

**SPECIAL AREAS TRUST ACCOUNT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

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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, 2023, 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, 2023, 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

April 17, 2024  
Edmonton, Alberta

**SPECIAL AREAS TRUST ACCOUNT**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023**

	<b>2023</b>	<b>2022</b> <b>(Restated Note 25)</b>
<b>Financial Assets</b>		
Cash (Note 3)	\$ 57,616,985	\$ 63,600,037
Accounts receivable (Note 4)	1,957,298	1,888,644
Notes receivable (Note 5)	4,121,599	3,400,240
Due from Province of Alberta (Note 6)	817,290	489,801
Due from Government of Canada (Note 7)	297,436	75,578
Taxes receivable (Note 8)	689,984	636,875
	<u>65,500,592</u>	<u>70,091,175</u>
Investments (Schedule 1)	33,967,485	33,266,085
<b>Total Financial Assets</b>	<u>99,468,077</u>	<u>103,357,260</u>
<b>Liabilities</b>		
Accounts payable and accruals	3,913,927	3,400,190
Vacation accruals	1,069,454	1,047,372
Deferred revenues	1,882,806	1,957,627
Deferred government grant revenue (Note 9)	353,858	2,579,146
Asset retirement obligation (Note 10)	1,121,740	1,165,756
Due to Province of Alberta (Note 6)	497,608	426,948
	<u>8,839,393</u>	<u>10,577,039</u>
Provision for gravel pit reclamation (Note 11)	3,252,000	3,086,000
<b>Total Liabilities</b>	<u>12,091,393</u>	<u>13,663,039</u>
<b>Net Financial Assets (Schedule 3)</b>	87,376,684	89,694,221
<b>Non-financial assets</b>		
Prepaid expenses	268,168	209,865
Tangible capital assets (Schedule 6)	251,452,580	243,137,313
Inventory (Note 12)	8,116,469	8,785,224
<b>Total Non-Financial Assets</b>	<u>259,837,217</u>	<u>252,132,402</u>
<b>Accumulated Surplus (Note 13)</b>	<u>\$ 347,213,901</u>	<u>\$ 341,826,623</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, 2023**

	<b>2023</b>		<b>2022</b> <b>(Restated Note 25)</b>
	<b><u>BUDGET</u></b> <b>(Note 14)</b>	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
<b>Revenues</b>			
Net taxes for municipal purposes (Note 15)	32,133,000	33,695,815	36,225,878
Lease revenue (Note 16)	13,656,880	8,422,708	9,065,370
Government transfers for operating (Note 17)	4,286,698	3,445,745	6,117,071
Government transfers for capital (Note 17)	1,878,000	1,903,800	284,142
Interest	1,979,925	3,299,883	1,625,043
(Loss) gain on sale of tangible capital assets	-	(10,875)	3,813
Tax recovery land sales	6,000	(9,852)	3,207
Other revenue (Note 18)	2,219,000	3,076,006	2,644,119
<b>Total revenues</b>	<b><u>56,159,503</u></b>	<b><u>53,823,230</u></b>	<b><u>55,968,643</u></b>
<b>Expenses</b>			
Transportation services	30,979,896	19,648,230	21,493,246
Administrative services	5,322,632	5,959,756	5,489,695
Water and sanitation services	7,180,398	4,985,692	3,643,165
Agriculture and community development	2,890,971	2,807,213	2,710,558
Protective services	2,280,141	2,767,402	2,433,239
Recreational and cultural services	2,331,802	2,218,106	2,104,671
Industrial tax transfers	825,000	1,650,000	825,000
Amortization	7,872,293	8,399,553	7,806,157
<b>Total expenses (Note 19)</b>	<b><u>59,683,133</u></b>	<b><u>48,435,952</u></b>	<b><u>46,505,731</u></b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (3,523,630)</b>	<b>\$ 5,387,278</b>	<b>\$ 9,462,912</b>
<b>Accumulated surplus at beginning of year</b>	<b><u>341,826,623</u></b>	<b><u>341,826,623</u></b>	<b><u>332,363,711</u></b>
<b>Accumulated surplus at end of year</b>	<b><u>\$ 338,302,993</u></b>	<b><u>\$ 347,213,901</u></b>	<b><u>\$ 341,826,623</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, 2023**

	<b>2023</b>		<b>2022</b>
	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b>(Restated Note 25)</b>
	<b>(Note 14)</b>		<b><u>ACTUAL</u></b>
<b>Excess of revenue over expenses</b>	\$ (3,523,630)	\$ 5,387,278	\$ 9,462,912
Acquisition of tangible capital assets	(11,180,000)	(8,569,173)	(4,658,387)
Construction of roads and road surfaces	(7,633,785)	(8,403,759)	(4,977,104)
Loss (gain) on sale of tangible capital assets	-	10,875	(3,813)
Proceeds on disposal of tangible capital assets	920,000	247,237	389,045
Accretion of asset retirement obligation	-	-	-
Amortization of asset retirement obligation	-	15,367	15,449
Amortization of tangible capital assets	7,872,293	8,384,186	7,790,708
Change in prepaid expenses	-	(58,303)	5,336
Change in inventory	-	668,755	(463,446)
<b>Increase (decrease) in net financial assets</b>	<b>(13,545,122)</b>	<b>(2,317,537)</b>	<b>7,560,700</b>
<b>Net financial assets, beginning of year</b>	<b>89,694,221</b>	<b>89,694,221</b>	<b>82,133,521</b>
<b>Net financial assets, end of year</b>	<b>\$ <u>76,149,099</u></b>	<b>\$ <u>87,376,684</u></b>	<b>\$ <u>89,694,221</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, 2023**

