



# Tri-Annual Financial Report

For the period ended December 31, 2024

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## Financial Overview

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As part of the municipality's fiscal responsibility, passing an annual budget is a key step in ensuring that financial resources are allocated effectively to meet the community's needs while maintaining fiscal sustainability. The budget process involves careful planning, consideration of long-term goals, and alignment with strategic priorities. It also includes balancing operating expenditures, debt obligations, and capital investments to keep the municipality financially stable while continuing to provide essential services.

On December 12, 2023, Council approved the 2024 Operating and 2024-2025 Capital Budgets, which reflect a commitment to a financially sustainable and future-ready financial plan while maintaining competitive tax rates for residents.

The approved 2024 Consolidated Budget totals \$135.7 million, which is allocated as follows:

- \$83.1 million for planned operating expenditures
- \$3.6 million for debt principal repayment
- \$49.0 million for planned capital expenditures

Additionally, the Council approved the 2025 capital budget at \$40.1 million.

Following the approval of the 2024 budget, the finalization of the 2023 year-end financial results, and the reconvening of Sturgeon County's Capital Committee, several adjustments to the originally approved budget from December were necessitated. These modifications reflect the ongoing and adaptive nature of municipal financial planning, allowing the County to respond effectively to changing needs and priorities.

Below is a summary of the key adjustments made after the initial budget approval. Please note that in-year changes are not reflected in this report or the audited financial statements.

Classification	2023 Authorized Carryforwards	2024 Approved Budget	In-Year Changes	2024 Authorized Budget
Operating	4.0	83.1	0.5	87.6
Capital	28.0	49.0	(4.5)	72.5

*Amounts are represented in millions.*

This report is the final 2024 tri-annual financial report covering January 1 to December 31, 2024. Periodic financial reporting is an essential component of municipal governance, providing transparency, accountability, and a clear understanding of the financial environment. These reports identify opportunities and challenges, ultimately supporting long-term strategic planning and decision-making.

## Financial Overview

The County's financial position for the year ending December 31, 2024, is favourable. This statement represents the consolidated results of both municipal and utility services, showing an operating surplus of \$10.2 million, net of operational budget carryforwards.

	2024 Budget	2024 Actuals	\$ Variance
<b>REVENUE</b>			
Net municipal taxes	\$99,524,515	<b>\$96,115,652</b>	\$(3,408,863)
Sales and user charges	11,848,856	<b>13,238,517</b>	1,389,661
Investment income	1,538,000	<b>5,335,979</b>	3,797,979
Special levies and other tax agreements	1,638,714	<b>2,215,441</b>	576,727
Government transfers for operating	1,512,785	<b>6,301,059</b>	4,788,274
Other revenue	346,014	<b>1,966,726</b>	1,620,712
Penalties on taxes and service charges	794,619	<b>968,447</b>	173,828
Inter-municipal agreements	249,816	<b>360,130</b>	110,314
<b>Subtotal</b>	<b>\$117,453,319</b>	<b>\$126,501,951</b>	<b>\$9,048,632</b>
Capital income	\$11,477,577	<b>\$8,220,791</b>	\$(3,256,786)
<b>Total Revenues</b>	<b>\$128,930,896</b>	<b>\$134,722,742</b>	<b>\$5,791,846</b>
<b>EXPENSES</b>			
Salaries, wages and benefits	\$38,587,201	<b>\$38,843,210</b>	\$256,009
Contracted and general services	24,353,704	<b>22,749,311</b>	(1,604,393)
Materials, goods and utilities	18,003,538	<b>17,781,554</b>	(221,984)
Amortization	12,695,431	<b>15,394,142</b>	2,698,711
Accretion	-	<b>2,640</b>	2,640
Grants	4,104,503	<b>4,136,716</b>	32,213
Interest on long term debt	1,574,047	<b>1,336,849</b>	(237,198)
Loss on disposal of tangible capital assets	-	<b>616,464</b>	616,464
Impairment of tangible capital assets	-	<b>603,732</b>	603,732
Provision for allowances	415,500	<b>2,187,608</b>	1,772,108
Internal allocations	-	-	-
<b>Total Expenses</b>	<b>\$99,733,924</b>	<b>\$103,652,226</b>	<b>\$3,918,302</b>
<b>Net Revenue</b>	<b>\$29,196,792</b>	<b>\$31,070,516</b>	<b>\$1,873,544</b>
Non-operating item close to equity	(29,196,972)	(20,827,031)	8,369,941
<b>Operating Surplus</b>	<b>\$ 0</b>	<b>\$10,243,485</b>	<b>\$10,243,485</b>

## Municipal: Operating Summary

### Operating Surplus By Division

The municipal operating surplus at year-end reflects the difference between total revenues and expenditures. A surplus provides additional resources for future investments, reserves, or unanticipated expenses, highlighting the importance of conservative financial planning and fiscal responsibility.

