

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, 2025, 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, 2025, 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 8.
- 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 13.

Johnston Morrison Hunter & Co. Professional Corporation

Chartered Professional Accountants
Brooks, Alberta
February 26, 2026

VILLAGE OF ROSEMARY

**Statement of Financial Position
December 31, 2025**

	2025	2024
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	137,703	253,631
Taxes and grants in place of taxes (Note 3)	16,879	20,634
Trade and other receivables	148,102	74,311
Land held for resale inventory	156,640	155,511
Investments (Note 4)	609	474
TOTAL FINANCIAL ASSETS	<u>459,933</u>	<u>504,561</u>
LIABILITIES		
Accounts payable and accrued liabilities	103,876	82,116
Deferred revenue (Note 6)	38,015	88,048
Long-term debt (Note 7)	14,342	20,911
	<u>156,233</u>	<u>191,075</u>
NET FINANCIAL ASSETS (DEBT)	<u>303,700</u>	<u>313,486</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	6,940,007	6,592,608
Inventory for consumption	3,839	3,632
Prepaid expenses	8,857	8,754
	<u>6,952,703</u>	<u>6,604,994</u>
ACCUMULATED SURPLUS (Note 11)	<u>7,256,403</u>	<u>6,918,480</u>

VILLAGE OF ROSEMARY

**Statement of Operations
For the Year Ended December 31, 2025**

	Budget	2025	2024
	\$	\$	\$
REVENUE			
Net municipal taxes, Schedule 3	342,166	340,209	327,148
Government transfers for operating, Schedule 4	161,166	133,205	158,712
Investment income	8,775	11,210	14,722
User fees and sale of goods	364,250	278,392	242,549
Penalties and costs of taxes	8,500	9,789	8,753
Franchise and concession contracts	62,500	60,204	61,147
Other	15,610	39,512	13,347
	962,967	872,521	826,378
EXPENSES			
Legislative	26,500	24,205	23,476
Administration	188,597	178,952	177,029
Fire, ambulance and bylaws enforcement	171,022	138,955	150,616
Roads, streets, walks and lighting	235,464	235,216	276,174
Water and wastewater	229,485	212,735	212,878
Waste management	40,106	39,040	40,921
Parks and recreation	83,783	86,150	79,972
Other	110,010	81,040	85,014
	1,084,967	996,293	1,046,080
SHORTFALL OF REVENUE OVER EXPENSES BEFORE OTHER	(122,000)	(123,772)	(219,702)
OTHER			
Government transfers for capital, Schedule 4	447,789	461,696	341,314
	447,789	461,696	341,314
EXCESS OF REVENUE OVER EXPENSES	325,789	337,924	121,612
ACCUMULATED SURPLUS, BEGINNING OF YEAR	6,918,480	6,918,480	6,796,868
ACCUMULATED SURPLUS, END OF YEAR, Schedule 1	7,244,269	7,256,404	6,918,480

VILLAGE OF ROSEMARY

**Statement of Change in Net Financial Assets
For the Year Ended December 31, 2025**

	Budget	2025	2024
	\$	\$	\$
EXCESS OF REVENUE OVER EXPENSES	325,789	337,924	121,612
Acquisition of tangible capital assets	(615,789)	(623,142)	(379,273)
Writedown tangible capital assets			-
Proceeds on the disposal of tangible capital assets		69,500	476
Amortization of tangible capital assets	240,000	239,332	223,083
(Gain) loss on sale of tangible capital assets		(33,090)	41,383
	(375,789)	(347,400)	(114,331)
Acquisition of prepaid assets	-	(8,857)	(8,754)
Use of prepaid assets	-	8,754	8,514
Purchase of supplies inventories	-	(3,839)	(3,632)
Use of supplies inventories	-	3,632	4,682
	-	(310)	810
(DECREASE) INCREASE IN NET ASSETS	(50,000)	(9,786)	8,091
NET FINANCIAL ASSETS, BEGINNING OF YEAR	313,487	313,487	305,396
NET FINANCIAL ASSETS, END OF YEAR	263,487	303,701	313,487

