ALBERTA CAPITAL FINANCE AUTHORITY
2017 Annual Report

RESILIENT COMMUNITIES

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University of Alberta

Peter Lougheed Hall

Resident students are enjoying all the best living on campus can offer in [the University of Alberta's] brand new residence, Peter Lougheed Hall.

This 7,925-square-foot space combines welcoming and functional interior design elements with integrated outdoor amenities. Adjacent to Adair Park, Peter Lougheed Hall further develops East Campus Village into an inviting, walkable, student-focused neighborhood connected to the university campus. The residence has 143 bed spaces (in one- and two-bedroom options); common areas for social gatherings, lectures and seminars; a large dining hall; fitness and recreation rooms; and a conference room.

Residents also love being part of Peter Lougheed Hall's close-knit community. Students and the university community can take advantage of leadership opportunities, such as skills workshops, featured speakers, networking events and service-learning opportunities, held right in the residence.

Andrew Sharman

Vice President, Facilities and Operations, University of Alberta

Directors And Representatives

Board members and representatives listed are in service as of December 31, 2017.

Board of Directors:

Appointed

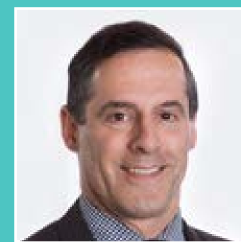
All representing Class A shareholder

Frank Hawkins
Chair of the Board, Public Member

Pamela Keenan
Vice Chair of the Board, Public Member

Lowell Epp
Assistant Deputy Minister, Alberta Treasury Board and Finance

Bob W. Gibson
Public Member



Anthony Lemphers
Assistant Deputy Minister, Alberta Municipal Affairs

Board of Directors:

Elected

Tracy Anderson
Representing Class B shareholders

Ed Gibbons
Representing Class C shareholders

Kim Craig
Representing Class D shareholders

Ronald Ritter
Representing Class E shareholders

President:

Troy Holinski
President

Representatives:

Audit Committee

Ronald Ritter
Chair of the Audit Committee

Tracy Anderson
Vice Chair of the Audit Committee

Frank Hawkins
Member

Asset Liability Committee

Troy Holinski
Chair of the Asset Liability Committee

Lowell Epp
Member

Bernadiene Hsie
Member

Stephen Thompson
Member

Sheldon Wagner
Member

Officers

Troy Holinski
President

Bernadiene Hsie
Vice President, Senior Financial Officer

Rachel Anderson
Corporate Secretary

Sherri Bullock
Senior Loans Officer

Clement Benoit
Senior Accounting Officer

Organization

Mission

To provide shareholders within the Province of Alberta with flexible funding for capital projects on a prudent basis consistent with the viability of the Alberta Capital Finance Authority (ACFA).

Authority

ACFA is a provincial corporation established in 1956 under the authority of the *Alberta Capital Finance Authority Act*, Chapter A-14.5, Revised Statutes of Alberta 2000, as amended.

Shareholders

The authorized stock of ACFA consists of the following shares with a par value of $10 each:

- 4,500 Class A - available only to the Crown;
- 1,000 Class B – available only to municipal authorities (includes improvement districts, Metis settlements, municipal districts, counties, special areas and specialized municipalities), regional authorities (includes drainage districts, irrigation districts, regional airport authorities and regional services commissions) and health authorities (includes non-profit corporations who own an approved hospital, a regional health authority and a provincial health board);
- 750 Class C – available only to cities;
- 750 Class D – available only to towns and villages; and
- 500 Class E – available only to educational authorities (includes school districts and divisions, colleges, technical institutes, universities and Northland School Division)

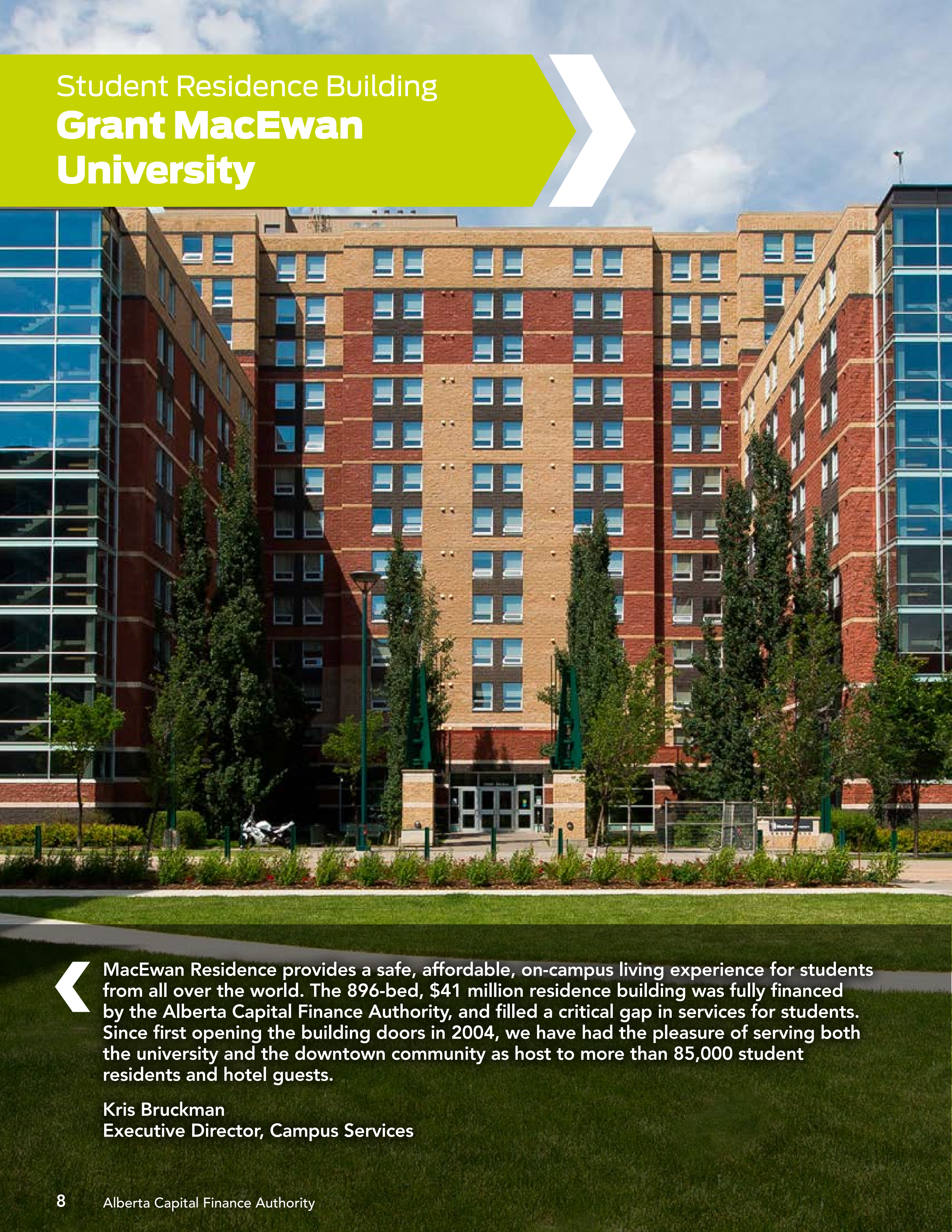
The business of ACFA is governed by a Board of Directors. The Lieutenant Governor in Council appoints up to five directors to represent the Class A common shareholder. Each of the other four classes of shareholders elects one director to the Board.

Loans

Various loan options are provided to ACFA shareholders. Terms and conditions are prescribed by lending policy.

Financing

The Province of Alberta issues various debt obligations, which it on-lends to ACFA to obtain the funds necessary to finance loan requirements. All these obligations carry the unconditional guarantee of the Province of Alberta.



Student Residence Building

Grant MacEwan University

MacEwan Residence provides a safe, affordable, on-campus living experience for students from all over the world. The 896-bed, $41 million residence building was fully financed by the Alberta Capital Finance Authority, and filled a critical gap in services for students. Since first opening the building doors in 2004, we have had the pleasure of serving both the university and the downtown community as host to more than 85,000 student residents and hotel guests.

Kris Bruckman
Executive Director, Campus Services

Governance

Board of Directors

The ACFA Board of Directors (Board) is responsible for the governance of ACFA and overseeing the management of ACFA's business and affairs. The Board guides ACFA's strategic direction, evaluates the performance of ACFA, approves and monitors ACFA's business plan, operational plan and financial results and is ultimately accountable to the Minister and shareholders. Board members must act honestly and in good faith.

The Board is comprised of five members appointed by the Lieutenant Governor in Council and four members each elected by different classes of shareholders (other than the Class A shareholder, being the Province), all in accordance with the provisions of the *Alberta Capital Finance Authority Act* and the bylaws of the Corporation. Directors are appointed or elected for a fixed term of up to three years, with the potential for reappointment.

The Board has established the Audit Committee and Asset Liability Committee to assist the Board in discharging its oversight responsibilities.

Audit Committee

The Audit Committee is appointed by the Board to assist the Chair and Board of Directors of ACFA in monitoring the financial reporting, corporate governance, accountability processes and control systems in ACFA and is fully accountable to the Board. It does so by offering observation and objective advice on issues concerning ACFA's risk, controls, quality of information, quality of management oversight and management assertions.

Asset Liability Committee

The Asset Liability Committee is a management committee that manages ACFA's key interest rate and market risks to minimize the risk that ACFA's equity decreases due to a significant unexpected loss. These risks include (but are not limited to):

- risks due to unexpected changes in interest rates;
- the risk of higher floating rate borrowing margins;
- the risk arising from mismatches in the floating rate reset dates of assets and liabilities;
- financing and re-financing risks;
- loan prepayment risk; and
- loan pricing risk.

The Asset Liability Committee will formulate and evaluate strategies within Board policy limits to manage ACFA's interest rate and market risks. The Asset Liability Committee will also review the Board policies regarding interest rate risk management, funding, loan prepayment and loan pricing on an annual basis and, where appropriate, recommend changes in these policies to the Board.

Town of Ponoka

Siding 14 Crossing

The new 50 Avenue Bridge is a vital part of the Town's infrastructure and we want to thank the Alberta Capital Finance Authority for funding this project. The new bridge has improved traffic flow by providing a much needed connection between the East and West areas of our Town. It is constructed of high performance concrete and steel with an 80-tonne weight limit, compared to a 3-tonne limit on the old bridge, and is engineered to very high standards with an expected lifespan of about 100 years. The assistance and diligence of the Alberta Capital Finance Authority staff was paramount in bringing this project to fruition, and we are very appreciative of their efforts.

Rick Bonnett
Mayor, Town of Ponoka

Chair's Report

ACFA had considerable success in 2017, meeting the needs of its clients and helping resilient Alberta communities to continue to meet the needs of their residents. Several major capital initiatives were completed in 2017 and several were kicked off, some of which are highlighted in the Annual Report.

