Enclosure 1

STRATHCONA COUNTY

Strathcona County 2020 Second Term Management Report

Prepared by Corporate Finance

Prepared for

Council

October 27, 2020

1. Year-End Forecast

1.1 Year-End Forecast of the Annual Operating Surplus for Tax Purposes[1] (Permanent Differences and Forecasted Items)

The year-end forecast is based on the information available as of August 31, 2020 and is subject to the uncertainty of unknown events or circumstances which may take place during the remainder of the year.

County Operating Segments	*2020 Year-End Forecast[2]*		*2019 Year-End Actual Surplus[2]*		*2018 Year-End Actual Surplus[2]*	
Municipal	($11.1M)	(3.6%)	$0.5M	0.2%	-	-
Municipal MOST Funding[3]	$10.0M					
Utility	$0.4M	0.6%	$1.5M	2.5%	$0.9M	2.0%
Library	$0.2M	2.0%	$0.1M	1.2%	-	-
TOTAL DOLLARS AND WEIGHTED PERCENTAGES	**($0.5M)**	**(0.1%)**	**$2.1M**	**0.6%**	**$0.9M**	**0.2%**

[1]The Year-End Forecast, Year-to-Date Operating Variance and the Annual Operating Surplus for Tax Purposes evaluate the results using the same methodology used to prepare the Operating Budget. The Public Sector Accounting Standards (PSAS) used to prepare the financial statements applies a different methodology.

[2]The percentages represent the proportion of surplus (deficit) compared to the respective annual operating budgets.

[3]The provincial and federal governments announced Municipal Operating Support Transfer (MOST) funding. Strathcona County has been allocated $11.1 million of that funding. Ninety percent is forecasted to be utilized in 2020 and the remaining ten percent is forecasted to be carried over to 2021.

1.2 Analysis of the 2020 Year-End Forecast

a. Municipal Operations – ($11.1 million) forecasted deficit[4]

Municipal Operations is forecasting an ($11.1 million) deficit for the current year which is anticipated to be primarily offset by MOST funding of $10.0 million, resulting in an ($1.1 million) deficit. Significant items to note are:

- $10.4 million favourable variance in government grants, the majority of which is due to additional funding from the Municipal Operating Support Transfer (MOST).
- $4.8 million favourable variance in salaries, wages and benefits mainly attributable to savings in hourly staff as a result of layoffs and reduced operations.
- $1.7 million favourable variance in utilities due to actual utility charges being lower than budgeted and due to facility closures.
- $1.1 million favourable variance in supplies and materials mainly a result of fuel savings and less supplies required for indoor facilities because of reduced facility usage.
- ($17.2 million) unfavourable variance in user fees and charges due to facility closures, program cancellations, capacity restrictions, and a reduction in transit fares.
- ($3.1 million) unfavourable variance in property taxes which is primarily a result of the change to a 0% tax increase (from the originally budgeted 1.21% increase).
- ($1.7 million) unfavourable variance in investment income due to lower interest rates and lower volumes of investments than anticipated.

[4]This listing is only a summary of significant amounts and is not a complete reconciliation of all variances which comprise the August 31 forecast.

1.2 Analysis of the 2020 Year-End Forecast (continued)

Risks

The most significant risks to the Municipal forecasted result are as follows:

- The COVID-19 pandemic is ever evolving and has had a dramatic effect on the financial results to date, which is anticipated to be fully offset by Provincial MOST funding. Due to the uncertainty surrounding this ongoing event, there could be other significant impacts on the County's financial results during the remainder of the year.
- The County has completed one P4 snow removal as of August 31. There is a risk of snow removal costs exceeding the budget as a result of any additional P4 snow removal requirements that arise during the remainder of the year.

b. Utility Operations – $0.4 million forecasted surplus

No significant items to note.

c. Library Operations – $0.2 million forecasted surplus

No significant items to note.

2. Year-to-Date Operating Variance

The operating variance is determined through a comparison of the year-to-date budget and actual results, and is composed of timing differences that are expected to reverse during the remainder of the year, and permanent differences that have occurred and will affect the year-end results.