VILLAGE OF ROSEMARY

**Statement of Cash Flows
For the Year Ended December 31, 2025**

	2025	2024
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	337,924	121,612
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	239,332	223,083
(Gain) loss on sale of tangible capital assets	(33,090)	41,383
Non-cash charges to operations (net change):		
Decrease in taxes and grants in place	3,755	3,532
(Increase) in trade and other receivables	(73,791)	(4,637)
(Increase) decrease in inventory	(207)	1,050
(Increase) decrease in land held for resale inventory	(1,129)	25,326
(Increase) in investments	(135)	(193)
(Increase) in prepaid expenses	(103)	(240)
Increase in accounts payable and accrued liabilities	21,760	34,722
(Decrease) increase in deferred revenue	(50,033)	54,958
CASH PROVIDED BY OPERATING TRANSACTIONS	444,283	500,596
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(623,142)	(379,273)
Proceeds on the sale of tangible capital assets	69,500	476
CASH APPLIED TO CAPITAL TRANSACTIONS	(553,642)	(378,797)
INVESTING ACTIVITIES		
(Increase) decrease in restricted cash or cash equivalents	52,479	(52,479)
CASH APPLIED TO INVESTING TRANSACTIONS	52,479	(52,479)
FINANCING ACTIVITIES		
Long-term debt repaid	(6,568)	(6,195)
CASH APPLIED TO FINANCING TRANSACTIONS	(6,568)	(6,195)
CHANGE IN CASH AND CASH EQUIVALENTS	(63,448)	63,125
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	201,152	138,027
CASH AND CASH EQUIVALENTS, END OF YEAR	137,704	201,152
CASH AND CASH EQUIVALENTS ARE MADE UP OF:		
Cash and temporary investments (Note 2)	137,703	253,631
Less: restricted portion of cash and temporary investments (Note 2)	-	(52,479)
	137,703	201,152

VILLAGE OF ROSEMARY

Schedule of Changes in Accumulated Surplus
For The Year Ended December 31, 2025
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2025	2024
	\$	\$	\$	\$	\$
Balance, beginning of year	219,647	127,136	6,571,697	6,918,480	6,796,868
Excess (deficiency) of revenues over expenses	337,924	-	-	337,924	121,612
Current year funds used for tangible capital assets	(623,142)	-	623,142	-	-
Disposal of tangible capital assets	36,410	-	(36,410)	-	-
Annual amortization expense	239,332	-	(239,332)	-	-
Long term debt repaid	<u>(6,567)</u>	<u>-</u>	<u>6,567</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>(16,043)</u>	<u>-</u>	<u>353,967</u>	<u>337,924</u>	<u>121,612</u>
Balance, end of year	<u>203,604</u>	<u>127,136</u>	<u>6,925,664</u>	<u>7,256,404</u>	<u>6,918,480</u>

VILLAGE OF ROSEMARY

**Schedule of Tangible Capital Assets
For The Year Ended December 31, 2025
Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2025	2024
	\$	\$	\$	\$	\$	\$	\$	\$
Cost:								
Balance, beginning of year	196,369	570,271	206,101	8,826,685	378,417	47,752	10,225,595	10,140,985
Acquisition of tangible capital assets	-	46,462	-	462,204	114,475	-	623,141	346,200
Construction-in-progress	-	-	-	-	-	-	-	33,074
Disposal of tangible capital assets	-	-	-	-	(60,682)	-	(60,682)	(255,247)
Write down of tangible capital assets	-	-	-	(7,098)	-	-	(7,098)	(39,417)
Balance, end of year	<u>196,369</u>	<u>616,733</u>	<u>206,101</u>	<u>9,281,791</u>	<u>432,210</u>	<u>47,752</u>	<u>10,780,956</u>	<u>10,225,595</u>
Accumulated Amortization:								
Balance, beginning of year	-	209,037	92,074	3,062,892	221,232	47,752	3,632,987	3,662,709
Annual amortization	-	25,447	4,123	175,224	34,538	-	239,332	223,083
Accumulated amortization on disposals	-	-	-	-	(24,272)	-	(24,272)	(213,388)
Accumulated amortization on write down of tangible capital assets	-	-	-	(7,098)	-	-	(7,098)	(39,417)
Balance, end of year	<u>-</u>	<u>234,484</u>	<u>96,197</u>	<u>3,231,018</u>	<u>231,498</u>	<u>47,752</u>	<u>3,840,949</u>	<u>3,632,987</u>
Net Book Value of Tangible Capital Assets	<u>196,369</u>	<u>382,249</u>	<u>109,904</u>	<u>6,050,773</u>	<u>200,712</u>	<u>-</u>	<u>6,940,007</u>	<u>6,592,608</u>