Overall, loan volume in 2017 decreased by $312 million from 2016 with new loans issued of $1,265 million. Of the new loans issued, financing was most significantly focused on projects related to airport infrastructure, sewer and water infrastructure, roads and sidewalk construction, and landfill development. The balance of total loans outstanding as at the end of 2017 was $15,612 million.

Work was completed on developing an Information Technology (IT) Modernization Strategy and Roadmap. This strategy document articulates the path forward for ACFA to enable more effective and robust IT services and to build a high performance digital work environment. As implementation takes place over the next five years, the new technology environment and systems will further optimize ACFA's service delivery to shareholders, stakeholders and directors.

At ACFA's 2017 Annual General Meeting, Mayor Kim Craig was re-elected as a Class "D" shareholder representative. Kim Craig's insights and contributions have been of great value to the Board and I am pleased to welcome him back for his second term.

In May 2017, ACFA also welcomed Pamela Keenan and Bob Gibson to the Board of Directors. Pamela Keenan, Bob Gibson and I were appointed as public member Class "A" shareholder representatives. Two new Class "A" directors were appointed in representation of the Crown; Lowell Epp joins the Board of Directors as an Assistant Deputy Minister from Treasury Board and Finance while Anthony Lemphers joins the Board as an Assistant Deputy Minister from Municipal Affairs.

Further to the appointment of new Board members, I was pleased to accept re-appointment as Chair of the Board and pleased that Pamela Keenan accepted the appointment as Vice-Chair.

ACFA remains committed to maintaining the highest quality products and services to meet the diverse needs of our clients. ACFA stands by and is always prepared to help our clients build and maintain individual communities as well as contribute to infrastructure used by all Albertans.

[Original signed by Frank Hawkins, Chair of the Board]

Frank Hawkins
Chair of the Board
March 14, 2018

Village of Foremost

Foremost Regional Water Treatment Plant

With the support of ACFA, the Village of Foremost was able to invest in nine new wells and a state-of-the-art Water Treatment Facility that will serve the Village of Foremost and hamlet residents of the County of Forty Mile.

The Foremost Regional Water Treatment Plant will provide the communities with water that will enhance the quality of life for the residents and ensure a future supply to help build strong and healthy communities.

Ken Kultgen
Mayor, Village of Foremost

Management Discussion And Analysis

The following provides management's analysis of the financial position and results of operations of the Alberta Capital Finance Authority (ACFA) for the year ended December 31, 2017.

Loans

During 2017, ACFA's loan portfolio increased from $15,567 million to $15,612 million, an increase of $45 million. New loans issued during the year totaled $1,265 million, a decrease of $312 million from new loans issued in 2016. Loan repayments totaled $1,217 million and loan prepayments totaled $2.6 million. Included in this review is an Analysis of New Loans Issued in 2017 by jurisdiction and purpose, and a Ten Year Loan Review 2008 - 2017.

Analysis of New Loans Issued

By jurisdiction and purpose for the year ended December 31, 2017 (in thousands of dollars)

	Cities	Towns	Village	Other	Total
Airport infrastructure	$ -	$ -	$ -	$ 175,000	$ 175,000
Electric, gas and telephone	27,480	-	-	-	27,480
Equipment and machinery	35,772	809	-	990	37,571
Health	-	-	-	69,468	69,468
Land	13,998	4,588	-	4,600	23,186
Landfill development	160,772	-	-	1,000	161,772
Municipal buildings	54,157	10,800	-	3,599	68,556
Parks and recreation	91,670	3,194	-	2,093	96,957
Public housing	-	-	-	-	-
Roads and sidewalks	96,371	13,385	1,000	22,283	133,039
Sewer and water	177,388	8,720	1,020	33,519	220,647
Student residences, parkades and ancillary operations	-	-	-	122,918	122,918
Transit	73,834	-	-	-	73,834
Other	17,905	1,225	-	35,800	54,930
Total	**$ 749,347**	**$ 42,721**	**$ 2,020**	**$ 471,270**	**$ 1,265,358**

Calgary Airport Authority

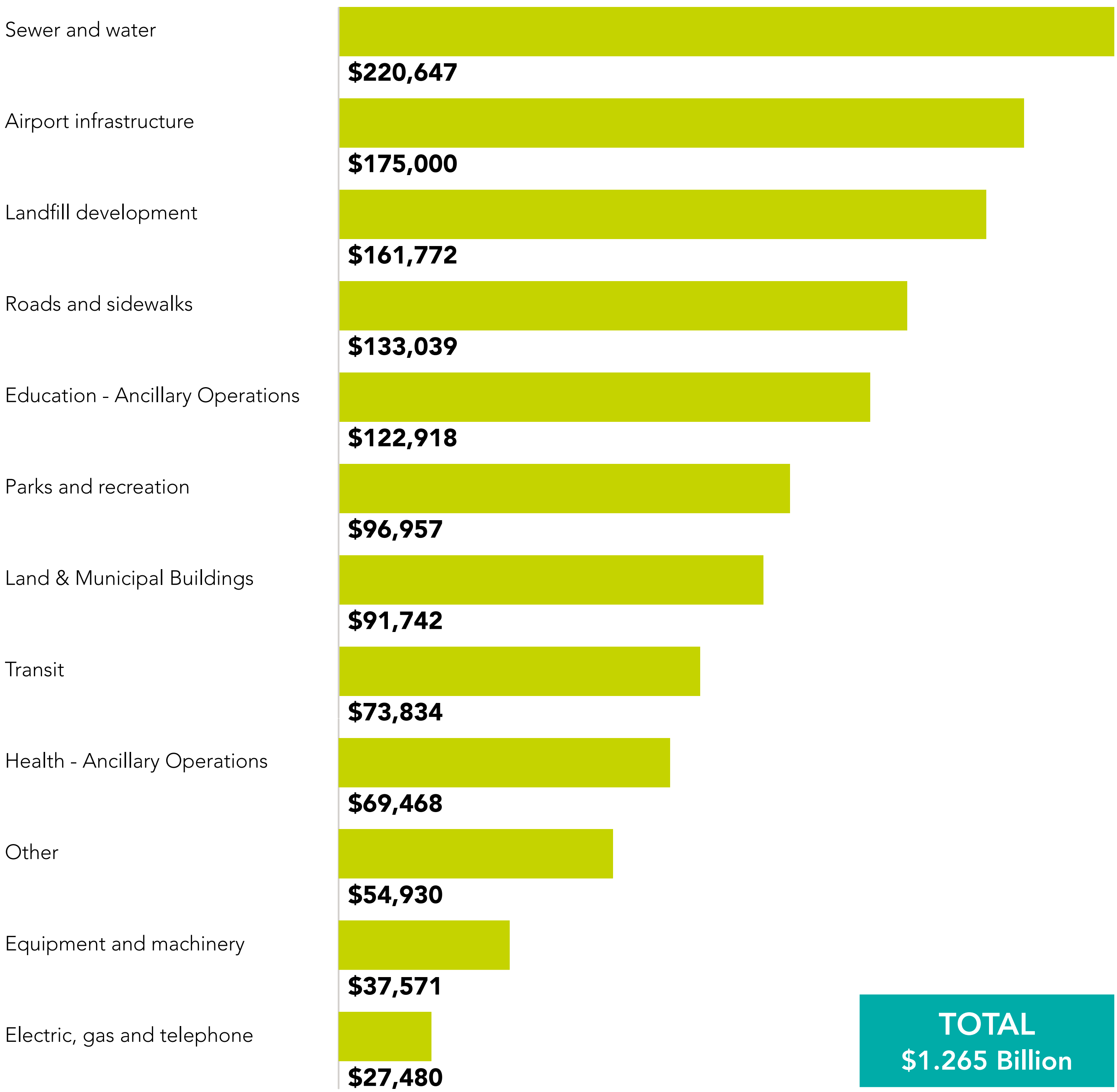
International Terminal Building

Calgary International Airport's new International Terminal opened October 31 of 2016. The two million square foot terminal added 24 aircraft gates and incorporates numerous technologies and processes designed to streamline the passenger experience throughout the airport, including a state-of-the-art Crisbag tote-based baggage system, enhanced customs technology and the customer-designed, Canadian-built passenger shuttle. In the terminal's first year of operation [Calgary Airport Authority] welcomed nearly 5 million passengers and over 4.8 million bags across more than 21,000 flights.

Rob Palmer
Vice President, Finance & Chief Financial Officer, Calgary Airport Authority

Analysis of New Loans Issued

By jurisdiction and purpose for the year ended December 31, 2017 (in thousands of dollars)



Ten Year Loan Review 2008 – 2017

(in thousands of dollars)

	2017	2016	2015
New Loans Issued During the Year			
By Jurisdiction			
Cities	$ 749,347	$ 874,535	$ 856,455
Colleges, technical institutes and universities	113,035	264,749	35,500
Counties, municipal and irrigation districts, regional services commissions and Métis settlements	92,451	66,856	70,328
Health authorities	69,469	33,772	55,389
Regional airport authorities	175,000	230,000	375,000
School districts and divisions	9,883	-	3,815
Specialized municipalities	11,432	40,026	4,600
Towns and villages	44,741	67,531	58,178
Total	**$ 1,265,358**	**$ 1,577,469**	**$ 1,459,265**
Loans repaid during year	1,220,000	1,110,323	1,119,826
Loans outstanding at December 31	15,612,182	15,566,824	15,099,678
Debt issued during year	11,688,228	12,578,684	9,498,090
Debt repaid during year	11,817,586	12,332,455	9,284,730
Debt outstanding at December 31 (1)	15,338,330	15,459,681	15,219,546
Accumulated operating surplus at December 31 (2)	447,721	405,406	351,727
Lending rate at December 31 *(based on 20 year term)* (3)	2.915%	3.058%	2.831%

(1) Debt outstanding is the contractual principal amount and excludes unamortized premiums, discounts and commission fees.

(2) Effective January 1, 2013, remeasurement gains and losses were prepared in accordance with PS 3450 and the accumulated operating surplus has been restated for the years 2008 to 2012.

(3) The lending rates for the years 2016, 2012, and 2008 have been restated.

