

# **VILLAGE OF CREMONA**

## **CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

December 31, 2014

## INDEPENDENT AUDITOR'S REPORT

### To the Mayor and Council of Village of Cremona

#### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of Village of Cremona, which comprises of the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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, these consolidated financial statements present fairly, in all material respects, the financial position of Village of Cremona as at December 31, 2014, the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Red Deer, Alberta  
April 21, 2015

*Collins Barrow Red Deer LLP*

Chartered Accountants

**VILLAGE OF CREMONA**  
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**December 31, 2014**

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**Financial Statements**

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**VILLAGE OF CREMONA**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2014**

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 1,279,660	\$ 1,052,038
Receivables		
Taxes and grants in place of taxes <i>(Note 3)</i>	87,512	113,100
Trade and other receivables	190,241	41,130
Land held for resale	24,398	22,398
Investments	11,235	10,856
	<u>1,593,046</u>	<u>1,239,522</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	97,572	62,050
Deposit liabilities <i>(Note 5)</i>	24,670	22,045
Deferred revenue <i>(Note 6)</i>	589,372	373,653
Capital lease obligation <i>(Note 7)</i>	48,600	-
	<u>760,214</u>	<u>457,748</u>
<b>CONTINGENCY <i>(Note 13)</i></b>		
<b>NET FINANCIAL ASSETS</b>	<u>832,832</u>	<u>781,774</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Schedule 2)</i>	3,985,115	3,792,426
Prepaid expenses	9,797	3,630
	<u>3,994,912</u>	<u>3,796,056</u>
<b>ACCUMULATED SURPLUS <i>(Schedule 1, Note 8)</i></b>	<u>\$ 4,827,744</u>	<u>\$ 4,577,830</u>

**VILLAGE OF CREMONA**  
**Consolidated Statement of Operations**  
**For the year ended December 31, 2014**

	Budget (unaudited)	2014	2013
<b>REVENUE</b>			
Net Municipal Taxes (Schedule 3)	\$ 358,500	\$ 358,222	\$ 350,945
User fees and sales of goods	229,260	230,501	234,799
Government transfers for operating (Schedule 4)	338,500	316,934	161,424
Investment Income	10,250	11,228	6,269
Penalties and costs on taxes	17,000	23,710	21,443
Licenses and permits	9,300	3,808	8,497
Franchise and concession contracts	40,500	51,922	42,147
Other	5,100	8,795	17,930
	<u>1,008,410</u>	<u>1,005,119</u>	<u>843,454</u>
<b>EXPENSES</b>			
Legislative	42,500	16,152	13,108
Administration	286,000	280,782	333,085
Protective services	45,560	36,641	82,217
Transportation	211,800	217,920	103,441
Utilities	316,800	279,793	283,681
Community services	70,750	70,341	72,699
Subdivision land and development	5,000	1,690	4,431
Parks and recreation	12,700	21,369	12,081
Culture	22,250	19,237	29,663
	<u>1,013,360</u>	<u>943,925</u>	<u>934,406</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	(4,950)	61,194	(90,952)
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	30,000	188,720	90,290
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	25,050	249,914	(662)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>4,577,830</u>	<u>4,577,830</u>	<u>4,578,492</u>
<b>ACCUMULATED SURPLUS, END OF YEAR (note 8)</b>	<u>\$ 4,602,880</u>	<u>\$ 4,827,744</u>	<u>\$ 4,577,830</u>

**VILLAGE OF CREMONA**  
**Consolidated Statement of Changes in Net Financial Assets**  
**For the year ended December 31, 2014**

	Budget (unaudited)	2014	2013
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>			
	\$ 25,050	\$ 249,914	\$ (662)
Acquisition of tangible capital assets	-	(314,456)	(86,107)
Amortization of tangible capital assets	-	111,368	99,404
Proceeds from disposition of tangible capital assets	-	14,100	-
Gain on disposal of tangible capital assets	-	(3,700)	-
Change in inventories and prepaid expenses	-	(6,168)	(3,629)
<b>Increase in net financial assets</b>	25,050	51,058	9,006
<b>Net Financial Assets, Beginning of Year</b>	781,774	781,774	772,768
<b>Net Financial Assets, End of Year</b>	\$ 806,824	\$ 832,832	\$ 781,774

