

# Strathcona County

## 2020 Annual Management Report

Prepared by Corporate Finance

**Prepared for**

Priorities Committee

April 20, 2021

**1. Annual Operating Surplus for Tax Purposes for Municipal, Utility, and Library Operations**

**1.1 Annual Operating Surplus/(Deficit) for Tax Purposes**

The Strathcona County (County) 2020 annual operating surplus for tax purposes of \$3.0 million is composed of the individual results of the Municipal, Utility and Library operating segments presented in the table below. In order to be consistent with the budget, the annual operating surplus for tax purposes includes reserve transactions and debt repayments that are excluded from Public Sector Accounting Standards (PSAS) that are used to prepare the financial statements.

County Operating Segments	2017	2018	2019	2020
Municipal	\$10.2M (3.6%)	(\$0.0M) (0.0%)	\$0.5M (0.2%)	(\$1.2M) (0.4%)
Utility	\$2.8M (4.8%)	\$0.9M (2.0%)	\$1.5M (2.5%)	\$3.8M (6.2%)
Library	\$0.3M (3.0%)	\$0.0M (0.0%)	\$0.1M (1.2%)	\$0.4M (3.6%)
<b>TOTAL DOLLARS AND WEIGHTED PERCENTAGES</b>	<b>\$13.3M (3.7%)</b>	<b>\$0.9M (0.0%)</b>	<b>\$2.1M (0.6%)</b>	<b>\$3.0M (0.8%)</b>

*Please note that the percentages represent the absolute proportion of surplus compared to the respective annual operating budgets.*

**1.2 Analysis of the 2020 Annual Operating Surplus/(Deficit) for Tax Purposes**

**a. Municipal Operations – (\$1.2 million) Deficit – Contributing Factors**

Municipal operations were trending towards a significant year-end deficit. The negative financial impacts of COVID-19 included (\$17.4 million) of lower user fees revenues than budgeted, primarily within the hardest hit operational areas of Recreation, Parks and Culture (RPC) and Strathcona County Transit (SCT). The Province provided emergent Municipal Operating Support Transfer (MOST) grant funding which helped to offset the negative financial impacts of COVID-19. Additionally, operational adjustments to manage the financial challenges were instrumental to mitigating the negative financial impacts of COVID-19. The bottom-line result for RPC was a (\$4.2 million) deficit, as noted below, and SCT finished the year on budget.

The key favourable and unfavourable variances of greater significance are noted below.

Favourable:

- \$11.1 million of unbudgeted MOST grant funding

Unfavourable:

- (\$4.2 million) deficit in RPC
- (\$3.3 million) reduced property taxes revenue
- (\$1.6 million) fewer Traffic Safety Act violations
- (\$1.6 million) lower investment income
- (\$1.0 million) allowance for bad debt expense



**b. Utility Operations – \$3.8 million surplus – Contributing Factors**

Utility revenues were very accurate to the budget, and savings in expenses were the primary reason for the overall surplus in Utility operations.

Contracted services expenses were lower than budgeted due to the closure of the Enviroservice building for use as a COVID-19 testing site. Savings were also realized in the wastewater program, due to lower activity than required.

Supplies and material expenses were lower than budgeted due to the lower water purchases, due to decreased commercial, industrial and customer volumes as a result of COVID-19.

There were several other expense savings due to lower than anticipated repairs and fuel costs.

**c. Library Operations – \$0.4 million surplus – Contributing Factors**

This variance is primarily attributed to the receipt of \$0.2 million of insurance proceeds related to the parkade incident in November 2018, as well as COVID-19 which caused savings in salaries, benefits, training, supplies and materials.



## **2. Capital Activity**

### **2.1 2020 Capital Spending**

The 2020 planned capital spending has been updated to include approved capital budget amendments to December 31, 2020. The 2020 planned capital spending, as amended, totals \$164.7 million (2019 — \$112.5 million).

The 2020 capital budget (approved by Council on December 5, 2019)	\$110.7M
Planned Prior Years Budgeted Capital Expenditures	\$99.0M
Approved spending changes resulting from capital budget amendments	\$59.7M
Budgeted capital spending planned to be incurred after 2020, including approved capital budget amendments	(\$104.7M)
<b>2020 Planned Capital Spending</b>	<b>\$164.7M</b>
2020 Actual Capital Spending	(\$77.2M)
<b>2020 Variance to Planned Capital Spend</b>	<b>\$87.5M</b>

Planned spending is determined by the responsible department on project-by-project basis, and estimates are updated annually as part of the business plan and budget process. The capital spending as of December 31, 2020 totals \$77.2 million (2019 — \$50.9 million). The 2020 budget variance between planned and actual capital expenditures is \$87.5 million (2019 — \$61.6 million).

There are many projects and factors that contributed to the variance in planned capital spending. Significant project variances and variance explanations include:

- The Point Aux Pins Acres (Multi-purpose Agricultural Facility) project experienced a variance in the timing of planned spending of \$32.5 million to allow for consultation and refinement of the design;
- North of Yellowhead development contributes to \$8.2 million to the variance in planned spending for multiple projects; and
- During 2020, the Strathcona County Business Transformation and Enterprise Resource Planning (ERP) Replacement project's accounting treatment was evaluated and determined to be operating, resulting in a variance in capital spending of \$7.6 million. The project's spending in operations was below the forecast amount due to a longer than expected procurement process.

### **2.2 Total Outstanding Open Capital Budget**

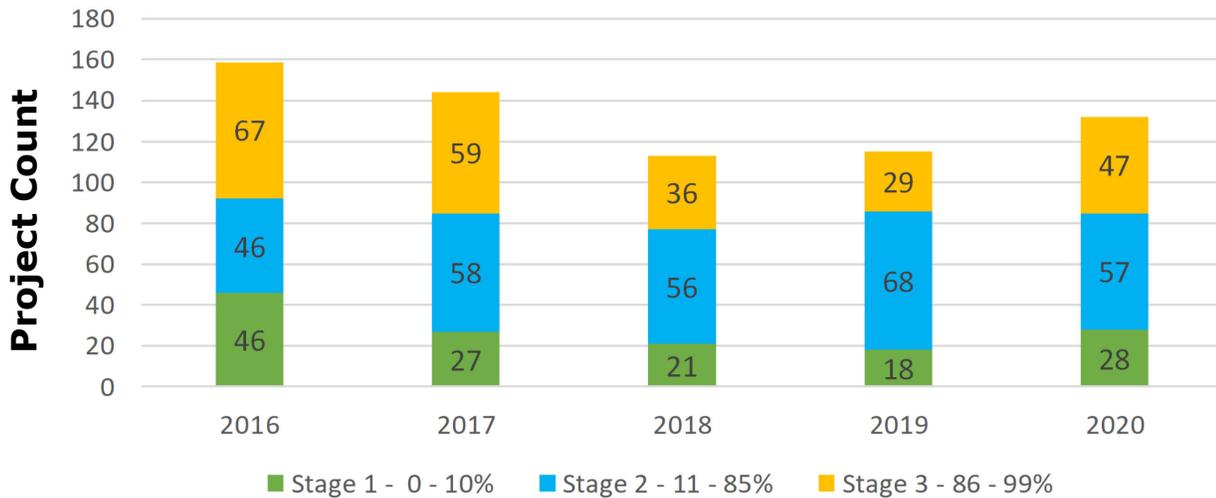
The total approved open capital project budgets, without regard to planned spending, at December 31, 2020 is \$217.8 million (2019 — \$136.6 million). At year-end there were 176 open capital projects, including 44 that were inactive. Inactive projects are complete but not closed due to administrative activities.



**2.3 Active Capital Project Count by Project Stage**

The following chart presents the 5 year active capital project count, divided by project stage. The amount of active projects were trending down from 2016 to 2018, but have started to increase in 2019 and 2020.

**5 Year Active Capital Project Count by Project Stage**



The project Stage groupings are from assessments provided by responsible departments, based on the activity completed to date. This is not reflective of the budgeted expenditures that have been incurred, and excludes inactive projects.

**2.4 Update on Completed Projects**

During 2020, 49 projects were completed with total combined budgets of \$96.8 million, resulting in the release of \$6.6 million of unused funding/financing. Of these amounts, \$2.0 million was budgeted to be funded from external grants and other sources, \$2.9 million was from internal sources (reserves), and \$1.7 million of planned debenture financing was not required. All funds released are allocated back to their original funding sources and are available for other emergent or future capital priorities.



**3. Assessment of the County’s Financial Condition – Key Financial Indicators**

The following section is prepared based on the Draft Strathcona County Consolidated Financial Statements (unaudited) for the year ended December 31, 2020 provided in **Appendix 1**. The Consolidated Financial Statements are prepared in accordance with Public Sector Accounting Standards (PSAS).

**3.1 Investments**

The County held \$368.6 million in investments at December 31, 2020 (2019 – \$376.6 million). Prior to the allocation of interest to liabilities, the County earned \$9.9 million (2019 – \$11.6 million) in investment income, which was 12.7% lower than budgeted. This unfavourable variance was due to the 2.5% year-to-date weighted average return on investments falling below the 2.8% budgeted return, and lower than anticipated volume of investments. The lower volume of investments was due in part to the deferral of tax revenue to provide relief during the COVID-19 pandemic.