	<b>2023</b>	<b>2022</b> (Restated Note 25)
<b>Operating activities:</b>		
Excess of revenues over expenses	\$ 5,387,278	\$ 9,462,912
Amortization of investment premiums, less discounts	(35,766)	135,622
Loss on sale of investments	245,847	175,798
Amortization of tangible capital assets	8,384,186	7,790,708
Amortization of asset retirement obligation	15,367	15,449
Amortization relating to self-constructed assets	(1,875,496)	(1,629,798)
Loss on sale of tangible capital assets	10,875	(3,813)
(Decrease) increase in provision for gravel pit reclamation	166,000	(71,000)
	<u>12,298,291</u>	<u>15,875,878</u>
Changes in non-cash operating items:		
Prepaid expenses and accounts receivable	(126,957)	126,292
Due from Province of Alberta	(327,489)	961,489
Due from Government of Canada	(221,858)	881,616
Taxes receivable	(53,109)	(97,231)
Accounts payable and accruals	535,819	(1,089,033)
Deferred revenues	(74,821)	53,699
Deferred government grant revenue	(2,225,288)	(4,061,158)
Asset retirement obligation	(44,016)	(23,002)
Due to Province of Alberta	70,660	(178,010)
Inventory	668,755	(463,446)
	<u>(1,798,304)</u>	<u>(3,888,784)</u>
Cash provided by operating activities	<u>10,499,987</u>	<u>11,987,094</u>
<b>Capital activities:</b>		
Proceeds of sale of tangible capital assets	247,237	389,045
Purchase of tangible capital assets	(15,097,436)	(8,005,693)
Cash applied to capital activities	<u>(14,850,199)</u>	<u>(7,616,648)</u>
<b>Investing activities:</b>		
Net change in notes receivable	(721,359)	(101,334)
Proceeds from redemption of investments	10,553,497	12,631,691
Purchase of investments	(11,464,978)	(13,221,177)
Cash applied to investing activities	<u>(1,632,840)</u>	<u>(690,820)</u>
<b>(Decrease) increase in cash</b>	<u>(5,983,052)</u>	<u>3,679,626</u>
Cash at the beginning of year	<u>63,600,037</u>	<u>59,920,411</u>
<b>Cash at the end of year</b>	<u><u>\$ 57,616,985</u></u>	<u><u>\$ 63,600,037</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, 2023**

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, 2023**

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, 2023 (2022 - 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 (2022 - 1.569 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, 2023, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2022 - 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, asset retirement obligation, 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 when the following criteria have been met:

- an environmental standard exists;
- there is evidence that contamination exceeds an environmental standard;
- the Board is directly responsible or accepts responsibility for the contamination;
- it is expected that future economic benefits will be given up, and;
- a reasonable estimate of the amount can be made.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 2 (g) Financial Instruments

(cont'd) Cash, 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.

**Initial measurement**

The Board initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Board is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Board in the transaction.

**Subsequent measurement**

The Board subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred. Financial assets measured at amortized cost using the straight-line method include cash and receivable balances.

**Transaction costs**

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 2 (g) **Impairment**

(cont'd) For financial assets measured at cost or amortized cost, the Board determines whether there are indications of possible impairment. When there are, and the Board determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

(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, 2023**

Note 2 (l) Asset retirement obligation

(cont'd) Asset retirement obligations are initially measured as of the date the legal obligation was incurred, based on management's best estimate of the amount required to retire tangible capital assets and subsequently re-measured taking into account any new information and the appropriateness of assumptions used. The estimate of the liability is based on third-party quotes and professional judgement.

The asset retirement obligation estimate is measured at the current expected cost to settle due to uncertainty about when hazardous materials would be removed. The present value technique is not used. The estimated recoveries are nil.

(m) Non-financial Assets

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.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

- Note 2 (m) 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.
- (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, 2023**

Note 3 Cash

Included in cash are restricted amounts of \$353,858 (2022 - \$529,146) that are held exclusively for approved projects (Note 9).

Note 4 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of \$976,002 (2022 - \$543,665), are comprised of the following:

	<u>2023</u>	<u>2022</u>
Current:		
From sale of tax recovery land and related mineral surface leases	\$ 165,053	\$ 227,917
Accrued interest	<u>5,484</u>	<u>10,123</u>
	170,537	238,040
Big Country Waste Management	761,311	-
Accrued interest	370,691	349,121
Leases	290,863	519,549
Local improvement recoveries	28,480	28,481
Sheerness deadfish irrigation	26,415	44,438
Parks permit receivable	-	253,858
Oil well drilling	-	1,641
Miscellaneous	<u>191,068</u>	<u>146,744</u>
	<u>\$ 1,839,365</u>	<u>\$ 1,581,872</u>
Non-current:		
From sale of tax recovery land and related mineral surface leases	\$ 117,933	\$ 306,772
	<u>\$ 117,933</u>	<u>\$ 306,772</u>
	<u>\$ 1,957,298</u>	<u>\$ 1,888,644</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, 2023**

Note 5 Notes Receivable

Notes receivable are comprised of the following:

	<u>2023</u>	<u>2022</u>
Current:		
Special Areas & Oyen Development Corporation (25 year - 2.5430% interest)	\$ 74,439	\$ 72,593
Big Country Waste Management Commission (5 year - 2.1347% interest)	-	104,102
Big Country Waste Management Commission (4 year - 2.68% interest)	-	255,856
Big Country Waste Management Commission (6 year - 2.68% interest)	275,546	-
Association of Consort & District Seniors Centre (25 year - 2.6220% interest)	12,646	12,323
Other	21,641	21,302
	<u>\$ 384,272</u>	<u>\$ 466,176</u>
Non-current:		
Special Areas & Oyen Development Corporation (25 year - 2.5430% interest)	\$ 1,957,214	\$ 2,031,652
Big Country Waste Management Commission (4 year - 2.68% interest)	-	532,465
Big Country Waste Management Commission (6 year - 2.68% interest)	1,444,454	-
Association of Consort & District Seniors Centre (25 year - 2.6220% interest)	335,659	348,306
Other	-	21,641
	<u>\$ 3,737,327</u>	<u>\$ 2,934,064</u>
	<u><u>\$ 4,121,599</u></u>	<u><u>\$ 3,400,240</u></u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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.