Ten Year Loan Review 2008 – 2017 (continued)

(in thousands of dollars)

2014	2013	2012	2011	2010	2009	2008
New Loans Issued During the Year						
By Jurisdiction						
$ 1,268,006	$ 965,741	$1,038,483	$ 934,531	$ 1,252,567	$ 1,600,849	$ 993,947
197,500	185,575	48,591	34,416	102,600	65,000	131,200
47,979	74,314	127,642	70,331	104,018	80,657	43,698
5,000	-	32,300	176,000	15,000	55,000	-
573,000	427,901	930,000	603,000	390,000	40,000	120,000
-	10,000	5,000	-	2,553	-	-
4,411	22,408	21,695	6,480	206,332	46,201	16,538
60,885	42,435	91,518	50,833	74,737	81,164	79,424
$2,156,781	**$1,728,374**	**$2,295,229**	**$ 1,875,591**	**$ 2,147,807**	**$ 1,968,871**	**$ 1,384,807**
896,295	616,856	748,646	558,690	541,729	640,379	432,514
14,760,239	13,499,753	12,388,235	10,841,652	9,524,751	7,918,673	6,590,181
6,975,269	9,817,168	10,194,626	6,342,634	6,126,386	6,895,208	2,624,881
5,879,467	8,624,025	8,750,958	5,041,780	4,526,162	5,596,477	1,701,278
14,772,276	13,550,326	12,234,586	10,798,646	9,497,846	7,899,846	6,610,928
294,096	236,849	184,979	134,293	100,076	65,357	42,072
2.957%	3.623%	2.958%	3.145%	4.124%	4.395%	4.836%

City of Lethbridge

Métis Trail & Whoop-Up Drive

Métis Trail provides a new direct arterial road link in NW Lethbridge which greatly improves access to local neighborhoods and improves emergency response for the entire area. Construction of new lanes of Whoop-Up Drive have also been completed, providing additional capacity to access schools, businesses, neighborhoods and our newly constructed leisure centre. Funding from Alberta Capital Finance Authority for this project was essential in helping us provide these benefits to our community in a timely manner.

Kathy Hopkins
City Manager, City of Lethbridge

Management Discussion And Analysis

Results of Operations

ACFA's interest income on loans, including income from investments and loan prepayment fees, exceeded interest expense on debt by $43 million. The annual operating surplus before unrealized changes in fair value of derivatives and foreign exchange was $42 million. When added to the opening accumulated operating surplus, the ending operating surplus was $448 million.

In addition to the operating surplus of $42 million, ACFA recorded net remeasurment gains of $96 million on changes in the fair of derivatives and $177 million on foreign currency translation. As a result, the accumulated deficit of $450 million as at December 31, 2016 improved by $315 million to an accumulated deficit of $135 million as at December 31, 2017.

Interest Rates

ACFA provides fixed rate loans to its borrowers. Loan rates are based on an estimate of the interest rate at which the Province of Alberta could borrow for a bond with the same characteristics of the loan. If it is possible to fund the loan with a matching debt instrument, the actual rate of the debt instrument will be used as the loan rate.

Debt

The contractual principal amount of ACFA's debt decreased from $15,460 million to $15,338 million, a decrease of $122 million. During the year, ACFA borrowed a total of $11,688 million consisting of $8,707 million in short-term notes (period of 90 days or less) and $2,981 million in mid-term to long-term debt (period of 1 year or more). ACFA repaid a total of $11,818 million consisting of $9,079 million in short-term notes and $2,739 million in long-term fixed and floating rate debt.

The outstanding contractual principal owed by ACFA at December 31, 2017, includes the following foreign currency denominated fixed rate debt:

- $485 million Australian dollar (2016 - $125 million);
- €225 million European Euro (2016 - €175 million);
- £650 million UK Pound Sterling (2016 - nil); and
- $600 million US dollar (2016 - $1,200 million).

The foreign currency denominated debt translates to $2,669 million CAD (2016 - $1,981 million CAD). All foreign currency cash flows are simultaneously swapped to floating rate Canadian dollar denominated cash flows, thus offsetting foreign currency risk. The strategy to manage foreign currency risk is outlined in Note 11(g) – Foreign Currency Risk in the financial statements.

NAIT

Centre for Applied Technology

As the largest capital investment in our history, the Centre for Applied Technology is transformative for NAIT. It's much more than bricks and mortar. Behind the walls are some of the most advanced labs and simulation facilities in the country. The building also has a flexible design that ensures NAIT responds effectively to current and future enrolment demands. I'm thrilled to welcome students to this building today.

Dr. Glenn Feltham
NAIT President and CEO

Risk Management

Effective risk management is essential to ensure a financially sound organization and includes identifying, assessing, managing and monitoring all forms of risk. ACFA is primarily exposed to:

Market risk, Interest rate risk, Liquidity risk, Operational risk, and Credit risk.

The President of ACFA, in conjunction with the Asset Liability Committee (ALCO), is responsible for identifying risks and recommending the appropriate policies and framework to mitigate risks. The Board of Directors reviews and approves the risk management policies and implements specific reporting procedures to enable them to monitor adherence to these policies.

ACFA's Asset Liability Committee assesses the market and key interest rate risks, develops benchmarks and policies to measure and mitigate these risks, and provides recommendations to the Board. A risk registry has been developed by the ALCO to highlight potential risks, assess the probability and impact of those risks, and identify risk mitigation currently utilized. The Board and Management use this risk registry to develop and enhance ACFA's risk policies.

Market Risk

Market risk is the impact on ACFA's operating results from changes in market factors such as interest rates and foreign exchange. ACFA requires all borrowing be denominated in Canadian dollars or borrowing in foreign currencies be swapped to Canadian dollars. Financial statement items impacted by changes in interest rates include interest income, interest expense and the changes in fair value of interest rate swaps. A significant market risk is repricing risk, which arises when there is a mismatch between the maturity and repricing of interest bearing assets and liabilities. This repricing risk also results from ACFA's willingness to allow for some prepayments on existing loans.

The Stop-Loss Settlement Policy is structured to protect ACFA from significant losses that would occur in accepting additional prepayments of high interest rate loans and relending these funds at lower rates. ACFA does not have the ability to prepay any of its public debt and can only prepay the Canada Pension Plan Investment Fund if it incurs a penalty based on current market rates, which would not make it economically advantageous. ACFA's Stop-Loss Settlement Policy is an integral part of its long-term financial planning.

Interest Rate Risk

Interest rate risk is the potential impact of changes in interest rates on ACFA's net interest income when maturities of its interest rate sensitive assets are not matched with maturities of its interest rate sensitive debt. ACFA uses interest rate swaps for the purpose of managing its asset and liability position. ACFA's policy is to match the interest rate exposure on all new loans to the interest rate exposure of the debt used to fund these loans. In most cases, fixed interest rates on new loans and debt are swapped to floating rates so that the floating rates paid and received incorporate changes in the market rate at approximately the same time. ACFA utilizes long-term debt issuances as a means of financing its loan and cash flow demands. However, with rates for short-term borrowing remaining very low, ACFA continued to utilize short-term notes as a funding source for some of its financing requirements.

The Board recognizes the unique risks associated with the use of derivative financial instruments and has established policies and procedures to monitor and minimize exposure to ACFA. These policies and procedures limit the type of derivative financial instruments and circumstances where they can be used, prescribe the authorities required to approve the transaction and establish the appropriate segregation of duties to reduce operational risk.

Liquidity Risk

Liquidity risk is the risk that ACFA will not have sufficient cash to meet its obligations as they become due while meeting the loan requirements of local authorities.

ACFA manages its liquidity risk by monitoring its cash flows on a daily basis. Surplus funds are invested short-term in the Province of Alberta's Consolidated Cash Investment Trust Fund. When required, ACFA works with the Province of Alberta to obtain funding in the Canadian and international capital markets. Since April 2011, all debt is borrowed directly by the Province of Alberta, who in turn on-lends it to ACFA. All ACFA borrowing is guaranteed by the Province of Alberta.

Operational Risk

Operational risk is the risk associated with internal control breakdowns, systems or procedural failures, human errors or malfeasance. These risks can never be fully eliminated but are minimized by establishing appropriate policies and sound internal controls through an appropriate segregation of duties, accountabilities and reporting practices.

The audit of the financial statements was conducted in accordance with Canadian generally accepted auditing standards and in completion of the audit, the auditor considers internal controls relevant to ACFA's preparation and presentation of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The objective of a financial statement audit is to obtain reasonable assurance whether the financial statements are free of material misstatement. Accordingly, an audit would not usually identify all matters that may be of interest to management and the Audit Committee, however, any significant weaknesses identified in internal controls over financial reporting, or other non-trivial matters, are communicated to management and the Audit Committee.

Credit Risk

Credit risk is the risk of loss due to a borrower or counterparty failing to meet their obligations to ACFA. Historically, ACFA has not been required to record any provisions or allowances regarding credit losses nor has it suffered any such losses. The Board has established policies which provide for the approval and monitoring of all lending activity. These policies include establishing clear lines of authority for decision making and for accountability.

Credit risk on counterparty default arises with the use of derivatives. To control this risk, ACFA has adopted the counterparty risk policy established by the Province of Alberta that sets out counterparty limits and allowable counterparties. ACFA is not exposed to credit risk for the full face value (notional amount) of the derivative contracts, but only to the potential replacement cost if the counterparties fail. Under Credit Support Annexes entered into under the Province of Alberta's derivative master agreements, counterparties or ACFA are obligated to post collateral based on established thresholds which further enhances ACFA's credit position. This exposure is represented by the current replacement cost of all outstanding contracts in a favourable position. For additional information, see Note 6 – Derivative Financial Instruments in the financial statements.

City of Grande Prairie
68 Avenue Eastbound Bridge

With more children under the age of 5 than adults over 65 and more Millennials per capita than any other city, the City of Grande Prairie is the youngest city in Canada and one of the fastest growing in North America. Our 2012 Traffic Impact Assessment identified a significant amount of development in the area of 68 Avenue at the Community Knowledge Campus and the Stonebridge development sites. To respond to this growth, the construction of the 68 Avenue Eastbound Bridge was identified as a priority for our municipality. By working with ACFA, the City of Grande Prairie was able to borrow at very competitive rates to fund the 68 Avenue Eastbound Bridge, providing benefits to the community for many years to come.

Susan Walker
Corporate Services Director/Chief Financial Officer, City of Grande Prairie

Municipal District of Smoky River

Emergency Services Building

The Municipal District of Smoky River No. 130 constructed the Smoky River Regional Emergency Services Building to provide a new home to the Fire Department which is now providing services to the entire Smoky River region. Funding through the Alberta Capital Finance Authority allowed the municipality to build the new fire hall and contribute a necessary service to our communities. The new fire hall was essential to provide an efficient space for new equipment and to accommodate the growing volunteer fire department.

Robert Brochu
Reeve, Municipal District of Smoky River No. 130

Financial Statements
December 31, 2017

Financial Reporting Responsibility of Management

Management of the Alberta Capital Finance Authority prepared these financial statements and is responsible for their reliability, completeness and integrity. They conform in all material respects to Canadian public sector accounting standards and the requirements of the *Alberta Capital Finance Authority Act*. Management maintains the necessary accounting and internal control systems designed to ensure the timely production of reliable and accurate financial information, the protection of assets (to a reasonable extent) against loss or unauthorized use and the promotion of operational efficiency.