VILLAGE OF ROSEMARY

**Schedule of Property And Other Taxes
For the Year Ended December 31, 2025
Schedule 3**

	Budget	2025	2024
	\$	\$	\$
TAXATION			
Real property taxes	436,986	435,141	412,509
	<u>436,986</u>	<u>435,141</u>	<u>412,509</u>
REQUISITIONS			
Alberta School foundation fund	85,672	85,784	80,061
Christ the Redeemer separate school division	2,257	2,257	2,123
Newell seniors foundation	6,891	6,891	3,177
	<u>94,820</u>	<u>94,932</u>	<u>85,361</u>
NET MUNICIPAL TAXES	<u>342,166</u>	<u>340,209</u>	<u>327,148</u>

VILLAGE OF ROSEMARY

**Schedule of Government Transfers
For the Year Ended December 31, 2025
Schedule 4**

	Budget	2025	2024
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal government	4,200	4,200	4,200
Provincial government	27,600	21,611	32,870
Other local governments	129,366	107,394	121,642
	<u>161,166</u>	<u>133,205</u>	<u>158,712</u>
TRANSFERS FOR CAPITAL			
Provincial government	447,789	461,696	341,314
Other local governments	-	-	-
	<u>447,789</u>	<u>461,696</u>	<u>341,314</u>
TOTAL GOVERNMENT TRANSFERS	<u>608,955</u>	<u>594,901</u>	<u>500,026</u>

VILLAGE OF ROSEMARY

**Schedule of Expenses by Object
For the Year Ended December 31, 2025
Schedule 5**

	Budget	2025	2024
	\$	\$	\$
EXPENDITURES			
Salaries, wages and benefits	316,473	311,128	307,646
Contracted and general services	244,980	184,319	221,447
Materials, goods and utilities	206,370	190,934	178,602
Interest on long-term debt	1,257	1,255	1,626
Amortization of tangible capital assets	240,000	239,332	223,083
Loss on the disposal of tangible capital assets	-	-	41,383
Transfers to local boards and other expenditures	75,887	69,325	72,293
	<u>1,084,967</u>	<u>996,293</u>	<u>1,046,080</u>