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.

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.

Principal repayments are estimated as follows:

2024	\$	384,272
2025		370,599
2026		380,419
2027		390,499
2028		400,846
Thereafter		2,194,964
	\$	<u>4,121,599</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 6 Due from (to) Province of Alberta

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

	<u>2023</u>	<u>2022</u>
Due from Province of Alberta:		
Municipal Affairs	\$ 201,391	\$ 207,423
Agriculture and Irrigation	282,018	168,438
Service Alberta	264,876	-
Transportation and Economic Corridors	59,475	102,684
Environment and Protected Areas	9,530	11,256
	<u>817,290</u>	<u>489,801</u>
Due to Province of Alberta:		
Environment and Protected Areas	(405,963)	(338,996)
Municipal Affairs	(42,059)	(28,513)
Other	(49,586)	(59,439)
	<u>(497,608)</u>	<u>(426,948)</u>
Due from Province of Alberta, net	<u><u>\$ 319,682</u></u>	<u><u>\$ 62,853</u></u>

Note 7 Due from Government of Canada

	<u>2023</u>	<u>2022</u>
Canada Infrastructure Bank	\$ 297,436	\$ 75,578
	<u><u>\$ 297,436</u></u>	<u><u>\$ 75,578</u></u>

Note 8 Taxes Receivable

	<u>2023</u>	<u>2022</u>
Current taxes	\$ 2,293,066	\$ 492,808
(Over)/Under levy	102,700	5,743
Tax arrears	297,048	3,219,467
	<u>2,692,814</u>	<u>3,718,018</u>
Less allowance for doubtful accounts:	<u>(2,002,830)</u>	<u>(3,081,143)</u>
	<u><u>\$ 689,984</u></u>	<u><u>\$ 636,875</u></u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 9    Deferred Government Grant Revenue

	<u>2023</u>	<u>2022</u>
Transportation and Economic Corridors	\$            -	\$ 2,050,000
Municipal Affairs	348,657	479,615
Mental Health and Addiction	5,201	14,713
Forestry, Parks and Tourism	<u>-</u>	<u>34,818</u>
	<u><u>\$ 353,858</u></u>	<u><u>\$ 2,579,146</u></u>

Note 10    Asset Retirement Obligation (ARO)

	<u>2023</u>	<u>2022</u> (Restated Note 25)
Asset retirement obligation, beginning of year	\$ 1,165,756	\$ 1,188,758
Liability incurred	-	-
Liability settled	(44,016)	(23,002)
Revision of estimates	<u>-</u>	<u>-</u>
Asset retirement obligation, end of year	<u><u>\$ 1,121,740</u></u>	<u><u>\$ 1,165,756</u></u>

Tangible capital assets with associated retirement obligations include buildings (asbestos) and equipment (various harmful substances). The majority of the Board's asset retirement obligations relate to asbestos in buildings. The Board estimated the nature and extent of hazardous materials in its buildings based on the potential square feet and the average costs per square foot to remove and dispose of the hazardous materials. Regulations require the Board to handle and dispose of the asbestos in a prescribed manner when it is disturbed, such as when the building undergoes renovations or is demolished.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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 2023 it was estimated that 840,405 cubic meters (2022 - 840,405 cubic meters) of gravel pits were exposed for a total liability of \$3,252,000 (2022 - \$3,086,000).

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.

Note 12 Inventory

	2023			2022
	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	\$ 2,784,285	\$ 210,324	\$ 2,573,961	\$ 2,127,150
Gravel	4,684,678	-	4,684,678	5,690,509
Culverts	328,488	-	328,488	406,101
Fuel	323,433	-	323,433	317,749
Fencing	105,781	-	105,781	155,059
Chemicals and other	100,128	-	100,128	88,656
Inventory	<u>\$ 8,326,793</u>	<u>\$ 210,324</u>	<u>\$ 8,116,469</u>	<u>\$ 8,785,224</u>

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

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. The Board's opening net assets investing in tangible capital assets have been reduced by the Board's asset retirement obligation of \$1,255,776 (2022 - \$1,211,760).

The 2023 municipal budget was adopted by the Board in December 2022 and approved by the Minister of Municipal Affairs in February 2023. The budget was prepared on a cash basis. A reconciliation to that basis is as follows:

	2023		2022
			(Restated Note 25)
	Budgeted	Actual	Actual
Excess of revenues over expenses	\$ (3,523,630)	\$ 5,387,278	\$ 9,462,912
Acquisition of tangible capital assets	(11,180,000)	(8,569,172)	(4,658,388)
Construction of road and road surfaces	(7,633,785)	(8,403,759)	(4,977,104)
Loss (gain) on sale of tangible capital assets	-	10,875	(3,813)
Proceeds on disposal of tangible capital assets	920,000	247,237	389,046
Amortization of tangible capital assets	7,872,293	8,399,553	7,806,157
	(13,545,122)	(2,927,988)	8,018,810
Tax Recovery Land Sales - transferred to internally restricted reserves (Schedule 4)	-	8,452	(3,689)
(Deficit) surplus, as per budget	\$ (13,545,122)	\$ (2,919,536)	\$ 8,015,121