The Board of Directors, acting through the Audit Committee, oversees management's responsibilities for financial reporting, and internal control systems over financial reporting. The Audit Committee reviews the financial statements and other financial information, as well as any issues related to them, with both management and the external auditors before recommending the financial statements for approval to the Board.

The Auditor General of Alberta is designated as the external auditor in the *Alberta Capital Finance Authority Act*. The Auditor General of Alberta has full access to the Audit Committee, with and without the presence of management. The Independent Auditor's Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation of the information in the financial statements.

Edmonton, Alberta
March 14, 2018

[Original signed by Troy Holinski, President]

Troy Holinski
President

[Original signed by Bernadiene Hsie, Vice President, Senior Financial Officer]

Bernadiene Hsie
Vice President, Senior Financial Officer

Independent Auditor's Report

To the Shareholders of the Alberta Capital Finance Authority

Auditor General OF ALBERTA

Report on the Financial Statements

I have audited the accompanying financial statements of Alberta Capital Finance Authority, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated operating surplus, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Capital Finance Authority as at December 31, 2017, and the results of its operations, its remeasurement gains and losses, changes in its net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Auditor General
March 21, 2018
Edmonton, Alberta

Statement Of Financial Position

As at December 31, 2017 *(in thousands of dollars)*	2017	2016
Assets		
Cash (Note 3)	$ 47,928	$ 13,349
Restricted cash (Note 3)	13,297	497
Accounts receivable	309	88
Accrued interest receivable on loans to local authorities	98,414	102,603
Loans to local authorities (Note 4)	15,612,182	15,566,824
Derivatives in favourable position (Note 6)	628,878	969,539
	16,401,008	**16,652,900**
Liabilities		
Accounts payable	574	560
Accrued interest payable on debt	40,558	35,896
Debt (Note 5, Schedule 1)	15,277,791	15,406,108
Derivatives in unfavourable position (Note 6)	1,217,242	1,660,746
	16,536,165	17,103,310
Net financial debt	**(135,157)**	**(450,410)**
Non-financial assets		
Tangible capital assets (Net of accumulated amortization $12; 2016 - $8)	14	18
	14	18
Accumulated deficit	**$ (135,143)**	**$ (450,392)**
Accumulated deficit is comprised of:		
Share capital, issued and fully paid (Note 7)	63	63
Accumulated operating surplus (Note 8)	447,721	405,406
Accumulated remeasurement losses	(582,927)	(855,861)
Share capital and accumulated deficit	**$ (135,143)**	**$ (450,392)**

Contractual obligations and commitments are found in Note 12.
The accompanying notes and schedule are an integral part of these financial statements.

These financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

[Original signed by Frank Hawkins,
Chair of the Board]

Frank Hawkins
Chair of the Board

[Original signed by Ronald Ritter, Chair of
Audit Committee]

Ronald Ritter
Chair of Audit Committee

Statement Of Operations And Accumulated Operating Surplus

For the year ended December 31, 2017 *(in thousands of dollars)*	Budget (Note 13)	2017	2016
Interest income			
Loans	$ 587,179	$ 578,917	$ 579,025
Loan swaps (pay fixed, receive floating)	(354,750)	(308,459)	(343,218)
Investments	1,110	2,466	2,066
	233,539	272,924	237,873
Interest expense			
Debt	356,481	349,655	342,517
Debt swaps (receive fixed, pay floating)	(192,473)	(143,892)	(183,838)
Amortization of net discounts on debt	20,470	20,053	20,704
Amortization of commission fees	4,248	3,910	4,101
	188,726	229,726	183,484
Net interest income	**44,813**	**43,198**	**54,389**
Other income			
Realized gains on derivatives (Note 11 (g))	-	181,200	-
Realized losses on foreign exchange (Note 11 (g))	-	(181,200)	-
Loan prepayment fees (Note 6)	-	188	339
	-	188	339
Net interest income and other income	**44,813**	**43,386**	**54,728**
Non-interest expenses			
Administration and office expenses (Note 9, 10)	1,103	1,067	1,045
Amortization of tangible capital assets	4	4	4
Non-interest and other expenses	1,107	1,071	1,049
Operating surplus	43,706	42,315	53,679
Accumulated operating surplus, beginning of year	408,564	405,406	351,727
Accumulated operating surplus, end of year	**$ 452,270**	**447,721**	**405,406**

The accompanying notes and schedule are an integral part of these financial statements.

Statement Of Remeasurement Gains And Losses

For the year ended December 31, 2017 *(in thousands of dollars)*	2017	2016
Derivatives		
Accumulated remeasurement losses on derivatives, beginning of year	$ (652,304)	$ (603,141)
Unrealized gains (losses) - fair value of derivatives	276,857	(49,163)
Realized (gains) – reclassified to statement of operations (Note 11(g))	(181,200)	-
Net remeasurement gains (losses) on derivatives, end of year	95,657	(49,163)
Accumulated remeasurement losses on derivatives, end of year	**(556,647)**	**(652,304)**
Foreign Exchange		
Accumulated remeasurement losses on foreign exchange, beginning of year	(203,557)	(214,734)
Unrealized (losses) gains – foreign currency translation	(3,923)	11,177
Realized losses – reclassified to statement of operations (Note 11(g))	181,200	-
Net remeasurement gains on foreign exchange for the year	177,277	11,177
Accumulated remeasurement losses on foreign exchange, end of year	**(26,280)**	**(203,557)**
Accumulated remeasurement losses, end of year	**$ (582,927)**	**$ (855,861)**

The accompanying notes and schedule are an integral part of these financial statements.

Statement Of Cash Flows

For the year ended December 31, 2017 *(in thousands of dollars)*	2017	2016
Operating Activities		
Interest received		
Loans	$ 583,107	$ 581,933
Investments	2,242	2,014
Debt swaps (receive fixed, pay floating)	150,262	184,075
Loan prepayment fees	188	339
Interest paid		
Debt	(344,994)	(336,655)
Discounts paid at debt maturity	(23,014)	(17,545)
Premiums received at debt issue	3,174	-
Commission fees	(7,005)	(1,350)
Loan swaps (pay fixed, receive floating)	(322,014)	(348,291)
Posted cash collateral	(12,800)	-
Administration and office expenses	(1,051)	(1,069)
Cash flows from operating activities	**28,095**	**63,451**
Investing Activities		
Loan principal repayments	1,220,000	1,110,323
Loans issued	(1,265,358)	(1,577,469)
Cash flows used in investing activities	**(45,358)**	**(467,146)**
Financing Activities		
Debt issued	11,688,228	12,578,684
Debt redemption	(11,817,586)	(12,332,455)
Proceeds on maturity of cross currency swap	181,200	-
Cash flows from financing activities	**51,842**	**246,229**
Net increase (decrease) in cash	34,579	(157,466)
Cash, beginning of year	13,349	170,815
Cash, end of year	**$ 47,928**	**$ 13,349**

The accompanying notes and schedule are an integral part of these financial statements.

Notes To The Financial Statements

December 31, 2017 *(in thousands of dollars, except share amounts)*

NOTE 1 – AUTHORITY

The Alberta Capital Finance Authority ("ACFA") operates under the authority of the *Alberta Capital Finance Authority Act, Chapter A-14.5, Revised Statutes of Alberta 2000* ("the Act"), as amended. Under the Act, ACFA is restricted to making loans only to its shareholders for capital purposes.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies are as follows:

(a) Measurement Uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Measurement uncertainty exists in the collectability of the loans to local authorities and the estimate of fair value of derivative contracts.

While best estimates have been used for reporting items subject to measurement uncertainty, ACFA considers it possible, based on existing knowledge, that change in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

(b) Valuation of Financial Instruments

Financial instruments are any contracts that give rise to financial assets of one entity and financial liabilities or equity instruments of another entity. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial liabilities are any liabilities that are contractual obligations: to deliver cash or another financial asset to another entity; or to exchange financial instruments with another entity under conditions that are potentially unfavourable.

(b) Valuation of Financial Instruments (Continued)

ACFA's financial assets and financial liabilities are generally measured as follows and as further described in this note:

Financial Statement Component	Measurement
Cash and restricted cash	Cost
Accounts receivable (payable)	Cost
Accrued interest receivable on loans to local authorities	Cost
Loans to local authorities	Amortized cost
Derivatives in favourable (unfavourable) position	Fair value
Accrued interest payable on debt	Cost
Debt	Amortized cost
Embedded derivatives	Fair value

(c) Cash

Cash includes cash on hand, cash on demand deposit in the Province of Alberta's Consolidated Cash Investment Trust Fund ("CCITF") including any allocated interest not yet transferred to CCITF participants. ACFA's cash balances in CCITF are used for operations or are restricted for unredeemed coupons. CCITF holds investments in primarily short-term and mid-term interest bearing securities which have a maximum term to maturity of less than three years.

(d) Loans to Local Authorities

The carrying value of loans is recorded at amortized cost. Accrued interest receivable on loans is reported separately from the carrying value on the statement of financial position. Loan discounts are amortized to income over the term of the loan using the effective interest method, and are included in the carrying value of the loan.

Impairment losses are recognized in the statement of operations. Where there is no longer reasonable assurance of timely collection of the full amount of principal and interest on a loan, a specific provision for credit loss is made and the carrying value of the loan is reduced to its estimated net recoverable value.

Interest revenue on loans is recognized on an accrual basis and is measured using the effective interest method. Interest revenue ceases to be accrued on loans when the collectability of either principal or interest is not reasonably assured.

(e) Debt

The carrying value of debt, including transaction costs, is recorded at amortized cost. Accrued interest payable on debt is reported separately from the carrying value on the statement of financial position. Debt premiums and discounts and underwriting commissions arising from the issuance of debt are amortized over the term of the debt using the effective interest method, and are included in the carrying value of the debt.

Interest expense on debt is recognized on an accrual basis and is measured using the effective interest method.

(f) Derivative Financial Instruments

Derivative contracts for interest rate swaps and cross-currency interest rate swaps are recorded at fair value on the statement of financial position and changes in fair value are recorded as unrealized gains and losses in the statement of remeasurement gains and losses. When a financial instrument is derecognized, remeasurement gains or losses are reclassified to the statement of operations. Any transaction costs are expensed.

Fair value is the only relevant basis of measurement for derivative contracts because the historical cost is at most nominal. The fair value depicts the market's assessment of the present value of the net future cash flows directly or indirectly embodied in a derivative contract discounted to reflect both current interest rates and the market's assessment of the risk the cash flows will not occur. Fair values are determined using third party valuation software that generates a discount curve based on observable market rates and swap spreads.

Fair values have been segregated between those contracts which are in favourable positions (positive fair value) and those contracts which are in unfavourable positions (negative fair value) and are recorded as derivative assets and derivative liabilities respectively on the statement of financial position.