**Strathcona County Portfolio Summary:**

<b>Portfolio</b>	<b>Balance at December 31, 2020</b>	<b>2020 Weighted Average Return</b>
Operating portfolio - terms up to one year	\$107.7M (2019 – \$109.9M)	1.18% (2019 – 2.59%)
Mid-term portfolio - terms from one year to ten years	\$202.3M (2019 – \$208.1M)	2.78% (2019 – 2.81%)
Long-term portfolio - terms greater than ten years	\$58.6M (2019 – \$58.6M)	3.11% (2019 – 3.11%)
<b>TOTAL</b>	<b>\$368.6 (2019 – 376.6M)</b>	<b>2.50% (2019 – 2.83%)</b>

*Please note the weighted average return of each portfolio is calculated based on the average daily investment balance. Investments are in compliance with FIN-001-007: Investments.*



### 3.2 Long-Term Debt

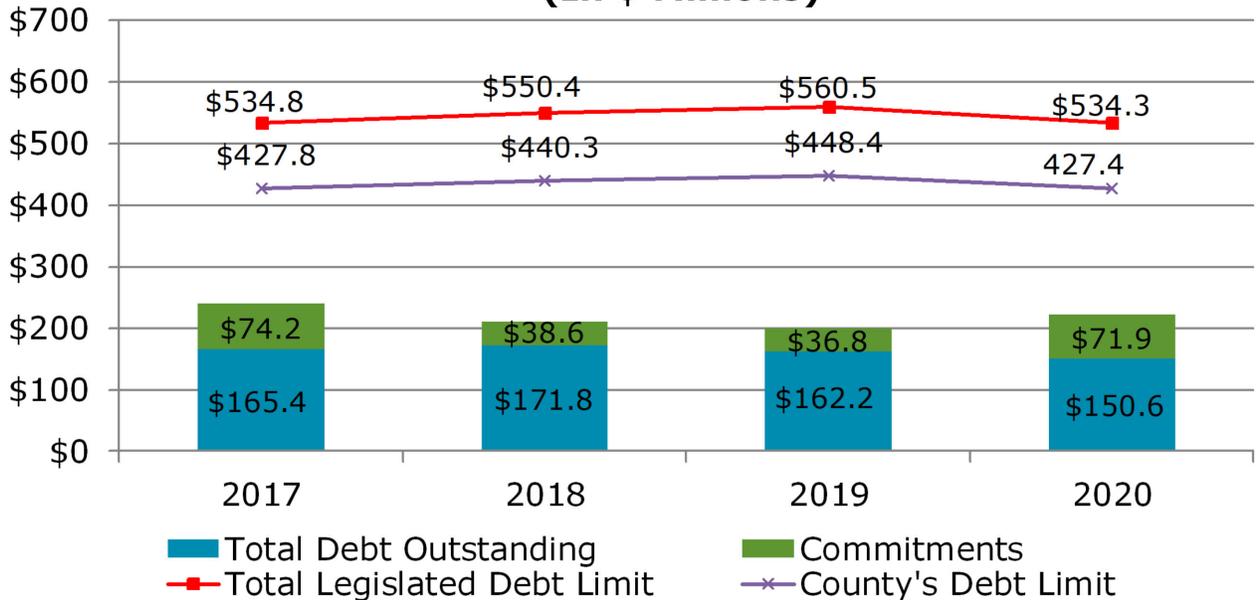
Long-term debt is only incurred to finance capital expenditures. The long-term debt outstanding at December 31, 2020 totals \$150.6 million (2019 — \$162.2 million), representing a decrease of (\$11.6 million) from December 31, 2019. This is the result of no new debt being issued and debt being repaid.

December 31, 2019 Long-Term Debt Balance	\$162.2M
New debt issued during 2020	-
Debt repayments made during 2020	(\$11.6M)
<b>December 31, 2020 Long-Term Debt Balance</b>	<b>\$150.6M</b>

As of December 31, 2020, borrowing has utilized 35.2% of the County’s policy debt limit, and 28.2% of the \$534.3 million (2019 — \$560.5 million) MGA legislated debt limit. Please note that the County has committed an additional \$71.9 million (2019 — \$36.8 million) of debt against capacity, through approved capital projects, as at December 31, 2020. Using the County’s policy debt limit, the capacity to borrow is \$204.9 million (2019 — \$249.4 million).

*As per policy FIN-001-025: Debt Management Policy, the County shall not exceed 80% of the total MGA legislated debt limit.*

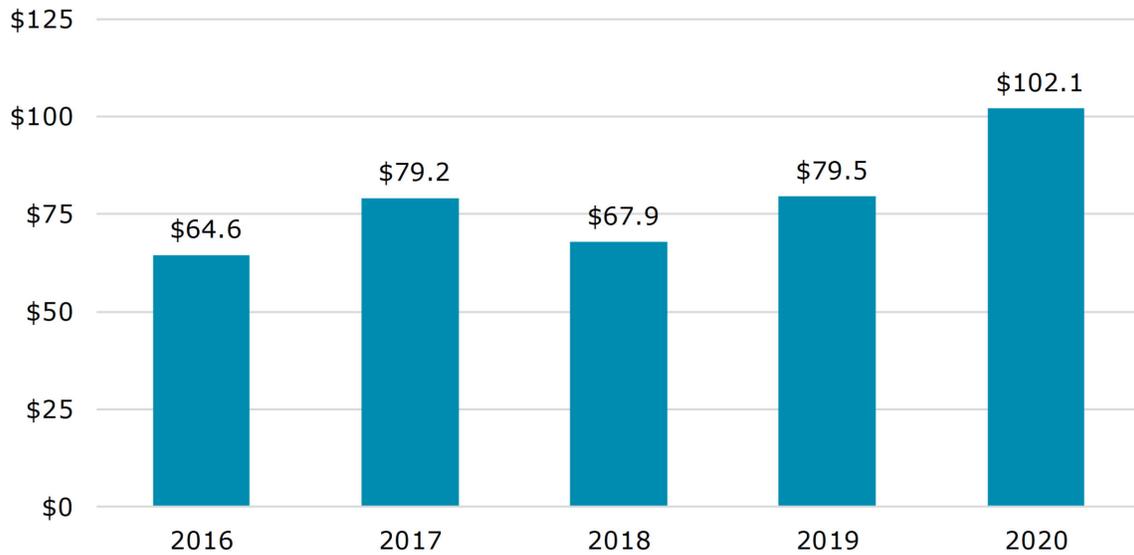
**Total Debt Outstanding versus Debt Limits  
(In \$ Millions)**



### 3.3 Net Financial Assets (Net Debt) Position

Net financial assets (or net debt) is the difference between financial assets and liabilities. It is a key indicator of the County's sustainability, which is the ability to maintain services and meet financial commitments. A net financial assets position indicates that financial assets are on hand to provide funding for future planned or emergent needs. A (net debt) position reflects the need to have future revenue pay for past transactions and events.

#### Net Financial Assets (In \$ Millions)



As of December 31, 2020, the County's net financial asset position was \$102.1 million compared to a \$79.5 million net financial asset position at December 31, 2019, an increase of \$22.6 million. Net financial assets trended normally for the 2020 year, and the closing net financial asset position reflects positively on the County's financial sustainability. The increase in net financial assets is due to lower capital expenditures than anticipated and lower amounts of long-term debt used to finance the acquisition of tangible capital assets.

### 3.4 Accumulated Surplus

The County's accumulated surplus totals \$2,073.0 million at December 31, 2020 (\$2,030.8 million at December 31, 2019). The composition of the 2020 accumulated surplus is as follows:

- i. Reserves of \$267.6 million (2019 — \$269.2 million);
- ii. Investments in tangible capital assets of \$1812.4 million (2019 — \$1,784.5 million); and,
- iii. Unrestricted (deficit) of (\$7.0 million) (2019 — (\$23.0 million)).



### 3.5 Reserves

The following table provides a summary of the County's reserve balances as at December 31, 2020 and includes the additional allocations of the 2020 annual operating surplus for tax purposes.

Reserves	Committed	Designated	Total	Optimal Variance to Designated <sup>1</sup>
<b>Municipal</b>				
Stabilization and Contingency	\$20.1M	\$16.7M	\$36.8M	\$0.7M
Projects	\$30.8M	\$23.9M	\$54.7M	(\$7.2M)
Infrastructure, Lifecycle, Maintenance and Replacement	\$16.3M	\$54.1M	\$70.4M	(\$8.9M)
Special Purpose	\$23.2M	\$17.1M	\$40.3M	\$5.7M
<b>Total Municipal</b>	<b>\$90.4M</b>	<b>\$111.8M</b>	<b>\$202.2M</b>	<b>(\$9.7M)</b>
<b>Total Utilities</b>	<b>\$8.5M</b>	<b>\$51.5M</b>	<b>\$60.0M</b>	<b>(\$30.9M)</b>
<b>Total Library</b>	<b>\$0.1M</b>	<b>\$5.3M</b>	<b>\$5.4M</b>	-
<b>Total Reserves</b>	<b>\$99.0M</b>	<b>\$168.6M</b>	<b>\$267.6M</b>	<b>(\$40.5M)</b>
<b>Percent of Total</b>	<b>37%</b>	<b>63%</b>		

<sup>1</sup>The optimal reserve balances as at December 31, 2020 represent a point in time and should be considered in relation to resulting trends and circumstances.

The presentation of reserve groupings is in accordance with the policy: FIN-001-024 Financial Reserves. The optimal variance to designated column is determined through a comparison of the reserve's optimal balance with the designated funds available within the respective reserve. A positive figure indicates a balance above the optimal amount and a (negative) figure indicates a balance below the optimal amount.

### **Appendix**

1. 2020 Strathcona County Consolidated Financial Statements (unaudited)
2. Glossary of Terms



**STRATHCONA COUNTY**  
**CONSOLIDATED FINANCIAL STATEMENTS**

Year ended December 31, 2020

**Draft until approved by Council**

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**STRATHCONA COUNTY**  
**Consolidated Financial Statements**  
Year ended December 31, 2020

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements are the responsibility of the management of Strathcona County (the County).

These consolidated financial statements have been prepared by management. Financial statements are not precise in nature as they include certain amounts based on estimates and judgements. Management has determined such amounts within the reasonable limits of materiality.

