

VILLAGE OF ROSEMARY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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**INDEPENDENT
AUDITORS' REPORT**

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**THE MAYOR AND COUNCIL OF
VILLAGE OF ROSEMARY**

Report on the Financial Statements

We have audited the accompanying financial statements of the Village of Rosemary, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the municipality as at December 31, 2015 and the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Johnston Morrison Hunter & Co. Professional Corporation

CHARTERED ACCOUNTANTS

BROOKS, ALBERTA
MARCH 22, 2016

VILLAGE OF ROSEMARY

**Statement of Financial Position
December 31, 2015**

	2015	2014 (Restated)
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	1,147,054	372,423
Taxes and grants in place of taxes (Note 3)	4,466	1,856
Trade and other receivables	122,122	79,477
Land held for resale inventory	222,340	123,578
Investments (Note 4)	10	10
Other financial assets	11,990	11,990
TOTAL FINANCIAL ASSETS	<u>1,507,982</u>	<u>589,334</u>
LIABILITIES		
Accounts payable and accrued liabilities	302,964	107,143
Deferred revenue (Note 6)	797,615	160,427
Long-term debt (Note 8)	65,585	73,651
	<u>1,166,164</u>	<u>341,221</u>
NET FINANCIAL ASSETS (DEBT)	<u>341,818</u>	<u>248,113</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	4,592,080	4,311,372
Prepaid expenses	7,444	9,887
	<u>4,599,524</u>	<u>4,321,259</u>
ACCUMULATED SURPLUS (Note 12)	<u>4,941,342</u>	<u>4,569,372</u>

VILLAGE OF ROSEMARY
Statement of Operations
For the Year Ended December 31, 2015

	Budget	2015	2014 (Restated)
	\$	\$	\$
REVENUE			
Net municipal taxes, Schedule 3	264,442	264,338	267,578
Government transfers for operating, Schedule 4	226,597	278,043	130,750
Investment income	1,650	708	526
User fees and sale of goods	207,850	209,649	195,863
Penalties and costs of taxes	1,000	1,730	1,532
Franchise and concession contracts	27,500	28,193	26,088
Other	5,200	2,803	11,328
	<u>734,239</u>	<u>785,464</u>	<u>633,665</u>
EXPENSES			
Legislative	30,000	29,886	26,575
Administration	145,540	143,178	127,560
Fire, ambulance and bylaws enforcement	112,028	103,883	101,968
Roads, streets, walks and lighting	201,016	252,285	162,637
Water and wastewater	170,084	175,569	188,279
Waste management	36,979	38,232	35,949
Parks and recreation	62,022	54,169	54,242
Other	89,580	9,775	18,241
	<u>847,249</u>	<u>806,977</u>	<u>715,451</u>
SHORTFALL OF REVENUE OVER EXPENSES BEFORE OTHER	(113,010)	(21,513)	(81,786)
OTHER			
Contributed assets	-	26,375	27,492
Government transfers for capital, Schedule 4	1,338,094	367,108	284,593
EXCESS OF REVENUE OVER EXPENSES, Schedule 6	<u>1,225,084</u>	<u>371,970</u>	<u>230,299</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>4,569,372</u>	<u>4,569,372</u>	<u>4,339,073</u>
ACCUMULATED SURPLUS, END OF YEAR, Schedule 1	<u><u>5,794,456</u></u>	<u><u>4,941,342</u></u>	<u><u>4,569,372</u></u>

VILLAGE OF ROSEMARY

**Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2015**

	Budget	2015	2014 (Restated)
	\$	\$	\$
EXCESS OF REVENUE OVER EXPENSES	1,225,084	371,970	230,299
Acquisition of tangible capital assets	(1,385,084)	(414,511)	(330,362)
Contributed tangible capital assets	-	(26,375)	(27,492)
Proceeds on the disposal of tangible capital assets	-	-	5,800
Amortization of tangible capital assets	160,000	160,178	177,619
Gain on sale of tangible capital assets	-	-	(5,800)
	(1,225,084)	(280,708)	(180,235)
Acquisition of prepaid assets	-	(7,444)	(9,887)
Use of prepaid assets	-	9,887	10,244
	-	2,443	357
INCREASE IN NET ASSETS	-	93,705	50,421
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	248,113	248,113	197,692
NET FINANCIAL ASSETS (DEBT), END OF YEAR	248,113	341,818	248,113