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 15 Taxation

	2023		2022
	Budgeted	Actual	Actual
Power and pipeline	\$ 33,162,000	\$ 32,686,169	\$ 33,582,894
Real property	12,048,000	12,163,031	12,048,160
Recoveries on bad debt	-	813,725	6,396,023
Grazing and cultivation	729,000	737,671	728,864
Penalties and costs on taxes	200,000	477,270	91,985
	<u>46,139,000</u>	<u>46,877,866</u>	<u>52,847,926</u>
Less amounts expended by transfers:			
Alberta School Foundation Fund	11,261,000	10,124,926	11,320,487
Seniors Foundation	1,760,000	1,751,017	1,759,399
Bad Debt	750,000	1,103,415	3,286,756
Designated Industrial Properties	235,000	202,693	255,406
	<u>\$ 14,006,000</u>	<u>\$ 13,182,051</u>	<u>\$ 16,622,048</u>
Net taxes for municipal purposes	<u>\$ 32,133,000</u>	<u>\$ 33,695,815</u>	<u>\$ 36,225,878</u>

Note 16 Lease Revenue

	2023		2022
	Budgeted	Actual	Actual
Mineral surface leases	\$ 3,050,000	\$ 2,995,483	\$ 3,057,966
Equipment rentals	6,568,000	2,089,081	2,076,930
Grazing leases	2,336,000	1,730,826	2,036,797
Community pastures	642,400	560,481	822,907
Cultivation leases	474,000	487,585	483,026
Easements	150,000	105,510	147,165
Miscellaneous leases	132,000	140,118	142,369
Rights of entry	95,000	91,696	92,124
Other	209,480	221,928	206,086
	<u>\$ 13,656,880</u>	<u>\$ 8,422,708</u>	<u>\$ 9,065,370</u>

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 17 Government Transfers

	2023		2022
	Budgeted	Actual	Actual
Transfers for operating:			
Municipal Affairs	\$ 393,888	\$ 867,134	\$ 3,002,578
Government of Canada	1,441,667	705,496	1,423,107
Agriculture and Irrigation	1,549,481	923,820	703,232
Transportation and Economic Corridors	586,677	586,677	634,748
Seniors, Community and Social Services	182,985	217,413	217,692
Infrastructure	132,000	109,313	95,066
Forestry, Parks and Tourism	-	34,819	26,681
Environment and Protected Areas	-	1,073	13,967
	<u>\$ 4,286,698</u>	<u>\$ 3,445,745</u>	<u>\$ 6,117,071</u>
Transfers for capital:			
Municipal Affairs	<u>\$ 1,878,000</u>	<u>\$ 1,903,800</u>	<u>\$ 284,142</u>

Note 18 Other Revenue

	2023		2022
	Budgeted	Actual	(Restated Note 25) Actual
Park permits and concession revenues	\$ 695,000	\$ 657,108	\$ 651,359
Water sales	450,000	489,925	471,714
Cost recoveries	100,500	941,311	425,388
License, assignment and application fees	287,000	267,874	378,361
Fire cost recoveries	150,000	135,217	143,817
Bylaw enforcement cost recoveries	110,000	115,271	97,167
Chemical sales	-	-	81,205
Cultivation conversion	32,000	57,831	74,292
Gravel sales	120,000	48,112	42,031
Other	274,500	363,357	278,785
	<u>\$ 2,219,000</u>	<u>\$ 3,076,006</u>	<u>\$ 2,644,119</u>



**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 19 Total Expenses

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

	2023		2022
			(Restated Note 25)
	Budgeted	Actual	Actual
Manpower (Schedule 2)	\$ 18,388,533	\$ 17,971,218	\$ 17,670,454
Materials, goods, and utilities	15,799,884	16,227,294	14,934,869
Amortization of tangible capital assets	7,872,293	8,399,553	7,806,157
Contract and general services	21,058,179	9,509,245	7,312,260
Grants	2,359,005	1,801,716	1,822,793
Industrial tax transfers	825,000	1,650,000	825,000
Goods and services from Alberta Government departments			
Public Safety and Emergency Services	448,024	405,524	334,654
Treasury Board & Finance	336,000	361,346	334,192
Municipal Affairs	20,000	15,703	9,859
Transportation and Economic Corridors	10,000	-	-
Provision for doubtful accounts	200,000	498,112	432,597
Less:			
Internal road projects capitalized in the year	(7,633,785)	(8,403,759)	(4,977,104)
	<u>\$ 59,683,133</u>	<u>\$ 48,435,952</u>	<u>\$ 46,505,731</u>

Included in manpower, materials, goods and utilities and contract and general services, are \$1,436,956 of expenses (2022 - \$3,066,956), 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.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 20 Debt Limits

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Board be disclosed as follows:

	<u>2023</u>	<u>2022</u>
Total debt limit	\$ 77,895,458	\$ 83,526,752
Total debt	<u>-</u>	<u>-</u>
Amount of debt limit unused	<u>\$ 77,895,458</u>	<u>\$ 83,526,752</u>
Debt servicing limit	\$ 12,982,576	\$ 13,921,125
Debt servicing	<u>-</u>	<u>-</u>
Amount of debt servicing limit unused	<u>\$ 12,982,576</u>	<u>\$ 13,921,125</u>

The debt limit is calculated at 1.5 times revenue of the Board (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitation requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Board. Rather, the financial statements must be interpreted as a whole.

Note 21 Related Party Transactions

Expenditures for goods and services are conducted in the normal course of operations with the Province of Alberta and are charged to the Board as disclosed in Note 19.

Grants provided by the Province of Alberta are disclosed in Note 17 and the amounts outstanding at the end of the year are disclosed in Note 6.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 22 Pension Plan

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

Total current contributions by the Board in 2022 to the PSPP were \$671,741 (2022 - \$735,286) and to the MEPP were \$126,477 (2022 - \$146,011).