The County maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is authorized, reliable, accurate, and that the County's assets are properly accounted for and adequately safeguarded.

The elected Council of Strathcona County is ultimately responsible to appoint the external auditor, oversee management's fulfillment of financial reporting obligations and approve the financial statements. Council meets with management and the external auditors to discuss audit and financial reporting matters, and to satisfy that each party is properly discharging its responsibilities.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian Generally Accepted Auditing Standards on behalf of Council, residents and ratepayers of the County. Ernst & Young LLP has full and free access to Council.

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Gregory J. Yeomans, CPA, CGA, MBA  
Chief Financial Officer

April 27, 2021

Independent Auditor's Report to be inserted in pages 2 - 3

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Independent Auditor's Report to be inserted in pages 2 - 3

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**STRATHCONA COUNTY**  
**Consolidated Statement of Financial Position**  
As at December 31, 2020 (in thousands of dollars)

	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash and Cash Equivalents	\$ 4,006	\$ 6,400
Accounts Receivable		
Property Taxes	6,262	5,383
Government Transfers	23,586	436
Trade and Other	14,919	15,916
Development Levies and Charges	73	3,359
Investments (Note 2)	368,552	376,560
Investment Interest Receivable	21,772	17,922
	<b>439,170</b>	<b>425,976</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities (Note 3)	63,909	50,385
Deposit Liabilities (Note 4)	13,733	18,665
Deferred Revenue (Note 5)	108,876	115,200
Long-Term Debt (Note 6)	150,569	162,182
	<b>337,087</b>	<b>346,432</b>
<b>NET FINANCIAL ASSETS</b>	<b>102,083</b>	<b>79,544</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets (Note 8)	1,962,638	1,946,241
Inventories of Materials and Supplies	1,241	1,039
Prepaid Expenses	7,067	3,946
	<b>1,970,946</b>	<b>1,951,226</b>
<b>ACCUMULATED SURPLUS (Note 10)</b>	<b>\$ 2,073,029</b>	<b>\$ 2,030,770</b>
Operating Line of Credit (Note 11)		
Commitments and Contingent Liabilities (Note 12)		
Contractual Rights and Contingent Assets (Note 13)		

See accompanying Notes to Consolidated Financial Statements.

**STRATHCONA COUNTY**  
**Consolidated Statement of Operations and Accumulated Surplus**  
Year ended December 31, 2020 (in thousands of dollars)

	2020 Budget (Note 15)	2020	2019
<b>OPERATING REVENUE</b>			
Property Taxes (Note 16)	\$ 232,751	\$ 229,338	\$ 227,651
Utility User Rates	56,840	56,436	54,019
User Fees and Charges	39,218	24,331	42,099
Government Transfers – Operating (Note 17)	6,848	17,935	8,339
Investment Income	9,445	7,822	9,569
Penalties and Fines	6,176	7,013	7,000
Other Operating Revenue (excluding Parkade Event Insurance Proceeds)	9,861	8,682	8,800
Parkade Event Insurance Proceeds (Note 14)	-	1,363	13,358
Other Operating Revenue	9,861	10,045	22,158
<b>TOTAL OPERATING REVENUE</b>	<b>361,139</b>	<b>352,920</b>	<b>370,835</b>
<b>EXPENSES (Note 23)</b>			
Infrastructure and Planning Services (excluding Utility Operations)	53,280	49,154	51,047
Utility Operations	60,634	59,272	56,661
Infrastructure and Planning Services	113,914	108,426	107,708
Community Services	140,760	130,797	136,919
Corporate Services	45,830	44,058	40,135
Elected Officials	1,548	1,349	1,387
Financial and Strategic Management	10,017	9,351	8,751
Senior Administration	6,241	5,760	6,257
Fiscal Services (excluding Parkade Event) Parkade Event (Note 14)	59,597	68,159	66,276
	-	156	8,260
Fiscal Services	59,597	68,315	74,536
Strathcona County Library (excluding Parkade Event)	10,686	10,341	10,433
Parkade Event (Note 14)	-	-	153
Strathcona County Library	10,686	10,341	10,586
<b>TOTAL EXPENSES</b>	<b>388,593</b>	<b>378,397</b>	<b>386,279</b>
<b>(DEFICIT) BEFORE CAPITAL REVENUE</b>	<b>(27,454)</b>	<b>(25,477)</b>	<b>(15,444)</b>
<b>CAPITAL REVENUE</b>			
Government Transfers – Capital (Note 17)	72,756	58,639	14,965
Contributed Tangible Capital Assets (Note 8)	-	3,648	21,352
Other Capital Revenue (Note 18)	15,033	5,449	2,987
<b>TOTAL CAPITAL REVENUE</b>	<b>87,789</b>	<b>67,736</b>	<b>39,304</b>
<b>ANNUAL SURPLUS</b>	<b>60,335</b>	<b>42,259</b>	<b>23,860</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>2,030,770</b>	<b>2,030,770</b>	<b>2,006,910</b>
<b>ACCUMULATED SURPLUS, END OF YEAR (Note 10)</b>	<b>\$ 2,091,105</b>	<b>\$ 2,073,029</b>	<b>\$ 2,030,770</b>

See accompanying Notes to Consolidated Financial Statements.

**STRATHCONA COUNTY**  
**Consolidated Statement of Change in Net Financial Assets**  
Year ended December 31, 2020 (in thousands of dollars)

	2020 Budget (Note 15)	2020	2019
<b>ANNUAL SURPLUS</b>	\$ 60,335	\$ 42,259	\$ 23,860
Acquisition of Tangible Capital Assets (Note 8)	(164,761)	(77,301)	(51,458)
Contributed Tangible Capital Assets (Note 8)	-	(3,648)	(21,352)
Amortization of Tangible Capital Assets (Note 8)	62,312	62,140	60,457
Loss on Disposals or Write-Downs of Tangible Capital Assets	-	2,146	1,115
Proceeds from Disposals of Tangible Capital Assets	-	266	415
	<u>(42,114)</u>	<u>25,862</u>	<u>13,037</u>
Acquisition of Inventories of Materials and Supplies	-	(1,819)	(1,932)
Acquisition of Prepaid Expenses	-	(8,553)	(4,230)
Use of Inventories of Materials and Supplies	-	1,617	1,847
Use of Prepaid Expenses	-	5,432	2,924
	<u>-</u>	<u>(3,323)</u>	<u>(1,391)</u>
<b>(DECREASE) INCREASE IN NET FINANCIAL ASSETS</b>	(42,114)	22,539	11,646
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	79,544	79,544	67,898
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>\$ 37,430</u>	<u>\$ 102,083</u>	<u>\$ 79,544</u>

See accompanying Notes to Consolidated Financial Statements.

**STRATHCONA COUNTY**  
**Consolidated Statement of Cash Flows**  
Year ended December 31, 2020 (in thousands of dollars)

	2020	2019
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Annual Surplus	\$ 42,259	\$ 23,860
Items Not Involving Cash		
Contributed Tangible Capital Assets (Note 8)	(3,648)	(21,352)
Amortization of Tangible Capital Assets (Note 8)	62,140	60,457
Amortization of Premium (Discount) on Investments	4	(18)
Loss on Disposals or Write-Downs of Tangible Capital Assets	2,146	1,115
(Gain) on Disposals of Investments	(16)	-
Changes to Non-Cash Financial Assets and Liabilities		
Property Taxes Receivable	(879)	1,674
Government Transfers Receivable	(23,150)	3,483
Trade and Other Receivables	997	(1,729)
Development Levies and Charges Receivable	3,286	1,736
Investment Interest Receivable	(3,850)	(3,039)
Accounts Payable and Accrued Liabilities	13,124	(11,948)
Deposit Liabilities	(4,932)	2,836
Deferred Revenue	(6,324)	37,610
Inventories of Materials and Supplies	(202)	(85)
Prepaid Expenses	(3,121)	(1,306)
Cash Provided by Operating Activities	<u>77,834</u>	<u>93,294</u>
<b>CAPITAL</b>		
Proceeds from Disposals of Tangible Capital Assets	266	415
Acquisition of Tangible Capital Assets	(76,901)	(49,823)
Cash (Applied to) Capital Activities	<u>(76,635)</u>	<u>(49,408)</u>
<b>INVESTING</b>		
Purchase of Investments	(213,446)	(220,914)
Proceeds from Sale/Maturity of Investments	221,466	187,176
Cash Provided by (Applied to) Investing Activities	<u>8,020</u>	<u>(33,738)</u>
<b>FINANCING</b>		
Long-Term Debt Issued	-	1,772
Long-Term Debt Repaid	(11,613)	(11,395)
Cash (Applied to) Financing Activities	<u>(11,613)</u>	<u>(9,623)</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,394)</b>	<b>525</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>6,400</b>	<b>5,875</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 4,006</b>	<b>\$ 6,400</b>
Cash (Paid) for Interest	\$ (6,105)	\$ (6,529)
Cash Received from Interest	\$ 6,070	\$ 8,845

See accompanying Notes to Consolidated Financial Statements.

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

Strathcona County (the County) is a specialized municipality in the Province of Alberta and operates under the provisions of the *Municipal Government Act* (MGA), R.S.A. 2000, c. M-26.

**1. SIGNIFICANT ACCOUNTING POLICIES**

The Strathcona County consolidated financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards. Significant accounting policies are presented to assist the reader in evaluating these consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated financial statements. The significant accounting policies adopted by the County are as follows:

**a) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenue, expenses and accumulated surplus of the reporting entity. The reporting entity consists of all organizations that are owned or controlled by the County, and are, therefore, accountable for the administration of their financial affairs and resources.