County Operating Segments	*2020 Second Term YTD Permanent Differences*	*2020 Second Term YTD Timing Differences*	*2020 Second Term YTD Variance*	*2019 Second Term YTD Variance*
Municipal	($7.4M)	$3.1M	**($4.3M)**	($0.1M)
Utility	$0.3M	$0.4M	**$0.7M**	($0.7M)
Library	$0.2M	-	**$0.2M**	($0.5M)
TOTAL	**($6.9M)**	**$3.5M**	**($3.4M)**	**($1.3M)**

The operating variance as of August 31, 2020 is a **($3.4 million) deficit** (August 31, 2019 ($1.3 million) deficit).

3. Capital Activity Update

3.1 Annual Planned Capital Spending Update as at August 31

The annual planned capital spend has been updated to include approved capital budget amendments to August 31, 2020:

The 2020 Capital Budget (approved by Council on December 5, 2019)	$99.0M
Unspent prior years' budgeted capital expenditures	$110.7M
Approved spending changes resulting from capital budget amendments	$2.6M
Budgeted capital expenditures planned to be incurred after 2020, including approved capital budget amendments	($67.1M)
Updated Annual Planned Capital Spend (as at August 31)	**$145.2M**

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.

3.2 Capital Spending To Date

The capital spending as of August 31, 2020, totaled $30.9 million (August 31, 2019 $18.7 million) which is 21.3% of the planned annual spending (August 31, 2019 16.5%).

3.3 Average Three-Year January to August Capital Spending Comparison

Asset Category	*2017—2019 Average Spending*	*2020 Spending*	*Difference*
Buildings	$3.9M	$14.7M	$10.8M
Electronic Hardware and Software	$1.0M	$2.0M	$1.0M
Machinery and Equipment	$1.4M	$1.4M	-
Parks and Open Space Development	$1.3M	$1.7M	$0.4M
Roadway Infrastructure	$12.0M	$7.6M	($4.4M)
Utilities Infrastructure	$2.8M	$0.7M	($2.1M)
Vehicles	$3.4M	$2.8M	($0.6M)
Land	$0.7M	$0.0M	($0.7M)
Total	**$26.5M**	**$30.9M**	**$4.4M**

The spending to August 31, 2020 is slightly above the average in comparison to recent prior periods.

3.4 Update on Completed Projects

As of August 31, 2020, 14 projects with total combined budgets of $26.6 million were completed, resulting in the release of $1.1 million of unused funding/financing. All funds released are allocated back to their original funding sources and are available for other emergent or future capital priorities.

4. Assessment of the County's Financial Condition - Key Financial Indicators

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

4.1 Net Financial Assets (Net Debt) Position

Net financial assets (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. Being in 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.

As of August 31, 2020, the County's net financial asset position is $186.6 million (August 31, 2019 $173.0 million), which is consistent with annual trending in prior years. Net financial assets increases significantly mid-year, resulting from the collection of property tax revenue. The County draws down the net financial asset position to finance operations for the remainder of the year.

4.2 Long-Term Debt

The County has not issued any new debt as of August 31, 2020 (August 31, 2019 $1.3 million). Debt repayment of $5.9 million (August 31, 2019 $5.8 million) has reduced the 2020 long-term debt balance.

December 31, 2019 long-term debt balance	$162.2M
New debt issued to August 31, 2020	-
Debt repayment to August 31, 2020	($5.9M)
August 31, 2020 Long-Term Debt Balance	**$156.3M**

4.3 Tangible Capital Assets

Tangible capital assets are the most significant element of the County's financial position. As of August 31, 2020, the tangible capital asset net book value[1] is $1,936.7 million (August 31, 2019 $1,916.8 million). This increase in net book value is expected and consistent with prior years as the County continues to manage, invest and plan for sustainable municipal infrastructure.

December 31, 2019 tangible capital assets net book value	$1,946.2M
Purchased and contributed additions to August 31, 2020	$31.1M
Disposals to August 31, 2020	($2.0M)
Subtotal	$1,975.3M
Amortization (net of disposals) to August 31, 2020	($38.6M)
August 31, 2020 Tangible Capital Assets Net Book Value	**$1,936.7M**

[1]Net book value represents the total original cost of tangible capital assets, net of asset disposals and accumulated amortization.

