

VILLAGE OF ROSEMARY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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## Independent Auditors' Report

### TO THE MAYOR AND COUNCIL OF THE VILLAGE OF ROSEMARY

#### Opinion

We have audited the financial statements of the **Village of Rosemary**, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net financial assets (debt) and cash flows the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Village of Rosemary** as at December 31, 2019, the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the **Village of Rosemary** in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standard, 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.

In preparing the financial statements, management is responsible for assessing the **Village of Rosemary's** ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends liquidate **Village of Rosemary** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the **Village of Rosemary's** financial reporting process.

#### Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

### Independent Auditors' Report (Continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the **Village of Rosemary** to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:  
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the **Village of Rosemary's** debt limit can be found in note 9.
- Supplementary Accounting Principles and Standards Regulation:  
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and the information required can be found in note 14.

*Johnston Morrison Hunter & Co. Professional Corporation*

Chartered Professional Accountants

Brooks, Alberta

March 3, 2020

VILLAGE OF ROSEMARY

Statement of Financial Position  
 December 31, 2019

	2019	2018
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	118,943	397,656
Taxes and grants in place of taxes (Note 3)	36,368	38,097
Trade and other receivables	66,239	59,866
Land held for resale inventory	161,408	153,468
Investments (Note 4)	10	10
Other financial assets	-	10,900
<b>TOTAL FINANCIAL ASSETS</b>	<u>382,968</u>	<u>659,997</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	34,020	31,952
Deferred revenue (Note 6)	72,390	259,280
Long-term debt (Note 8)	48,578	53,208
	<u>154,988</u>	<u>344,440</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>227,980</u>	<u>315,557</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	6,132,793	5,630,730
Prepaid expenses	7,409	8,197
	<u>6,140,202</u>	<u>5,638,927</u>
<b>ACCUMULATED SURPLUS (Note 12)</b>	<u>6,368,182</u>	<u>5,954,484</u>

VILLAGE OF ROSEMARY

Statement of Operations  
 For the Year Ended December 31, 2019

	Budget	2019	2018
	\$	\$	\$
<b>REVENUE</b>			
Net municipal taxes, Schedule 3	268,541	268,453	264,203
Government transfers for operating, Schedule 4	183,979	172,679	160,902
Investment income	1,504	5,183	2,978
User fees and sale of goods	175,100	183,839	194,941
Penalties and costs of taxes	9,500	11,978	9,879
Franchise and concession contracts	39,500	40,931	38,527
Other	9,356	7,846	5,217
	<u>687,480</u>	<u>690,909</u>	<u>676,647</u>
<b>EXPENSES</b>			
Legislative	30,000	26,323	29,093
Administration	177,906	179,851	166,024
Fire, ambulance and bylaws enforcement	152,135	136,522	112,300
Roads, streets, walks and lighting	195,686	208,667	184,652
Water and wastewater	179,545	206,598	166,419
Waste management	36,201	36,158	36,181
Parks and recreation	65,603	62,937	63,645
Other	24,404	41,918	7,424
	<u>861,480</u>	<u>898,974</u>	<u>765,738</u>
<b>SHORTFALL OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(174,000)	(208,065)	(89,091)
<b>OTHER</b>			
Contributed assets	-	24,955	-
Government transfers for capital, Schedule 4	589,037	596,808	218,428
	<u>589,037</u>	<u>621,763</u>	<u>218,428</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>415,037</u>	<u>413,698</u>	<u>129,337</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>5,954,484</u>	<u>5,954,484</u>	<u>5,825,147</u>
<b>ACCUMULATED SURPLUS, END OF YEAR, Schedule 1</b>	<u>6,369,521</u>	<u>6,368,182</u>	<u>5,954,484</u>

VILLAGE OF ROSEMARY

Statement of Change in Net Financial Assets (Debt)  
 For the Year Ended December 31, 2019

	Budget	2019	2018
	\$	\$	\$
<b>EXCESS OF REVENUE OVER EXPENSES</b>	415,037	413,698	129,337
Acquisition of tangible capital assets	(641,582)	(676,042)	(309,640)
Contributed tangible capital assets	-	(24,955)	-
Proceeds on the disposal of tangible capital assets	-	-	32,234
Amortization of tangible capital assets	199,000	198,934	178,677
Gain on sale of tangible capital assets	-	-	(20,234)
	<u>(442,582)</u>	<u>(502,063)</u>	<u>(118,963)</u>
Acquisition of prepaid assets	-	(7,409)	(8,197)
Use of prepaid assets	-	8,197	7,201
	<u>-</u>	<u>788</u>	<u>(996)</u>
<b>INCREASE IN NET ASSETS</b>	(27,545)	(87,577)	9,378
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	315,557	315,557	306,179
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<u>288,012</u>	<u>227,980</u>	<u>315,557</u>