The reporting entity includes all divisions and departments of the County's operations, the Strathcona County Library and Pioneer Housing Foundation (PHF). Inter-organizational transactions and balances between these entities have been eliminated where appropriate. The County is associated with various other boards, commissions, and other organizations that are not part of the reporting entity.

Property taxes levied also include requisitions for education and seniors housing, on behalf of organizations that are external to the reporting entity.

**b) Basis of Accounting**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

**c) Property Taxes**

Property tax revenue is based on approved annual budget and requisition requirements. Property tax rates, per class, are determined by the total revenue requirements divided by the total taxable assessment, which are based on market value and regulated value assessments. Taxation revenue is recorded at the time the tax rates are authorized by Strathcona County Council and the tax notices are issued.

**d) Government Transfers**

Government transfers are recognized as revenue in the period the events giving rise to the transfers have occurred, provided that the transfers are authorized, eligibility criteria have been met, and reasonable estimates of the amounts can be made. Stipulations are terms imposed by a transferring government regarding the use of transferred resources or the actions that must be performed in order to keep a transfer. Any unfulfilled stipulations related to a government transfer would preclude recognition of revenue until such time that all stipulations have been met.

**e) Development Levies**

Development levies are collected pursuant to agreements between the County and developers. Development levies are recognized as revenue in the period the development levies are collectible, and the amounts are applied to the acquisition of leviable infrastructure or other contractual requirements.

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Local Improvements**

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments within the repayment period of the related borrowings. These levies are collectible from property owners for work performed by the County.

Local improvement levies represent funds from external parties that are restricted by legislation and accounted for as deferred revenue until the special assessments are authorized by Strathcona County Council, issued to the property owners, and the funds are used for the purpose specified.

**g) Requisition Overlevies and Underlevies**

Overlevies and underlevies arise from the difference between the actual levy made to provide for each requisition, and the amount requisitioned.

If the actual levy exceeds the requisition, the overlevy is accrued as a liability and property tax revenue is reduced.

Requisition tax rates in the subsequent year are adjusted for any overlevies or underlevies of the prior year.

**h) Deferred Revenue**

Deferred revenue consists of unrecognized government transfers, development levies and other revenue. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

**i) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and temporary investments that are readily convertible to cash and mature within 90 days of purchase.

**j) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value, other than a temporary decline, the corresponding investment is written down to recognize the loss.

Investment income is reported as revenue in the period earned. When required by agreement or legislation, investment income earned on deferred revenue is added to the deferred revenue balance based on the County's average rate of return on investments.

**k) Employee Benefit Obligations**

The cost of employment benefits, pension benefits, compensated absences and termination benefits are recorded as an expense at the time the event giving rise to the obligation occurs.

**l) Contaminated Sites Liability**

Contaminated sites are a result of contamination being introduced into soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability is recognized when a site is not in productive use and is recorded net of any expected recoveries. The liability for remediation of a contaminated site reflects the County's estimated costs to meet environmental standards.

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**m) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. Non-financial assets have useful lives extending beyond the current year and are not intended for sale in the normal course of operations.

**i. Tangible Capital Assets**

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset. The tangible capital asset cost, excluding land, is amortized on a straight-line basis over the estimated useful life, as follows:

<u>Asset</u>	<u>Useful Life in Years</u>
Land Improvements	10 - 30
Buildings	10 - 50
Engineered Structures	
Roadway System	10 - 80
Water Distribution System	35 - 90
Wastewater Treatment System	35 - 75
Storm Sewer System	15 - 75
Other Engineered Structures	5 - 40
Machinery and Equipment	2 - 40
Library Materials	10
Vehicles	4 - 20

In the year the asset is available for productive use and in the year of disposal, only one-half of the annual amortization is charged. Assets under construction are not amortized until the asset is available for productive use.

**ii. Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at fair value on the date of receipt and are also recorded as contributed tangible capital asset revenue in the Consolidated Statement of Operations and Accumulated Surplus.

**iii. Leases**

Leases are classified as capital or operating leases. Leases that transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**iv. Inventories of Materials and Supplies**

Inventories of materials and supplies include roadway maintenance materials, vehicle equipment and facility parts, and print shop materials. Inventories of materials and supplies are valued at the lower of average cost or replacement cost.

**v. Works of Art and Historical Artifacts**

The County manages and controls various works of art and historical artifacts that are not recognized as tangible capital assets.

**n) Reserves**

Certain amounts, as approved by Strathcona County Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**o) Equity in Tangible Capital Assets**

Equity in tangible capital assets is included within accumulated surplus. It represents the amortized cost of investments in tangible capital assets, after deducting the portion financed by long-term debt, and adding back long-term debt financing applicable to local improvement levy projects.

**p) Use of Estimates**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Estimates have been used to determine provisions for accrued liabilities, liabilities for contaminated sites, useful lives of tangible capital assets, historic costs of certain tangible capital assets, fair values of contributed tangible capital assets, provisions made for allowances for doubtful receivables, and provisions made for rental lease revenue on advances during construction.

Revenue recognition related to development levies and charges utilizes forecasted development costs, staging, and financing requirements.

**q) Adoption of New Accounting Standards**

There were no changes to Canadian Public Sector Accounting Standards that came into effect for the year ended December 31, 2020.

**r) Future Accounting Standard Pronouncements**

The following table summarizes prospective changes to Canadian Public Sector Accounting Standards, and while the timing of standard adoption can vary, certain standards must be adopted concurrently. Concurrent adoption applies to the Financial Statement Presentation (PS1201), Foreign Currency Translation (PS2601), Portfolio Investments (PS3041), and Financial Instruments (PS3450) accounting standards.

<b>Public Sector Accounting Standard</b>	<b>Name</b>	<b>Effective for the County years ended</b>
PS1201	Financial Statement Presentation	December 31, 2023
PS2601	Foreign Currency Translation	December 31, 2023
PS3041	Portfolio Investments	December 31, 2023
PS3280	Asset Retirement Obligations	December 31, 2023
PS3450	Financial Instruments	December 31, 2023
PS3400	Revenue	December 31, 2024

The County will continue to assess the impact of the remaining future accounting standards and prepare for their adoption.

**2. INVESTMENTS**

	<b>2020</b>		<b>2019</b>	
	<b>Carrying Amount</b>	<b>Market Value</b>	<b>Carrying Amount</b>	<b>Market Value</b>
Term Deposits and Notes	\$ 193,721	\$ 193,721	\$ 207,241	\$ 206,954
Government Guaranteed Bonds	142,127	153,486	134,072	137,612
Corporate Bonds	32,704	34,320	35,247	35,426
	<b>\$ 368,552</b>	<b>\$ 381,527</b>	<b>\$ 376,560</b>	<b>\$ 379,992</b>

Term deposits and notes, government guaranteed bonds and corporate bonds have effective interest rates of 0.80 to 3.66 per cent (2019 – 2.05 to 3.66 per cent) with maturity dates from January 2021 to August 2031 (2019 – January 2020 to August 2031). Certain investments have a market value below cost at year-end. The County considers these declines in value to be temporary in nature.

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2020	2019
<b>Trade</b>		
Accounts Payable	\$ 19,965	\$16,526
Contract Holdbacks	4,628	3,868
Capital Accruals	1,541	1,941
Operating Accruals	14,578	9,035
Other	139	1,258
	<u>40,851</u>	<u>32,628</u>
<b>Payroll and Remittances</b>	<b>6,037</b>	5,173
<b>Employee Benefit Obligations</b>		
Accrued Vacation	10,133	8,268
Banked Time	1,621	1,076
Other	4,207	2,087
	<u>15,961</u>	<u>11,431</u>
<b>Interest</b>	<b>1,060</b>	1,153
	<u>\$ 63,909</u>	<u>\$ 50,385</u>

**4. DEPOSIT LIABILITIES**

Deposit liabilities can either be interest bearing or non-interest bearing and are held based on the terms of related transactions or agreements.

The County has taken securities from developers in the form of cash, recorded as deposit liabilities, and letters of credit. Security is retained based on a percentage of the infrastructure construction costs required to service the development and is held to secure performance of obligations under the development agreements or permits. The value of securities can be reduced or increased, at the discretion of the County, as the associated development activity progresses. As at December 31, 2020, the County held \$8,725 (2019 – \$11,999) of deposit liabilities for development agreements and permits including interest of \$977 (2019 – \$1,099) which have been included in the total deposit liabilities balance and held letters of credit in the amount of \$32,024 (2019 – \$39,115).

**5. DEFERRED REVENUE**

Deferred revenue comprises the amounts noted below, the use of which, together with any earnings thereon, is externally restricted. Externally restricted amounts include allocated interest of \$1,674 (2019 – \$2,029). Certain deferred revenue relates to government transfers as further described in Note 17.

	Balance at January 1, 2020	Externally Restricted Amounts	Amounts Recognized as Operating Revenue	Amounts Recognized as Capital Revenue	Reclassification to Development Levies	Balance at December 31, 2020
Government Transfers	\$ 74,484	\$ 75,876	\$ (17,935)	\$ (58,639)	\$ -	\$ 73,786
Development Levies	15,243	360	(2,654)	(2,013)	3,647	14,583
Other	25,473	4,931	(2,814)	(3,436)	(3,647)	20,507
	<u>\$ 115,200</u>	<u>\$ 81,167</u>	<u>\$ (23,403)</u>	<u>\$ (64,088)</u>	<u>\$ -</u>	<u>\$ 108,876</u>

The Ardrossan Off-site Levy Bylaw 59-2020 was approved by Council on December 8, 2020. In order to align with the revised Bylaw, \$3,647 was reclassified from other deferred revenue to development levies.

