

## Allocation of Year-End Operating Surplus for Tax Purposes

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### Policy Statement

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Strathcona County will manage the allocation of the Annual Operating Surplus for Tax Purposes in a fiscally responsible manner. This policy provides the guidelines for the allocation of the Annual Operating Surplus for Tax Purposes. Please note that the Annual Operating Surplus for Tax Purposes is not equivalent to the Surplus for Public Sector Accounting Standards (PSAS) Purposes referenced in the annual Strathcona County Consolidated Financial Statements.

### Definitions

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**Annual Operating Surplus for Tax Purposes** refers to the excess of revenues over expenditures net of Budget Carryover Items, including non-operational items, such as reserve transfers and debt payments.

**Budget Carryover Items** are items that have been approved in the current year budget but have not been completed at year-end, and are intended to be completed in the following year. Budget Carryover Items are allocated to Designated Reserves at year-end, and are not considered part of the year-end surplus.

**Designated Reserves** are established and approved by Council in accordance with Policy FIN-001-024: Municipal Reserves.

**Surplus for PSAS Purposes** is calculated based on the Public Sector Accounting Standards (PSAS) as represented in the annual Strathcona County Consolidated Financial Statements. Unlike the Annual Operating Surplus for Tax Purposes, the Surplus for PSAS Purposes excludes all reserve transfers and principal debt payments, and includes capital revenues, gains (losses) from tangible capital asset dispositions and amortization.

### Principles

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The allocation of Annual Operating Surplus for Tax Purposes will be consistent with achieving Council's vision and the areas of strategic priority.

Annual Operating Surplus for Tax Purposes represents one-time funding that, by its nature, cannot be relied on to recur on an ongoing basis. Therefore, Annual Operating Surplus for Tax Purposes should be allocated to fund one-time, generally non-recurring expenditures (i.e. capital, replenishment of reserves, etc.), to contribute to the economic health and sustainability of Strathcona County.

The broad guidance for the allocation of the current year's Annual Operating Surplus for Tax Purposes will be provided during the Business Plan and Budget process.

## Guidelines

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The allocation of the Annual Operating Surplus for Tax Purposes should be balanced between the following options to contribute to the economic health and sustainability of Strathcona County operations:

- a. The Annual Operating Surplus for Tax Purposes may be allocated to Designated Reserves to be expended in future years, as approved by Council in accordance with Policy FIN-001-024: Municipal Reserves, to provide for future funding requirements and emergent costs, and to improve Strathcona County's working capital requirements.
- b. The Annual Operating Surplus for Tax Purposes may be allocated to fund non-recurring expenditures within the following year's operating or capital budgets.
- c. The Annual Operating Surplus for Tax Purposes may be allocated to the Stabilization Reserve to smooth future property tax dollar increases in periods of high inflation, to stabilize fluctuations in operating and capital activity, to address the risk of revenue or expenditure volatility, or other circumstances.

The Annual Operating Surplus for Tax Purposes for self-sustaining operations, including Utility Operations and the Broadmoor Public Golf Course, will only be allocated within those operations and respective reserves.

The Strathcona County Library Annual Operating Surplus for Tax Purposes will be allocated pursuant to the Strathcona County Library Board direction.

## Policy Record

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12/12/2006; 05/08/2001; 03/13/84

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