4.4 Reserve Reporting

The following table provides a summary of the County's reserve balances as of August 31, 2020:

Reserves	*Committed*	*Designated*	*Total*	*Optimal Variance*[1]
Municipal				
Stabilization and Contingency	$10.3M	$38.4M	$48.7M	$23.4M
Projects	$40.6M	$18.8M	$59.4M	($12.6M)
Infrastructure, Lifecycle, Maintenance and Replacement	$18.8M	$56.9M	$75.7M	($2.6M)
Special Purpose	$19.7M	$24.0M	$43.7M	$13.2M
Total Municipal	**$89.4M**	**$138.1M**	**$227.5M**	**$21.4M**
Utilities				
Stabilization and Contingency	($0.1M)	$1.9M	$1.8M	($1.2M)
Projects	$0.1M	$0.1M	$0.2M	-
Infrastructure, Lifecycle, Maintenance and Replacement	$7.2M	$47.2M	$54.4M	($26.6M)
Levy Debt Repayment	$2.1M	-	$2.1M	-
Total Utilities	**$9.3M**	**$49.2M**	**$58.5M**	**($27.8M)**
Total Library	**$0.2M**	**$4.9M**	**$5.1M**	**$0.1M**
Total Reserves	**$98.9M**	**$192.2M**	**$291.1M**	**($6.3M)**
Percentage of Total Reserves	**34.0%**	**66.0%**	**100.0%**	

[1]*The optimal reserve balances as at August 31, 2020 represent a point in time and should be considered in relation to resulting trends and circumstances. The optimal variance 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.*

The presentation of reserve groupings is in accordance with the policy: FIN-001-024 Municipal Reserves.

5. 2020 - 2023 Corporate Business Plan Reporting (Enclosure 2)

An integral component of monitoring the progress of the 2020 - 2023 Corporate Business Plan includes initiative progress reporting. As such, the 2020 second term management report includes progress reporting on the initiatives within the Corporate Business Plan which demonstrate our progress on achieving the County's strategic goals.

Appendices

1. Consolidated Financial Statements and Supporting Schedules for the Period Ended August 31, 2020 (unaudited)
2. Glossary of Terms

STRATHCONA COUNTY

Consolidated Financial Statements

Period Ended August 31, 2020 (in thousands of dollars)

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

	August 31, 2020	December 31, 2019
FINANCIAL ASSETS		
Cash and Cash Equivalents	**$ 11,566**	$ 6,400
Accounts Receivable		
Property Taxes	**161,515**	5,383
Government Transfers	**1,630**	436
Trade and Other	**13,629**	15,916
Development Levies and Charges	**294**	3,359
Investments	**344,475**	376,560
Investment Interest Receivable	**19,605**	17,922
	552,714	425,976
LIABILITIES		
Accounts Payable and Accrued Liabilities	**83,246**	50,385
Deposit Liabilities	**15,441**	18,665
Deferred Revenue	**111,198**	115,200
Long-Term Debt	**156,275**	162,182
	366,160	346,432
NET FINANCIAL ASSETS	**186,554**	79,544
NON-FINANCIAL ASSETS		
Tangible Capital Assets	**1,936,719**	1,946,241
Inventories of Materials and Supplies	**1,080**	1,039
Prepaid Expenses	**2,925**	3,946
	1,940,724	1,951,226
ACCUMULATED SURPLUS	**$ 2,127,278**	$ 2,030,770

STRATHCONA COUNTY

Consolidated Statement of Operations and Accumulated Surplus

Period ended August 31, 2020 (in thousands of dollars)