VILLAGE OF ROSEMARY

Statement of Cash Flows  
 For the Year Ended December 31, 2019

	2019	2018
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	413,698	129,337
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	198,934	178,677
Tangible capital assets received as contributions	(24,955)	-
Gain on sale of tangible capital assets	-	(20,234)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place	1,729	(23,168)
(Increase) in trade and other receivables	(6,373)	(14,447)
(Increase) in land held for resale inventory	(7,940)	(47,821)
Decrease in other financial assets	10,900	-
Decrease (increase) in prepaid expenses	788	(996)
Increase in accounts payable and accrued liabilities	2,068	983
(Decrease) increase in deferred revenue	(186,890)	56,402
<b>CASH PROVIDED BY OPERATING TRANSACTIONS</b>	<u>401,959</u>	<u>258,733</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(676,042)	(309,640)
Proceeds on sale of tangible capital assets	-	32,234
<b>CASH APPLIED TO CAPITAL TRANSACTIONS</b>	<u>(676,042)</u>	<u>(277,406)</u>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in restricted cash or cash equivalents	189,420	(54,747)
<b>CASH APPLIED TO INVESTING TRANSACTIONS</b>	<u>189,420</u>	<u>(54,747)</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt repaid	(4,630)	(4,368)
<b>CASH APPLIED TO FINANCING TRANSACTIONS</b>	<u>(4,630)</u>	<u>(4,368)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(89,293)	(77,788)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>150,567</u>	<u>228,355</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>61,274</u>	<u>150,567</u>
<b>CASH AND CASH EQUIVALENTS ARE MADE UP OF:</b>		
Cash and temporary investments (Note 2)	118,943	397,656
Less: restricted portion of cash and temporary investments (Note 2)	(57,669)	(247,089)
	<u>61,274</u>	<u>150,567</u>

VILLAGE OF ROSEMARY

Schedule of Changes in Accumulated Surplus  
For The Year Ended December 31, 2019  
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
	\$	\$	\$	\$	\$
Balance, beginning of year	249,826	127,136	5,577,522	5,954,484	5,825,147
Excess (deficiency) of revenues over expenses	413,698	-	-	413,698	129,337
Restricted funds used for fire department	(12,321)	12,321	-	-	-
Current year funds used for tangible capital assets	(700,997)	-	700,997	-	-
Annual amortization expense	198,934	-	(198,934)	-	-
Long term debt repaid	(4,630)	-	4,630	-	-
Change in accumulated surplus	(105,316)	12,321	506,693	413,698	129,337
Balance, end of year	<u>144,510</u>	<u>139,457</u>	<u>6,084,215</u>	<u>6,368,182</u>	<u>5,954,484</u>



**VILLAGE OF ROSEMARY**  
**Schedule of Tangible Capital Assets**  
**For The Year Ended December 31, 2019**  
**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost:</b>								
Balance, beginning of year	191,045	341,794	206,101	7,098,934	264,713	311,567	8,414,154	8,156,964
Acquisition of tangible capital assets	-	-	-	617,458	58,584	-	676,042	309,640
Contributed tangible capital assets	-	-	-	-	24,955	-	24,955	-
Disposal of tangible capital assets	-	-	-	-	-	-	-	(52,450)
Write down of tangible capital assets	-	-	-	(18,391)	-	-	(18,391)	-
Balance, end of year	<u>191,045</u>	<u>341,794</u>	<u>206,101</u>	<u>7,698,001</u>	<u>348,252</u>	<u>311,567</u>	<u>9,096,760</u>	<u>8,414,154</u>
<b>Accumulated Amortization:</b>								
Balance, beginning of year	-	98,199	67,336	2,248,950	173,307	195,632	2,783,424	2,645,197
Annual amortization	-	14,576	4,123	141,669	23,701	14,865	198,934	178,677
Accumulated amortization on disposals	-	-	-	-	-	-	-	(40,450)
Accumulated amortization on write down of tangible capital assets	-	-	-	(18,391)	-	-	(18,391)	-
Balance, end of year	<u>-</u>	<u>112,775</u>	<u>71,459</u>	<u>2,372,228</u>	<u>197,008</u>	<u>210,497</u>	<u>2,963,967</u>	<u>2,783,424</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u><u>191,045</u></u>	<u><u>229,019</u></u>	<u><u>134,642</u></u>	<u><u>5,325,773</u></u>	<u><u>151,244</u></u>	<u><u>101,070</u></u>	<u><u>6,132,793</u></u>	<u><u>5,630,730</u></u>