**VILLAGE OF CREMONA**  
**Consolidated Statement of Cash Flows**  
**For the year ended December 31, 2014**

	2014	2013
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenue over expenses	\$ 249,914	\$ (662)
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	111,368	99,404
Gain on disposal of tangible capital assets	(3,700)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and accounts receivable	(123,523)	171,146
Increase (decrease) in accounts payable	38,147	(53,740)
Net change in other working capital balances	(8,167)	(12,644)
Increase in deferred revenue	215,719	91,184
	<u>479,758</u>	<u>294,688</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(257,558)	(86,107)
Proceeds of disposal of tangible capital assets	14,100	-
	<u>(243,458)</u>	<u>(86,107)</u>
<b>FINANCING AND INVESTING</b>		
Capital lease obligation repaid	(8,298)	-
Change in investments	(380)	(224)
	<u>(8,678)</u>	<u>(224)</u>
Net increase (decrease) in cash and cash equivalents	227,622	208,357
Cash and Cash Equivalents, Beginning of Year	<u>1,052,038</u>	<u>843,681</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,279,660</u>	<u>\$ 1,052,038</u>

During the year the Village purchased equipment through capital leases in the amount of \$56,898. These transactions have been excluded from the statement of cash flows as they are non-cash transactions.

**VILLAGE OF CREMONA**  
**Consolidated Schedule of Changes in Accumulated Surplus**  
**For the year ended December 31, 2014**

Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 588,753	\$ 196,651	\$ 3,792,426	\$ 4,577,830	\$ 4,578,492
Excess (shortfall) of revenues over expenses	249,914	-	-	249,914	(662)
Tangible capital assets acquired	(314,456)	-	314,456	-	-
Disposal of tangible capital assets	10,400	-	(10,400)	-	-
Capital lease obligation	56,898		(56,898)		
Capital leases repaid	(8,298)		8,298		
Transfer to restricted surplus	(643,479)	643,479			
Annual amortization expense	111,368	-	(111,368)	-	-
Change in accumulated surplus	(537,653)	643,479	144,088	249,914	(662)
<b>BALANCE, END OF YEAR</b>	<u>\$ 51,100</u>	<u>\$ 840,130</u>	<u>\$ 3,936,514</u>	<u>\$ 4,827,744</u>	<u>\$ 4,577,830</u>



**VILLAGE OF CREMONA**  
**Consolidated Schedule of Tangible Capital Assets**  
**For the year ended December 31, 2014**

**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2014	2013
<b>COST:</b>								
Balance, beginning of year	\$ 111,940	\$ 80,161	\$ 82,536	\$ 5,238,820	\$ 145,217	\$ 25,309	\$ 5,683,983	\$ 5,597,876
Acquisition of tangible capital assets	-	-	-	188,990	100,736	24,730	314,456	86,107
Disposal of tangible capital assets	-	-	-	-	(47,755)	(25,039)	(72,794)	-
Balance, end of year	111,940	80,161	82,536	5,427,810	198,198	25,000	5,925,645	5,683,983
<b>ACCUMULATED AMORTIZATION</b>								
Balance, beginning of year	-	36,226	52,927	1,689,914	87,451	25,039	1,891,557	1,792,153
Annual amortization	-	2,470	1,648	97,813	8,187	1,250	111,368	99,404
Accumulated amortization on disposals	-	-	-	-	(37,356)	(25,039)	(62,395)	-
Balance, end of year	-	38,696	54,575	1,787,727	58,282	1,250	1,940,530	1,891,557
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 111,940</b>	<b>\$ 41,465</b>	<b>\$ 27,961</b>	<b>\$ 3,640,083</b>	<b>\$ 139,916</b>	<b>\$ 23,750</b>	<b>\$ 3,985,115</b>	<b>\$ 3,792,426</b>

**VILLAGE OF CREMONA**  
**Consolidated Schedule of Property and Other Taxes**  
**For the year ended December 31, 2014**