	2020 Period Budget	August 31, 2020	August 31, 2019
OPERATING REVENUE			
Property Taxes	$ 232,720	**$ 229,567**	$ 227,355
Utility User Rates	39,919	**37,885**	37,656
User Fees and Charges	27,734	**16,372**	27,363
Investment Income	6,138	**5,080**	6,108
Penalties and Fines	4,255	**4,450**	4,851
Government Transfers - Operating	4,583	**4,131**	4,417
Other Operating Revenue (excluding Parkade Event Insurance Proceeds)	4,829	**6,184**	5,675
Parkade Event Insurance Proceeds	-	**773**	10,250
Other Operating Revenue	4,829	**6,957**	15,925
TOTAL OPERATING REVENUE	320,178	**304,442**	323,675
EXPENSES			
Infrastructure and Planning Services (excluding Utility Operations)	36,743	**33,448**	35,530
Utility Operations	38,486	**36,126**	36,447
Infrastructure and Planning Services	75,229	**69,574**	71,977
Community Services	93,408	**85,075**	87,510
Corporate Services	29,565	**27,331**	25,827
Elected Officials	1,034	**876**	876
Financial and Strategic Management	6,729	**6,079**	5,439
Senior Administration	4,274	**3,694**	4,107
Fiscal Services (excluding Parkade Event)	34,840	**40,938**	41,971
Parkade Event	-	**163**	7,596
Fiscal Services	34,840	**41,101**	49,567
Strathcona County Library (excluding Parkade Event)	7,063	**7,207**	7,230
Parkade Event	-	**-**	137
Strathcona County Library	7,063	**7,207**	7,367
TOTAL EXPENSES	252,142	**240,937**	252,670
SURPLUS BEFORE CAPITAL REVENUE	68,036	**63,505**	71,005
CAPITAL REVENUE			
Government Transfers - Capital	24,460	**30,816**	10,832
Other Capital Revenue	4,677	**1,926**	2,838
Contributed Tangible Capital Assets	-	**261**	898
TOTAL CAPITAL REVENUE	29,137	**33,003**	14,568
PERIOD SURPLUS	97,173	**96,508**	85,573
ACCUMULATED SURPLUS, BEGINNING OF PERIOD	2,030,770	**2,030,770**	2,006,910
ACCUMULATED SURPLUS, END OF PERIOD	$ 2,127,943	**$ 2,127,278**	$ 2,092,483

STRATHCONA COUNTY
Consolidated Statement of Change in Net Financial Assets
Period ended August 31, 2020 (in thousands of dollars)

	2020 Period Budget	August 31, 2020	December 31, 2019
PERIOD SURPLUS	$ 97,166	**$ 96,508**	$ 23,860
Acquisition of Tangible Capital Assets	(50,830)	**(30,850)**	(51,458)
Contributed Tangible Capital Assets	-	**(261)**	(21,352)
Amortization of Tangible Capital Assets	40,595	**40,141**	60,457
Loss on Disposals or Write-Downs of Tangible Capital Assets	-	**298**	1,115
Proceeds from Disposals of Tangible Capital Assets	-	**194**	415
	86,931	**106,030**	13,037
Acquisition of Inventories of Materials and Supplies	-	**(1,052)**	(1,932)
Acquisition of Prepaid Expenses	-	**(1,436)**	(4,230)
Use of Inventories of Materials and Supplies	-	**1,011**	1,847
Use of Prepaid Expenses	-	**2,457**	2,924
	-	**980**	(1,391)
INCREASE IN NET FINANCIAL ASSETS	86,931	**107,010**	11,646
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	79,544	**79,544**	67,898
NET FINANCIAL ASSETS, END OF PERIOD	$ 166,475	**$ 186,554**	$ 79,544

STRATHCONA COUNTY
Consolidated Statement of Cash Flows
Period ended August 31, 2020 (in thousands of dollars)

