

VILLAGE OF ROSEMARY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

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, 2016, 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, 2016 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 PROFESSIONAL ACCOUNTANTS

BROOKS, ALBERTA
MARCH 21, 2017

VILLAGE OF ROSEMARY

**Statement of Financial Position
December 31, 2016**

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	472,192	1,147,054
Taxes and grants in place of taxes (Note 3)	10,620	4,466
Trade and other receivables	80,775	122,122
Land held for resale inventory	119,092	222,340
Investments (Note 4)	10	10
Other financial assets	11,990	11,990
TOTAL FINANCIAL ASSETS	<u>694,679</u>	<u>1,507,982</u>
LIABILITIES		
Accounts payable and accrued liabilities	370,525	302,964
Deferred revenue (Note 6)	65,453	797,615
Long-term debt (Note 8)	61,697	65,585
	<u>497,675</u>	<u>1,166,164</u>
NET FINANCIAL ASSETS (DEBT)	<u>197,004</u>	<u>341,818</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	5,590,850	4,592,080
Prepaid expenses	6,948	7,444
	<u>5,597,798</u>	<u>4,599,524</u>
ACCUMULATED SURPLUS (Note 12)	<u>5,794,802</u>	<u>4,941,342</u>

VILLAGE OF ROSEMARY

**Statement of Operations
For the Year Ended December 31, 2016**

	Budget	2016	2015
	\$	\$	\$
REVENUE			
Net municipal taxes, Schedule 3	269,886	270,136	264,338
Government transfers for operating, Schedule 4	188,044	139,465	278,043
Investment income	1,650	3,621	708
User fees and sale of goods	206,050	170,334	209,649
Penalties and costs of taxes	1,500	6,365	1,730
Franchise and concession contracts	39,000	36,669	28,193
Other	5,200	2,746	2,803
	<u>711,330</u>	<u>629,336</u>	<u>785,464</u>
EXPENSES			
Legislative	30,500	27,758	29,886
Administration	154,680	155,496	143,178
Fire, ambulance and bylaws enforcement	122,998	116,469	103,883
Roads, streets, walks and lighting	196,185	263,691	252,285
Water and wastewater	177,535	154,318	175,569
Waste management	52,484	36,652	38,232
Parks and recreation	56,666	53,557	54,169
Other	58,846	97,887	9,775
	<u>849,894</u>	<u>905,828</u>	<u>806,977</u>
SHORTFALL OF REVENUE OVER EXPENSES BEFORE OTHER	(138,564)	(276,492)	(21,513)
OTHER			
Contributed assets	-	-	26,375
Government transfers for capital, Schedule 4	1,154,706	1,129,952	367,108
	<u>1,016,142</u>	<u>853,460</u>	<u>371,970</u>
EXCESS OF REVENUE OVER EXPENSES			
	<u>4,941,342</u>	<u>4,941,342</u>	<u>4,569,372</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
	<u>5,957,484</u>	<u>5,794,802</u>	<u>4,941,342</u>

VILLAGE OF ROSEMARY

**Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2016**

	Budget	2016	2015
	\$	\$	\$
EXCESS OF REVENUE OVER EXPENSES	<u>1,016,142</u>	<u>853,460</u>	<u>371,970</u>
Acquisition of tangible capital assets	(1,196,142)	(1,180,114)	(414,511)
Contributed tangible capital assets	-	-	(26,375)
Proceeds on the disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	180,000	181,344	160,178
Gain on sale of tangible capital assets	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(1,016,142)</u>	<u>(998,770)</u>	<u>(280,708)</u>
Acquisition of prepaid assets	-	(6,948)	(7,444)
Use of prepaid assets	<u>-</u>	<u>7,444</u>	<u>9,887</u>
	<u>-</u>	<u>496</u>	<u>2,443</u>
INCREASE IN NET ASSETS	-	(144,814)	93,705
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>341,818</u>	<u>341,818</u>	<u>248,113</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u><u>341,818</u></u>	<u><u>197,004</u></u>	<u><u>341,818</u></u>

