

VILLAGE OF CREMONA



Independent Auditor's Report
and Financial Statements
December 31, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Village of Cremona

Opinion

We have audited the accompanying financial statements of Village of Cremona (the "Village"), which comprises of the statement of financial position as at December 31, 2021 and the statements of operations and accumulated surplus, changes in net financial debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village of Cremona as at December 31, 2021, and its result of operations, its changes in its net financial (debt) assets) 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 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 standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Village'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 to liquidate the Village or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities 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:

- 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 Village'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 Village'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 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.

RSM Alberta LLP

Red Deer County, Alberta
April 27, 2022

RSM ALBERTA LLP
Chartered Professional Accountants



VILLAGE OF CREMONA

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VILLAGE OF CREMONA
Statement of Financial Position
December 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash (note 3)	\$ 208,153	609,448
Taxes receivable - net (note 4)	15,358	29,120
Trade and other receivables - net	410,329	65,522
Investments	<u>13,552</u>	<u>13,552</u>
	<u>647,392</u>	<u>717,642</u>
LIABILITIES		
Accounts payable and accruals	67,648	84,009
Deposit liabilities	3,300	2,250
Deferred revenue (note 5)	141,490	112,822
Long-term debt (note 6)	<u>414,787</u>	<u>472,611</u>
	<u>627,225</u>	<u>671,692</u>
Contingency (note 7)		
NET FINANCIAL (DEBT) ASSETS)	<u>20,167</u>	<u>45,950</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (page 6)	6,663,779	6,098,207
Land inventory held for resale	<u>24,398</u>	<u>24,398</u>
	<u>6,688,177</u>	<u>6,122,605</u>
ACCUMULATED SURPLUS (note 8)	<u>\$ 6,708,344</u>	<u>6,168,555</u>

Approved by Council:



 Mayor



 Chief Administrative Officer

See accompanying schedules and notes.

VILLAGE OF CREMONA

Statement of Operations and Accumulated Surplus Year Ended December 31, 2021

	Budget (unaudited) (Note 14)	2021	2020
Revenue			
Net municipal taxes (page 7)	\$ 417,538	427,744	418,187
Government transfers for operating (page 8)	146,260	319,657	135,916
Utilities	213,100	204,678	206,066
Donations	28,400	134,861	19,875
Franchise and concession contracts	61,898	65,295	58,486
Other	44,925	29,454	42,891
Penalties and cost of taxes	5,253	9,838	6,019
Licenses and permits	5,950	4,597	4,025
Return on investments	6,300	609	7,238
	<u>929,624</u>	<u>1,196,733</u>	<u>898,703</u>
Expenses (page 9)			
Administration	287,539	310,235	287,665
Public works	234,920	309,357	270,849
Utilities	149,240	231,458	231,166
Community services	91,627	89,847	77,299
Protective services	66,485	68,970	74,088
Parks and recreation	20,550	39,637	12,239
Culture	36,385	36,066	36,092
Legislative	25,650	17,702	26,216
Subdivision land and development	8,000	9,312	6,861
	<u>920,396</u>	<u>1,112,584</u>	<u>1,022,475</u>
Annual surplus (deficiency) before other	<u>9,228</u>	<u>84,149</u>	<u>(123,772)</u>
Other			
Government transfers for capital (page 8)	491,836	451,025	423,981
Contributed tangible capital assets	-	-	12,786
Gain on disposal of tangible capital assets	-	4,615	-
	<u>491,836</u>	<u>455,640</u>	<u>436,767</u>
Annual surplus	501,064	539,789	312,995
Accumulated surplus, beginning of year	<u>6,168,555</u>	<u>6,168,555</u>	<u>5,855,560</u>
Accumulated surplus, end of year	<u>\$ 6,669,619</u>	<u>6,708,344</u>	<u>6,168,555</u>

See accompanying schedules and notes.

VILLAGE OF CREMONA

Statement of Changes in Net Financial (debt) Assets) Year Ended December 31, 2021

	Budget (<i>unaudited</i>) (Note 14)	2021	2020
Annual surplus	\$ 501,064	539,789	312,995
Acquisition of tangible capital assets	(767,000)	(785,308)	(638,151)
Amortization of tangible capital assets	-	204,851	192,074
Net book value of disposed tangible capital asset	<u>-</u>	<u>14,885</u>	<u>-</u>
Decrease in net financial (debt) assets)	(84,493)	(25,783)	(133,082)
Net financial assets, beginning of year	<u>45,950</u>	<u>45,950</u>	<u>179,032</u>
Net financial (debt) assets, end of year	\$ <u>(38,543)</u>	\$ <u>20,167</u>	<u>45,950</u>

See accompanying schedules and notes.

