

## Appendix 1: Annual Surplus Reconciliation

(in thousands)	<u>Approved Budget</u>	<u>2018</u>	<u>2017</u>
<b>Based on budget approach</b>			
Water & Wastewater surplus	\$ -	\$ 2,079	\$ 89
Waste Management surplus	-	1,551	5,682
Levy surplus (deficit)	-	1,828	(3,654)
<b>Operating Surplus based on CSD 21-2019</b>	<b>-</b>	<b>5,458</b>	<b>2,117</b>
<b>PSAS Presentation Adjustments:</b>			
<b>Capital</b>			
Recognize amortization	(82,301)	(82,301)	(85,944)
Recognize in year capital program revenues	44,722	44,969	35,233
Recognize capital fund expenditures resulting in operating expenses	(9,033)	(9,154)	(9,261)
Recognize operating fund expenditures resulting in capital assets	1,794	1,794	9,003
Recognize proceeds & loss on disposal of assets	(4,232)	(4,232)	(6,998)
<b>Capital Subtotal</b>	<b>(49,050)</b>	<b>(48,924)</b>	<b>(57,967)</b>
<b>Funded</b>			
Remove principal debt repayments	39,665	26,571	28,297
Remove net transfers to reserves (including interest allocation)	38,662	72,976	73,558
Recognize interest earned on sinking fund investments	-	452	411
<b>Funded Subtotal</b>	<b>78,327</b>	<b>99,998</b>	<b>102,266</b>
<b>Unfunded</b>			
Recognize change in landfill liability	17,794	17,794	1,170
Recognize contaminated site liability	-	-	-
Recognize power dams liability	-	422	422
Recognize change in unfunded employee future benefits liability	(2,920)	(2,920)	(345)
<b>Unfunded Subtotal</b>	<b>14,874</b>	<b>15,296</b>	<b>1,247</b>
<b>Annual surplus per PSAS consolidated financial statements</b>	<b>\$ 44,151</b>	<b>\$ 71,828</b>	<b>\$ 47,663</b>

A balanced operating budget, developed for the purposes of setting tax rates and user fees, was approved by Council on December 7, 2017. The operating surplus presented at the top of the chart represents the actual financial results of the Region compared to the operating budget. Since the Region is required to report its annual surplus using Public Sector Accounting standards (PSAS), a number of adjustments are required in order for the financial results to conform with PSAS. For example, in the operating budget capital projects are recognized when funding is allocated, however in order to conform with PSAS an adjustment is required as capital projects should be expensed over time through amortization, rather than immediately.