VILLAGE OF ROSEMARY

**Statement of Cash Flows
For the Year Ended December 31, 2016**

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	853,460	371,970
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	181,344	160,178
Tangible capital assets received as contributions	-	(26,375)
Non-cash charges to operations (net change):		
(Increase) in taxes and grants in place	(6,154)	(2,610)
Decrease (increase) in trade and other receivables	41,347	(42,645)
Decrease (increase) in land held for resale inventory	103,248	(98,762)
Decrease in prepaid expenses	496	2,443
Increase in accounts payable and accrued liabilities	67,561	195,821
(Decrease) in deferred revenue	(732,162)	637,188
CASH PROVIDED BY OPERATING TRANSACTIONS	<u>509,140</u>	<u>1,197,208</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,180,114)	(414,511)
CASH APPLIED TO CAPITAL TRANSACTIONS	<u>(1,180,114)</u>	<u>(414,511)</u>
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash or cash equivalents	742,388	(637,990)
CASH APPLIED TO INVESTING TRANSACTIONS	<u>742,388</u>	<u>(637,990)</u>
FINANCING ACTIVITIES		
Long-term debt repaid	(3,888)	(8,066)
CASH APPLIED TO FINANCING TRANSACTIONS	<u>(3,888)</u>	<u>(8,066)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	67,526	136,641
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>359,823</u>	<u>223,182</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>427,349</u></u>	<u><u>359,823</u></u>
CASH AND CASH EQUIVALENTS ARE MADE UP OF:		
Cash and temporary investments (Note 2)	472,192	1,147,054
Less: restricted portion of cash and temporary investments (Note 2)	(44,843)	(787,231)
	<u><u>427,349</u></u>	<u><u>359,823</u></u>

VILLAGE OF ROSEMARY

Schedule of Changes in Accumulated Surplus For The Year Ended December 31, 2016 Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
	\$	\$	\$	\$	\$
Balance, beginning of year	251,579	163,268	4,526,495	4,941,342	4,569,372
Excess (deficiency) of revenues over expenses	853,460	-	-	853,460	371,970
Restricted funds used for fire department	(420)	420	-	-	-
Current year funds used for tangible capital assets	(1,180,114)	-	1,180,114	-	-
Annual amortization expense	181,344	-	(181,344)	-	-
Long term debt repaid	<u>(3,888)</u>	<u>-</u>	<u>3,888</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>(149,618)</u>	<u>420</u>	<u>1,002,658</u>	<u>853,460</u>	<u>371,970</u>
Balance, end of year	<u>101,961</u>	<u>163,688</u>	<u>5,529,153</u>	<u>5,794,802</u>	<u>4,941,342</u>

VILLAGE OF ROSEMARY

Schedule of Tangible Capital Assets For The Year Ended December 31, 2016 Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Cost:								
Balance, beginning of year	177,938	289,382	184,574	5,689,927	248,250	324,017	6,914,088	6,767,202
Acquisition of tangible capital assets	-	-	21,527	1,155,087	3,500	-	1,180,114	266,307
Construction-in-progress	-	-	-	-	-	-	-	174,579
Disposal of tangible capital assets	-	-	-	-	(12,455)	-	(12,455)	-
Write down of tangible capital assets	-	-	-	-	-	-	-	(294,000)
Balance, end of year	<u>177,938</u>	<u>289,382</u>	<u>206,101</u>	<u>6,845,014</u>	<u>239,295</u>	<u>324,017</u>	<u>8,081,747</u>	<u>6,914,088</u>
Accumulated Amortization:								
Balance, beginning of year	-	60,311	54,967	1,886,371	158,028	162,331	2,322,008	2,455,830
Annual amortization	-	11,640	4,123	126,183	23,377	16,021	181,344	160,178
Accumulated amortization on disposals	-	-	-	-	(12,455)	-	(12,455)	-
Accumulated amortization on write down of tangible capital assets	-	-	-	-	-	-	-	(294,000)
Balance, end of year	<u>-</u>	<u>71,951</u>	<u>59,090</u>	<u>2,012,554</u>	<u>168,950</u>	<u>178,352</u>	<u>2,490,897</u>	<u>2,322,008</u>
Net Book Value of Tangible Capital Assets	<u><u>177,938</u></u>	<u><u>217,431</u></u>	<u><u>147,011</u></u>	<u><u>4,832,460</u></u>	<u><u>70,345</u></u>	<u><u>145,665</u></u>	<u><u>5,590,850</u></u>	<u><u>4,592,080</u></u>

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**Schedule of Property And Other Taxes
For the Year Ended December 31, 2016
Schedule 3**