At December 31, 2022, the PSPP reported a surplus of \$4,258,721,000 (2021 surplus - \$4,588,479,000) and the MEPP reported a surplus of \$924,735,000 (2021 surplus - \$1,348,160,000).

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

Note 23 Future Accounting Changes

The Public Sector Accounting Board has approved the following accounting standards, which are effective for fiscal years starting on or after January 1, 2024:

**PS 3400 Revenue**

This accounting standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange and non-exchange transactions.

**PS 3160 Public Private Partnerships**

This accounting standard provides guidance on how to account for public private partnerships between public and private sector entities, where the public sector entity produces infrastructure using a private sector partner.

**PSG 8 Purchased Intangibles**

This accounting standard provides guidance on how to account for purchased intangibles acquired through an arm's length third party. Intangibles that meet the definition of an asset can be recognized as an asset on the financial statements.

The Board has not adopted these standards. 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, 2023**

Note 23 Future Accounting Changes

(cont'd) Effective for fiscal years starting on or after April 1, 2026, the Board will adopt the following new conceptual framework and accounting standard approved by the Public Sector Accounting Board:

The Conceptual Framework for Financial Reporting in the Public Sector

The Conceptual Framework is the foundation for public sector financial reporting standard setting. It replaces the conceptual aspects of Section PS 1000 Financial Statement Concepts and Section PS 1100 Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards

PS 1202 Financial Statement Presentation

Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework. Management is currently assessing the impact of the conceptual framework and the standard on the financial statements

Note 24 Comparative Figures

Certain 2022 figures have been reclassified to conform to 2023 presentation.

Note 25 Prior Period Adjustment

On the effective date of the PS2380 standard, the Board recognized the following to conform to the new standard:

- asset retirement obligations at the effective date;
- asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- accumulated amortization on the capitalized cost; and
- adjustment to the opening balance of the accumulated surplus / deficit.

Amounts are measured using information and assumptions that are current on the effective date of the standard. The amount recognized as an asset retirement cost is determined as of the date the asset retirement obligation was incurred. Amortization is measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date as of which this standard first applied.

Effective January 1, 2023 the Board adopted the new accounting standard PS3280 Asset Retirement Obligation (ARO) and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 25 Prior Period Adjustment

(cont'd)

	As previously reported	ARO adjustment recognized	As restated
<b>Statement of Financial Position</b>			
Asset retirement obligation (Note 10)	\$ -	\$ 1,165,756	\$ 1,165,756
Total Liabilities	12,497,283	1,165,756	13,663,039
Net Financial Assets (Schedule 3)	89,694,221	1,165,756	90,859,977
Tangible capital assets (Schedule 6)	242,934,862	202,451	243,137,313
Total Non-Financial Assets	251,929,951	202,451	252,132,402
Accumulated Surplus (Note 13)	342,789,928	(963,305)	341,826,623
<b>Statement of Operations</b>			
Other revenue (Note 18)	2,621,117	23,002	2,644,119
Total revenues	55,945,641	23,002	55,968,643
Amortization	7,790,708	15,449	7,806,157
Total expenses (Note 19)	46,490,282	15,449	46,505,731
Excess of revenues over expenses	9,455,359	7,553	9,462,912
Accumulated surplus at beginning of year	333,334,569	(970,858)	332,363,711
Accumulated surplus at end of year	342,789,928	(963,305)	341,826,623
<b>Statement of Change in Net Financial Assets</b>			
Excess of revenue over expenses	9,455,359	7,553	9,462,912
Amortization of tangible capital assets	7,790,708	15,449	7,806,157
Increase (decrease) in net financial assets	7,537,698	23,002	7,560,700
Net financial assets, beginning of year	83,322,279	(1,188,758)	82,133,521
Net financial assets, end of year	90,859,977	(1,165,756)	89,694,221
<b>Statement of Cash Flows</b>			
Excess of revenue over expenses	9,455,359	7,553	9,462,912
Amortization of tangible capital assets	7,790,708	15,449	7,806,157
Asset retirement obligation	-	(23,002)	(23,002)

**SPECIAL AREAS TRUST ACCOUNT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 26 Financial Instruments

The Board's financial instruments consist of cash and restricted cash, taxes and grants receivable, accounts receivable and accrued receivables, investments, and accounts payable and accrued liabilities.

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at the statement of financial position date.

The Board does not hold equities in an active market, nor engage in derivative contracts or foreign currency transactions. The Board is not exposed to remeasurement gains and losses and, consequently, a statement of remeasurement gains and losses is not presented.

Credit risk

The Board is exposed to credit risk, which is the risk that a customer will fail to settle a liability resulting in a financial loss to the Board. Accounts receivable are due from a diverse set of customers, and as such the Board is not exposed to significant credit risk. The Board reduces this risk through evaluations of receivable accounts throughout the year. There has been no change to management's assessment of credit risk from the prior year.

Market risk

Market risk is comprised of currency risk, interest rate risk and other price risk. The Board is exposed to interest rate risk as a result of deposits in the CIBC bank account being subject to a variable rate of interest (Schedule 1). All fixed income investments are in the Level 2 fair value hierarchy category and it is the Board's opinion that their exposure to interest rate risk arising from these financial instruments is not significant. There has been no change to management's assessment of interest rate risk from the prior year. The Board is not exposed to currency risk and other price risk.

The Board assesses its portfolio sensitivity to a percentage increase or decrease in the interest rate. As at December 31, 2023 if interest rates had a 1% increase or decrease, with all other variables held constant, the change in the fair value would be \$839,412.

Liquidity risk

The Board is exposed to liquidity risk, which is the risk that the Board may be unable to generate or obtain sufficient cash to meet its commitments as they come due. The Board mitigates this risk through its management of cash and debt. As the Board maintains a positive balance of net financial assets, it is not exposed to significant liquidity risk. There has been no change in management's assessment of liquidity risk from the prior year.