	Budget (unaudited)	2014	2013
<b>TAXATION</b>			
Real property taxes	\$ 272,200	\$ 382,664	\$ 378,879
Non-residential and linear property taxes	216,200	<b>105,258</b>	107,904
	<u>488,400</u>	<u><b>487,922</b></u>	<u>486,783</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	123,000	<b>122,796</b>	132,211
Mountain View Seniors' Housing	6,900	<b>6,904</b>	3,627
	<u>129,900</u>	<u><b>129,700</b></u>	<u>135,838</u>
<b>NET MUNICIPAL TAXES</b>	<u><u>\$ 358,500</u></u>	<u><u>\$ 358,222</u></u>	<u><u>\$ 350,945</u></u>

**VILLAGE OF CREMONA**  
**Consolidated Schedule of Government Transfers**  
**For the year ended December 31, 2014**

**SCHEDULE 4**

	<b>Budget (unaudited)</b>	<b>2014</b>	<b>2013</b>
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	\$ 269,875	\$ 260,647	\$ 55,309
Local Government	<u>68,625</u>	<u>56,287</u>	<u>106,115</u>
	<u>338,500</u>	<u>316,934</u>	<u>161,424</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	<u>30,000</u>	<u>188,720</u>	<u>90,290</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u><u>\$ 368,500</u></u>	<u><u>\$ 505,654</u></u>	<u><u>\$ 251,714</u></u>

**VILLAGE OF CREMONA**  
**Consolidated Schedule of Expenses by Object**  
**For the year ended December 31, 2014**

Schedule 5

	Budget (unaudited)	2014	2013
<b>EXPENDITURES</b>			
Contracted and purchased services	\$ 457,300	<b>\$ 397,244</b>	\$ 321,204
Salaries, wages, and benefits	288,500	<b>248,789</b>	299,574
Amortization of tangible capital assets	76,800	<b>111,368</b>	99,404
Materials, goods, supplies, and utilities	96,950	<b>96,754</b>	76,792
Grants to other organizations	91,810	<b>88,278</b>	105,702
Provision for allowances	1,000	<b>2,728</b>	15,907
Bank charges and short term interest	1,000	<b>2,464</b>	1,553
(Gain) loss on disposal of tangible capital assets	-	<b>(3,700)</b>	14,270
<b>Total Expenses</b>	<b><u>\$ 1,013,360</u></b>	<b><u>\$ 943,925</u></b>	<b><u>\$ 934,406</u></b>

**VILLAGE OF CREMONA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

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The consolidated financial statements of the Village of Cremona are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the village are as follows:

**Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Village and are, therefore, accountable to the Village Council for the administration of their financial affairs and resources.

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.

**Use of Estimates**

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards 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 revenue and expenditure 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. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognized the loss.

**VILLAGE OF CREMONA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the difference between the actual property tax 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.

**Land Held for Sale**

Land held for sale 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 levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the 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.

**Measurement uncertainty**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: estimated useful lives of tangible capital assets and valuation of tangible capital assets. Actual results may differ from management's best estimates as additional information becomes available in the future.

**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 Changes in Net Financial Assets for the year.

**VILLAGE OF CREMONA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Non-Financial Assets (continued)**

**a. 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:

	<u>Years</u>
Land Improvements	10 - 45
Buildings	25 - 50
Engineering structures	
Water system	5 - 65
Wastewater system	45 - 75
Other engineered structures	45 - 75
Machinery and equipment	5 - 40
Vehicles	10 - 40

One-half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

**b. Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

**c. Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**d. Cultural and Historical Tangible Capital Assets**

Cultural and historical assets are not recorded in these financial statements.

**VILLAGE OF CREMONA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2014

**2. CASH AND TEMPORARY INVESTMENTS**

	<b>2014</b>	<b>2013</b>
Cash	\$ 1,234,580	\$ 1,007,357
Temporary Investments	45,080	44,681
	<u>\$ 1,279,660</u>	<u>\$ 1,052,038</u>

Temporary investments are comprised of various Mountain View Credit Union Ltd. treasury bill interest savings accounts in the amount of \$45,080 (2013 - \$44,681) that earn 1% interest per year, payable monthly.