	Budget	2016	2015
	\$	\$	\$
TAXATION			
Real property taxes	336,962	337,212	332,482
	<u>336,962</u>	<u>337,212</u>	<u>332,482</u>
REQUISITIONS			
Alberta School foundation fund	62,079	62,079	63,087
Newell seniors foundation	4,997	4,997	5,057
	<u>67,076</u>	<u>67,076</u>	<u>68,144</u>
NET MUNICIPAL TAXES	<u>269,886</u>	<u>270,136</u>	<u>264,338</u>

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**Schedule of Government Transfers
For the Year Ended December 31, 2016
Schedule 4**

	Budget	2016	2015
	\$	\$	\$
TRANSFERS FOR OPERATING			
Provincial government	91,019	41,539	189,160
Other local governments	97,025	97,926	88,883
	<u>188,044</u>	<u>139,465</u>	<u>278,043</u>
TRANSFERS FOR CAPITAL			
Provincial government	1,037,891	1,013,137	320,625
Other local governments	116,815	116,815	46,483
	<u>1,154,706</u>	<u>1,129,952</u>	<u>367,108</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>1,342,750</u></u>	<u><u>1,269,417</u></u>	<u><u>645,151</u></u>

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**Schedule of Expenses by Object
For the Year Ended December 31, 2016
Schedule 5**

	Budget	2016	2015
	\$	\$	\$
EXPENDITURES			
Salaries, wages and benefits	212,990	212,493	206,254
Contracted and general services	186,675	150,544	146,660
Materials, goods and utilities	196,616	287,962	220,932
Interest on long-term debt	3,935	3,935	4,239
Amortization of tangible capital assets	180,000	181,344	160,178
Other expenditures	69,678	69,550	68,714
	<u>849,894</u>	<u>905,828</u>	<u>806,977</u>

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Schedule of Segmented Disclosure For The Year Ended December 31, 2016 Schedule 6

	General Government	Protective Services	Transportation Services	Water & Waste Management	Recreation & Culture	Total
	\$	\$	\$	\$	\$	\$
Revenue:						
Net municipal taxes	270,136	-	-	-	-	270,136
Government transfers	6,950	79,884	1,141,392	10,115	31,076	1,269,417
Investment income	3,388	228	-	-	5	3,621
User fees and sale of goods	3,122	927	2,069	160,149	4,067	170,334
Penalties and cost of taxes	6,365	-	-	-	-	6,365
Franchise and concession contracts	36,669	-	-	-	-	36,669
Other revenues	2,746	-	-	-	-	2,746
	<u>329,376</u>	<u>81,039</u>	<u>1,143,461</u>	<u>170,264</u>	<u>35,148</u>	<u>1,759,288</u>
Expenses:						
Salaries & wages	95,632	15,131	60,383	41,347	-	212,493
Contracted & general services	32,601	34,184	23,237	58,232	2,290	150,544
Goods & supplies	49,656	25,843	104,788	9,000	98,675	287,962
Long-term debt interest	-	3,935	-	-	-	3,935
Other expenses	3,290	9,263	1,076	17,084	38,837	69,550
Tangible capital asset purchases	-	21,527	1,154,972	3,615	-	1,180,114
	<u>181,179</u>	<u>109,883</u>	<u>1,344,456</u>	<u>129,278</u>	<u>139,802</u>	<u>1,904,598</u>
Net revenue, before amortization	<u>148,197</u>	<u>(28,844)</u>	<u>(200,995)</u>	<u>40,986</u>	<u>(104,654)</u>	<u>(145,310)</u>
Amortization expense	<u>(2,076)</u>	<u>(28,113)</u>	<u>(74,207)</u>	<u>(65,308)</u>	<u>(11,640)</u>	<u>(181,344)</u>
Net Revenue	<u><u>146,121</u></u>	<u><u>(56,957)</u></u>	<u><u>(275,202)</u></u>	<u><u>(24,322)</u></u>	<u><u>(116,294)</u></u>	<u><u>(326,654)</u></u>

VILLAGE OF ROSEMARY

Notes to the Financial Statements For The Year Ended December 31, 2016

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, 2016

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, 2016

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, 2016**

2. Cash and Temporary Investments

	2016	2015
	\$	\$
Cash	437,192	762,054
Temporary investments	<u>35,000</u>	<u>385,000</u>
	<u>472,192</u>	<u>1,147,054</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 \$44,843 (2015 - \$787,231) received from external sources and held exclusively for capital projects .