VILLAGE OF ROSEMARY

**Schedule of Segmented Disclosure
For The Year Ended December 31, 2025
Schedule 6**

	General Government	Protective Services	Transportation Services	Water & Waste Management	Recreation & Culture	Total
	\$	\$	\$	\$	\$	\$
Revenue:						
Net municipal taxes	340,209	-	-	-	-	340,209
Government transfers	-	111,279	416,634	7,540	59,448	594,901
Investment income	11,172	-	-	-	38	11,210
User fees and sale of goods	1,897	-	1,375	191,670	83,450	278,392
Penalties and cost of taxes	9,789	-	-	-	-	9,789
Franchise and concession contracts	60,204	-	-	-	-	60,204
Other revenues	<u>6,306</u>	<u>115</u>	<u>33,091</u>	<u>-</u>	<u>-</u>	<u>39,512</u>
	<u>429,577</u>	<u>111,394</u>	<u>451,100</u>	<u>199,210</u>	<u>142,936</u>	<u>1,334,217</u>
Expenses:						
Salaries & wages	113,737	25,547	52,786	45,407	73,650	311,127
Contracted & general services	30,011	25,668	10,330	88,404	29,906	184,319
Goods & supplies	57,328	31,743	53,822	28,828	19,213	190,934
Long-term debt interest	-	1,255	-	-	-	1,255
Transfers to local boards and other expenses	<u>-</u>	<u>32,854</u>	<u>1,076</u>	<u>16,421</u>	<u>18,975</u>	<u>69,326</u>
	<u>201,076</u>	<u>117,067</u>	<u>118,014</u>	<u>179,060</u>	<u>141,744</u>	<u>756,961</u>
Net revenue, before amortization	<u>228,501</u>	<u>(5,673)</u>	<u>333,086</u>	<u>20,150</u>	<u>1,192</u>	<u>577,256</u>
Amortization expense	<u>(2,081)</u>	<u>(21,887)</u>	<u>(117,201)</u>	<u>(72,716)</u>	<u>(25,447)</u>	<u>(239,332)</u>
Net Revenue	<u>226,420</u>	<u>(27,560)</u>	<u>215,885</u>	<u>(52,566)</u>	<u>(24,255)</u>	<u>337,924</u>

VILLAGE OF ROSEMARY
Notes to the Financial Statements
For The Year Ended December 31, 2025

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") and as published by the Chartered Professional Accountants of Canada. 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, 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. Management has determined that no estimates or assumptions that could result in material measurement uncertainty have been identified in these statements.

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, 2025

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 and other inventories are 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.

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, 2025

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.

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.

Asset Retirement

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Village to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Village reviews the carrying amount of the liability. The Village recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Village continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

VILLAGE OF ROSEMARY

Notes to the Financial Statements For The Year Ended December 31, 2025

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.

2. Cash and Temporary Investments

	2025	2024
	\$	\$
Cash	80,832	198,630
Temporary investments	<u>56,871</u>	<u>55,001</u>
Cash	<u><u>137,703</u></u>	<u><u>253,631</u></u>

Temporary investments are guaranteed investments certificates having an effective interest rate of 3.00% with a maturity date of December 22, 2026.

Included in cash is a restricted amount of \$nil (2024 - \$52,479) received from external sources and held exclusively for capital projects .

VILLAGE OF ROSEMARY

Notes to the Financial Statements For The Year Ended December 31, 2025

3. Taxes and Grants in Place of Taxes

	2025	2024
	\$	\$
Current taxes	15,575	18,818
Non-current taxes	<u>1,304</u>	<u>1,816</u>
	<u><u>16,879</u></u>	<u><u>20,634</u></u>

4. Investments

	2025	2024
	\$	\$
Newell Regional Services Corporation, common shares	10	10
South Country Co-op equity	<u>599</u>	<u>464</u>
	<u><u>609</u></u>	<u><u>474</u></u>

5. Bank Advances

A line of credit facility of up to \$100,000. Secured by Municipal Borrowing By-Law 516/25 (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 plus 1%. No balance was outstanding at year-end.

6. Deferred Revenue

	2025	2024
	\$	\$
Local Government Fiscal Framework - Capital	-	52,479
Funds held in trust for Rosemary Historical Society	5,772	5,772
Taxes and utilities paid in advance	<u>32,243</u>	<u>29,797</u>
	<u><u>38,015</u></u>	<u><u>88,048</u></u>

Alberta conditional grants were received from external sources and deferred revenues are marked for expenditure in 2026.

The use of these funds is restricted to eligible capital and operating projects, as approved under the funding agreements.

VILLAGE OF ROSEMARY
Notes to the Financial Statements
For The Year Ended December 31, 2025

7. Long-Term Debt

	2025	2024
	\$	\$
Tax supported debentures	<u>14,343</u>	<u>20,911</u>

The current portion of long-term debt is \$6,962 (2024 - \$6,568).