Net interest paid or received on the pay fixed, receive floating interest rate swaps related to loans is presented separately as part of interest income, and the net interest paid or received on the receive fixed, pay floating interest rate swaps related to debt is presented separately as part of interest expense. Loan swap interest revenue and debt swap interest expense includes accrued interest.

Only contractual obligations entered into or modified on or after January 1, 2013 are evaluated for the existence of embedded derivatives. An embedded derivative is separated from the host contract and accounted for as a derivative when all of the following conditions are met:

i. The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

ii. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

iii. The hybrid, combined instrument is not measured at fair value.

(g) Non-Financial Assets

Prepaid expenses and tangible capital assets are non-financial assets, and are accounted for by ACFA as they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of ACFA unless they are sold. Tangible capital assets are recorded at historical cost and amortized on a straight line basis over the estimated useful lives of the assets. Tangible capital assets are written down when conditions indicate they no longer contribute to ACFA's ability to provide services, or when the value of future economic benefits associated with them are less than their net book values. Write downs are expensed in the statement of operations.

(h) Transaction Costs

Transaction costs include fees and commissions paid to agents, advisors and brokers. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. Transaction costs paid, discounts paid at debt redemption, premiums received at debt issuance and interest paid are presented in the statement of cash flows as operating activities.

(i) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year end rate of exchange. Operating revenues and expenses related to foreign currency transactions are translated into Canadian dollars using the rate of exchange for the day. Unrealized foreign exchange gains and losses on long term monetary items are accumulated in the statement of remeasurement gains and losses until settlement, at which point, the cumulative amount is reversed and recognized in the statement of operations.

(j) Net Financial Debt Model of Presentation

A statement of changes in net financial debt has not been provided since the information that would be presented in that statement is readily apparent from the other financial statements and related notes. Net financial debt is reported in the statement of financial position. Net financial debt is the difference between financial liabilities and financial assets. It provides an indicator of future revenue requirements and on an entity's ability to finance its activities and meet its liabilities and commitments.

NOTE 3 – CASH

	2017	2016
Cash	**$ 47,928**	**$ 13,349**
Uncashed coupons and cheques	**$ 497**	**$ 497**
Posted Cash Collateral	**$ 12,800**	**$ -**
Restricted cash	**$ 13,297**	**$ 497**

Cash in ACFA's operating account and uncashed coupons and cheques earns interest as part of the Province of Alberta's CCITF. Uncashed coupons and cheques cash is set aside for outstanding debt obligations on unredeemed coupons, bonds. For the year ended December 31, 2017, deposits in CCITF had a time-weighted return of 0.92% per annum (2016 – 0.89% per annum). Cash Collateral is posted to counterparties when ACFA has exceeded established thresholds of net unfavourable positions with counterparties under the Credit Support Annex (CSA) Agreements as described in Note 6. Posted Cash Collateral earns interest as prescribed by the CSA Agreements.

NOTE 4 – LOANS TO LOCAL AUTHORITIES

	2017		2016	
Municipal authorities, regional services commissions, and Métis settlements	$ 10,260,564	66%	$10,333,808	67%
Regional airport authorities	3,844,352	25%	3,765,793	24%
Educational and health authorities	1,507,266	9%	1,467,223	9%
Amortized cost	**$15,612,182**	**100%**	**$15,566,824**	**100%**

Credit risk is the risk of loss due to borrowers failing to meet their obligations to ACFA. Historically, ACFA has not needed to record any provisions or allowances regarding credit losses nor has it suffered any such losses. ACFA has established policies which provide for the approval and monitoring of all lending activity. These policies include establishing clear lines of authority for decision making and for accountability. For loan applications by applicants who:

i. have exceeded the borrowing limits established under their governing legislation;

ii. are considered to be in financial difficulty;

iii. have not met the terms of the ACFA's lending policies; or

iv. are referred to the Board of Directors for any reason;

the loan must be approved by the Board of Directors, who may consider the loan application on the recommendation of the President. ACFA maintains a loan portfolio consisting of several different borrower categories, each with their own source of security to ensure repayment. The major categories of borrowers are as follows:

a. Cities, towns, villages, specialized municipalities, counties, municipal districts, irrigation districts, regional services commissions and Metis settlements account for a majority of loan assets held by ACFA. This borrower category, excluding Metis settlements, is regulated by the *Municipal Government Act*, which stipulates specific debt limits and debt servicing limits. The aforementioned group of borrowers is required to agree to raise and levy taxes and or fees in an amount sufficient to pay their indebtedness to ACFA as per the signed master loan agreement.

b. Regional airport authorities utilize airport improvement fees to ensure repayment of existing loans. Security is also taken in the form of adequate land registration.

c. Educational and health authorities have terms, conditions, and security specific to their respective loan agreements.

As at and for the year ended December 31, 2017, all loans were performing in accordance with related terms and conditions and none were in arrears, nor were any loans considered impaired. ACFA's maximum exposure to credit risk is represented by the carrying amount of its loans at the reporting date. Additional detail on the contractual pricing and effective interest rates of outstanding loans is provided in Note 11 (d).

NOTE 5 – DEBT

	2017	2016
Contractual principal	$ 15,338,330	$ 15,459,681 (c)
Unamortized net discounts	(41,741)	(37,871)
Unamortized commission fees	(18,798)	(15,702)
	$ 15,277,791	**$ 15,406,108**

The debt of ACFA is fully guaranteed by the Province of Alberta. Since April, 2011 all ACFA debt is borrowed by the Province of Alberta. The Province of Alberta then on-lends the money to ACFA for loan disbursement and cash management (Schedule 1).

For the next five years, contractual debt redemption requirements by debt type, with the assumption all debt is redeemed at the maturity date, are as follows:

	Short-term	Floating	Fixed	Total
2018	$ 1,930,000	$ 1,000,000	$ 600,000	$ 3,530,000
2019	-	-	275,000	275,000
2020	-	480,000	1,322,367	1,802,367
2021	-	-	1,102,465 (a)	1,102,465
2022	-	-	1,720,000	1,720,000
	1,930,000	1,480,000	5,019,832	8,429,832
Thereafter	-	-	6,908,498 (b)	6,908,498
	$ 1,930,000	**$ 1,480,000**	**$11,928,330**	**$ 15,338,330**

NOTES

a. £650,000 GBP ($1,102,465 CAD) fixed term debt maturing November 15, 2021 translated at the foreign exchange rate at the reporting date.

b. Includes $600,000 USD ($752,700 CAD) fixed term debt maturing August 17, 2026, $175,000 AUD ($171,517 CAD) fixed term debt maturing December 14, 2026, $310,000 AUD ($303,831 CAD) fixed term debt maturing April 11, 2028, and € 225,000 EUR ($338,670 CAD) fixed term debt maturing December 1, 2043 translated at the foreign exchange rates at the reporting date.

c. Includes the following foreign currency debt translated at the foreign exchange rates as at December 31, 2016: $125,000 AUD ($121,338 CAD) fixed term debt maturing December 14, 2026, €175,000 EUR ($247,957 CAD) fixed term debt maturing December 1, 2043, $600,000 USD ($805,620 CAD) fixed term debt maturing June 21, 2017, and $600,000 USD ($805,620 CAD) fixed term debt maturing August 17, 2026. Additional detail on the contractual pricing and effective interest rates of outstanding debt is provided in Note 11 (d).

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial contract with the following characteristics: its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or other variable; it requires no initial net investment or the initial investment is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and it is settled in the future.

To minimize ACFA's interest rate risk on loans and debt issued after January 1, 2004, interest rate swaps may be used to swap fixed rate interest on loans and debt to floating rate so that floating rates paid and received incorporate changes in the market rates at approximately the same time. Interest received on loans to local authorities at fixed rates is swapped so that interest is received at floating rates instead. Loan swaps involve the receipt of floating rate cash flows from the counterparty in exchange for the payment of fixed rate cash flows to the counterparty. Interest paid on debt at fixed rates is swapped so that interest is paid at floating rates instead. Debt swaps involve the payment of floating rate cash flows to the counterparty in exchange for the receipt of fixed rate cash flows from the counterparty.

The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The outstanding notional amounts are not recorded in the statement of financial position. They represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such instruments. It is not ACFA's normal practice to terminate swaps before maturity and realize gains or losses, unless there is a valid business reason to do so. Swaps are intended to be held to maturity to reduce interest rate risk, but may be unwound with a prepayment fee if a large loan prepayment occurs. Penalties imposed by the counterparty are in turn recovered from the local authority according to the Stop-Loss Settlement Policy so there is no financial loss to ACFA. During the year, no loan swaps were unwound due to prepayments therefore no prepayments fees recovered from local authorities were remitted to counterparties (2016 - $1,425).

Interest rate swaps include the following outstanding cross currency swaps:

	2017		2016	
Swapped	Receive fixed interest in foreign currency on foreign currency notional	Pay floating interest in Canadian on Canadian equivalent notional at issue	Receive fixed interest in foreign currency on foreign currency notional	Pay floating interest in Canadian on Canadian equivalent notional at issue
Australian Dollar	**$ 485,000**	**$ 470,384**	**$ 125,000**	**$ 118,438**
European Euro	**€ 225,000**	**$ 325,875**	**€ 175,000**	**$ 255,675**
United Kingdom Pound Sterling	**£ 650,000**	**$ 1,061,125**	**£ -**	**$ -**
United States Dollar	**$ 600,000**	**$ 787,200**	**$ 1,200,000**	**$ 1,404,600**

To minimize its foreign currency risk on debt, cross currency interest rate swaps are used as described in Note 11 (g).

The outstanding notional amounts of loan and debt interest rate swaps by maturity date are summarized as follows:

Maturities	2018	2019 to 2021	2022 and after	Total
Interest rate swaps, December 31, 2017	$ 640,018	$ 3,112,869	$ 22,578,714	$ 26,331,601
	2017	2018 to 2020	2021 and after	Total
Interest rate swaps, December 31, 2016	$ 2,839,740	$ 2,615,731	$ 20,178,181	$ 25,633,652

At December 31, 2017, derivatives in favourable and unfavourable positions, as reported on the statement of financial position, include contractual amounts of accrued interest receivable and payable, respectively, as follows:

Maturities	2017	2016
Accrued interest receivable on debt swaps	$ 9,820	$ 16,189
Accrued interest payable on loan swaps	$ 41,537	$ 55,092

ACFA classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. When measurement of an item requires the use of inputs from more than one level, the measurement level attributable is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy used has the following levels:

Level	Fair Value Hierarchy
Level 1	Fair value is based on unadjusted, quoted prices in active markets, such as a public exchange, for identical assets or liabilities;
Level 2	Fair value is based on model-based valuation methods that make use of inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
Level 3	Fair value is based on valuation methods where inputs for the asset or liability are not based on observable market data (unobservable inputs) and the inputs have a significant impact on the valuation.