3. Taxes and Grants in Place of Taxes

	2016	2015
	\$	\$
Current taxes and grants in place of taxes	<u>10,620</u>	<u>4,466</u>

4. Investments

	2016	2015
	\$	\$
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.

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**Notes to the Financial Statements
For The Year Ended December 31, 2016**

6. Deferred Revenue

	2016	2015
	\$	\$
Alberta conditional grants	44,843	787,231
Taxes paid in advance	9,110	10,384
Deposits on land held for resale	<u>11,500</u>	<u>-</u>
	<u>65,453</u>	<u>797,615</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 2017. Unexpended funds related to the advance are supported by cash and temporary investments of \$44,843.

7. Contaminated Sites Liability

On January 1, 2015, the village adopted PS3260 Liability for Contaminated Sites. The Village did not identify any change in liabilities in 2016 (2015 - \$66,525) as a result of this standard.

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**Notes to the Financial Statements
For The Year Ended December 31, 2016**

8. Long-Term Debt

	2016	2015
	\$	\$
Tax supported debentures	<u>61,697</u>	<u>65,585</u>

The current portion of long-term debt is \$4,121 (2015 - \$3,888).

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2017	4,121	3,702	7,823
2018	4,368	3,455	7,823
2019	4,630	3,193	7,823
2020	4,909	2,914	7,823
2021	5,203	2,620	7,823
2022 and on	<u>38,466</u>	<u>8,469</u>	<u>46,935</u>
	<u>61,697</u>	<u>24,353</u>	<u>86,050</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 6.18% for 2016 (6.09% for 2015). 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 \$3,935 (2015 - \$4,239).

The Village's total cash payments for interest in 2016 was \$3,935 (2015 - \$4,239).

VILLAGE OF ROSEMARY

**Notes to the Financial Statements
For The Year Ended December 31, 2016**

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:

	2016	2015
	\$	\$
Total debt limit	944,004	1,178,196
Total debt	<u>61,697</u>	<u>65,585</u>
Amount of debt limit unused	<u>882,307</u>	<u>1,112,611</u>
Debt servicing limit	157,334	196,366
Debt servicing	<u>7,823</u>	<u>7,823</u>
Amount of debt servicing limit unused	<u>149,511</u>	<u>188,543</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

	2016	2015
Net Book Value	\$	\$
Land	177,938	177,938
Land improvements	217,431	229,071
Buildings	147,011	129,607
Engineered Structures		
Roadway system	722,078	615,361
Sidewalk, curb and gutter	327,032	240,277
Water distribution system	1,762,509	1,805,888
Wastewater system	949,137	967,451
Storm system	1,071,704	174,579
Machinery and equipment	70,345	90,222
Vehicles	<u>145,665</u>	<u>161,686</u>
	<u>5,590,850</u>	<u>4,592,080</u>

VILLAGE OF ROSEMARY

**Notes to the Financial Statements
For The Year Ended December 31, 2016**

11. Equity in Capital Assets

	2016	2015
	\$	\$
Tangible capital assets, Schedule 2	8,081,747	6,914,088
Accumulated amortization, Schedule 2	(2,490,897)	(2,322,008)
Long-term debt (Note 8)	<u>(61,697)</u>	<u>(65,585)</u>
	<u>5,529,153</u>	<u>4,526,495</u>

12. Accumulated Surplus

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

	2016	2015
	\$	\$
Unrestricted surplus (deficit)	101,961	251,579
Restricted surplus		
Fire department	51,552	51,132
General operations	112,136	112,136
Equity in tangible capital assets	<u>5,529,153</u>	<u>4,526,495</u>
	<u>5,794,802</u>	<u>4,941,342</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, 2016**

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:

	2016		2015
	Salary	Benefits and allowances	Total
	\$	\$	\$
Mayor	6,375	-	6,375
Deputy Mayor	5,913	42	5,955
Councillor 2	5,025	16	5,041
Municipal administrator	42,980	9,974	52,954
			48,657

- 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 21, 2017.

17. Budgeted Figures

The budgeted figures, approved by Council on May 5, 2016 have not been audited and are presented for information purposes only.