The 2024 operating surplus was primarily driven by favourable interest rates and reimbursement of funds from prior year expense outflows, with further details to be provided in the relevant revenue categories. The following breakdown presents the 2024 operating surplus by division, alongside comparative figures from 2023, highlighting key factors and any notable trends or variances.

Division	Surplus (Deficit)	2024 Carry Forwards	Net Surplus (Deficit) at Dec 31, 2024	Net Surplus (Deficit) at Dec 31, 2023
Communications & Strategic Services	\$568	\$92	\$477	\$(196)
Community Services	723	211	512	242
Council	116	-	116	91
Corporate Services	1,200	455	745	419
Development Services	1,793	1,052	741	435
Financial Services	1,282	893	389	(41)
General Administration	5,885	248	5,637	1,097
Infrastructure Services	1,955	328	1,627	3,785
<b>Total Municipal Surplus</b>	<b>\$13,522</b>	<b>\$3,278</b>	<b>\$10,243</b>	<b>\$5,833</b>
Utility Infrastructure Services	1,012	185	827	286
<b>Total Municipal &amp; Utilities Surplus</b>	<b>\$14,534</b>	<b>\$3,464</b>	<b>\$11,070</b>	<b>\$6,119</b>

*Amounts represented in thousands*

## **Municipal: Revenue Summary**

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Municipal revenues are derived from various sources, including property taxes, user fees, grants, and other forms of government transfers. Property taxes are the primary source of revenue, providing a stable and predictable income stream, while user fees help offset the cost of specific services. Grants and transfers, although valuable, are often less reliable due to their dependence on external factors, such as provincial or federal funding decisions. Given their variability, the municipality needs to maintain a conservative approach when relying on grants and transfers, as fluctuations in these sources can impact long-term financial planning and sustainability.

Municipal revenues exceed the 2024 Approved Budget. Below is a detailed revenue summary that outlines each source and its contribution to the municipality's financial health.

### **1. Property Tax Revenue**

Property tax revenue (budget to actuals) represents a \$3.4 million unfavourable variance, mainly resulting from an incentive reduction from a Heartland Incentive Bylaw project and several assessment complaint decisions that resulted in lower revenue. However, most of this shortfall was offset by financial reserves established to address such situations.

### **2. Sales & User Fees**

Sales and user charges (budget to actuals) represents a \$1.4 million favorable variance mainly resulting from increased usage. The significant factors driving the County's higher than anticipated sales include water and wastewater consumption, dust control, permits, and fire billings.

### **3. Investment Income**

Investment income (budget to actuals) represents a favourable variance of \$3.8 million primarily due to favourable market interest rates for short and long-term investments combined with proactive cash management and investment strategies. The investment budget was increased for 2025, but we remain conservative as we expect further rate reductions. Administration manages investments in alignment with the County's investment policy to ensure maximum returns with minimal risk exposure.

### **4. Special Levies and Other Tax Agreements**

Special levies and other tax agreements (budget to actuals) represents a favourable variance of \$0.6 million. This is attributed to higher-than-anticipated CAP levy funding, as well as revenue received and flowed through for the Clean Energy Improvement Program. Under this program, residential and commercial

## Municipal: Revenue Summary

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property owners can access low-cost financing for energy efficiency and renewable energy upgrades. These amounts are deemed eligible and are repayable over time in accordance with the program's terms.

### **5. Government Transfer for Operating**

Government transfer (budget to actuals) represents a favourable variance of \$4.8 million, resulting from operating funds greater than anticipated. This variance is mainly attributed to the 2020 Northern Alberta Flood Disaster Recovery Program, which we received \$3.7 million in 2024 to offset previous costs incurred. To date, \$4.1 million has been received under this program, with additional funding anticipated in 2025.

### **6. Other Revenue**

Other Revenue (budget to actuals) represents a favourable variance of \$1.6 million, primarily due to development deposits recognized as revenue and offsetting expenses, which resulted in no financial impact on the County.

## **Municipal: Expense Summary**

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Municipal expenses are driven by a range of costs necessary to deliver essential services and maintain infrastructure for the community. Key expenses include public safety, transportation, utilities, community programming, recreation and open spaces and administrative costs, which are vital for ensuring the continued functioning of the municipality. While some expenses are fixed, others fluctuate based on demand and external factors, such as inflation or changes in service requirements. Managing these expenses efficiently is crucial for maintaining financial sustainability, and the municipality must remain vigilant in controlling costs to ensure that expenditures align with revenue projections and long-term financial goals.