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**6. LONG-TERM DEBT**

	<b>2020</b>	<b>2019</b>
Tax Supported Debentures	<b>\$ 59,302</b>	\$ 63,252
Non-Tax Supported Debentures – Development Levies	<b>17,597</b>	20,514
Non-Tax Supported Debentures – Utility Rates	<b>46,747</b>	50,042
Non-Tax Supported Debentures – Other	<b>26,923</b>	28,374
	<b>\$ 150,569</b>	\$ 162,182

Debenture debt has been issued on the credit and security of the County at large. Debenture debt is repayable to the Government of Alberta Treasury Board and Finance and bears interest at rates ranging from 2.13 to 7.63 per cent (2019 – 2.13 to 7.63 per cent) and matures in periods 2021 through 2044 (2019 – periods 2020 through 2044).

Tax supported long-term debt principal and interest payments are due as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 4,038	\$ 2,255	\$ 6,293
2022	4,145	2,106	6,251
2023	4,165	1,954	6,119
2024	4,211	1,802	6,013
2025	4,333	1,646	5,979
Thereafter	38,410	7,410	45,820
	<u>\$ 59,302</u>	<u>\$ 17,173</u>	<u>\$ 76,475</u>

Non-tax supported long-term debt principal and interest payments are due as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 7,646	\$ 3,389	\$ 11,035
2022	7,474	3,073	10,547
2023	6,647	2,774	9,421
2024	5,594	2,515	8,109
2025	5,166	2,299	7,465
Thereafter	58,740	13,721	72,461
	<u>\$ 91,267</u>	<u>\$ 27,771</u>	<u>\$ 119,038</u>

Total long-term debt principal and interest payments are due as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 11,684	\$ 5,644	\$ 17,328
2022	11,619	5,179	16,798
2023	10,812	4,728	15,540
2024	9,805	4,317	14,122
2025	9,499	3,945	13,444
Thereafter	97,150	21,131	118,281
	<u>\$ 150,569</u>	<u>\$ 44,944</u>	<u>\$ 195,513</u>

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**7. DEBT AND DEBT SERVICE LIMITS**

Provincial legislation (Section 276(2) of the MGA) requires that debt and service on debt limits as defined by Alberta Regulation 255/2000 for the County be disclosed as follows:

	<b>2020</b>	<b>2019</b>
Total Debt Limit	\$ 534,277	\$ 560,732
Total Debt	150,569	162,182
Percentage Used	28.18%	28.92%
Service on Debt Limit	\$ 89,046	\$ 93,455
Service on Debt	17,327	17,718
Percentage Used	19.46%	18.96%

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

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**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**8. TANGIBLE CAPITAL ASSETS**

<b>Cost</b>	<b>Balance at January 1, 2020</b>	<b>Purchased Additions</b>	<b>Contributed Additions</b>	<b>Disposals or Write-Downs</b>	<b>Balance at December 31, 2020</b>
Land	\$ 513,341	\$ 4,510	\$ 70	\$ (684)	\$ 517,237
Land Improvements	129,170	4,088	411	(750)	132,919
Buildings	502,877	17,195	-	(17)	520,055
Engineered Structures	1,274,404	32,749	3,167	(8,712)	1,301,608
Machinery and Equipment	77,891	5,135	-	(3,159)	79,867
Library Materials	6,429	487	-	(922)	5,994
Vehicles	78,724	2,324	-	(658)	80,390
Assets Under Construction	30,555	10,813	-	-	41,368
	<b>\$ 2,613,391</b>	<b>\$ 77,301</b>	<b>\$ 3,648</b>	<b>\$ (14,902)</b>	<b>\$ 2,679,438</b>

<b>Accumulated Amortization</b>	<b>Balance at January 1, 2020</b>	<b>Disposals or Write-Downs</b>	<b>Amortization</b>	<b>Balance at December 31, 2020</b>
Land Improvements	\$ 49,108	\$ (724)	\$ 5,719	\$ 54,103
Buildings	134,944	(12)	12,719	147,651
Engineered Structures	389,204	(7,143)	31,661	413,722
Machinery and Equipment	47,100	(3,033)	6,036	50,103
Library Materials	3,363	(922)	621	3,062
Vehicles	43,431	(656)	5,384	48,159
	<b>\$ 667,150</b>	<b>\$ (12,490)</b>	<b>\$ 62,140</b>	<b>\$ 716,800</b>

<b>Net Book Value</b>	<b>Balance at December 31, 2020</b>
Land	\$ 517,237
Land Improvements	78,816
Buildings	372,404
Engineered Structures	887,886
Machinery and Equipment	29,764
Library Materials	2,932
Vehicles	32,231
Assets Under Construction	41,368
	<b>\$ 1,962,638</b>

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**8. TANGIBLE CAPITAL ASSETS (CONTINUED)**

<b>Cost</b>	<b>Balance at January 1, 2019</b>	<b>Purchased Additions</b>	<b>Contributed Additions</b>	<b>Disposals or Write-Downs</b>	<b>Balance at December 31, 2019</b>
Land	\$ 505,581	\$ 5,111	\$ 3,706	\$ (1,057)	\$ 513,341
Land Improvements	121,054	5,766	2,595	(245)	129,170
Buildings	483,408	19,529	-	(60)	502,877
Engineered Structures	1,261,422	28,547	15,051	(30,616)	1,274,404
Machinery and Equipment	78,760	3,523	-	(4,392)	77,891
Library Materials	6,388	581	-	(540)	6,429
Vehicles	77,254	3,654	-	(2,184)	78,724
Assets Under Construction	45,808	(15,253)	-	-	30,555
	<b>\$ 2,579,675</b>	<b>\$ 51,458</b>	<b>\$ 21,352</b>	<b>\$ (39,094)</b>	<b>\$ 2,613,391</b>

<b>Accumulated Amortization</b>	<b>Balance at January 1, 2019</b>	<b>Disposals or Write-Downs</b>	<b>Amortization</b>	<b>Balance at December 31, 2019</b>
Land Improvements	\$ 43,671	\$ (245)	\$ 5,682	\$ 49,108
Buildings	122,910	-	12,034	134,944
Engineered Structures	389,435	(30,612)	30,381	389,204
Machinery and Equipment	45,228	(4,240)	6,112	47,100
Library Materials	3,262	(540)	641	3,363
Vehicles	39,751	(1,927)	5,607	43,431
	<b>\$ 644,257</b>	<b>\$ (37,564)</b>	<b>\$ 60,457</b>	<b>\$ 667,150</b>

<b>Net Book Value</b>	<b>Balance at December 31, 2019</b>
Land	\$ 513,341
Land Improvements	80,062
Buildings	367,933
Engineered Structures	885,200
Machinery and Equipment	30,791
Library Materials	3,066
Vehicles	35,293
Assets Under Construction	30,555
	<b>\$ 1,946,241</b>

**a) Assets Under Construction**

Assets under construction having a value of \$41,368 (2019 – \$30,555) have not been amortized.

**b) Contributed Tangible Capital Assets**

Contributed tangible capital assets are recognized at fair value at the date of contribution. A total of \$3,648 in land, land improvements and engineered structures was contributed to the County in 2020 (2019 – \$21,352).

**c) Write-Downs of Tangible Capital Assets**

A total of nil in land and buildings were written down in 2020 (2019 – \$993).

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**9. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2020	2019
Tangible Capital Assets – Cost (Note 8)	\$ 2,679,438	\$ 2,613,391
Accumulated Amortization (Note 8)	(716,800)	(667,150)
Long-Term Debt (Note 6)	(150,569)	(162,182)
Local Improvements Levies Applicable to Debt	419	473
	<b>\$ 1,812,488</b>	<b>\$ 1,784,532</b>

**10. ACCUMULATED SURPLUS**

Accumulated surplus is composed of unrestricted (deficit), equity in tangible capital assets and reserves as follows:

	2020	2019
Unrestricted (Deficit)	\$ (7,026)	\$ (22,984)
Equity in Tangible Capital Assets (Note 9)	1,812,488	1,784,532
	<b>1,805,462</b>	<b>1,761,548</b>
Reserves:		
Infrastructure Lifecycle, Maintenance and Replacement Projects	126,646	132,277
Special Purpose	54,870	56,859
Stabilization and Contingency	41,858	46,525
Strathcona County Library	38,817	28,646
	5,376	4,915
	<b>267,567</b>	<b>269,222</b>
	<b>\$ 2,073,029</b>	<b>\$ 2,030,770</b>

The reserves groupings have been reported in accordance with the Strathcona County Council approved Policy: FIN-001-024 Financial Reserves.

**11. OPERATING LINE OF CREDIT**

The County has an operating line of credit available for use, up to a maximum of \$125,000 (2019 – \$5,000), bearing interest at prime rate minus 0.5 per cent (2019 – prime rate minus 0.5 per cent) and is secured by the County at large. As at December 31, 2020, nil (2019 – nil) was drawn against the available operating line of credit.

**12. COMMITMENTS AND CONTINGENT LIABILITIES**

**a) Capital**

As at December 31, 2020, authorized costs for capital projects committed through a purchase order or other contractual agreement, but not yet expended, amounted to \$19,207 (2019 – \$27,254).

**b) Leases**

The County has ongoing operating leases for building space, office equipment and bus stop usage.

The future minimum lease payments are due as follows:

2021	\$ 853
2022	517
2023	483
2024	478
2025	477
Thereafter	-
	<b>\$ 2,808</b>

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**12. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)**

**c) Legal Disputes**

As at December 31, 2020, the County was involved in various legal disputes. While it is not possible to estimate the exact outcome of these disputes, management believes adequate accruals have been recorded, as applicable, and that there will be no significant adverse effects on the financial position of the County when resolved.

**d) Contaminated Sites**

The County has implemented procedures and systems for the recognition and measurement of liabilities associated with contaminated sites to ensure consistent and accurate identification. The County identified one (2019 – none) contaminated site meeting the applicable criteria and recognized a financial liability of \$550 (2019 – nil) as at December 31, 2020.