Note 27 Approval of Financial Statements

These financial statements have been approved by the Board.

**SPECIAL AREAS TRUST ACCOUNT**

**SCHEDULE OF INVESTMENTS**

**AS AT DECEMBER 31, 2023**

**Schedule 1**

	2023						2022
	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Fair Value	Book Value	Book Value
Bonds:							
Bank of Montreal	4.309%	4.450%	June 1, 2027	\$ 800,000	\$ 779,975	\$ 796,511	\$ 795,561
Government of Canada	0.500%	3.730%	September 1, 2025	1,031,000	945,174	977,542	947,144
Government of Canada	1.250%	0.396%	March 1, 2025	-	-	-	509,197
Government of Canada	1.250%	3.380%	March 1, 2027	220,000	206,028	201,146	-
Government of Canada	2.000%	3.120%	June 1, 2028	1,370,000	1,306,906	1,276,817	-
Government of Canada	3.500%	3.230%	March 1, 2025	790,000	798,301	806,154	-
Government of Canada	3.250%	3.170%	September 1, 2028	520,000	521,815	506,860	-
Canada Housing Trust	0.950%	0.700%	June 15, 2025	2,459,000	3,074,630	2,415,177	3,210,685
Canada Housing Trust	1.250%	1.078%	June 15, 2026	1,820,000	1,668,759	1,828,062	1,831,262
Canada Housing Trust	1.100%	1.898%	December 15, 2026	2,180,000	1,417,043	2,088,791	1,523,929
Canada Housing Trust	1.800%	1.400%	December 15, 2024	-	-	-	2,398,114
Canada Housing Trust	1.900%	1.627%	September 15, 2026	1,057,000	987,839	1,064,595	1,067,289
Canada Housing Trust	1.950%	1.163%	December 15, 2025	1,580,000	1,494,169	1,605,658	1,618,518
Canada Housing Trust	2.350%	3.440%	March 15, 2028	515,000	493,213	500,205	-
Canada Housing Trust	2.350%	3.288%	June 15, 2027	1,750,000	1,652,065	1,701,047	1,687,855
Canada Housing Trust	2.550%	0.903%	March 15, 2025	2,530,000	2,449,161	2,582,317	2,627,619
Canada Housing Trust	2.550%	2.406%	December 15, 2023	-	-	-	772,895
Canada Housing Trust	2.900%	1.495%	June 15, 2024	1,700,000	3,218,830	1,683,387	3,348,229
Canada Housing Trust	3.100%	3.420%	June 15, 2028	2,495,000	2,461,700	2,405,311	-
Canada Housing Trust	3.600%	3.197%	December 15, 2027	2,170,000	1,392,747	2,183,999	1,425,628
Canada Housing Trust	4.250%	3.400%	December 15, 2028	750,000	778,773	775,113	-
Canadian Imperial Bank of Commerce	1.100%	1.561%	January 19, 2026	710,000	632,344	703,378	700,251
Province of Manitoba	2.450%	3.192%	June 2, 2025	1,120,000	1,078,345	1,108,576	1,100,828
Province of Ontario	1.750%	0.765%	September 8, 2025	1,425,000	1,342,632	1,448,524	1,462,249
Province of Ontario	2.400%	1.236%	June 2, 2026	560,000	532,777	575,523	581,778
Province of Ontario	2.600%	0.661%	June 2, 2025	360,000	347,920	369,880	376,746
Province of Ontario	2.600%	3.405%	June 2, 2027	535,000	508,618	521,231	517,493
Province of Ontario	2.900%	3.520%	June 2, 2028	1,000,000	974,692	976,244	-
Province of Quebec	2.750%	2.275%	September 1, 2025	1,355,000	1,311,782	1,345,243	1,339,628
Province of Quebec	3.000%	1.763%	September 1, 2023	-	-	-	1,905,406
Royal Bank of Canada	2.880%	2.880%	December 23, 2029	600,000	568,451	600,066	600,111
TD Bank	1.128%	1.404%	December 9, 2025	925,000	828,932	920,125	917,667
				34,327,000	33,773,621	33,967,482	33,266,082
Special Areas & Oyen Development Corp			(1 share)	1	1	1	1
Hanna and District Medical Corporation			(2 shares)	2	2	2	2
				\$ 34,327,003	\$ 33,773,624	\$ 33,967,485	\$ 33,266,085