As of December 31, 2024, municipal expenses were below the 2024 Approved Budget. Below is a detailed expense summary that outlines these costs and their impact on the municipality's financial health.

### **1. Salaries, Wages, and Benefits**

Salaries, wages, and benefits (budget to actuals) represent an unfavourable variance of \$0.3 million. This variance was lower than initially expected, as it was offset by costs related to staff vacancies and the timing of onboarding new staff.

- In compliance with 2022 Audit recommendations from MNP, the County underwent an actuarial valuation of post-retirement benefit plans. The actuary's estimate increased the liability by \$1 million for 2024.
- During budget development, wage inflation estimates were initially set at 1.5% but adjusted to 2.4% to align with Alberta's September average weekly earnings index.

### **2. Contracted and General Services**

Contracted and General Services (budget to actuals) represents a favourable variance of \$1.6 million. This is primarily due to contracts coming in under budget, including services such as street sweeping and bridge maintenance. Additionally, the timing of certain projects contributed to the variance, with some scheduled for completion in 2025. The associated funds have been identified and included in the 2024 carryforwards.

### **3. Loss and Impairment of Tangible Capital Assets**

Loss and impairment of tangible capital assets (budget to actuals) represents an unfavourable variance of \$1.2 million which includes the disposal or adjustment of 71 assets. Contributing factors include asset disposals for projects where no physical asset was ultimately completed, lower-than-anticipated proceeds from asset disposals and potential misalignments with the current Tangible Capital Asset (TCA) policy—

## **Municipal: Revenue Summary**

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specifically related to useful life and salvage value estimates. Administration intends to review and update the TCA policy to ensure it reflects current practices and asset management standards.

### **4. Provision for Allowances**

Provisions for allowances show an unfavourable variance of \$1.8 million. This is primarily due to an oil and gas company entering receivership and an additional breach of a tax agreement. These events have increased the estimated uncollectible amounts, requiring a higher provision.



## Utility: Operating and Program Summary

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The utility operating results at year-end reflect the balance between total revenues and expenditures, providing insight into the program's financial health. Any surplus or shortfall in utility funds at the year's close is either returned or offset by reserve funds, ensuring the Utility model remains self-sustaining, particularly as not all residents have access to the County's utility services. Surplus funds enhance the County's capacity to allocate resources for future investments, bolster reserves, or address unforeseen expenses, showcasing effective financial planning and fiscal responsibility. The statement below outlines the various programs within the Utility Service Portfolio and their respective financial position for 2024.

Program	Surplus	2024 Carry Forwards	Net Surplus at Dec 31, 2024	Net Surplus at Dec 31, 2023
Budgeted Surplus	\$493	\$-	\$493	\$256
Unbudgeted Surplus	519	185	334	30
<b>Total Utility Surplus</b>	<b>\$1,012</b>	<b>\$185</b>	<b>\$827</b>	<b>\$286</b>

*Amounts represented in thousands*

Overall, the utility program has achieved a surplus of \$0.8 million, primarily driven by higher-than-anticipated usage across water and wastewater services. Compared to the original budgeted projections, this increase in usage resulted in additional revenue for the Utility Services. As a result, the surplus funds have been transferred into the Utilities Capital Reserve.

Allocating these surplus funds to the capital reserve strengthens the County's financial position, ensuring that resources are available for future utility infrastructure investments, such as system upgrades, maintenance, and expansion projects. This approach supports the long-term sustainability of utility services, helps to mitigate future funding gaps, and maintains the County's commitment to managing utilities in a fiscally responsible and self-sustaining manner.

## Capital: Financial Summary

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The County's capital budget supports critical infrastructure areas such as bridges, local roads, drainage, and utility infrastructure, along with strategic investments in broadband connectivity, public buildings, and open spaces. With a strong focus on maintaining and enhancing municipal assets, the budget also lays the groundwork for future growth through initiatives like land acquisition, offsite levies, and intersection improvements. The overarching goal is to ensure the community's safety, connectivity, and sustainability while delivering long-term value to residents and businesses through strategic capital investments.

As amended, the 2024-2025 Capital Budget totals \$72.5 million in expenditures and reserve transfers, supporting 159 projects and 6 programs across the County's key infrastructure programs.

Since the capital budget was approved, Council has also approved the 2023 Audited Financial Statements, which included \$28.0 million in capital carry forwards. In addition, several in year capital budget amendments resulted in a net reduction of \$4.5 million to the capital plan. The chart below represents the amended budget, as approved.