**e) Forward Contracts**

To mitigate the risk of fluctuations in electricity and natural gas prices, in 2020 the County entered into fixed price contracts for a total commitment of \$2,724 and \$697 (2019 – \$2,799 and \$549), respectively.

**13. CONTRACTUAL RIGHTS AND CONTINGENT ASSETS**

The County has initiated a number of insurance claims that arose from the normal course of operations. The outcomes of these claims may result in assets in the future and cannot be estimated at this time.

The County has a contractual right to Provincial and Federal funds that have been allocated to the County, but not received.

In 2020, the County was allocated \$23,129 (2019 – \$14,964) in Municipal Sustainability Initiative (MSI) Capital funding and \$5,628 (2019 – \$11,117) in Federal Gas Tax (GTF) funding. The allocations are fully reflected in the financial statements; therefore, there are total contractual rights of nil (2019 – \$14,964) for MSI and nil (2019 – \$11,117) for GTF.

In 2020, the County was approved to receive \$11,694 in Municipal Stimulus Program (MSP) funding from the Provincial Government, contingent on satisfying subsequent reporting requirements. Of the \$11,694, \$585 was received in the current year, resulting in total contractual rights of \$11,109 (2019 – nil) for MSP. This amount is not recorded in the consolidated financial statements.

**14. PARKADE EVENT**

On November 6, 2018, there were two explosions in the Community Centre parkade as a result of the actions of a citizen. Due to the uncertainty of the situation and the concentration and unknown properties of smoke and soot throughout the entire complex (including the Community Centre, the Strathcona County Library, the underground parkade and County Hall), the complex was closed. The RCMP has completed their investigation of the event.

The explosion did not cause major structural damage to the Community Centre complex and the building will be restored to its original state. County Hall reopened to the public on November 21, 2018 and the majority of the Community Centre reopened to the public on January 15, 2019. The parkade and Library reopened to the public on May 8, 2019.

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**14. PARKADE EVENT (CONTINUED)**

Costs incurred as a result of response or recovery efforts are capitalized or expensed in accordance with the accounting policies described in Note 1. During 2020, operating costs associated with the parkade incident were \$156 (2019 – \$8,413) and capital costs were nil (2019 – \$348). As at December 31, 2020, the total operating costs related to the event were \$14,869 and capital costs were \$348. All operating

expenses are recognized in the Statement of Operations and Accumulated Surplus in Fiscal Services and Strathcona County Library. Segmented information is presented in Note 23.

The County is insured under various insurance policies. The County is working closely with its insurers to recover the related expenditures. Parkade event insurance proceeds are recognized in the Statement of Operations and Accumulated Surplus in other operating revenue. During 2020, the County recognized revenue of \$1,363 (2019 – \$13,358) of insurance proceeds. Operating costs of nil (2019 – \$1,140) are still under review and no related insurance proceeds have been recognized for these amounts. Costs of \$90 (2019 – \$81) were not eligible to be reimbursed under the County's insurance policy.

**15. BUDGET DATA**

The 2020 Operating Budget, approved by Strathcona County Council on December 5, 2019, is reported on the accrual basis in accordance with Canadian Public Sector Accounting Standards, which excludes the repayment of long-term debt and reserve transactions. In addition, the PHF budget, approved by the PHF Board of Directors on November 4, 2019 has been included in Fiscal Services. Budgeted inter-organizational transactions have been eliminated where appropriate.

The Consolidated Budgeted Operating Expenses, net of eliminations, for the year ended December 31, are as follows:

	2020	2019
Operating Budget approved by Council	\$ 382,819	\$ 379,030
Operating Budget approved by PHF Board of Directors	1,405	973
Approved Operating Budget Amendments	4,369	-
Consolidated Budgeted Operating Expenses	<u>\$ 388,593</u>	<u>\$ 380,003</u>

The Consolidated Capital Budget reports the planned activity for the year ended December 31, as follows:

	2020	2019
Capital Budget approved by Council	\$ 110,709	\$ 64,531
Approved Capital Budget Amendments	59,735	7,153
Planned Prior Years Budgeted Capital Expenditures and Amendments	99,015	111,553
Budgeted Capital Expenditures planned to be incurred in future years	<u>(104,698)</u>	<u>(69,719)</u>
Capital Budget for Acquisition of Tangible Capital Assets	<u>\$ 164,761</u>	<u>\$ 113,518</u>

**STRATHCONA COUNTY**  
**Notes to Consolidated Financial Statements**  
December 31, 2020 (in thousands of dollars)

**16. PROPERTY TAXES**

	Municipal	Non-Municipal	2020	2019
<b>Property Taxes</b>				
Residential	\$ 77,830	\$ 46,189	\$ 124,019	\$ 124,844
Non-Residential	50,728	19,864	70,592	71,464
Linear	7,792	2,961	10,753	11,024
Machinery and Equipment	92,977	1,978	94,955	95,616
Local Improvement Levies	11	-	11	18
	<u>\$ 229,338</u>	<u>\$ 70,992</u>	<u>\$ 300,330</u>	<u>\$ 302,966</u>
<b>Non-Municipal Requisitions</b>				
Provincial Alberta School Foundation Fund			\$ (58,970)	\$ (62,187)
Elk Island CSRD No. 41			(6,960)	(7,359)
Provincial Designated Industrial Property			(922)	(974)
Sub-Total Provincial Requisitions			<u>(66,852)</u>	<u>(70,520)</u>
Heartland Housing Foundation			(4,140)	(4,795)
<b>Taxes on Behalf of Non-Municipal Requisitioning Authorities</b>			<u>\$ (70,992)</u>	<u>\$ (75,315)</u>
		<b>2020 Budget (Note 15)</b>		
<b>Taxes for Provision of Municipal Services</b>		<u>\$ 232,751</u>	<u>\$ 229,338</u>	<u>\$ 227,651</u>

**17. GOVERNMENT TRANSFERS**

	2020 Budget (Note 15)	2020	2019
<b>Government Transfers for Operations</b>			
Federal Transfers	\$ 116	\$ 6,152	\$ 376
Provincial Transfers	6,732	11,783	7,963
	<u>6,848</u>	<u>17,935</u>	<u>8,339</u>
<b>Government Transfers for Capital</b>			
Federal Transfers	25,257	14,556	8,234
Provincial Transfers	47,499	44,083	6,731
	<u>72,756</u>	<u>58,639</u>	<u>14,965</u>
	<u>\$ 79,604</u>	<u>\$ 76,574</u>	<u>\$ 23,304</u>

The nature of the major government transfers recognized during 2020, include, but are not limited to, the following:

The Municipal Sustainability Initiative (MSI) is the Province of Alberta's funding commitment to assist municipalities in meeting growth-related challenges and enhancing long-term sustainability.

In 2020, the County received and accrued \$39,162 (2019 – \$45,344) in MSI Capital funding, including interest of \$1,069 (2019 – \$1,267). During 2020, \$43,272 (2019 – \$5,934) has been recognized in capital government transfers. A total of \$59,169 (2019 – \$63,279) remains deferred to future years. As at December 31, 2020, \$23,129 (2019 – nil) has been recognized as receivable under this program.

In 2020, the County received \$825 (2019 – \$762) in MSI Conditional Operating funding. During 2020, \$825 (2019 – \$762) has been recognized in operating government transfers.

**STRATHCONA COUNTY**  
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**17. GOVERNMENT TRANSFERS (CONTINUED)**

The Federal government introduced the Federal Gas Tax Fund (GTF) to transfer federal gas tax revenue to the Province of Alberta to assist in reducing the backlog of necessary sustainable capital municipal infrastructure projects that have been deferred. In 2020, the County received and accrued \$17,119 (2019 – \$5,710) in GTF funding including interest of \$374 (2019 – \$302). During 2020, \$14,474 (2019 – \$7,412) has been recognized in capital and operating government transfers. A total of \$13,172 (2019 – \$10,527), remains deferred to future years.

The Municipal Stimulus Program (MSP) is an additional provincial capital infrastructure funding with the primary objective to sustain and create local jobs; enhance provincial competitiveness and productivity; position communities to participate in future economic growth; and reduce municipal red-tape to promote job creating private sector investment. In 2020, the County received and accrued \$586 (2019 – nil) in MSP funding. During 2020, \$59 (2019 – nil) has been recognized in capital government transfers. A total of \$527 (2019 – nil), remains deferred to future years.

The Municipal Operating Support Transfer (MOST) is Federal and Provincial government funding to support municipalities, which have experienced significant operating impacts due to the COVID-19 pandemic. Funding was used for incremental operating costs incurred due to COVID-19 response and restart, as well as other operating losses or deficits incurred as a result of COVID-19 impacts on revenues and operations. In 2020, the County received \$11,117 (2019 – nil) in MOST funding. During 2020, \$11,117 (2019 – nil) has been recognized in operating government transfers.

The Family and Community Support Services (FCSS) program is a funding partnership between the Province of Alberta and the County to support individuals, families and communities through preventative social programs and services. In 2020, the County received \$2,257 (2019 – \$2,084) in FCSS funding. During 2020, \$2,084 (2019 – \$2,084) has been recognized in operating government transfers. A total of \$173 (2019 – nil), remains deferred to future years.

Family Resource Network (FRN) is a funding partnership between the Province of Alberta and the County to deliver high quality prevention and early intervention services and supports for children under the age of eighteen. In 2020, the County received \$751 (2019 – nil) in FRN funding. During 2020, \$657 (2019 – nil) has been recognized in operating government transfers. A total of \$94 (2019 – nil), remains deferred to future years.

The Municipal Policing Assistance Grant (MPAG) is a Province of Alberta program that assists communities with the financial costs of municipal policing. In 2020, the County received \$1,141 (2019 – \$1,141) in MPAG funding. During 2020, \$1,141 (2019 – \$1,141) has been recognized in operating government transfers.