The Village received certain Alberta Government grants that are restricted in their use and are to be utilized as funding for certain projects. Since certain projects have not been completed for which this restricted funding has been received, \$589,372 (2013 - \$373,653) is not available for general use by the Village (Note 6).

Contained in the cash account is \$24,670 (2013 - \$22,045) that is restricted and is not available for general use by the Village (Note 5).

The Village has an undrawn \$250,000 operating line of credit, bearing interest at the bank prime rate (currently 2.85%).

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	<b>2014</b>	<b>2013</b>
Current taxes and grants in place of taxes receivables	\$ 49,605	\$ 64,770
Arrears taxes	37,907	58,121
	90,012	122,891
Less: Allowance for uncollected taxes	2,500	7,402
Less: Prepaid amounts	-	2,389
	<u>\$ 87,512</u>	<u>\$ 113,100</u>

**4. INVESTMENTS**

Investments consist of shares in Mountain View Credit Union.

**5. DEPOSIT LIABILITIES**

The Village maintains utility deposits of \$24,670. (2013 - \$22,045)



**VILLAGE OF CREMONA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

**6. DEFERRED REVENUE**

	2014	2013
Municipal Sustainability Initiative Grant (Capital)	\$ 189,431	\$ 270,680
Federal Gas Tax Grant (New Deal)	153,478	101,333
Albera Wastewater Partnership (AWWP)	246,463	-
Basic Municipal Transportation Grant	-	1,640
	<u>\$ 589,372</u>	<u>\$ 373,653</u>

**Municipal Sustainability Initiative (Capital Grant)**

Funds received for the grant are to be used for the eligible approved capital projects for water and roads. All interest earned on the grant funds must be applied to the eligible project.

**Federal Gas Tax Fund**

These funds are to be utilized for eligible expenditures incurred related to road work accepted by the minister. All interest earned on the grant funds must be applied to the eligible project.

**Alberta Wastewater Partnership Grant**

Funds received for the grant are to be used for eligible approved projects. All interest earned on the grant funds must be applied to the eligible projects.

**Basic Municipal Transportation Grant**

These funds are to be utilized for eligible expenditures incurred for eligible expenses related to road work accepted by the minister. All interest earned on the grant funds must be applied to the eligible project.

**7. CAPITAL LEASE OBLIGATION**

Capital leases payable by and issued in the name of the Village include the following amounts:

Obligations under capital contracts, repayable \$1,185 monthly, expiring May, 2018, secured by the specific purchased assets as noted below. The capital contracts have an interest rate of 0%.

Asset Classification	Book Value	Amortization	Net Book Value
Machinery & Equipment	60,220	2,711	57,509
<b>Total</b>	<b>60,220</b>	<b>2,711</b>	<b>57,509</b>

Principal and interest payments for the next 5 years are as follows:

	Principal	Interest	Total
2015	\$ 14,224	-	\$ 14,224
2016	14,224	-	14,224
2017	14,224	-	14,224
2018	5,927	-	5,927
	<u>\$ 48,600</u>	<u>\$ -</u>	<u>\$ 48,600</u>

**VILLAGE OF CREMONA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

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**8. ACCUMULATED SURPLUS**

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	<b>2014</b>	<b>2013</b>
Unrestricted Surplus	\$ 51,100	\$ 588,753
Restricted Surplus:		
Operating contingency	51,000	51,000
Roads, streets, walks and lighting	704,579	61,100
Water and wastewater	84,551	84,551
Equity in tangible capital assets	<u>3,936,514</u>	<u>3,792,426</u>
	<u>\$ 4,827,744</u>	<u>\$ 4,577,830</u>

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**9. EQUITY IN TANGIBLE CAPITAL ASSETS**

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	<b>2014</b>	<b>2013</b>
Tangible capital assets (Schedule 2)	\$ 5,925,645	\$ 5,683,983
Accumulated amortization (Schedule 2)	(1,940,530)	(1,891,557)
Capital lease obligation (Note 7)	(48,600)	-
	<u>\$ 3,936,515</u>	<u>\$ 3,792,426</u>