Derivative financial instruments recorded at fair value on the statement of financial position are classified as level 2. During the year, no transfers occurred between any of the levels on the fair value hierarchy.

The fair value of interest rate swaps has been calculated using valuation techniques that employ reputable and reliable application software to value derivatives. Observable short and long term rates in the money market and Canadian bond market, as well as swap spreads obtained from financial institutions, are used to develop an interest rate curve to discount derivative cash flows. For cross currency swaps, foreign exchange rates at the valuation date are used. As at the reporting date, the estimated sensitivity of the net fair value of derivatives to a 25 basis point increase and a 25 basis point decrease in interest rates is an increase in fair value of $117,857 (2016 - $158,028) and a decrease in fair value of $122,288 (2016 - $163,706), respectively.

Current credit exposure is limited to the amount of loss ACFA would suffer if every counterparty to which ACFA were exposed were to default at once, and is represented by the current replacement cost of all outstanding contracts in a favourable position. ACFA is part of the exposure limit established for the Province of Alberta and actively monitors its exposure and minimizes credit risk by only dealing with counterparties believed to have a good credit standing. Current and potential exposure is regularly reviewed against established limits on a counterparty basis.

Under the Province of Alberta's master agreement with counterparties, ACFA can, in the event of a counterparty default, net its favourable and unfavourable positions with the counterparty. In addition, under the agreement, several Credit Support Annexes have been signed with counterparties which may require ACFA or the counterparty to provide collateral based on established thresholds, which further enhances ACFA's credit position. Alberta Investment Management Coporation (AIMCo) provides collateral management services for ACFA and exchanges collateral with counterparties on behalf of ACFA. During the year ended December 31, 2017, ACFA was required to post cash collateral and non-cash collateral on multiple occasions.

As at December 31, 2017, the following cash collateral and non-cash collateral were outstanding:

	2017				2016			
	Cash Collateral		Non-Cash Collateral (a)		Cash Collateral		Non-Cash Collateral (a)	
Posted to counterparties on ACFA's behalf on net unfavourable positions	$	12,800	$	507	$	-	$	10,126
Received on ACFA's behalf on net favourable positions	$	18,403 (b)	$	39,798	$	-	$	108,256

a. Non-cash collateral includes securities such as treasury bills and bonds.

b. Received $14,670 US dollars in cash collateral which translates to $18,403 CAD dollars at the end of December 31, 2017.

Derivative assets and liabilities are presented at gross fair value on the statement of financial position. Although the amounts do not qualify for offset since default has not occurred, derivatives in favourable position of $522,941 at December 31, 2017 (2016 - $821,731) are subject to master netting arrangements against unfavourable positions of $1,185,169 (2016 - $1,614,009), which reduces ACFA's credit exposure by $522,941 (2016 - $821,731).

NOTE 7 – SHARE CAPITAL

Share capital is valued at $10 per share. Voting rights for Classes B to E, as established in legislation, relate only to the election of a director representing the shareholder's class. Further particulars of share capital are as follows:

			2017		2016	
Class	Restricted to	Number of Shares Authorized	Issued and Fully Paid	Total Dollar Amount	Issued and Fully Paid	Total Dollar Amount
A	Province of Alberta	4,500	4,500	$ 45,000	4,500	$ 45,000
B	Municipal, airport and health authorities	1,000	886	8,860	885	8,850
C	Cities	750	589	5,890	589	5,890
D	Town and villages	750	275	2,750	277	2,770
E	Educational authorities	500	76	760	76	760
Total		**7,500**	**6,326**	**$ 63,260**	**6,327**	**$ 63,270**

During the year, one Class B share and one Class D share were issued (2016 - one Class E share was issued), and three Class D shares were cancelled (2016 - three Class D shares were cancelled).

NOTE 8 – CAPITAL MANAGEMENT

ACFA is an agent of the Crown in Right of Alberta and a provincial corporation whose debt is fully guaranteed by the Province of Alberta. This allows ACFA access to capital markets to obtain debt financing at a cost commensurate with the Province of Alberta's credit rating.

The business of ACFA is to provide its shareholders with flexible financing for capital projects and to manage its assets and liabilities and business affairs in such a manner so as to enhance its ability to effectively carry out its activities in an economical and effective manner.

ACFA's objective when managing capital is to safeguard its ability to continue as a going concern and to continue to benefit its shareholders by providing loans on a prudent basis. Net assets for capital management purposes are defined as accumulated operating surplus. ACFA has operated effectively in accordance with its capital objective as net assets for capital management purposes as at December 31, 2017 were $447,721 (2016 - $405,406). Capital management objectives, policies and procedures are unchanged since the preceding year.

NOTE 9 – DIRECTOR AND AUDIT COMMITTEE FEES, AND RELATED PARTY TRANSACTIONS

Director and Audit Committee fees paid by ACFA are as follows:

	2017		2016	
	Number of Positions	Total	Number of Positions	Total
Board and Audit Committee Chairs	2	$ 9	2	$ 7
Board and Audit Committee	9	25	9	22
	11	**$ 34**	**11**	**$ 29**

There are two board members who are employees of the Province of Alberta and do not receive compensation from ACFA and are excluded from the table above. The Audit Committee Chair and Audit Committee members are also members of the Board of Directors.

ACFA has no employees. Its operations are managed by staff of Alberta Treasury Board and Finance, which is considered a related party. Other related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements, including local authorities that ACFA has issued loans to, such as educational and health authorities consolidated by Alberta Education, Alberta Advanced Education or Alberta Health, as well as the Province of Alberta on-lending debt to ACFA. Loans to local authorities and debt on the statement of financial position, as well as the associated income and expense on the statement of operations and accumulated operating surplus, include amounts with related parties incurred in the normal course of business and are recorded at amounts of consideration agreed upon between the related parties.

Included in administration and office expenses is the amount of $790 (2016 - $797) for salaries, services or goods paid to related parties within the Province of Alberta at the amount of consideration agreed upon between the related parties. Included in accounts payable is the amount of $72 (2016 - $55) due to related parties at December 31, 2017.

NOTE 10 – EXPENSE BY OBJECT

	Budget	2016	2015
Salaries and benefits	$ 660	$ 661	$ 660
Services	281	206	214
Contract services with related parties	135	171	135
Goods	9	10	11
Financial transactions and other	18	19	25
Amortization of tangible capital assets	4	4	4
	$ 1,107	**$ 1,071**	**$ 1,049**

NOTE 11 – FINANCIAL RISK MANAGEMENT

(a) Framework

ACFA's management is accountable and responsible for monitoring performance and reporting to the Board of Directors and recommending changes to existing policies, including the Derivative Policy. The Audit Committee assists in monitoring the corporate governance, accountability processes and control systems in ACFA and reports to the Board of Directors. The Asset-Liability Committee ("ALCO") also reviews the Derivative Policy, and other policies regarding interest rate risk management, funding, loan prepayments and loan pricing, and recommends changes to the Board of Directors. The Board of Directors is responsible for governance and strategic direction through its annual review and approval of all policies.

Management is primarily responsible for overseeing operational risk, which is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is managed through use of appropriate policies, procedures and controls designed to create an effective internal control environment within the organization. ACFA's accountability framework also includes: preparation of a 5 year business plan and annual budget that is approved by the Board of Directors, quarterly financial forecasting and reporting to monitor financial results, codes of conduct and ethics for the Board of Directors and staff, and a whistleblower policy.

The Audit Committee fulfills its responsibilities by offering observation and objective advice on issues concerning ACFA's risk, controls, quality of information, quality of management oversight and management assertions. It monitors the adequacy and effectiveness of internal controls, including internal controls over financial reporting.

The ALCO is a management committee that oversees and manages ACFA's financial risks such as: market risk, including interest rate risk and currency risk; the risk of higher floating rate borrowing margins; the risk arising from mismatches in the floating rate reset dates of assets and liabilities; financing and refinancing risk; loan prepayment risk; and loan pricing risk. The ALCO manages financial risks to ensure ACFA's operating surplus does not decrease due to a significant, unexpected loss. It achieves this by setting risk benchmarks and monitoring performance against the benchmarks. It also assesses financial risks and formulates/evaluates acceptable risk mitigation strategies, within Board policy limits, to manage them.

Together, the aforementioned develop ACFA's strategic direction, oversee financial risk management and review and approve policies and procedures to maintain an acceptable level of financial risk.

(b) Asset and Liability Management

ACFA's assets are legislatively limited to an aggregate principal sum of all outstanding loans and securities not to exceed $18 billion. As debt and earnings are used to fund these loans, ACFA raises debt that can be obtained by the Province of Alberta in the capital markets given the amounts and terms requested by local authorities and the deals available. ACFA also manages its assets and liabilities by monitoring the duration and term to maturity of its existing loan and debt portfolios, obtaining estimated capital requirements for the local authorities to anticipate loan demand, utilizes the Province of Alberta's credit rating and operates under a financing plan that provides for a mixture of short-term, floating and fixed debt.

(b) Asset and Liability Management (Continued)

ACFA's viability is further managed by swapping its fixed term interest income on loans and fixed term interest expense on debt to floating rates so that movements in market interest rates are counter balanced by offsetting revenue and expense streams. For most loans made after January 1, 2004, ACFA uses the following to minimize the exposure related to fluctuations in interest rates: loan interest rate swaps to swap fixed rate loan interest to floating; floating rate notes which reprice at approximately the same time as the loans; and debt interest rate swaps to swap fixed rate debt interest to floating. Cross currency interest rate swaps are used to mitigate foreign exchange rate fluctuations as described in Note 11 (g).

ACFA's Canadian dollar bank accounts are exposed to interest rate risk. Canadian cash balances are held in CCITF.

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk from borrowers or local authorities is described in Note 4 and ACFA does not believe it has any significant credit exposure on loans. Credit exposure with derivative counterparties is described in Note 6.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk refers to the potential impact of changes in interest rates on ACFA's earnings when maturities of its interest rate sensitive assets are not matched with the maturities of its interest rate sensitive liabilities. ACFA's interest rate sensitive assets and liabilities are those that: generate interest income such as loans and cash, incur interest expense such as debt, are interest rate swaps or are near-term cash inflows (outflows) such as accrued interest receivable (payable) associated with an underlying interest rate sensitive asset or liability. Non-interest rate sensitive assets and liabilities excluded in the tables below are: accounts receivable, prepaid expenses, tangible capital assets and accounts payable.

The contractual principal amounts of ACFA's interest rate sensitive assets and liabilities by maturity/ next repricing date are summarized below.