VILLAGE OF ROSEMARY

Statement of Cash Flows
For the Year Ended December 31, 2015

	2015	2014
	\$	(Restated)
	\$	\$
OPERATING		
Excess of revenue over expenses	371,970	230,299
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	160,178	177,619
Gain on disposal of tangible capital assets	-	(5,800)
Tangible capital assets received as contributions	(26,375)	(27,492)
Non-cash charges to operations (net change):		
(Increase) decrease in taxes and grants in place	(2,610)	405
(Increase) decrease in trade and other receivables	(42,645)	17,268
(Increase) in land held for resale inventory	(98,762)	-
Decrease in prepaid expenses	2,443	357
Increase in accounts payable and accrued liabilities	195,821	1,588
Increase in deferred revenue	637,188	105,456
CASH PROVIDED BY OPERATING TRANSACTIONS	<u>1,197,208</u>	<u>499,700</u>
CAPITAL		
Acquisition of tangible capital assets	(414,511)	(330,362)
Proceeds on disposal on tangible capital assets	-	5,800
CASH APPLIED TO CAPITAL TRANSACTIONS	<u>(414,511)</u>	<u>(324,562)</u>
FINANCING		
Long-term debt repaid	(8,066)	(12,014)
CASH APPLIED TO FINANCING TRANSACTIONS	<u>(8,066)</u>	<u>(12,014)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	774,631	163,124
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>372,423</u>	<u>209,299</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>1,147,054</u></u>	<u><u>372,423</u></u>
CASH AND CASH EQUIVALENTS ARE MADE UP OF:		
Cash and temporary investments (Note 2)	<u><u>1,147,054</u></u>	<u><u>372,423</u></u>

VILLAGE OF ROSEMARY

Schedule of Changes in Accumulated Surplus For The Year Ended December 31, 2015 Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014
	\$	\$	\$	\$	\$
					(Restated)
Balance, beginning of year	179,806	151,845	4,237,721	4,569,372	4,339,073
Excess (deficiency) of revenues over expenses	371,970	-	-	371,970	230,299
Restricted funds used for fire department	(11,423)	11,423	-	-	-
Current year funds used for tangible capital assets	(440,886)	-	440,886	-	-
Annual amortization expense	160,178	-	(160,178)	-	-
Long term debt repaid	(8,066)	-	8,066	-	-
Change in accumulated surplus	<u>71,773</u>	<u>11,423</u>	<u>288,774</u>	<u>371,970</u>	<u>230,299</u>
Balance, end of year	<u>251,579</u>	<u>163,268</u>	<u>4,526,495</u>	<u>4,941,342</u>	<u>4,569,372</u>

VILLAGE OF ROSEMARY

Schedule of Tangible Capital Assets For The Year Ended December 31, 2015 Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Cost:								
Balance, beginning of year	177,938	260,165	184,574	5,598,633	234,375	311,517	6,767,202	6,445,039
Acquisition of tangible capital assets	-	29,217	-	210,715	13,875	12,500	266,307	357,854
Construction-in-progress	-	-	-	174,579	-	-	174,579	-
Disposal of tangible capital assets	-	-	-	-	-	-	-	(35,691)
Write down of tangible capital assets	-	-	-	(294,000)	-	-	(294,000)	-
Balance, end of year	<u>177,938</u>	<u>289,382</u>	<u>184,574</u>	<u>5,689,927</u>	<u>248,250</u>	<u>324,017</u>	<u>6,914,088</u>	<u>6,767,202</u>
Accumulated Amortization:								
Balance, beginning of year	-	48,671	51,275	2,075,550	134,024	146,310	2,455,830	2,313,902
Annual amortization	-	11,640	3,692	104,821	24,004	16,021	160,178	177,619
Accumulated amortization on disposals	-	-	-	-	-	-	-	(35,691)
Accumulated amortization on write down of tangible capital assets	-	-	-	(294,000)	-	-	(294,000)	-
Balance, end of year	<u>-</u>	<u>60,311</u>	<u>54,967</u>	<u>1,886,371</u>	<u>158,028</u>	<u>162,331</u>	<u>2,322,008</u>	<u>2,455,830</u>
Net Book Value of Tangible Capital Assets	<u>177,938</u>	<u>229,071</u>	<u>129,607</u>	<u>3,803,556</u>	<u>90,222</u>	<u>161,686</u>	<u>4,592,080</u>	<u>4,311,372</u>