**VILLAGE OF ROSEMARY**

**Schedule of Property And Other Taxes  
 For the Year Ended December 31, 2019  
 Schedule 3**

	Budget	2019	2018
	\$	\$	\$
<b>TAXATION</b>			
Real property taxes	339,716	339,628	335,124
	<u>339,716</u>	<u>339,628</u>	<u>335,124</u>
<b>REQUISITIONS</b>			
Alberta School foundation fund	63,982	63,982	65,619
Christ the Redeemer separate school division	1,881	1,881	-
Newell seniors foundation	5,312	5,312	5,302
	<u>71,175</u>	<u>71,175</u>	<u>70,921</u>
<b>NET MUNICIPAL TAXES</b>	<u>268,541</u>	<u>268,453</u>	<u>264,203</u>

VILLAGE OF ROSEMARY

Schedule of Government Transfers  
For the Year Ended December 31, 2019  
Schedule 4

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	Budget	2019	2018
	\$	\$	\$
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	48,584	41,177	93,200
Other local governments	135,395	131,502	67,702
	<u>183,979</u>	<u>172,679</u>	<u>160,902</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	536,455	541,224	174,928
Other local governments	52,582	55,584	43,500
	<u>589,037</u>	<u>596,808</u>	<u>218,428</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>773,016</u>	<u>769,487</u>	<u>379,330</u>

**VILLAGE OF ROSEMARY**

**Schedule of Expenses by Object  
 For the Year Ended December 31, 2019  
 Schedule 5**

	Budget	2019	2018
	\$	\$	\$
<b>EXPENDITURES</b>			
Salaries, wages and benefits	239,878	248,269	236,102
Contracted and general services	159,311	181,737	137,399
Materials, goods and utilities	183,427	191,256	144,601
Interest on long-term debt	3,193	3,192	3,455
Amortization of tangible capital assets	199,000	198,934	178,677
Other expenditures	76,671	75,586	65,504
	<u>861,480</u>	<u>898,974</u>	<u>765,738</u>

**VILLAGE OF ROSEMARY**  
**Schedule of Segmented Disclosure**  
**For The Year Ended December 31, 2019**  
**Schedule 6**

	General Government	Protective Services	Transportation Services	Water & Waste Management	Recreation & Culture	Total
	\$	\$	\$	\$	\$	\$
<b>Revenue:</b>						
Net municipal taxes	268,453	-	-	-	-	268,453
Government transfers	-	165,405	541,981	11,984	50,117	769,487
Investment income	5,182	-	-	-	1	5,183
User fees and sale of goods	6,732	2,685	7,881	164,732	1,810	183,840
Penalties and cost of taxes	11,978	-	-	-	-	11,978
Franchise and concession contracts	40,931	-	-	-	-	40,931
Contributed assets	-	24,955	-	-	-	24,955
Other revenues	5,926	-	-	-	1,919	7,845
	<u>339,202</u>	<u>193,045</u>	<u>549,862</u>	<u>176,716</u>	<u>53,847</u>	<u>1,312,672</u>
<b>Expenses:</b>						
Salaries & wages	119,149	24,975	62,263	41,882	-	248,269
Contracted & general services	31,478	25,446	5,456	92,722	26,634	181,736
Goods & supplies	51,610	39,256	55,942	18,380	16,258	181,446
Long-term debt interest	-	3,192	-	-	-	3,192
Other expenses	3,356	16,942	1,076	16,636	47,387	85,397
	<u>205,593</u>	<u>109,811</u>	<u>124,737</u>	<u>169,620</u>	<u>90,279</u>	<u>700,040</u>
Net revenue, before amortization	<u>133,609</u>	<u>83,234</u>	<u>425,125</u>	<u>7,096</u>	<u>(36,432)</u>	<u>612,632</u>
Amortization expense	(581)	(26,711)	(83,929)	(73,137)	(14,576)	(198,934)
<b>Net Revenue</b>	<u><u>133,028</u></u>	<u><u>56,523</u></u>	<u><u>341,196</u></u>	<u><u>(66,041)</u></u>	<u><u>(51,008)</u></u>	<u><u>413,698</u></u>

## VILLAGE OF ROSEMARY

### Notes to the Financial Statements For The Year Ended December 31, 2019

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#### 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, 2019**

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**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, 2019**

**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:

	<b>Years</b>
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, 2019

2. Cash and Temporary Investments

	2019	2018
	\$	\$
Cash	68,943	97,656
Temporary investments	<u>50,000</u>	<u>300,000</u>
	<u><u>118,943</u></u>	<u><u>397,656</u></u>

Temporary investments is a short-term savings account bearing interest at 2.02% and is cashable on demand.

Included in cash is a restricted amount of \$57,669 (2018 - \$247,089) received from external sources and held exclusively for capital and operating projects .