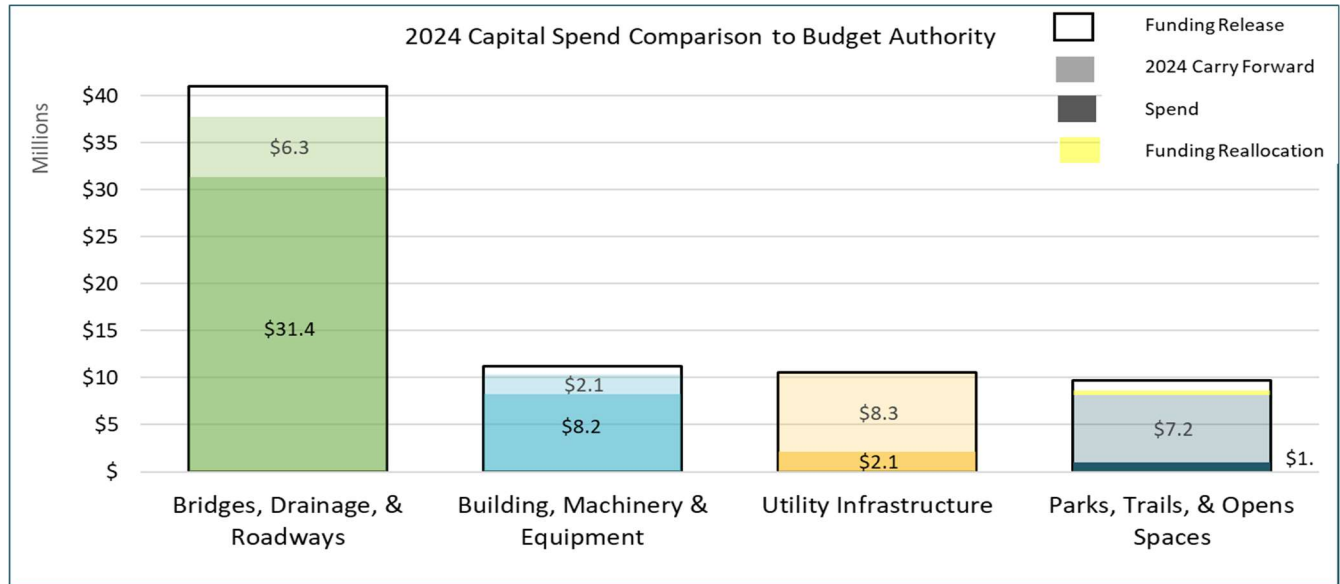
Description	2024	2025
Approved Capital Budget	\$49.0	\$46.6
Prior Year Carryforwards	28.0	23.9
Capital Amendments	(4.5)	8.1*
<b>Authorized Capital Budget</b>	<b>\$72.5</b>	<b>\$78.6</b>

*Amounts represented in millions.*

*\*Council motions in 2024 that affects 2025 budget*

## Capital: Financial Summary

As of December 31, the County's actual capital spent spend was \$42.8 million, which includes \$1.4 million in operational expenditures and excludes \$2.0 million of contributed assets. This resulted in a funding release of \$5.9 million. A breakdown of capital spending by type is presented in the chart below.



Management reviewed various factors for this period to update capital project status, completion timelines, and financial results, as summarized below. Further project details can be found in **Attachment 2: 2024 Capital Project Report**.

As part of ongoing financial oversight:

- 51 projects (~12.3%) required fund reallocations, offset by surpluses or savings from other projects.
- 62 projects (~20.3%) reported surpluses or are reallocating funds to support budget adjustments.
- 10 projects, totaling \$0.4 million, were reclassified from operating expenses to capital.

Status	Authorized Budget	Spend to Date	Funding Release	2024 Capital Carryforward
Complete/Warranty	\$21.0	\$23.0	\$3.5	\$1.6
In Design/Progress	45.4	19.8	(6.4)	19.2
Not Started	3.9	0.1	(0.8)	3.1
Cancelled	2.2	-	(2.2)	-
<b>Total</b>	<b>\$72.5</b>	<b>\$43.4</b>	<b>(\$5.9)</b>	<b>\$23.9</b>

## Capital: Procurement Summary

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Goods or Services opportunities and awards over \$75,000, and Construction opportunities and awards over \$200,000, are posted on the Alberta Purchasing Connection website, as required by public sector entities. Adhering to procurement laws and regulations is crucial to maintaining fairness, transparency, and accountability in the procurement process. These "Over Threshold" procurements are managed through an open and transparent process, in alignment with Alberta's procurement legislation, municipal policies, and relevant trade agreement requirements. This ensures that all suppliers have equal access to opportunities and that public funds are spent responsibly, supporting the best value for the community.