VILLAGE OF ROSEMARY

**Schedule of Property And Other Taxes
For the Year Ended December 31, 2015
Schedule 3**

	Budget	2015	2014
	\$	\$	\$
TAXATION			
Real property taxes	332,587	332,482	331,454
Government grants in place of property taxes	-	-	2,639
	<u>332,587</u>	<u>332,482</u>	<u>334,093</u>
REQUISITIONS			
Alberta School foundation fund	63,088	63,087	62,072
Newell seniors foundation	5,057	5,057	4,443
	<u>68,145</u>	<u>68,144</u>	<u>66,515</u>
NET MUNICIPAL TAXES	<u>264,442</u>	<u>264,338</u>	<u>267,578</u>

VILLAGE OF ROSEMARY

**Schedule of Government Transfers
For the Year Ended December 31, 2015
Schedule 4**

	Budget	2015	2014
	\$	\$	\$
TRANSFERS FOR OPERATING			
Provincial government	139,384	189,160	45,135
Other local governments	87,213	88,883	85,615
	<u>226,597</u>	<u>278,043</u>	<u>130,750</u>
TRANSFERS FOR CAPITAL			
Provincial government	1,237,086	320,625	284,593
Other local governments	101,008	46,483	-
	<u>1,338,094</u>	<u>367,108</u>	<u>284,593</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>1,564,691</u></u>	<u><u>645,151</u></u>	<u><u>415,343</u></u>

VILLAGE OF ROSEMARY

**Schedule of Expenses by Object
For the Year Ended December 31, 2015
Schedule 5**

	Budget	2015	2014
	\$	\$	\$
EXPENDITURES			
Salaries, wages and benefits	196,390	206,254	163,239
Contracted and general services	229,984	146,660	163,626
Materials, goods and utilities	187,624	220,932	138,822
Interest on long-term debt	4,239	4,239	4,775
Amortization of tangible capital assets	160,000	160,178	177,619
Other expenditures	69,012	68,714	67,370
	<u>847,249</u>	<u>806,977</u>	<u>715,451</u>

VILLAGE OF ROSEMARY

Schedule of Segmented Disclosure For The Year Ended December 31, 2015 Schedule 6

	General Government	Protective Services	Transportation Services	Water & Waste Management	Recreation & Culture	Total
	\$	\$	\$	\$	\$	\$
Revenue:						
Net municipal taxes	264,338	-	-	-	-	264,338
Government transfers	15,032	66,709	203,084	193,895	166,431	645,151
Investment income	331	374	-	-	3	708
User fees and sale of goods	2,743	7,949	1,007	169,379	28,571	209,649
Penalties and cost of taxes	1,730	-	-	-	-	1,730
Franchise and concession contracts	28,193	-	-	-	-	28,193
Contributed assets	-	26,375	-	-	-	26,375
Other revenues	<u>2,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153</u>	<u>2,803</u>
	<u>315,017</u>	<u>101,407</u>	<u>204,091</u>	<u>363,274</u>	<u>195,158</u>	<u>1,178,947</u>
Expenses:						
Salaries & wages	88,336	16,424	63,078	38,416	-	206,254
Contracted & general services	30,399	21,743	10,477	74,266	9,775	146,660
Goods & supplies	48,295	24,843	125,540	18,945	3,308	220,931
Long-term debt interest	-	4,155	-	84	-	4,239
Other expenses	<u>3,290</u>	<u>8,296</u>	<u>1,076</u>	<u>16,832</u>	<u>39,221</u>	<u>68,715</u>
	<u>170,320</u>	<u>75,461</u>	<u>200,171</u>	<u>148,543</u>	<u>52,304</u>	<u>646,799</u>
Net revenue, before amortization	<u>144,697</u>	<u>25,946</u>	<u>3,920</u>	<u>214,731</u>	<u>142,854</u>	<u>532,148</u>
Amortization expense	<u>(2,744)</u>	<u>(28,422)</u>	<u>(52,113)</u>	<u>(65,259)</u>	<u>(11,640)</u>	<u>(160,178)</u>
Net Revenue	<u>141,953</u>	<u>(2,476)</u>	<u>(48,193)</u>	<u>149,472</u>	<u>131,214</u>	<u>371,970</u>