**VILLAGE OF CREMONA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

**10. DEBT LIMIT**

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 Cremona be disclosed as follows:

	2014	2013
Total debt limit	\$ 1,507,679	\$ 1,265,181
Total debt	48,600	-
Amount of debt limit unused	<u>1,459,079</u>	<u>1,265,181</u>
Debt servicing limit	251,280	210,864
Debt servicing	<u>14,224</u>	<u>-</u>
Amount below limit on debt service	<u>\$ 237,054</u>	<u>\$ 210,864</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.

**11. SALARY AND BENEFITS DISCLOSURE**

Disclosure of salaries and benefits for elected municipal officials, the Chief Administrative Officer and designated officers as required by provincial regulation 313/2000 is as follows:

	----- 2014 -----			----- 2013 -----		
	<u># of Persons</u>	<u>Salary (1) \$</u>	<u>Benefits &amp; Allowances (2) \$</u>	<u>Total \$</u>	<u># of Persons</u>	<u>Total \$</u>
Mayor						
Hagen, T	1	3,100	75	3,175	1	1,065
Abrams, L	1			-	1	1,181
Councilors						
Bigelow, M	1	2,718	44	2,762	1	980
Reid, R	1	1,886	22	1,908	1	150
Shi, J	1	2,513	42	2,555	1	675
Temple, S	1	2,175	44	2,219	1	1,015
Beckman, K	1		-	-	1	1,500
Whittle, M	1			-	1	742
Chief Administrative Officer	1	56,331	-	56,331	3	122,224

**VILLAGE OF CREMONA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

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**11. SALARY AND BENEFITS DISCLOSURE continued**

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- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments gross honoraria and any other direct cash remuneration.
- (2) Employer's share of all employee benefits including CPP and Workers' Compensation.
- (3) In October, 2013 the Town of Didsbury began providing CAO services to the Village.

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**12. LOCAL AUTHORITIES PENSION PLAN**

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Employees of the Village participate in the Local Authorities Pension Plan (LAPP), which is covered by the *Public Sector Pensions Plan Act*. The LAPP serves about 227,000 people and 428 employers. The Plan is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Village is required to make current service contributions to the plan of 11.39% of the pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

The current service contributions by the Village to the Local Authorities Pension Plan in 2014 were Nil (2013 - \$2,066). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2014 were Nil. (2013 - \$1,868)

At December 31, 2013, the Plan disclosed an actuarial deficit of \$4.86 Billion (2012 - \$4.98 Billion). LAPP has not yet disclosed the actuarial deficit as at December 31, 2014.

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**13. CONTINGENCY**

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The Village is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the Village could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

**VILLAGE OF CREMONA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

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**14. FINANCIAL INSTRUMENTS**

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The Village's financial instruments consist of cash and temporary investments, receivables, investments, accounts payable and accrued liabilities and deposit liabilities. It is management's opinion that the village is not exposed to significant interest, currency, credit, market or liquidity risks arising from these financial instruments except as follows:

The Village is subject to credit risk with respect to taxes and grants in place of taxes receivable 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 carrying value of the financial instrument approximates fair value.

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**15. SUBSEQUENT EVENTS**

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In March, 2015 the Village received 2014 grant money from the Basic Municipal Transportation Grant for \$27,420 and MSI Capital Funding for \$179,586.

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**16. RELATED PARTY TRANSACTIONS**

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In 2013, Mountain View County entered into an agreement to provide administrative support services to Cremona. The agreement began October 1, 2013. Cremona pays a monthly fee which is an approximation of variable and fixed costs associated with the administrative support and does not contain a profit component, the total amount paid in 2014 is \$36,000 (2013 - \$9,000). Related to the transition of Cremona's records an additional amount of \$25,000 (2013 - \$12,755) was paid to the County.

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**17. APPROVAL OF FINANCIAL STATEMENTS**

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Council and management have approved these financial statements.