For the year ended December 31, 2024, the County has contracted obligations totalling \$43.5 million related to ongoing capital projects executed during 2024 with the support of Procurement Services. The capital contracts status changes recorded within 2024 are reflected in the chart below.

Contract Status	Capital Project Count	Contracted
Engineering Services Complete, Construction Procurement Pending	14	\$ 1.1
Complete	33	\$ 30.7
Multiple Projects	8	\$ 3.1
Under Threshold	35	\$8.6
<b>Totals</b>	<b>90</b>	<b>\$34.9</b>

The Capital Project Report spans multiple years and is not intended to tie directly to the commitments outlined above. Further capital progress and financial details can be found in the **Attachment 2: 2024 Capital Project Report**.

## Financial Reserves

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Financial reserves are funds set aside by municipalities to manage financial challenges, ensure fiscal responsibility, and support future projects. Governed by the Municipal Government Act (MGA), these reserves provide financial flexibility to cover unexpected expenses or revenue shortfalls, such as declines in property assessments, without raising taxes or borrowing. They also help stabilize the budget, allowing municipalities to maintain consistent services, like snow clearing, during fluctuating demands.

Reserves play a crucial role in long-term planning by funding infrastructure projects and community facilities without increasing taxes or borrowing. They also act as a buffer for emergencies like natural disasters or public health crises. Special purpose reserves are used for specific projects like infrastructure development and growth management to support sustainable community development while meeting legislated requirements for holding and reporting these funds.

### **The County's Financial Reserve Policy includes five categories, which are detailed below:**

- Emergency Management reserves address unplanned events, like climate, industry, municipal operations, or public safety events.
- Lifecycle and Capital Asset Management reserves support the refurbishment, replacement, or enhancement of Sturgeon County's capital assets.
- Tax Stabilization reserves reduce fluctuations from cyclical expenditures, unexpected operational events, revenue loss, and cash flow timing differences.
- Utility Management reserves stabilize utility rates and fund the lifecycle management of water and wastewater assets.
- Special Purpose reserves are restricted by bylaws, policies, or legislation or identified by Council as a strategic priority.

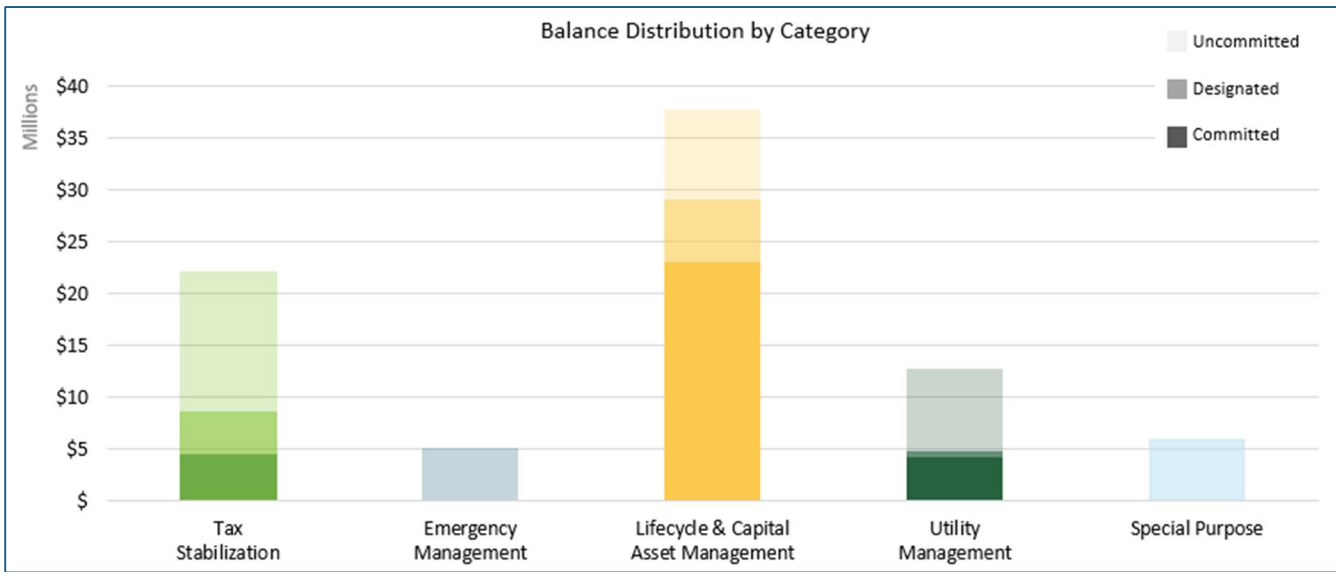
### **The following definitions are key components of financial reserve management.**

- Uncommitted reserves are not allocated for any specific purpose and are available for use or future allocation.
- Designated reserves are set aside for a specific purpose but have not been approved by Council for expenditure and are unavailable for other uses.
- Committed reserves are authorized by Council for funding specific approved expenditures.