	August 31, 2020	December 31, 2019
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
PERIOD SURPLUS	**$ 96,508**	$ 23,860
Items Not Involving Cash		
Contributed Tangible Capital Assets	**(261)**	(21,352)
Amortization of Tangible Capital Assets	**40,141**	60,457
Amortization of Premium (Discount) on Investments	**3**	(18)
Loss on Disposals or Write-Downs of Tangible Capital Assets	**298**	1,115
(Gain) on Disposal of Investments	**(16)**	-
Changes to Non-Cash Assets and Liabilities		
Property Taxes Receivable	**(156,132)**	1,674
Government Transfers Receivable	**(1,194)**	3,483
Trade and Other Receivables	**2,287**	(1,729)
Development Levies and Charges Receivable	**3,065**	1,736
Investment Interest Receivable	**(1,683)**	(3,039)
Accounts Payable and Accrued Liabilities	**32,861**	(11,948)
Deposit Liabilities	**(3,224)**	2,836
Deferred Revenue	**(4,002)**	37,610
Inventories of Materials and Supplies	**(41)**	(85)
Prepaid Expenses	**1,021**	(1,306)
Cash Provided by Operating Activities	**9,631**	93,294
CAPITAL		
Proceeds from Disposal of Tangible Capital Assets	**194**	415
Acquisition of Tangible Capital Assets	**(30,850)**	(49,823)
Cash (Applied to) Capital Activities	**(30,656)**	(49,408)
INVESTING		
Purchase of Investments	**(101,868)**	(220,914)
Proceeds from Sale/Maturity of Investments	**133,966**	187,176
Cash Provided by (Applied to) Investing Activities	**32,098**	(33,738)
FINANCING		
Long-Term Debt Issued	**-**	1,772
Long-Term Debt Repaid	**(5,907)**	(11,395)
Cash (Applied to) Financing Activities	**(5,907)**	(9,623)
INCREASE IN CASH AND CASH EQUIVALENTS	**5,166**	525
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**6,400**	5,875
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 11,566**	$ 6,400

STRATHCONA COUNTY

Consolidated Schedule of Segmented Information

Period ended August 31, 2020 (in thousands of dollars)

	Municipal Operations													
							Fiscal Services				Strathcona County Library			
	Infractructure 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	Total Municipal Operations	Utility Operations	Strathcona County Library (excluding Parkade Event)	Parkade Event	August 31, 2020	2020 Period Budget
OPERATING REVENUE														
Property Taxes	$ 33,591	$ 62,766	$ 29,078	$ 1,034	$ 6,259	$ 4,212	$ 82,820	$ -	$ 219,760	$ 6	$ 9,801	$ -	**$ 229,567**	$ 232,720
Utility User Rates	-	-	-	-	-	-	-	-	-	37,885	-	-	**37,885**	39,919
User Fees and Charges	1,581	10,015	235	-	271	64	3,400	-	15,566	794	12	-	**16,372**	27,734
Investment Income	-	-	-	-	-	-	4,042	-	4,042	947	91	-	**5,080**	6,138
Penalties and Fines	6	3,580	-	-	-	-	838	-	4,424	-	26	-	**4,450**	4,255
Government Transfers - Operating	-	3,848	-	-	-	-	-	-	3,848	15	268	-	**4,131**	4,583
Other Operating Revenue	190	4,125	83	-	173	-	1,033	601	6,205	16	565	171	**6,957**	4,829
TOTAL OPERATING REVENUE	35,368	84,334	29,396	1,034	6,703	4,276	92,133	601	253,845	39,663	10,763	171	**304,442**	320,178
EXPENSES														
Salaries, Wages and Benefits	18,632	58,352	17,537	730	5,442	3,239	1,647	-	105,579	7,141	4,337	-	**117,057**	122,706
Contracted and General Services	9,330	15,543	6,993	107	725	192	1,977	154	35,021	7,017	145	-	**42,183**	45,769
Supplies, Materials and Utilities	5,205	9,338	2,624	34	(114)	74	115	9	17,285	15,429	910	-	**33,624**	37,405
Interest on Long-Term Debt	-	-	-	-	-	-	1,606	-	1,606	1,143	414	-	**3,163**	3,472
Grants and Requisitions	228	1,666	82	-	-	189	456	-	2,621	-	-	-	**2,621**	2,516
Amortization	-	-	-	-	-	-	33,865	-	33,865	5,352	924	-	**40,141**	40,595
Loss on Asset Disposals or Write-Downs	-	-	-	-	-	-	298	-	298	-	-	-	**298**	-
Other Expenses	53	176	95	5	26	-	974	-	1,329	44	477	-	**1,850**	(321)
TOTAL EXPENSES	33,448	85,075	27,331	876	6,079	3,694	40,938	163	197,604	36,126	7,207	-	**240,937**	252,142
SURPLUS (DEFICIT) BEFORE CAPITAL REVENUE	1,920	(741)	2,065	158	624	582	51,195	438	56,241	3,537	3,556	171	**63,505**	68,036
CAPITAL REVENUE														
Government Transfers - Capital	-	-	-	-	-	-	30,475	-	30,475	341	-	-	**30,816**	24,460
Other Capital Revenue	-	-	-	-	-	-	1,632	-	1,632	294	-	-	**1,926**	4,677
Contributed Tangible Capital Assets	-	-	-	-	-	-	261	-	261	-	-	-	**261**	-
TOTAL CAPITAL REVENUE	-	-	-	-	-	-	32,368	-	32,368	635	-	-	**33,003**	29,137
PERIOD SURPLUS (DEFICIT)	$ 1,920	$ (741)	$ 2,065	$ 158	$ 624	$ 582	$ 83,563	$ 438	$ 88,609	$ 4,172	$ 3,556	$ 171	**$ 96,508**	$ 97,173