The 9-1-1 Grant Program is a Province of Alberta initiative to support and enhance the delivery and development of the County's local 9-1-1 services. In 2020, the County received \$683 (2019 – \$746) in 9-1-1 Grant Program funding. During 2020, \$683 (2019 – \$746) has been recognized in operating government transfers.

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**18. OTHER CAPITAL REVENUE**

	2020 Budget (Note 15)	2020	2019
Development Levies and Charges	\$ 6,194	\$ 2,013	\$ 357
Developer and Other Third Party Contributions	8,839	3,436	2,630
	<u>\$ 15,033</u>	<u>\$ 5,449</u>	<u>\$ 2,987</u>

The *Municipal Government Act* (MGA), R.S.A. 2000, c. M-26 authorizes the County to impose and collect off-site levies by way of bylaw. The County exercises its authority to collect off-site development levies by establishing a bylaw, typically revised on an annual basis. Up until 2020, the County has operated with one bylaw to govern off-site levy rates.

On December 8, 2020, Council approved a second off-site levy bylaw, which established levies specifically for the hamlet of Ardrossan. All contributions collected prior to this time were made by way of developer contributions, primarily due to the pending expansion of the hamlet boundary, finalized and approved by Council in October 2019. The original Ardrossan Area Structure Plan included approximately 60 hectares of developable area at the time of adoption in 2014; however, the Ardrossan East Area Structure Plan added an additional 99 hectares of developable area to the hamlet. Since the finalization of the hamlet boundary, the County has worked to develop an offsite levy regime for the hamlet, with the methodology and rates applied retroactively to all development since the date of adoption of the original Ardrossan Area Structure Plan.

**19. SALARIES AND BENEFITS DISCLOSURE**

The following salaries and benefits are disclosed on a cash flow basis, as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA:

	Salaries	Benefits and Allowances	2020	2019
Elected Officials:				
Mayor	\$ 159	\$ 30	\$ 189	\$ 185
Councillor – Ward 1	86	20	106	103
Councillor – Ward 2	86	22	108	105
Councillor – Ward 3	86	20	106	103
Councillor – Ward 4	86	22	108	105
Councillor – Ward 5	86	21	107	104
Councillor – Ward 6	86	10	96	94
Councillor – Ward 7	86	12	98	97
Councillor – Ward 8	86	22	108	105
	<u>\$ 847</u>	<u>\$ 179</u>	<u>\$ 1,026</u>	<u>\$ 1,001</u>
Chief Commissioner – July 13 to December 31 (2019 – January 1 to July 31)	\$ 126	\$ 23	\$ 149	\$ 414
Interim Chief Commissioner – January 1 to July 12 (2019 – August 1 to December 31)	\$ 144	\$ 29	\$ 173	\$ 118

Benefits and allowances include the County's share of Canada Pension Plan, Workers' Compensation Board, retirement contributions, group insurance, extended health care, dental benefits, accidental death and dismemberment, long-term disability insurance, and car allowance. Benefits also include the County's share of employment insurance for the Chief Commissioner

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**20. PENSION PLANS**

**a) Local Authorities Pension Plan**

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is administered under the Alberta *Public Sector Pension Plans Act*.

The County was required to make current service contributions to LAPP of 9.39 per cent (2019 – 9.39 per cent) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 13.84 per cent (2019 – 13.84 per cent) thereafter. Employees of the County are required to make current service contributions of 8.39 per cent (2019 – 8.39 per cent) of pensionable salary up to YMPE, and 12.84 per cent (2019 – 12.84 per cent) thereafter.

Total current service contributions by the County to LAPP in 2020 were \$12,589 (2019 – \$12,382). Total current service contributions by the employees of the County to LAPP in 2020 were \$11,434 (2019 – \$11,247).

As stated in their 2019 Annual Report, LAPP serves 274,151 members and 420 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. At December 31, 2019, the plan reported an actuarial surplus of \$7,900,000.

**b) APEX**

The APEX supplementary pension plan, an Alberta Urban Municipalities Association sponsored defined benefit pension plan covered under the provisions of the Alberta *Employment Pension Plans Act*, commenced on January 1, 2004. This plan provides supplementary pension benefits to a prescribed class of employees and supplements LAPP.

Contributions are made by the prescribed class of employees and the County. Employees of the County contribute 2.61 per cent (2019 – 2.84 per cent) and the County contributes 3.85 per cent (2019 – 3.78 per cent) of pensionable earnings up to \$154 (2019 – \$151).

Total contributions made by employees of the County to APEX in 2020 were \$274 (2019 – \$303). Total contributions made by the County to APEX in 2020 were \$404 (2019 – \$404).

**21. RELATED PARTY DISCLOSURES**

Related parties are consolidated as part of the reporting entity described in Note 1. Transactions with these entities occur as a normal course of business and are appropriately eliminated in the consolidated financial statements.

Related parties also include the County's key management personnel and their close family members, including entities these individuals may control or influence. Key management personnel are those individuals who are included in Note 19 and other members of the executive team. Transactions with these individuals are considered to be in the normal course of business and are recorded at the exchange amount.

**22. COMPARATIVE INFORMATION**

Certain comparative information has been reclassified to conform to the current year's presentation.

**STRATHCONA COUNTY**  
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**23. SEGMENTED INFORMATION**

Segmented information has been identified based on the types of services provided by the County to its residents:

- a) Infrastructure and Planning Services is responsible for managing the County's infrastructure by planning, constructing, and maintaining streets, sidewalks and highways, designing and maintaining facilities and parks, and coordinating plans and permits. Infrastructure and Planning Services also facilitates economic growth, business support, diversification, and innovation.
- b) Community Services focuses on creating a healthy, vibrant, safe, and welcoming community that celebrates cultural and social inclusion. The operations of Community Services include emergency communications, management, operations, and enforcement services, and crime prevention. Community Services also offers individual and family support, programs and facilities, and transit services.
- c) Corporate Services is at the core of the County; its programs and services enable all departments to be fully functional. Corporate Services supports the front-line departments, caring for the facilities used by staff and residents, repairing transit and emergency vehicles, recruiting and training staff, optimizing the benefits of technology, providing legal advice and supporting the activities of Strathcona County Council.
- d) Elected Officials includes the Mayor and Council, who are stewards of the County's strategic plan, business plan, and budget. The County's Elected Officials govern and plan for success by providing leadership and direction to the administration in the review and approval of policies and programs that benefit our residents, businesses, and industry.
- e) Financial and Strategic Management performs a number of vital support roles that help the organization successfully achieve its strategic goals. The division performs functions including, but not limited to, assessment and taxation, treasury and risk management, financial reporting and coordination, financial planning, and procurement services.
- f) Senior Administration develops, implements, and administers policies and programs established and approved by Strathcona County Council. The division also supports, assists, and advises Council on legislation and municipal operations and coordinates communications.
- g) Fiscal Services is a separate department that includes corporate revenue and expenses that are not specific to an individual department including: taxes, grants, requisitions, amortization and debt servicing costs. It also includes expenses relating to PHF, which is a not-for-profit organization controlled by the County, which holds land and buildings for the purpose of providing affordable housing. Expenses related to the enterprise resource planning component of the Strathcona County Business Transformation are also included in Fiscal Services.
- h) Utility Operations plans for, designs, operates and maintains water, wastewater and stormwater infrastructure systems. The department also provides innovative waste management services and community energy services.
- i) The Strathcona County Library is charged with providing comprehensive and efficient library services that meet the needs of the community.

Certain allocation methodologies are used in the preparation of segmented financial information. Taxation revenue and payments in lieu of taxes are allocated to the segments based on the segment's budgeted net expenditures. User charges and other revenue have been allocated to the segments based on the segment that generated the revenue. Government transfers have been allocated to the segment based on the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

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**23. SEGMENTED INFORMATION (CONTINUED)**