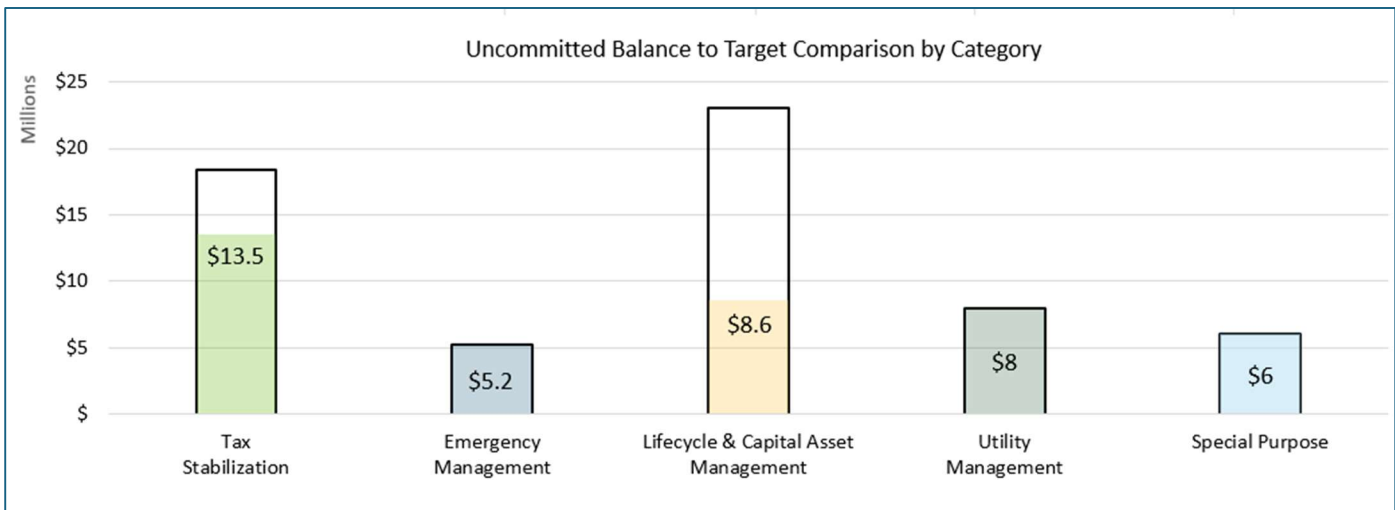
# Financial Reserves

The County’s Financial Reserve balance, inclusive of all December 31, 2024, classifications, is \$83.9 million, of which \$35.2 (net of \$17.9 million financed front-ended offsite levy infrastructure) remains uncommitted.

The following chart represents reserves by category and their respective balance classification of uncommitted, designated, or committed as of December 31, 2024.



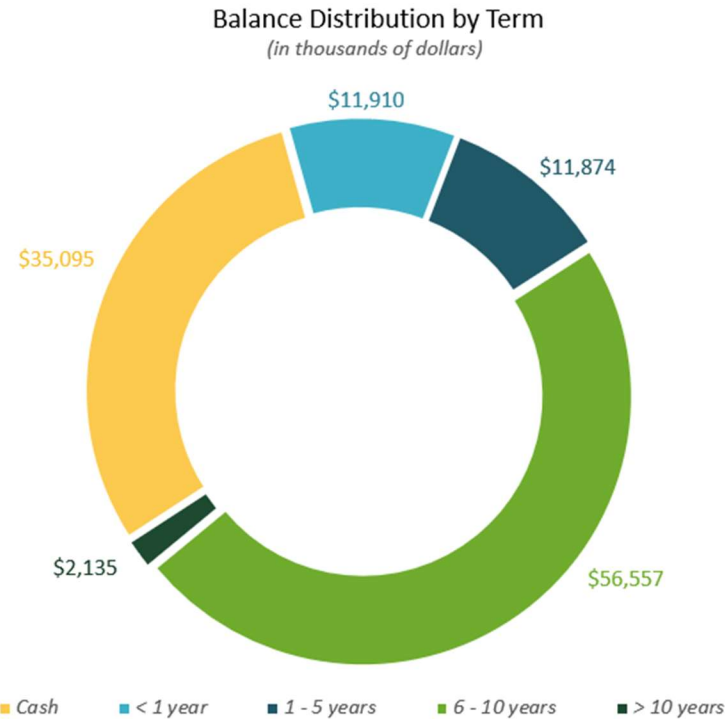
The following charts provides a high-level summary of each category and the respective target balance in alignment with the Financial Reserve Policy as of December 31, 2024. Beginning with the 2026 budget, strategies to address the \$19.3 million balance to target deficit will be integrated into future budget planning.