STRATHCONA COUNTY
Consolidated Schedule of Tangible Capital Assets
As at August 31, 2020 (in thousands of dollars)

Cost	Balance at January 1, 2020	Purchased Additions	Contributed Additions	Disposals or Write-Downs	**Balance at August 31, 2020**
Land	$ 518,078	$ 184	$ -	$ (407)	**$ 517,855**
Land Improvements	129,170	1,121	261	-	**130,552**
Buildings	502,877	5,238	-	-	**508,115**
Engineered Structures	1,269,667	5,422	-	(81)	**1,275,008**
Machinery and Equipment	77,891	2,430	-	(847)	**79,474**
Library Materials	6,429	241	-	-	**6,670**
Vehicles	78,724	955	-	(658)	**79,021**
Assets Under Construction	30,555	15,259	-	-	**45,814**
	$ 2,613,391	$ 30,850	$ 261	$ (1,993)	**$ 2,642,509**

Accumulated Amortization	Balance at January 1, 2020	Disposals or Write-Downs	Amortization	**Balance at August 31, 2020**
Land Improvements	$ 49,108	$ -	$ 3,764	**$ 52,872**
Buildings	134,944	-	8,224	**143,168**
Engineered Structures	389,204	(56)	20,102	**409,250**
Machinery and Equipment	47,100	(789)	3,973	**50,284**
Library Materials	3,363	-	417	**3,780**
Vehicles	43,431	(656)	3,661	**46,436**
	$ 667,150	$ (1,501)	$ 40,141	**$ 705,790**

Net Book Value	**Balance at August 31, 2020**
Land	**$ 517,855**
Land Improvements	**77,680**
Buildings	**364,947**
Engineered Structures	**865,758**
Machinery and Equipment	**29,190**
Library Materials	**2,890**
Vehicles	**32,585**
Assets Under Construction	**45,814**
	$ 1,936,719

STRATHCONA COUNTY

GLOSSARY OF TERMS

- **Annual Operating Surplus (Deficit) for Tax Purposes –** The annual surplus (deficit) is the difference between the approved operating budget and the actual revenue and expenditures that occur during the year. The surplus (deficit) is based on 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 (deficit).

- **Committed –** Funding approved 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.

- **Forecasted Variances –** Future variances to budget that have yet to occur but are expected to be realized before the end of the year based on current information and are projected to affect the year-end surplus (deficit).

- **Permanent Differences –** Variances to budget that have occurred and will affect the year-end surplus (deficit).

- **Public Sector Accounting Standards (PSAS) Surplus (Deficit) –** The surplus (deficit) resulting from financial statements prepared in accordance with PSAS, which is done on an accrual basis, including both operating and capital transactions.

- **Timing Differences –** Variances to budget that are expected to reverse during the remainder of the year and will not affect the year-end surplus (deficit).

- **Year-End Forecast –** Variances to budget that are expected at year-end due to permanent differences and forecasted variances. These variances will affect the year-end forecasted surplus (deficit).

- **Year-To-Date Operating Variance –** The favourable or (unfavourable) difference between budget and actuals at a point in time including any timing differences.