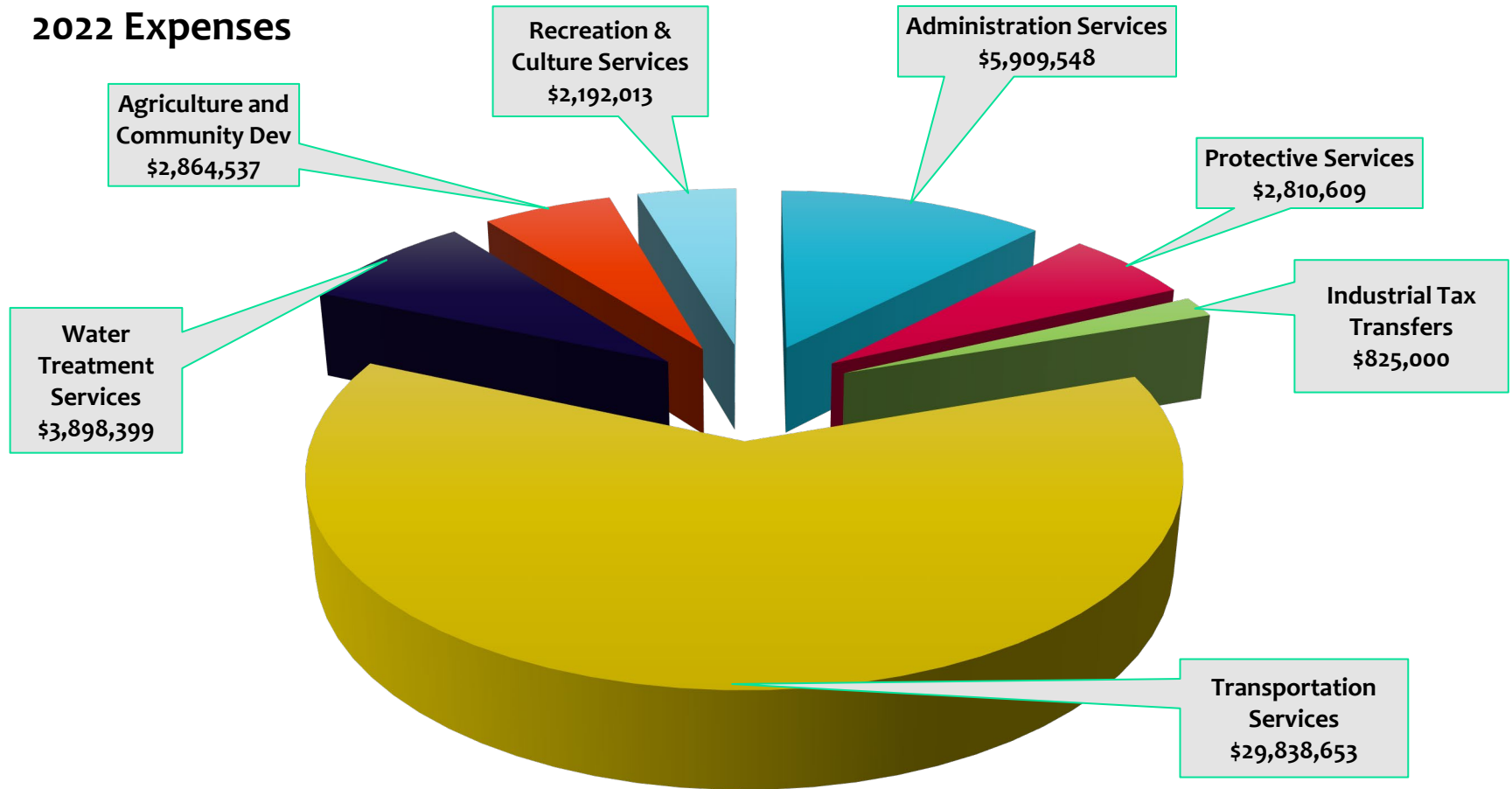
\$ 23,117,576 Accrual basis
\$ 33,173,876 *Cash expenditures
including capital*

- Overall actual expenditures were comparable to the budget with changes to:
 - Weather delayed GBC crew and significant time was spent drying out material and resulted in the delay of one project and deferral to 2023 of associated costs.
 - Increased costs were incurred in the areas of parts, fuel, and gravel to budget.
 - Some equipment/capital purchases were deferred due to availability issues.
 - Overall operational deferrals were \$1.3 million and capital deferrals were \$1.7 million

2022 Financial Statements

Expenses Summary

2022 Expenses



2022 Finances

Impact on 2023 Budget

2022 (DEFICIT)

\$(5,148,914) deficit budgeted

\$ 7,977,230 actual cash surplus

- Accumulated Unrestricted Operational Surplus (see Schedule 4):
 - 2015 Actual \$14,152,341
 - 2016 Actual \$13,504,876
 - 2017 Actual \$ 9,047,816
 - 2018 Actual \$15,451,081
 - 2019 Actual \$16,194,279
 - 2020 Actual \$25,664,371
 - 2021 Actual \$30,178,970
 - 2022 Actual \$37,707,643

2023 BUDGET

\$ (13,545,122) budget deficit

Intention was to bring in a budget for 2023 that would advance deferred projects and draw down the surplus. This will allow Board to time to consider what the future operations and expenses will look like and make any necessary changes.

Significant considerations:

- A resumption of pre-Covid business activity
- Hiring a full contingency of seasonal staff?
- Total Assessment \$3.63 billion, down slightly from the 2021 totals of \$3.74 billion. Millrate adj to offset lost revenues. 2023 \$3.67 billion.
- Oil & Gas Industry continuing recovery, which has been adversely impacted the last couple of years.
- Continuation of plan for fleet replacement(supply chain issues resolved?), GBC work, and shoulder pull.

The background of the slide is a collage of numerous colorful sticky notes in shades of pink, yellow, blue, and green. Each sticky note has a large, bold, black question mark printed on it. The notes are scattered and overlapping, creating a dense, textured effect.

Questions

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