# Investments

The County’s investment portfolio is managed to achieve an optimal rate of return while adhering to the Municipal Government Act (MGA) and internal investment policies. These policies ensure that investments balance risk and return, maintaining liquidity and safety while complying with all regulations. By applying a sound investment strategy, the County maximizes opportunities to generate income, maintaining financial flexibility and securing additional resources that can be reinvested into community projects and services.

The principal balance of the County’s cash and investments on December 31, 2024, is \$117.6 million. The market has experienced easing inflationary pressures since July 2023, leading to multiple policy rate reductions, though prime rates remain above historical averages. While higher rates have resulted in favourable investment returns, they also bring about higher borrowing costs. The following chart illustrates the impact of these conditions on the County’s investment portfolio.



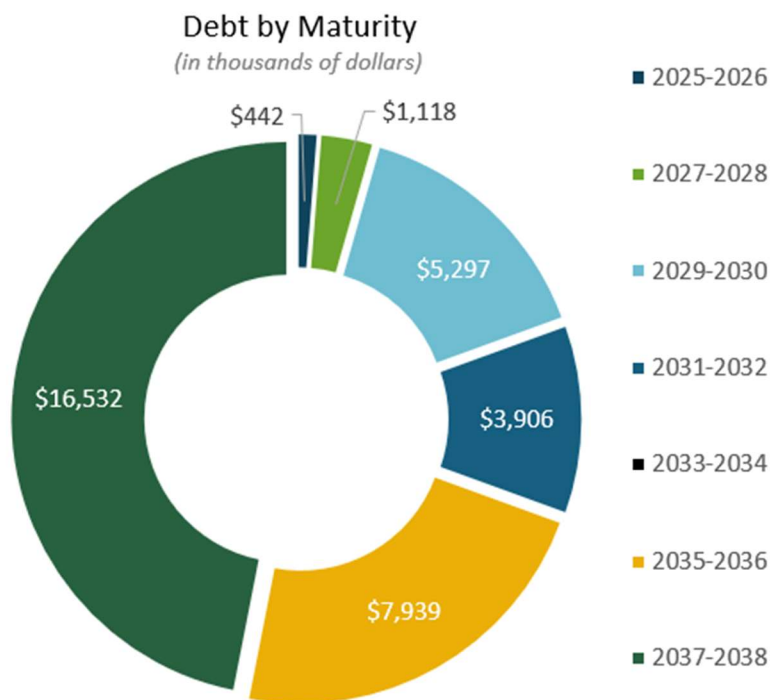
## Average Interest Rate by Term

Investment	Average Rate
Cash	3.55%
Terms < 1 year	2.91%
Terms 1 - 5 years	4.13%
Terms 6 - 10 years	5.24%
Terms > 10 years	3.05%

## Debt

Debt financing enables the County to meet service needs and growth objectives by distributing the impact of capital spending over a longer timeframe, thereby sustaining infrastructure and services without overburdening taxpayers. Aligned with the Municipal Government Act (MGA), the County's Debt Management policy ensures responsible and sustainable borrowing and supports flexibility in debt structuring and repayment terms. This facilitates financially sound decisions in relation to revenue and growth projections, debt limits, and debt repayment capacity.

Historically, borrowing options through the province were limited and restrictive due to the strict timing of debt draws, inflexible structure and repayment terms, and financially prohibitive early repayment penalties (stop-loss payments) despite favourable interest rates. Recent changes to the provincial lending structure have reduced competitiveness, opening up alternative financing opportunities in the open market that provide greater flexibility while maintaining compliance with the Municipal Government Act and the Debt Management Policy. By exploring lending opportunities with non-governmental providers, Administration has secured borrowing facilities with more favourable rates and terms, including opportunities for early repayment without incurring penalties. Given adequate financial resources, the earliest repayment opportunity for all or a portion of the County's \$13.97 million commercial borrowing facility is 2028.