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2026	6,962	860	7,822
2027	<u>7,381</u>	<u>442</u>	<u>7,823</u>
	<u>14,343</u>	<u>1,302</u>	<u>15,645</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 6.00% for 2025 (6.00% for 2024). 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 \$1,255 (2024 - \$1,627).

The Village's total cash payments for interest in 2025 was \$1,255 (2024 - \$1,627).

VILLAGE OF ROSEMARY

Notes to the Financial Statements For The Year Ended December 31, 2025

8. 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:

	2025	2024
	\$	\$
Total debt limit	1,308,780	1,239,567
Total debt	<u>14,343</u>	<u>20,911</u>
Amount of debt limit unused	<u>1,294,437</u>	<u>1,444,514</u>
Debt servicing limit	218,130	206,595
Debt servicing	<u>7,823</u>	<u>7,823</u>
Amount of debt servicing limit unused	<u>210,307</u>	<u>182,919</u>

The debt limit is calculated at 1.5 times revenue of the municipality excluding transfers from the governments of Alberta and Canada (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.

Total debt includes long-term debt less debt charges recoverable. Debt servicing includes principle and interest payments due on long-term debt in the 12 months subsequent to year-end less amounts that are recoverable

9. Tangible Capital Assets

	2025	2024
Net Book Value	\$	\$
Land	196,369	196,369
Land improvements	382,249	361,234
Buildings	109,904	114,027
Engineered Structures		
Roadway system	2,079,803	1,781,644
Sidewalk, curb and gutter	451,720	405,050
Water distribution system	1,494,746	1,540,196
Wastewater system	1,000,875	1,028,141
Storm system	1,023,628	1,008,760
Machinery and equipment	<u>200,712</u>	<u>157,185</u>
	<u>6,940,007</u>	<u>6,592,608</u>

VILLAGE OF ROSEMARY

**Notes to the Financial Statements
For The Year Ended December 31, 2025**

10. Equity in Capital Assets

	2025	2024
	\$	\$
Tangible capital assets, Schedule 2	10,780,956	10,225,595
Accumulated amortization, Schedule 2	(3,840,949)	(3,632,987)
Long-term debt (Note 7)	<u>(14,343)</u>	<u>(20,911)</u>
	<u>6,925,664</u>	<u>3,571,697</u>

11. Accumulated Surplus

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

	2025	2024
	\$	\$
Unrestricted surplus	203,604	219,647
Restricted surplus		
Fire department	15,000	15,000
General operations	112,136	112,136
Equity in tangible capital assets	<u>6,925,664</u>	<u>6,571,697</u>
	<u>7,256,404</u>	<u>6,918,480</u>

12. 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, 2025

13. 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:

	2025			2024
	Salary	Benefits and allowances	Total	Total
	\$	\$	\$	\$
Mayor	7,512	719	8,231	7,999
Deputy Mayor	6,050	480	6,530	6,749
Councillor	4,288	527	4,815	3,468
Municipal Administrator	52,368	18,447	70,815	73,302
Designated Officers (3)	102,862	19,879	122,741	25,490

- 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.
- 3) Effective for 2025, positions include Public Works Foreman, contracted Community Peace Officers and contracted Assessor.

14. Financial Instruments

The Village's financial instruments consist of cash, 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.

VILLAGE OF ROSEMARY

Notes to the Financial Statements For The Year Ended December 31, 2025

15. Recent Accounting Pronouncements

The following summarizes upcoming changes to the Canadian public sector accounting standards. The Village will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently.

The Conceptual Framework is the foundation for public sector financial reporting standard setting. It replaces the conceptual aspects of PS 1000 Financial Statement Concepts and Section PS100 Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards. The standard is applicable for the fiscal years beginning on or after April 1, 2026.

Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework. The standard is applicable for the fiscal years beginning on or after April 1, 2026.

Management is assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time.

16. Budgeted Figures

The budgeted figures, approved by Council on April 22, 2025 and revised on October 27, 2025, 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 February 26, 2026.