3. Taxes and Grants in Place of Taxes

	2019	2018
	\$	\$
Current taxes	20,427	30,073
Non-current taxes	<u>15,941</u>	<u>8,024</u>
	<u><u>36,368</u></u>	<u><u>38,097</u></u>

4. Investments

	2019	2018
	\$	\$
Newell Regional Services Corporation, common shares	<u>10</u>	<u>10</u>

5. Bank Advances

A line of credit facility of up to \$100,000. Secured by Municipal Borrowing By-Law 470/19 (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 less 0.25%. No balance was outstanding at year-end.

**VILLAGE OF ROSEMARY**

**Notes to the Financial Statements  
For The Year Ended December 31, 2019**

**6. Deferred Revenue**

	2019	2018
	\$	\$
Municipal Sustainability Initiative - Capital	-	177,520
Municipal Sustainability Initiative - Operating	6,844	1,946
Alberta Community Partnership Grant	50,825	67,623
Taxes paid in advance	14,721	11,191
Deposits on land held for resale	-	1,000
	<u>72,390</u>	<u>259,280</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 2020. Unexpended funds related to the advance are supported by cash and temporary investments of \$57,669.

**7. Contaminated Sites Liability**

On January 1, 2015, the village adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis. No contaminated sites were identified in 2018 therefore no adjustments were made to the financial liabilities, tangible capital assets or accumulated surplus of the Village.

VILLAGE OF ROSEMARY

Notes to the Financial Statements  
 For The Year Ended December 31, 2019

8. Long-Term Debt

	2019	2018
	\$	\$
Tax supported debentures	<u>48,578</u>	<u>53,208</u>

The current portion of long-term debt is \$4,908 (2018 - \$4,630).

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2020	4,908	2,915	7,823
2021	5,203	2,620	7,823
2022	5,515	2,308	7,823
2023	5,846	1,977	7,823
2024	6,196	1,627	7,823
2024 and on	<u>20,910</u>	<u>2,558</u>	<u>23,468</u>
	<u>48,578</u>	<u>14,004</u>	<u>62,582</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 6.27% for 2019 (6.24% for 2018). 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 \$3,192 (2018 - \$3,455).

The Village's total cash payments for interest in 2019 was \$3,192 (2018 - \$3,455).

VILLAGE OF ROSEMARY

Notes to the Financial Statements  
 For The Year Ended December 31, 2019

9. Debt Limits

Section 276 [2] of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Village of Rosemary be disclosed as follows:

	2019	2018
	\$	\$
Total debt limit	1,036,363	1,014,970
Total debt	<u>48,578</u>	<u>53,208</u>
Amount of debt limit unused	<u>987,785</u>	<u>961,762</u>
Debt servicing limit	172,727	169,162
Debt servicing	<u>7,823</u>	<u>7,823</u>
Amount of debt servicing limit unused	<u>164,904</u>	<u>161,339</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

	2019	2018
Net Book Value	\$	\$
Land	191,045	191,045
Land improvements	229,019	243,595
Buildings	134,642	138,765
Engineered Structures		
Roadway system	1,052,565	666,437
Sidewalk, curb and gutter	395,239	299,676
Water distribution system	1,773,615	1,739,055
Wastewater system	1,076,098	1,102,077
Storm system	1,028,255	1,042,739
Machinery and equipment	151,245	91,406
Vehicles	<u>101,070</u>	<u>115,935</u>
	<u>6,132,793</u>	<u>5,630,730</u>

VILLAGE OF ROSEMARY

Notes to the Financial Statements  
 For The Year Ended December 31, 2019

11. Equity in Capital Assets

	2019	2018
	\$	\$
Tangible capital assets, Schedule 2	9,096,760	8,414,154
Accumulated amortization, Schedule 2	(2,963,967)	(2,783,424)
Long-term debt (Note 8)	<u>(48,578)</u>	<u>(53,208)</u>
	<u>6,084,215</u>	<u>5,577,522</u>

12. Accumulated Surplus

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

	2019	2018
	\$	\$
Unrestricted surplus	144,510	249,826
Restricted surplus		
Fire department	27,321	15,000
General operations	112,136	112,136
Equity in tangible capital assets	<u>6,084,215</u>	<u>5,577,522</u>
	<u>6,368,182</u>	<u>5,954,484</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, 2019**

**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 313/2000 is as follows:

	2019			2018
	Salary	Benefits and allowances	Total	Total
	\$	\$	\$	\$
Mayor	7,875	197	8,072	7,619
Deputy Mayor	5,288	116	5,404	5,809
Councillor	5,138	134	5,272	5,142
Municipal administrator	55,579	13,414	68,993	61,372

- 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. Budgeted Figures**

The budgeted figures, approved by Council on May 8, 2019 and revised on August 20, 2019, have not been audited and are presented for information purposes only.

**17. Approval of Financial Statements**

These financial statements were approved by Council and Administration on March 3, 2020.