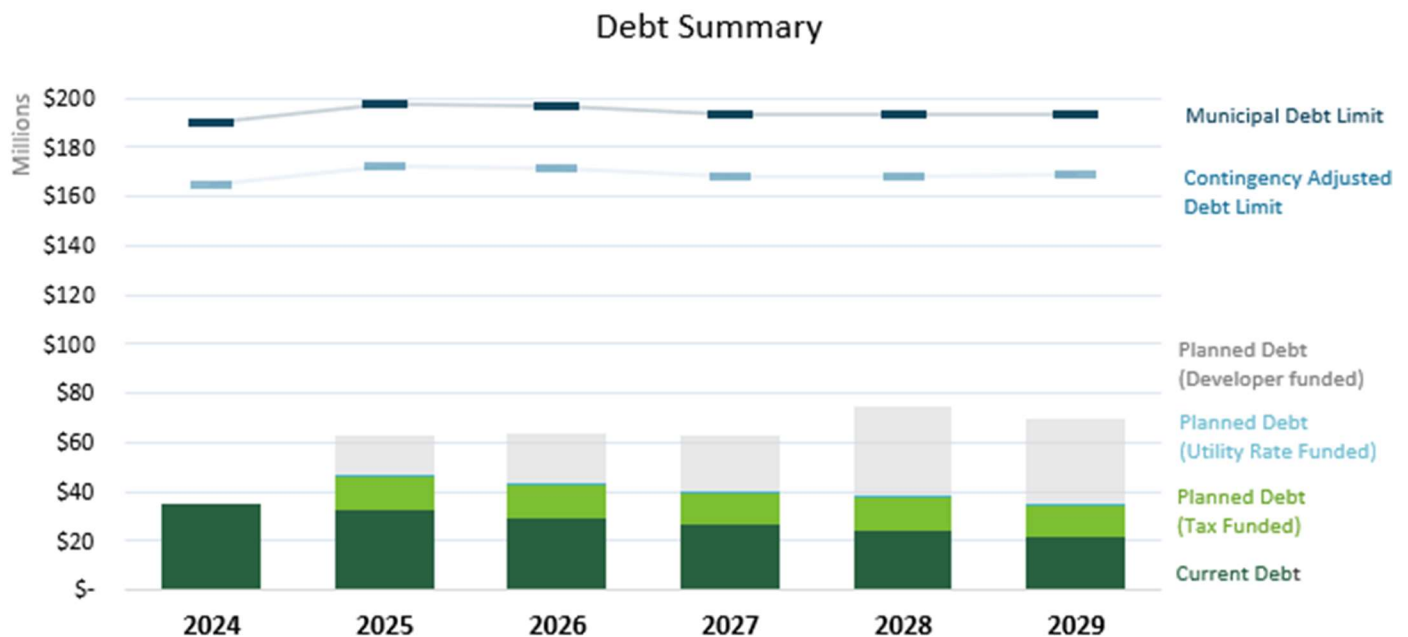
### Interest Range by Maturity

Date	Interest Range
2025	1.95 – 3.89%
2026	2.79%
2027	2.53%
2028	2.83 – 3.59%
2030	1.97 – 2.46%
2031	2.76 – 2.80%
2032	2.77%
2035	1.96 – 2.83%
2037	3.08%
2038	5.18%



## Debt

As of December 31, 2024, the County has \$35 million in debt outstanding maturing between 2025 and 2038, with interest rates ranging from 1.95% to 5.18%. Future debt capacity is forecasted to range between \$93 and \$129 million. This reflects the \$190 million debt limit, reduced by the \$25 million debt contingency under the Debt Management Policy, and considers the impact of borrowing projections approved in the 2024-2029 Capital Plan and subsequent in-year motions approved for 2025.



**As part of the 2024-2025 capital plan, Council approved the following projects to be financed from debt:**

- Sturgeon Road & RR 250 Roundabout - Debenture financing of \$1.3 million (Bylaw 1654/24)
- Twp Rd 554 – Hwy 2 to Hwy 44 – Debenture financing of \$2 million
- Vista Road and Rge Rd 230 to Casa Vista Subdivision – Debenture financing of \$4.9 million

The below debentures are currently on hold pending the completion of the Offsite Levy Bylaws. This pause ensures that any borrowing aligns with the finalized framework and cost recovery mechanisms outlined in the bylaws.

- Sturgeon Road and Rivers Gate Intersection Upgrade - Debenture financing of \$0.6 million
- River's Gate Lift Station (Phase 2) - Debenture financing of \$4.7 million
- Sewer Trunks to River's Gate Lift Station (Stage 1) - Debenture financing of \$1.6 million
- 350/450 mm Watermain Extension (Range Road 250) - Debenture financing of \$5.6 million
- 500 mm Watermain Extension (Range Road 250) - Debenture financing of \$3.3 million
- Rge Rd 225 – Hwy 825 to Estates Way – Debenture financing of \$4.8 million