VILLAGE OF CREMONA
Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from ratepayers, services and agencies	\$ 1,344,775	1,204,943
Cash paid to suppliers, employees and agencies	(913,464)	(826,618)
Interest received	609	7,238
Interest and bank charges paid	<u>(9,583)</u>	<u>(7,916)</u>
	<u>422,337</u>	<u>377,647</u>
Capital activity		
Purchase of tangible capital assets	(785,308)	(625,365)
Proceeds on disposal of tangible capital assets	<u>19,500</u>	<u>-</u>
	<u>(765,808)</u>	<u>(625,365)</u>
Financing activities		
Long-term debt issued	-	300,000
Long-term debt repaid	<u>(57,824)</u>	<u>(42,908)</u>
	<u>(57,824)</u>	<u>257,092</u>
(Decrease) increase in cash	(401,295)	9,374
Cash, beginning of year	<u>609,448</u>	<u>600,074</u>
Cash, end of year	<u>\$ 208,153</u>	<u>609,448</u>

Excluded from tangible capital assets in the year is contributed assets of \$0 (2020 - \$12,786).

VILLAGE OF CREMONA
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2021

	Unrestricted	Reserves	Equity in Tangible Capital Assets	2021	2020
Balance, beginning of year	\$ (29,306)	572,265	5,625,596	6,168,555	5,855,560
Annual surplus	539,789	-	-	539,789	312,995
Current year funds used for tangible capital assets	(785,308)	-	785,308	-	-
Net book value of disposed tangible capital asset	14,885	-	(14,885)	-	-
Annual amortization expense	204,851	-	(204,851)	-	-
Long-term debt repaid	<u>(57,824)</u>	<u>-</u>	<u>57,824</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (112,913)</u>	<u>572,265</u>	<u>6,248,992</u>	<u>6,708,344</u>	<u>6,168,555</u>



VILLAGE OF CREMONA
Schedule of Tangible Capital Assets
Year Ended December 31, 2021

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Automotive	2021	2020
Cost								
Beginning balance	\$ 111,940	90,257	526,188	7,912,451	380,774	47,576	9,069,186	8,431,035
Additions	-	-	38,263	699,404	29,349	18,292	785,308	638,151
Disposals	-	-	-	-	(36,957)	-	(36,957)	-
Ending balance	<u>111,940</u>	<u>90,257</u>	<u>564,451</u>	<u>8,611,855</u>	<u>373,166</u>	<u>65,868</u>	<u>9,817,537</u>	<u>9,069,186</u>
Accumulated amortization								
Beginning balance	-	54,272	89,608	2,637,115	172,605	17,379	2,970,979	2,778,905
Amortization	-	2,976	10,905	163,072	22,226	5,672	204,851	192,074
Disposals	-	-	-	-	(22,072)	-	(22,072)	-
Ending balance	-	<u>57,248</u>	<u>100,513</u>	<u>2,800,187</u>	<u>172,759</u>	<u>23,051</u>	<u>3,153,758</u>	<u>2,970,979</u>
Net book value	\$ <u>111,940</u>	<u>33,009</u>	<u>463,938</u>	<u>5,811,668</u>	<u>200,407</u>	<u>42,817</u>	<u>6,663,779</u>	<u>6,098,207</u>
2020 net book value	\$ <u>111,940</u>	<u>35,985</u>	<u>436,580</u>	<u>5,275,336</u>	<u>208,169</u>	<u>30,197</u>	<u>6,098,207</u>	



VILLAGE OF CREMONA
Schedule of Property and Other Taxes
Year Ended December 31, 2021

	Budget (<i>unaudited</i>) (Note 14)	2021	2020
Taxation			
Real property taxes	\$ 466,825	448,419	443,676
Non-residential and linear property taxes	<u>103,592</u>	<u>119,659</u>	<u>117,429</u>
	<u>570,417</u>	<u>568,078</u>	<u>561,105</u>
Requisitions			
Alberta School Foundation Fund	123,611	123,456	125,428
Mountain View Seniors Housing	<u>17,006</u>	<u>16,878</u>	<u>17,490</u>
	<u>140,617</u>	<u>140,334</u>	<u>142,918</u>
Net municipal taxes	\$ <u>429,800</u>	<u>427,744</u>	<u>418,187</u>