Maturity / Repricing	2018	2019 to 2021	2022 and after	Total
Financial Assets				
Cash and restricted cash	$ 61,225	$ -	$ -	$ 61,225
Accrued interest receivable on loans	98,414	-	-	98,414
Accrued interest receivable on debt swaps (a)	9,820	-	-	9,820
Loans to local authorities	788,179	2,593,725	12,230,278	15,612,182
December 31, 2017	**$ 957,638**	**$2,593,725**	**$ 12,230,278**	**$ 15,781,641**
Loan effective rate, 2017 (b)	3.76%	3.78%	3.77%	3.77%

	2017	2018 to 2020	2021 and after	Total
December 31, 2016	**$ 1,320,269**	**$2,458,821**	**$ 11,920,372**	**$ 15,699,462**
Loan effective rate, 2016 (b)	3.84%	3.84%	3.83%	3.83%

a. Included in derivatives in favourable position on the statement of financial position.

b. The effective rate is the rate that exactly discounts estimated future cash payments through the expected term of the loan to the net carrying amount.

Maturity / Repricing	2018	2019 to 2021	2022 and after	Total
Financial Liabilities				
Accrued interest payable on debt	$ 40,558	$ -	$ -	$ 40,558
Accrued interest payable on loan swaps (a)	41,537	-	-	41,537
Debt by type:				
Short-term (c)	1,925,160	-	-	1,925,160
Floating	1,480,000	-	-	1,480,000
Fixed (b)	600,000	2,699,832	8,628,498	11,928,330
December 31, 2017	**$ 4,087,255**	**$2,699,832**	**$ 8,628,998**	**$ 15,415,585**
Debt effective rate, 2017	2.52%	2.93%	2.98%	2.96%
	2017	**2018 to 2020**	**2021 and after**	**Total**
December 31, 2016	**$ 6,623,309**	**$2,197,367**	**$ 6,726,694**	**$ 15,547,370**
Debt effective rate, 2016 (d)	3.20%	3.24%	4.05%	3.87%

a. Included in derivatives in unfavourable position on the statement of financial position.

b. Foreign currency denominated debt is translated at the foreign exchange rate at the reporting date.

c. Comprised of contractual principal of $1,930,000 (2016 - $2,300,000) net of discounts on short-term notes of $4,840 (2016 - $3,299).

d. The effective rate is the rate that exactly discounts estimated future cash payments through the expected term of the debt to the net carrying amount.

Loan interest rate swaps and debt interest rate swaps with outstanding notional amounts of $15,130,185 and $11,201,416 respectively (2016 - $14,983,161 and $10,650,492 respectively) have not been included in the above table as notional amounts do not represent either financial assets or financial liabilities. Notional amounts are not recorded in the statement of financial position.

The interest rate sensitivity analysis below has been determined based on the exposure to interest rate fluctuations for significant interest rate sensitive assets and liabilities as at the reporting date. ACFA's significant interest rate sensitive assets and liabilities are those amounts in its loan and debt portfolios subsequent to January 1, 2004 that have been swapped, and can be represented by the outstanding notional amounts of the associated loan and debt swaps. The interest sensitivity arises due to the floating leg of the interest rate swap. Also included in the interest rate sensitivity analysis are floating rate debt and cash.

The potential impact of an immediate and sustained increase (decrease) of 25 basis points in interest rates throughout the year with all other variables held constant would impact net interest income by $6,275 increase and $6,275 decrease (2016 - $7,166 increase and $7,166 decrease).

(e) Liquidity Risk

Liquidity risk is the risk that ACFA will encounter difficulty in meeting obligations associated with its financial liabilities. ACFA's exposure to liquidity risk arises due to its cash flow requirements to fulfill debt payments and redemptions and loan demand of local authorities.

ACFA manages its liquidity risk by monitoring its cash flows on a daily basis. Surplus funds are invested in CCITF. To the extent there are differences in maturities between the collection of principal and interest from loans, and repayment of principal and interest on debt, the Province of Alberta on-lends debt to ACFA to ensure ACFA maintains an adequate cash balance.

Interest and principal repayments, as well as other payments for derivative financial instruments, are relevant for the presentation of the maturities of cash flows. The future cash flows below are not discounted. Foreign currencies are translated at the foreign exchange rate at the reporting date.

The maturities of ACFA's contractual cash flows for financial liabilities at December 31, 2017, with the assumption that all debt is redeemed at the maturity date, based on the earlier of repricing or principal repayments, are as follows:

Estimated Future Cash Out Flows	2018	2019 to 2021	2022 and after	Total
Accounts payable	$ 574	$ -	$ -	$ 574
Debt by type, contractual repayments of principal:				
Short-term (a)	1,925,160	-	-	1,925,160
Floating (b)	1,480,000	-	-	1,480,000
Fixed	600,000	2,699,832	8,628,498	11,928,330
Debt by type, contractual payments of interest:				
Short-term (a)	4,840	-	-	4,840
Floating (b)	5,582	-	-	5,582
Fixed	325,094	898,967	1,945,025	3,169,086
Loan swaps (pay fixed, receive floating) (b)	234,660	632,789	1,519,607	2,387,056
Commitments for leases and supplies and services	158		-	158
Commitments for loans	164,434	5,612	-	170,046
Total	**$ 4,740,502**	**$ 4,237,200**	**$12,093,130**	**$21,070,832**

a. Comprised of contractual principal of $1,930,000 (2016 - $2,300,000) net of discounts on short-term notes of $4,840 (2016 - $3,299).

b. Where the amount of interest is not fixed, as is the case for issued debt with a variable interest rate or for the floating leg of a loan swap, the amounts included in the above table are an estimate and have been determined by reference to the conditions existing at the reporting date.

In conjunction with the liquidity analysis provided above for the financial liabilities, management has determined the following liquidity analysis of financial assets is necessary to evaluate the nature and extent of the liquidity risk. Foreign currencies are translated at the foreign exchange rate at the reporting date.

Estimated Future Cash In Flows	2018	2019 to 2021	2022 and after	Total
Accounts receivable	$ 309	$ -	$ -	$ 309
Loans, contractual collection of principal (a)	878,713	2,604,383	12,299,132	15,782,228
Loans, contractual receipts of interest (a)	573,542	1,531,667	3,769,424	5,874,633
Debt swaps (receive fixed, pay floating) (a) (b)	92,451	301,480	919,888	1,313,819
Total	**$ 1,545,015**	**$4,437,530**	**$ 16,988,444**	**$ 22,970,989**

a. The amounts presented represent the contractual collection of principal and interest, and assumes no loan prepayments or credit default by local authorities and no credit default by counterparties. $170,046 of the contractual principal to be collected are loans that ACFA has contractually committed to fund after December 31, 2017.

b. Where the amount of interest is not fixed, as is the case for the floating leg of a debt swap, the amounts included in the above table are an estimate and have been determined by reference to the conditions existing at the reporting date.

(f) Refinancing Risk

Refinancing risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to refinancing. Refinancing risk arises as local authorities may terminate loans with prepayment fee and refinance at current interest rates. ACFA manages this risk by monitoring the contractual maturities and durations of its loan and debt portfolios; by charging a prepayment fee to local authorities in accordance with the Stop-Loss Settlement Policy; and raising debt in capital markets, either domestic or foreign, at the best possible interest rate utilizing the Province of Alberta's credit rating.

(g) Foreign Currency Risk

Foreign currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at December 31, 2017, ACFA held foreign currency denominated debt as shown on the table below:

	2017				2016			
		Foreign Currency notional		Canadian dollar carrying value at December 31		Foreign Currency notional		Canadian dollar carrying value at December 31
Australian Dollar	$	485,000	$	470,349	$	125,000	$	121,338
European Euro	€	225,000	$	338,670	€	175,000	$	247,957
United Kingdom Pound Sterling	£	650,000	$	1,102,465	£	-	$	-
United States Dollar	$	600,000	$	752,700	$	1,200,000	$	1,611,240

Foreign currency denominated debt instruments require ACFA to make all periodic payments of interest expense, as well as the repayment of the aggregate principal balance due at maturity, in the respective foreign currency. As such, any changes in the foreign currency exchange rate from the date the foreign currency denominated debt instruments were issued to the date those debt instruments mature, expose ACFA to foreign currency risk.

To manage the exposure to foreign currency risk on the foreign currency denominated debt instruments, ACFA has obtained cross currency interest rate swaps with the same payment terms, payment dates, maturity dates and notional values as the foreign currency denominated debt instruments. In exchange for payments of interest and principal denominated in Canadian dollars, the cross currency interest rate swaps entitle ACFA to receive all the amounts necessary to satisfy the periodic payments of interest expense and the aggregate principal balance due at maturity on the foreign currency denominated debt instruments.

Because of this, any changes in the amount of cash required to satisfy the periodic settlement of interest expense throughout the term of the foreign currency debt instruments as well as the principal repayment required at maturity, will be offset by the cash provided from the respective cross currency interest rate swaps, regardless of the changes in the foreign exchange rate of the respective currency versus the Canadian dollar.

During the year, $600,000 USD denominated debt matured (2016 - nil) resulting in a loss on foreign exchange of $181,200 (2016 - nil) and a realized gain on derivatives of $181,200 (2016 - nil). Realized gains and losses are recognized in the statement of operations and as reclassification adjustments in the statement of remeasurement gains and losses.

As at December 31, 2017, ACFA has no other financial instruments that are exposed to foreign currency risk.

NOTE 12 – CONTRACTUAL OBLIGATIONS AND COMMITMENTS

(a) Lease

ACFA has obligations under an operating lease expiring on October 31, 2018 for the rental of premises, and various other obligations for supplies and services under contracts entered into before December 31, 2017. The estimated aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Supplies and Services	Lease
2018	$ 84	$ 74
Total	**$ 84**	**$ 74**

(b) Loans

In the normal course of business, ACFA enters into loan commitments to provide customers with sources of credit. Commitments to extend credit represent undertakings to make credit available in the form of loans for specific amounts, interest rates and terms to maturity, subject to ACFA's normal credit policies and appropriate collateral. Loan commitments include authorized loans not yet drawn down or awaiting further draw down.

The loan commitments indicate the maximum credit exposure to ACFA should the loans be fully drawn, represent future cash requirements and as at December 31, 2017 were:

	2017
2018	$ 164,434
2019	5,612
Total	**$ 170,046**

NOTE 13 – BUDGET

The 2017 budget was approved by the Board of Directors on December 7, 2016. Budget amounts for 2017 were prepared on an amortized cost basis and remeasurement gains and losses on derivatives were not budgeted.

NOTE 14 – APPROVAL OF FINANCIAL STATEMENTS

The financial statements were recommended for approval by the Audit Committee on March 14, 2018 and subsequently approved by the Board of Directors on March 21, 2018.