VILLAGE OF ROSEMARY

Notes to the Financial Statements For The Year Ended December 31, 2015

1. Significant Accounting Policies

The financial statements of the Village of Rosemary are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the Village of Rosemary are as follows:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances, and change in financial position of the Village of Rosemary.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records 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.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Cash and Cash Equivalents

The Village's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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 that is other than a temporary decline, the respective investment is written down to recognize the loss.

VILLAGE OF ROSEMARY

Notes to the Financial Statements For The Year Ended December 31, 2015

Requisition Over-Levy and Under-Levy

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, road, sidewalks and street lighting are recorded as capital assets under their respective function.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

VILLAGE OF ROSEMARY

Notes to the Financial Statements For The Year Ended December 31, 2015

Tangible Capital Assets

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

	Years
Land improvements	15-20
Buildings	25-50
Engineered structures	
Water system	35-65
Wastewater system	35-65
Other engineered structures	15-40
Machinery and equipment	5-20
Vehicles	3-20

Assets under construction are not amortized until the asset is available for productive use.

Contaminated Site Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

Measurement of Financial Instruments

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, term deposits and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and long-term debt.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

VILLAGE OF ROSEMARY

**Notes to the Financial Statements
For The Year Ended December 31, 2015**

2. Cash and Temporary Investments

	2015	2014
	\$	\$
Cash	762,054	337,423
Temporary investments	<u>385,000</u>	<u>35,000</u>
	<u>1,147,054</u>	<u>372,423</u>

Temporary investments are short-term savings accounts bearing interest at 0.65% and are cashable on demand.

Included in cash is a restricted amount of \$787,231 (2014 - \$149,241) received from external sources and held exclusively for capital projects .

3. Taxes and Grants in Place of Taxes

	2015	2014
	\$	\$
Current taxes and grants in place of taxes	<u>4,466</u>	<u>1,856</u>

4. Investments

	2015	2014
	\$	\$
Newell Regional Services Corporation, common shares	<u>10</u>	<u>10</u>

5. Bank Advances

A line of credit facility of up to \$105,000. Secured by Municipal Borrowing By-Law 443/14 (Chief Elected Officer and Chief Administrative Officer are authorized on behalf of the Village to execute promissory notes or other negotiable instruments and transfer any present and future property, real or personal, movable or immovable, to furnish security for the debt). Due on demand with interest calculated at prime. No balance was outstanding at year-end.

VILLAGE OF ROSEMARY
Notes to the Financial Statements
For The Year Ended December 31, 2015

6. Deferred Revenue

	2015	2014
	\$	\$
Alberta conditional grants	787,231	149,241
Taxes paid in advance	<u>10,384</u>	<u>11,186</u>
	<u>797,615</u>	<u>160,427</u>

Alberta conditional grants were received from external sources and have not been expended in the current year.

The use of these funds is restricted to eligible capital and operating projects, as approved under the funding agreements, scheduled for completion in 2016. Unexpended funds related to the advance are supported by cash and temporary investments of \$787,231.

7. Contaminated Sites Liability

On January 1, 2015, the village adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and resulted in an increase of \$66,525 in accounts payable and accrued liabilities and a decrease of \$66,525 in accumulated surplus of the village.

VILLAGE OF ROSEMARY
Notes to the Financial Statements
For The Year Ended December 31, 2015

8. Long-Term Debt

	2015	2014
	\$	\$
Tax supported debentures	<u>65,585</u>	<u>73,651</u>

The current portion of long-term debt is \$3,888 (2014 - \$8,067).