	Municipal Operations													2020	2020 Budget (Note 15)	
	Infrastructure and Planning Services (Excluding Utility Operations)	Fiscal Services								Strathcona County Library						
		Community Services	Corporate Services	Elected Officials	Financial and Strategic Management	Senior Administration	Fiscal Services (Excluding Parkade Event)	Parkade Event (Note 14)	Total Municipal Operations	Utility Operations	Strathcona County Library (Excluding Parkade Event)	Parkade Event (Note 14)				
<b>OPERATING REVENUE</b>																
Property Taxes (Note 16)	\$ 48,726	\$ 95,119	\$ 45,121	\$ 1,548	\$ 9,336	\$ 6,117	\$ 13,557	\$ -	\$ 219,524	\$ 11	\$ 9,803	\$ -	\$ -	\$ 229,338	\$ 232,751	
Utility User Rates	-	-	-	-	-	-	-	-	-	56,436	-	-	-	56,436	56,840	
User Fees and Charges	2,599	13,573	343	-	351	128	6,100	-	23,094	1,221	16	-	-	24,331	39,218	
Government Transfers – Operating (Note 17)	182	5,902	-	-	-	1	11,188	-	17,273	101	561	-	-	17,935	6,848	
Investment Income	-	-	-	-	-	-	6,317	-	6,317	1,358	147	-	-	7,822	9,445	
Penalties and Fines	12	5,655	-	-	-	-	1,318	-	6,985	-	28	-	-	7,013	6,176	
Other Operating Revenue	406	6,188	84	-	335	39	1,361	1,155	9,568	104	165	208	-	10,045	9,861	
<b>TOTAL OPERATING REVENUE</b>	<b>51,925</b>	<b>126,437</b>	<b>45,548</b>	<b>1,548</b>	<b>10,022</b>	<b>6,285</b>	<b>39,841</b>	<b>1,155</b>	<b>282,761</b>	<b>59,231</b>	<b>10,720</b>	<b>208</b>		<b>352,920</b>	<b>361,139</b>	
<b>EXPENSES</b>																
Salaries, Wages and Benefits	28,413	89,490	27,353	1,123	8,334	5,079	4,121	-	163,913	11,068	6,571	-	-	181,552	183,040	
Contracted and General Services	12,550	23,888	13,384	174	1,172	354	3,762	147	55,431	11,014	196	-	-	66,641	74,277	
Supplies, Materials and Utilities	7,806	15,374	3,119	52	(198)	118	(902)	9	25,378	24,354	1,420	-	-	51,152	58,162	
Interest on Long-Term Debt	-	-	-	-	-	-	2,995	-	2,995	2,206	812	-	-	6,013	6,159	
Grants and Requisitions	288	1,762	82	-	-	189	1,156	-	3,477	-	-	-	-	3,477	2,838	
Amortization (Note 8)	-	-	-	-	-	-	51,793	-	51,793	9,009	1,338	-	-	62,140	62,312	
Loss on Asset Disposals or Write-Downs	-	-	-	-	-	-	597	-	597	1,549	-	-	-	2,146	-	
Other Expenses	97	283	120	-	43	20	4,637	-	5,200	72	4	-	-	5,276	1,805	
<b>TOTAL EXPENSES</b>	<b>49,154</b>	<b>130,797</b>	<b>44,058</b>	<b>1,349</b>	<b>9,351</b>	<b>5,760</b>	<b>68,159</b>	<b>156</b>	<b>308,784</b>	<b>59,272</b>	<b>10,341</b>	<b>-</b>		<b>378,397</b>	<b>388,593</b>	
<b>SURPLUS (DEFICIT) BEFORE CAPITAL REVENUE</b>	<b>2,771</b>	<b>(4,360)</b>	<b>1,490</b>	<b>199</b>	<b>671</b>	<b>525</b>	<b>(28,318)</b>	<b>999</b>	<b>(26,023)</b>	<b>(41)</b>	<b>379</b>	<b>208</b>		<b>(25,477)</b>	<b>(27,454)</b>	
<b>CAPITAL REVENUE</b>																
Government Transfers – Capital (Note 17)	-	-	-	-	-	-	57,744	-	57,744	895	-	-	-	58,639	72,756	
Contributed Tangible Capital Assets (Note 8)	-	-	-	-	-	-	481	-	481	3,167	-	-	-	3,648	-	
Other Capital Revenue (Note 18)	-	-	-	-	-	-	4,908	-	4,908	541	-	-	-	5,449	15,033	
<b>TOTAL CAPITAL REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,133</b>	<b>-</b>	<b>63,133</b>	<b>4,603</b>	<b>-</b>	<b>-</b>		<b>67,736</b>	<b>87,789</b>	
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 2,771</b>	<b>\$ (4,360)</b>	<b>\$ 1,490</b>	<b>\$ 199</b>	<b>\$ 671</b>	<b>\$ 525</b>	<b>\$ 34,815</b>	<b>\$ 999</b>	<b>\$ 37,110</b>	<b>\$ 4,562</b>	<b>\$ 379</b>	<b>\$ 208</b>		<b>\$ 42,259</b>	<b>\$ 60,335</b>	

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**23. SEGMENTED INFORMATION (CONTINUED)**

	Municipal Operations													2019	2019 Budget (Note 15)	
	Fiscal Services										Strathcona County Library					
	Infrastructure and Planning Services (Excluding Utility Operations)	Community Services	Corporate Services	Elected Officials	Financial and Strategic Management	Senior Administration	Fiscal Services (Excluding Parkade Event)	Parkade Event (Note 14)	Total Municipal Operations	Utility Operations	Strathcona County Library (Excluding Parkade Event)	Parkade Event (Note 14)				
<b>OPERATING REVENUE</b>																
Property Taxes (Note 16)	\$ 47,830	\$ 92,228	\$ 43,768	\$ 1,545	\$ 9,244	\$ 6,127	\$ 17,180	\$ -	\$ 217,922	\$ 11	\$ 9,718	\$ -	\$ 227,651	\$ 227,706		
Utility User Rates	-	-	-	-	-	-	-	-	-	54,019	-	-	54,019	56,875		
User Fees and Charges	3,784	29,761	523	-	343	127	6,196	-	40,734	1,323	42	-	42,099	39,048		
Investment Income	-	-	-	-	-	-	7,851	-	7,851	1,561	157	-	9,569	8,441		
Government Transfers – Operating (Note 17)	295	5,941	34	-	-	216	1,247	-	7,733	33	573	-	8,339	6,995		
Penalties and Fines	13	5,270	-	-	-	-	1,611	-	6,894	-	106	-	7,000	6,528		
Other Operating Revenue	752	6,893	57	-	336	62	520	13,305	21,925	7	173	53	22,158	9,817		
<b>TOTAL OPERATING REVENUE</b>	<b>52,674</b>	<b>140,093</b>	<b>44,382</b>	<b>1,545</b>	<b>9,923</b>	<b>6,532</b>	<b>34,605</b>	<b>13,305</b>	<b>303,059</b>	<b>56,954</b>	<b>10,769</b>	<b>53</b>	<b>370,835</b>	<b>355,410</b>		
<b>EXPENSES</b>																
Salaries, Wages and Benefits	28,934	92,856	25,513	1,089	7,821	4,993	3,156	-	164,362	10,905	6,498	2	181,767	181,389		
Contracted and General Services	14,352	23,253	12,042	237	1,026	893	6,181	7,985	65,969	12,187	331	43	78,530	67,710		
Supplies, Materials and Utilities	7,321	18,343	2,386	61	(140)	229	(706)	248	27,742	23,192	1,282	92	52,308	58,120		
Interest on Long-Term Debt	-	-	-	-	-	-	3,246	-	3,246	2,354	849	-	6,449	6,463		
Grants and Requisitions	336	2,006	82	-	-	142	701	-	3,267	18	3	-	3,288	2,776		
Amortization (Note 8)	-	-	-	-	-	-	51,025	-	51,025	7,979	1,453	-	60,457	61,784		
Loss (Gain) on Asset Disposals or Write-Downs	-	-	-	-	-	-	1,121	27	1,148	(59)	10	16	1,115	-		
Other Expenses	104	461	112	-	44	-	1,552	-	2,273	85	7	-	2,365	1,761		
<b>TOTAL EXPENSES</b>	<b>51,047</b>	<b>136,919</b>	<b>40,135</b>	<b>1,387</b>	<b>8,751</b>	<b>6,257</b>	<b>66,276</b>	<b>8,260</b>	<b>319,032</b>	<b>56,661</b>	<b>10,433</b>	<b>153</b>	<b>386,279</b>	<b>380,003</b>		
<b>SURPLUS (DEFICIT) BEFORE CAPITAL REVENUE</b>	<b>1,627</b>	<b>3,174</b>	<b>4,247</b>	<b>158</b>	<b>1,172</b>	<b>275</b>	<b>(31,671)</b>	<b>5,045</b>	<b>(15,973)</b>	<b>293</b>	<b>336</b>	<b>(100)</b>	<b>(15,444)</b>	<b>(24,593)</b>		
<b>CAPITAL REVENUE</b>																
Contributed Tangible Capital Assets (Note 8)	-	-	-	-	-	-	17,615	-	17,615	3,737	-	-	21,352	-		
Government Transfers – Capital (Note 17)	-	-	-	-	-	-	14,949	-	14,949	16	-	-	14,965	52,951		
Other Capital Revenue (Note 18)	-	-	-	-	-	-	2,791	-	2,791	194	2	-	2,987	11,893		
<b>TOTAL CAPITAL REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,355</b>	<b>-</b>	<b>35,355</b>	<b>3,947</b>	<b>2</b>	<b>-</b>	<b>39,304</b>	<b>64,844</b>		
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 1,627</b>	<b>\$ 3,174</b>	<b>\$ 4,247</b>	<b>\$ 158</b>	<b>\$ 1,172</b>	<b>\$ 275</b>	<b>\$ 3,684</b>	<b>\$ 5,045</b>	<b>\$ 19,382</b>	<b>\$ 4,240</b>	<b>\$ 338</b>	<b>\$ (100)</b>	<b>\$ 23,860</b>	<b>\$ 40,251</b>		

**GLOSSARY OF TERMS:**

- **Annual Operating Surplus for Tax Purposes** – The annual surplus or (deficit) resulting from the modified cash flow basis, which includes debt repayment expenditures and reserve transactions, and excludes amortization expense, gains/losses on asset disposals and capital revenues, unlike the Public Sector Accounting Standards (PSAS) surplus or (deficit).
- **Budgeted Offset** – An adjustment to the budget at the corporate level to offset projected surpluses based on historical trends.
- **Committed** – Funding approved as per FIN-001-024: Municipal Reserves policy to be applied towards specific expenditures.
- **Designated** – Funding designated to reserves for a specific purpose, which has not yet been approved by Council to be applied towards specific expenditures.
- **Forecast Variances** – Future variances to budget that have yet to occur, but are expected to be realized based on current information, and are projected to affect the year-end surplus or (deficit).
- **Permanent Differences** – Variances to budget that have occurred and will affect the year-end surplus or (deficit).
- **PSAS Surplus** – The surplus or (deficit) resulting from financial statements prepared in accordance with PSAS.
- **Timing Differences** – Variances to budget that are expected to reverse during the remainder of the year and not affect the year-end surplus or (deficit).
- **Year-End Forecast** – Permanent Differences plus the Forecast Variances make up the Year-End Forecast surplus or (deficit).
- **Year-To-Date Operating Variance** – The favorable or (unfavorable) difference between budget and actuals at a point in time including any Timing Differences.