Schedule 1 – Debt

As at December 31, 2017 *(in thousands of dollars)*

Maturity Date	Interest Rate	Type	Notes	Contractual Principal Outstanding
Public – Short-term:				
Jan-02-2018	1.1259%	Short-term	(b)	$ 200,000
Jan-09-2018	0.9789%	Short-term	(b)	120,000
Jan-16-2018	1.0778%	Short-term	(b)	10,000
Jan-23-2018	1.0642%	Short-term	(b)	200,000
Feb-06-2018	1.0247%	Short-term	(b)	200,000
Feb-13-2018	1.0251%	Short-term	(b)	200,000
Feb-20-2018	1.0230%	Short-term	(b)	200,000
Feb-27-2018	1.2228%	Short-term	(b)	200,000
Mar-06-2018	1.0444%	Short-term	(b)	200,000
Mar-13-2018	1.0387%	Short-term	(b)	200,000
Mar-20-2018	1.0619%	Short-term	(b)	200,000
				1,930,000
Private – Canada Pension Plan Investment Fund / CPP Investment Board:				
Oct-01-2020	6.2800%	Fixed		222,367
Jun-01-2022	6.0600%	Fixed		100,000
Apr-05-2023	5.8900%	Fixed		50,000
Dec-01-2023	5.5000%	Fixed		150,000
Dec-03-2024	5.1800%	Fixed		78,000
Nov-03-2026	4.4900%	Fixed		200,000
Nov-03-2031	4.5000%	Fixed		125,396
Nov-02-2032	4.8300%	Fixed		190,383
				1,116,146

Schedule 1 – Debt

As at December 31, 2017 (in thousands of dollars)

Maturity Date	Interest Rate	Type	Notes	Contractual Principal Outstanding
Public – Fixed and Floating:				
Jun-01-2018	5.1500%	Fixed		50,000
Jun-01-2018	5.1500%	Fixed		50,000
Jun-15-2018	1.5820%	Floating	(a) (b)	500,000
Jun-15-2018	1.5820%	Floating	(a) (b)	500,000
Jun-15-2018	1.6000%	Fixed	(b)	500,000
Dec-01-2019	4.0000%	Fixed	(b)	275,000
Jun-01-2020	1.2500%	Fixed	(b)	600,000
Jun-01-2020	1.2500%	Fixed	(b)	500,000
Jun-17-2020	1.6720%	Floating	(a) (b)	165,000
Jun-17-2020	1.6720%	Floating	(a) (b)	315,000
Nov-15-2021	1.0000%	Fixed	(b) (f)	1,102,465
Sep-01-2022	1.6000%	Fixed	(b)	300,000
Dec-15-2022	2.5500%	Fixed	(b)	720,000
Dec-15-2022	2.5500%	Fixed	(b)	600,000
Dec-01-2023	5.1000%	Fixed		20,000
Dec-15-2025	4.4500%	Fixed		100,000
Dec-15-2025	4.4500%	Fixed		100,000
Dec-15-2025	4.4500%	Fixed		100,000
Jun-01-2026	2.2000%	Fixed	(b)	300,000
Aug-17-2026	2.0500%	Fixed	(b) (c)	752,700
Dec-14-2026	3.1000%	Fixed	(b) (d)	122,513
Dec-14-2026	3.1000%	Fixed	(b) (d)	49,005
Jun-01-2027	2.5500%	Fixed	(b)	300,000
Jun-01-2027	2.5500%	Fixed	(b)	350,000
Jun-01-2027	2.5500%	Fixed	(b)	300,000
Apr-11-2028	3.6000%	Fixed	(b) (d)	245,025
Apr-11-2028	3.6000%	Fixed	(b) (d)	58,806
Sep-20-2029	2.9000%	Fixed	(b)	30,000
Sep-20-2029	2.9000%	Fixed	(b)	170,000
Sep-20-2029	2.9000%	Fixed	(b)	50,000
Sep-20-2029	2.9000%	Fixed	(b)	50,000

Schedule 1 – Debt

As at December 31, 2017 (in thousands of dollars)

Maturity Date	Interest Rate	Type	Notes	Contractual Principal Outstanding
Sep-20-2029	2.9000%	Fixed	(b)	150,000
Jun-01-2031	3.5000%	Fixed	(b)	1,268,000
Dec-01-2033	3.9000%	Fixed	(b)	200,000
Dec-01-2033	3.9000%	Fixed	(b)	110,000
Dec-01-2033	3.9000%	Fixed	(b)	215,000
Dec-01-2033	3.9000%	Fixed	(b)	225,000
Dec-01-2033	3.9000%	Fixed	(b)	110,000
Dec-01-2033	3.9000%	Fixed	(b)	140,000
Nov-02-2037	3.9000%	Fixed	(b)	60,000
Dec-01-2043	1.1500%	Fixed	(b) (e)	263,410
Dec-01-2043	1.1500%	Fixed	(b) (e)	75,260
Dec-01-2048	3.0500%	Fixed	(b)	200,000
				12,292,184
Total contractual principal outstanding – 2017				15,338,330
Unamortized net (discounts)				(41,741)
Unamortized commission fees				(18,798)
Total amortized debt – 2017				**$ 15,277,791**
Total contractual principal outstanding – 2016				15,459,681
Unamortized net (discounts)				(37,871)
Unamortized commission fees				(15,702)
Total amortized debt – 2016				**$ 15,406,108**

NOTES

a. Floating rate notes that pay interest quarterly at the Canadian Deposit Offered Rate ("CDOR") plus predetermined spreads with principal paid on termination. The interest rates provided are based on the CDOR as of the reporting date plus the contractual predetermined spread.

b. Notes were on-lent from the Province of Alberta.

c. Note issued in US dollars and translated to Canadian dollars using the foreign exchange rate at the reporting date.

d. Note issued in Australian dollars and translated to Canadian dollars using the foreign exchange rate at the reporting date.

e. Note issued in as European Union Euros and translated to Canadian dollars using the foreign exchange rate at the reporting date.

f. Note issued in UK Pounds Sterling and translated to Canadian dollars using the foreign exchange rate as at the reporting date.

Town of Taber

Combo Jet Truck

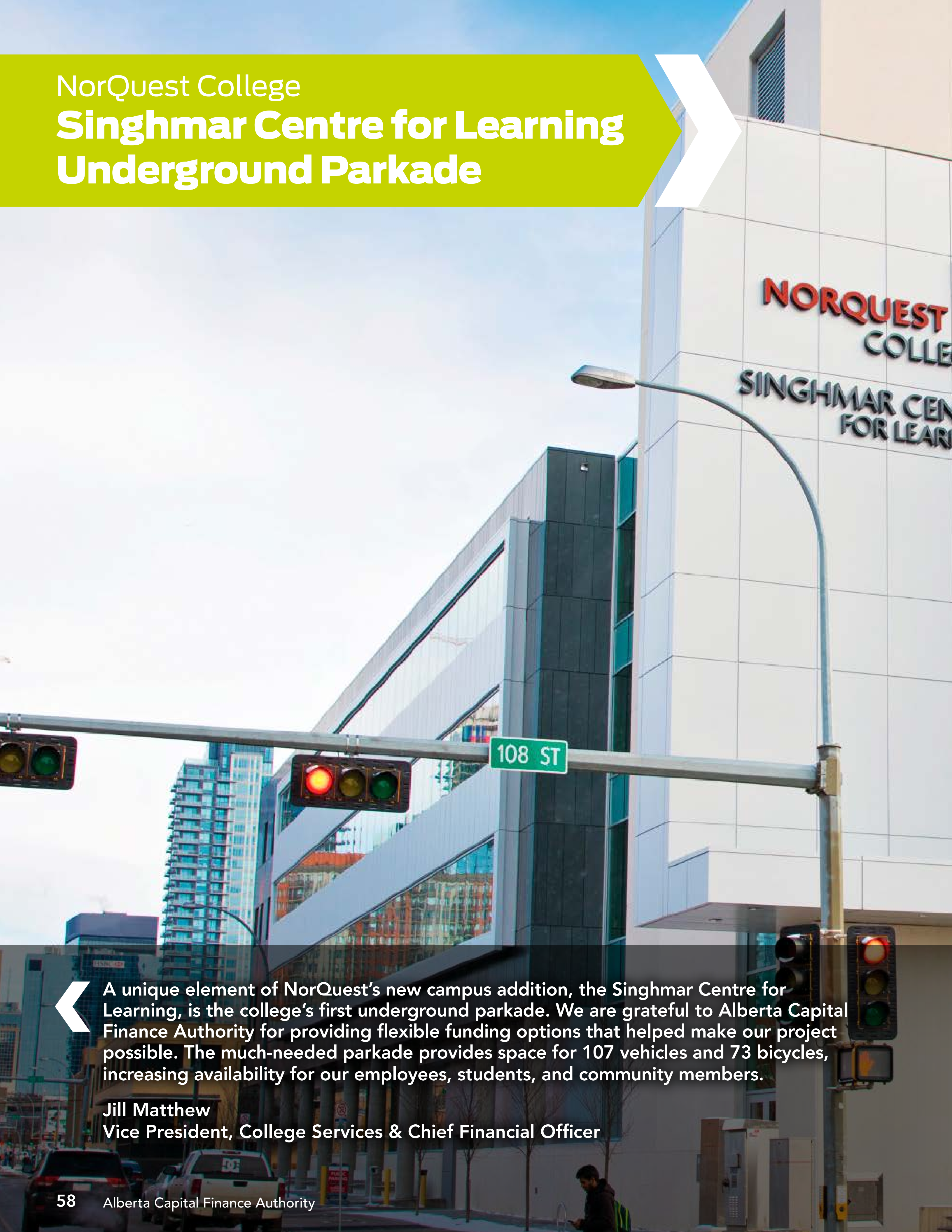
The Combo Jet Truck is simply a combination of a hyrdro-vac truck with sewer flushing capabilities. Having the capacity to hydro-excavate pipelines and flushing them is crucial to maintaining a municipality's sanitary, storm and water pipes. Public Works diligently labours at extending a municipality's lifespan of its infrastructure while reducing maintenance expenses and the Combo Jet Truck is a key component of that maintenance. Special gratitude to ACFA for financing this Combo Jet Truck and now the whole community is deriving benefits from it. The Town of Taber has worked very closely with ACFA over a long period of time and has financed many other capital projects in the past. This has made our town grow faster than the neighbouring towns.

Gary Scherer
Public Works Director, Town of Taber


PW2-23

NorQuest College

Singhmar Centre for Learning Underground Parkade



A unique element of NorQuest's new campus addition, the Singhmar Centre for Learning, is the college's first underground parkade. We are grateful to Alberta Capital Finance Authority for providing flexible funding options that helped make our project possible. The much-needed parkade provides space for 107 vehicles and 73 bicycles, increasing availability for our employees, students, and community members.

Jill Matthew
Vice President, College Services & Chief Financial Officer


GE
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