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2016	3,888	3,935	7,823
2017	4,121	3,702	7,823
2018	4,368	3,455	7,823
2019	4,630	3,192	7,823
2020	4,909	2,915	7,824
2021 and on	<u>43,669</u>	<u>11,088</u>	<u>54,757</u>
	<u>65,585</u>	<u>28,287</u>	<u>93,872</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 6% per annum and matures in 2027. The average annual interest rate is 6.09% for 2015 (5.99% for 2014). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8% to 12.5% depending on the date borrowed. Debenture debt is issued on the credit and security of the Village of Rosemary at large.

Interest on long-term debt amounted to \$4,239 (2014 - \$4,775).

The Village's total cash payments for interest in 2015 was \$4,239 (2014 - \$4,775).

VILLAGE OF ROSEMARY
Notes to the Financial Statements
For The Year Ended December 31, 2015

9. Debt Limits

Section 276 [2] of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Village of Rosemary be disclosed as follows:

	2015	2014
	\$	\$
Total debt limit	1,178,196	950,498
Total debt	<u>65,585</u>	<u>73,651</u>
Amount of debt limit unused	<u>1,112,611</u>	<u>876,847</u>
Debt servicing limit	196,366	158,416
Debt servicing	<u>7,823</u>	<u>12,306</u>
Amount of debt servicing limit unused	<u>188,543</u>	<u>146,110</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service 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 guidelines 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 municipality. Rather, the financial statements must be interpreted as a whole.

10. Tangible Capital Assets

	2015	2014
Net Book Value	\$	\$
Land	177,938	177,938
Land improvements	229,071	211,494
Buildings	129,607	133,299
Engineered Structures		
Roadway system	615,361	644,592
Sidewalk, curb and gutter	240,277	222,102
Water distribution system	1,805,888	1,775,267
Wastewater system	967,451	881,123
Storm system	174,579	-
Machinery and equipment	90,222	100,351
Vehicles	<u>161,686</u>	<u>165,207</u>
	<u>4,592,080</u>	<u>4,311,372</u>

VILLAGE OF ROSEMARY

**Notes to the Financial Statements
For The Year Ended December 31, 2015**

11. Equity in Capital Assets

	2015	2014
	\$	\$
Tangible capital assets, Schedule 2	6,914,088	6,767,202
Accumulated amortization, Schedule 2	(2,322,008)	(2,455,830)
Long-term debt (Note 7)	<u>(65,585)</u>	<u>(73,651)</u>
	<u>4,526,495</u>	<u>4,237,721</u>

12. Accumulated Surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2015	2014
	\$	(Restated) \$
Unrestricted surplus (deficit)	251,579	179,806
Restricted surplus		
Fire department	51,132	39,709
General operations	112,136	112,136
Equity in tangible capital assets	<u>4,526,495</u>	<u>4,237,721</u>
	<u>4,941,342</u>	<u>4,569,372</u>

13. Segmented Disclosure

The Village of Rosemary provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

VILLAGE OF ROSEMARY

**Notes to the Financial Statements
For The Year Ended December 31, 2015**

14. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 379/94 is as follows:

	2015			2014
	Salary	Benefits and allowances	Total	Total
	\$	\$	\$	\$
Mayor	6,450	-	6,450	6,412
Deputy Mayor	5,262	32	5,294	5,754
Councillor 2	5,513	30	5,543	5,490
Municipal administrator	40,480	8,177	48,657	40,900

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, per diems and any other direct cash remuneration.
- 2) Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, healthcare, dental coverage, vision coverage, group life insurance, professional memberships and tuition.

15. Financial Instruments

The Village's financial instruments consist of cash and temporary investments, receivables, investments, accounts payable and accrued liabilities, deferred revenue, and long-term debt. It is management's opinion that the Village is not exposed to significant interest or currency risk arising from these financial statements.

The Village is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Village provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the fair value of the financial instruments approximates their carrying values.

16. Approval of Financial Statements

These financial statements were approved by Council and Administration on March 22, 2016.

17. Budgeted Figures

The budgeted figures, approved by Council on April 21, 2015 have not been audited and are presented for information purposes only.