**SPECIAL AREAS TRUST ACCOUNT**  
**SCHEDULE OF SALARIES AND BENEFITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023					2022
	Number of Individuals	Salary	Other Cash Benefits	Other Non-cash Benefits	Total	Total
	( a )	( b )	( c )	( d )		
Chair of the Special Areas Board	1	\$ 158,762	\$ -	\$ 29,439	\$ 188,201	\$ 187,387
Board Member - Special Areas #2	1	5,317	-	509	5,826	8,100
Board Member - Special Areas #3	1	3,559	-	289	3,848	7,161
Board Member - Special Areas #4	1	4,668	-	340	5,008	5,678
Director of Finance and Administratio	1	135,583	-	27,733	163,316	171,297
Director of Municipal Services	1	126,167	5,296	27,953	159,416	168,554
Director of Properties Administration	1	127,601	-	26,744	154,345	153,704
Roads & Equipment Superintendent	1	110,128	-	25,271	135,399	138,807
Managers ( e )	3.33	363,857	-	83,398	447,255	532,181
Other full time staff ( f )	101.62	8,499,383	-	1,796,055	10,295,438	10,001,400
Part time and casual wage staff		5,632,458	-	722,066	6,354,524	6,229,783
Other Boards and committees		14,597	-	1,027	15,624	14,546
Advisory Councilor - SA#2 - Sub. #1	1	940	-	-	940	2,137
Advisory Councilor - SA#2 - Sub. #2	1	3,313	-	-	3,313	2,218
Advisory Councilor - SA#2 - Sub. #3	1	2,394	-	-	2,394	3,503
Advisory Councilor - SA#2 - Sub. #4	1	2,373	-	-	2,373	3,063
Advisory Councilor - SA#2 - Sub. #5	1	2,468	-	-	2,468	2,316
Advisory Councilor - SA#2 - Sub. #7	1	2,306	-	-	2,306	3,841
Advisory Councilor - SA#2 - Sub. #8	1	1,785	-	-	1,785	3,063
Advisory Councilor - SA#3 - Sub. #4	1	3,780	-	33	3,813	3,692
Advisory Councilor - SA#3 - Sub. #5	1	2,725	-	-	2,725	2,975
Advisory Councilor - SA#3 - Sub. #6	1	4,334	-	99	4,433	4,440
Advisory Councilor - SA#4 - Sub. #1	1	1,021	-	-	1,021	1,616
Advisory Councilor - SA#4 - Sub. #2	1	5,385	-	224	5,609	7,475
Advisory Councilor - SA#4 - Sub. #3	1	1,623	-	-	1,623	2,042
Change in overtime accrual		(13,867)	-	-	(13,867)	12,937
Change in vacation accrual		22,082	-	-	22,082	(3,462)
		<u>\$15,224,742</u>	<u>\$ 5,296</u>	<u>\$2,741,180</u>	<u>\$17,971,218</u>	<u>\$17,670,454</u>

- (a) Number of individuals consist of full time equivalents, except 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 was one vacation payout in 2023.
- (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 \$109,266 and average benefits (column c & d) are \$24,924 totaling \$134,190 (2022 - \$135,658).
- (f) Average salary is \$81,008 and average benefits are \$17,127 totaling \$98,135 (2022 - \$98,508).



**SPECIAL AREAS TRUST ACCOUNT**  
**SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE**  
**AS AT DECEMBER 31, 2023**

	<b><u>Schedule 3</u></b>	
	<b>2023</b>	<b>2022</b>
		<b>(Restated Note 25)</b>
<b>Change in Financial Assets</b>		
Cash and cash equivalents	\$ (5,983,052)	\$ 3,679,626
Accounts receivable	68,654	(120,956)
Notes receivable	721,359	101,334
Due from Province of Alberta	327,489	(961,489)
Due from Government of Canada	221,858	(881,616)
Taxes receivable	53,109	97,231
	<u>(4,590,583)</u>	<u>1,914,130</u>
Investments	<u>701,400</u>	<u>278,066</u>
<b>(Decrease) increase in Financial Assets</b>	<u>(3,889,183)</u>	<u>2,192,196</u>
<b>Change in Liabilities</b>		
Accounts payable and accruals	(513,737)	1,085,571
Vacation accrual	(22,082)	3,462
Deferred revenues	74,821	(53,699)
Deferred government grant revenue	2,225,288	4,061,158
Asset retirement obligation	44,016	23,002
Due to Province of Alberta	(70,660)	178,010
	<u>1,737,646</u>	<u>5,297,504</u>
Provision for gravel pit reclamation	<u>(166,000)</u>	<u>71,000</u>
<b>Decrease in Liabilities</b>	<u>1,571,646</u>	<u>5,368,504</u>
<b>Net (decrease) increase in net financial assets</b>	(2,317,537)	7,560,700
Net financial assets at the beginning of year	<u>89,694,221</u>	<u>82,133,521</u>
<b>Net financial assets at end of year</b>	<u><u>\$ 87,376,684</u></u>	<u><u>\$ 89,694,221</u></u>

**SPECIAL AREAS TRUST ACCOUNT**  
**SUPPLEMENTARY ACCUMULATED SURPLUS INFORMATION SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Schedule 4**

	<b>2023</b>		<b>2022</b>
	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>ACTUAL</u></b>
	(Note 14)		(Restated Note 25)
<b>Equity in tangible capital assets at beginning of year</b>	\$	<u>241,971,557</u>	\$ <u>240,504,453</u>
Addition of capital assets:			
Road infrastructure	7,633,785	8,403,759	4,977,104
Transportation services	8,930,500	6,798,847	3,368,302
Agriculture and community			
pasture services	228,500	392,733	153,978
Administrative services	635,000	402,566	419,853
Water and sanitation services	340,500	245,635	255,232
Recreation and cultural services	519,500	235,669	83,653
Protective services	526,000	493,723	377,369
	<u>18,813,785</u>	<u>16,972,932</u>	<u>9,635,491</u>
Annual amortization of capital assets		(8,384,186)	(7,790,708)
Disposal of capital assets		(258,112)	(385,232)
		<u>250,302,191</u>	<u>241,964,004</u>
Asset retirement obligation - accretion		44,016	23,002
Asset retirement obligation - depreciation		(15,367)	(15,449)
<b>Equity in tangible capital assets at end of year (Note 13)</b>	\$	<u><b>250,330,840</b></u>	\$ <u><b>241,971,557</b></u>
<b>Equity in inventory at beginning of year</b>	\$	8,785,224	\$ 8,321,778
Add purchases and other inventory costs		5,117,971	5,766,487
Deduct requisitions		(5,786,726)	(5,303,041)
<b>Equity in inventory at end of year (Note 12, 13)</b>	\$	<u><b>8,116,469</b></u>	\$ <u><b>8,785,224</b></u>
<b>Accumulated operational surplus at beginning of year</b>	\$	36,051,169	\$ 28,522,496
Excess of revenues over expenses		5,387,278	9,462,912
Equity change in inventory		668,755	(463,446)
Equity change in capital assets		(8,359,283)	(1,467,104)
		<u>33,747,919</u>	<u>36,054,858</u>
Transfers to internally restricted reserves (Note 14)		8,452	(3,689)
<b>Accumulated operational surplus at end of year (Note 13)</b>	\$	<u><b>33,756,371</b></u>	\$ <u><b>36,051,169</b></u>
<b>Internally restricted accumulated surplus at beginning of year</b>	\$	55,018,673	\$ 55,014,984
Tax Recovery Land Sales - Transfers from operations		(8,452)	3,689
<b>Internally restricted accumulated surplus at end of year (Note 13)</b>	\$	<u><b>55,010,221</b></u>	\$ <u><b>55,018,673</b></u>
	\$	<u><b>347,213,901</b></u>	\$ <u><b>341,826,623</b></u>

**SPECIAL AREAS TRUST ACCOUNT**  
**SCHEDULE OF SEGMENT REVENUE AND EXPENSE DISCLOSURE BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023						
	Administrative Services	Protective Services	Transportation Services	Water & Sanitation Services	Agriculture & Community Development	Recreation & Cultural Services	Total
Revenue:							
Taxation	\$ 33,695,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,695,815
Leases	5,773,146	-	2,086,281	-	563,281	-	8,422,708
Provincial Grants	130,958	-	2,490,477	1,062,901	958,639	1,074	4,644,049
Interest	3,299,883	-	-	-	-	-	3,299,883
Federal Grants	311,925	-	-	-	393,571	-	705,496
Contributed Asset	-	-	-	-	-	-	-
Tax Recovery Land Sales	(9,852)	-	-	-	-	-	(9,852)
Gain (Loss) on sale of tangible capital	-	-	(18,103)	(2,005)	9,233	-	(10,875)
Restructuring Transaction	-	-	-	-	-	-	-
Other	616,546	250,489	120,627	1,251,236	180,000	657,108	3,076,006
Revenues per statement of operations	<u>\$ 43,818,421</u>	<u>\$ 250,489</u>	<u>\$ 4,679,282</u>	<u>\$ 2,312,132</u>	<u>\$ 2,104,724</u>	<u>\$ 658,182</u>	<u>\$ 53,823,230</u>
Expenses:							
Manpower (Schedule 2)	\$ 3,258,844	\$ 420,497	\$ 11,608,604	\$ 788,572	\$ 1,352,855	\$ 541,846	\$ 17,971,218
Materials, goods, and utilities	296,392	1,031,260	13,820,663	283,273	460,033	335,673	16,227,294
Contract and general services	1,387,458	910,121	2,619,723	3,644,363	522,871	424,709	9,509,245
Grants	153,871	-	3,000	269,481	459,486	915,878	1,801,716
Interest on long-term debt	-	-	-	-	-	-	-
Goods and services from GOA	365,080	405,524	-	-	11,969	-	782,573
Provision for doubtful accounts	498,112	-	-	-	-	-	498,112
Internal road projects capitalized in the year	-	-	(8,403,759)	-	-	-	(8,403,759)
Industrial tax transfers	1,650,000	-	-	-	-	-	1,650,000
Amortization of tangible capital assets	568,724	432,176	6,723,844	401,587	150,943	122,279	8,399,553
Expenses per statement of operations	<u>\$ 8,178,481</u>	<u>\$ 3,199,578</u>	<u>\$ 26,372,075</u>	<u>\$ 5,387,276</u>	<u>\$ 2,958,157</u>	<u>\$ 2,340,385</u>	<u>\$ 48,435,952</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, 2023**

	Mobile equipment	Engineered structures	Automotive equipment	Machinery and equipment	Land	Road infrastructure	EDP equipment	2023	2022 (Restated Note 25)
Cost									
Balance, beginning of the year	\$46,879,887	\$42,479,273	\$24,825,181	\$8,126,825	\$1,409,108	\$245,134,728	\$4,501,854	\$373,356,856	\$364,822,614
Add:									
Additions during the year	4,050,952	362,611	2,746,113	1,137,273	-	8,403,759	272,224	16,972,932	9,635,491
Less:									
Disposals during the year	(358,455)	-	(160,239)	(237,445)	-	-	(277,289)	(1,033,428)	(1,101,249)
Balance, end of the year	\$50,572,384	\$42,841,884	\$27,411,055	\$9,026,653	\$1,409,108	\$253,538,487	\$4,496,789	\$389,296,360	\$373,356,856
Accumulated Amortization									
Balance, beginning of the year	\$18,765,793	\$16,692,003	\$20,028,147	\$4,944,955	\$194,533	\$65,275,853	\$4,318,259	\$130,219,543	\$123,129,403
Add:									
Amortization	2,474,577	953,461	1,276,417	406,028	-	3,057,323	216,380	8,384,186	7,790,708
ARO Depreciation	-	15,367	-	-	-	-	-	15,367	15,449
Less:									
Accumulated Amortization on Disposals	(216,774)	-	(134,902)	(146,351)	-	-	(277,289)	(775,316)	(716,017)
Balance, end of the year	\$21,023,596	\$17,660,831	\$21,169,662	\$5,204,632	\$194,533	\$68,333,176	\$4,257,350	\$137,843,780	\$130,219,543
<b>Net book value, 2023</b>	<b>\$29,548,788</b>	<b>\$25,181,053</b>	<b>\$6,241,393</b>	<b>\$3,822,021</b>	<b>\$1,214,575</b>	<b>\$185,205,311</b>	<b>\$239,439</b>	<b>\$251,452,580</b>	
Net book value, 2022	\$28,114,094	\$25,787,270	\$4,797,034	\$3,181,870	\$1,214,575	\$179,858,875	\$183,595		\$243,137,313

## 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 not in service at year-end (2022 - \$96,025); no related amortization was recorded.