VILLAGE OF CREMONA
Schedule of Government Transfers
Year Ended December 31, 2021

	Budget (<i>unaudited</i>) (Note 4)	2021	2020
Operating transfers			
Other Local Governments	\$ 119,000	290,389	107,914
Provincial Government	<u>27,260</u>	<u>29,268</u>	<u>28,002</u>
	<u>146,260</u>	<u>319,657</u>	<u>135,916</u>
Capital transfers			
Other Local Governments	257,836	234,000	-
Provincial Government	<u>574,778</u>	<u>217,025</u>	<u>423,981</u>
	<u>832,614</u>	<u>451,025</u>	<u>423,981</u>
	<u>\$ 978,874</u>	<u>770,682</u>	<u>559,897</u>

VILLAGE OF CREMONA
Schedule of Expenses by Object
Year Ended December 31, 2021

	Budget <i>(unaudited)</i> (Note 14)	2021	2020
Salaries, wages and benefits	\$ 373,747	360,989	337,592
Materials, goods, supplies and utilities	220,030	230,871	218,533
Contracted and purchased services	219,042	211,508	158,392
Amortization	-	204,851	192,074
Grants to other organizations	103,688	94,782	107,948
Bank charges	<u>3,889</u>	<u>9,583</u>	<u>7,936</u>
	<u>\$ 920,396</u>	<u>1,112,584</u>	<u>1,022,475</u>

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2021

1. Nature of Activities

The Village of Cremona (the "Village") is incorporated under the Municipal Government Act and carries out the administration and operation of the Village.

2. Significant Accounting Policies

The financial statements of the Village of Cremona are the representations of management prepared in accordance with 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 are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenses, changes in net financial assets (debt) and cash flows of the reporting entity.

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 recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

i. Revenue

Revenue is recognized as it is earned and measurable. Funds from external parties, and earnings thereon, restricted by agreement or legislation are accounted for as deferred revenue until the related expenses are incurred, services performed or tangible capital assets are acquired.

2. Significant Accounting Policies (Continued)

ii. 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.

iii. 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.

iv. Deferred revenue

Deferred revenue represents government transfers, donations, and other fees which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met.

v. Expenses

Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

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. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Significant areas requiring the use of estimates include: estimated useful lives of tangible capital assets and valuation of contributed tangible capital assets. Actual results could differ from those estimates.

Reserves

Certain amounts, as approved by Village Council, are set aside in accumulated surplus for future operating and capital purposes. Transfers to or from reserves are adjustments to the respective fund when approved

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2021

2. Significant Accounting Policies (Continued)

Investments

The investment in Connect First Credit Union is recorded at amortized cost.

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 annual surplus, provides the changes in net financial assets for the year.

Non-financial assets consist of the following:

i. 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 assets. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over the estimated useful life as follows:

Land improvements	10 to 45 years
Buildings	25 to 50 years
Engineered structures	
Water systems	5 to 65 years
Wastewater systems	45 to 75 years
Other engineered structures	45 to 75 years
Machinery and equipment	5 to 40 years
Automotive	10 to 40 years

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

When conditions indicate a tangible capital asset is impaired, the carrying value of the tangible capital asset is written down to the asset's fair value or replacement cost. The write down of tangible capital assets is recorded as an expense on the statement of operations. A write down shall not be reversed.

ii. Contributions of tangible capital assets

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

iii. Cultural and historical tangible capital assets

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

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2021

2. Significant Accounting Policies (Continued)

iv. Land inventory held for resale

Land inventory 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, roads, sidewalks and street lighting are recorded as tangible capital assets under their respective functions.

3. Cash

Cash consists of various Connect First Credit Union treasury bill interest savings accounts totaling \$52,598 (2020 - \$52,449) that earn interest at 0.35% per annum, payable monthly.

The Village has an undrawn \$250,000 operating line of credit, bearing interest at 1.95% per annum.

4. Taxes Receivable	2021	2020
Current taxes receivable	\$ 14,374	12,970
Arrears taxes	3,119	18,285
Allowance for doubtful accounts	<u>(2,135)</u>	<u>(2,135)</u>
	<u>\$ 15,358</u>	<u>29,120</u>

5. Deferred Revenue	2021	2020
Federal grant	\$ 51,863	51,863
Municipal Operating Support Transfer	-	49,959
Other deferred revenue	-	11,000
Canada Community Building Funding	<u>89,627</u>	<u>-</u>
	<u>\$ 141,490</u>	<u>112,822</u>

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2021

5. Deferred Revenue (Continued)

The Federal grant is restricted for the accessibility project at the Cremona Community building.

The Municipal Operating Support Transfer provided by the Federal and Provincial Governments is to fund incremental costs incurred by municipalities as a result of COVID-19.

Other deferred revenue consists of funds received for upcoming specified projects.

The Canada Community-Building Funding was approved by Alberta Municipal Affairs for 1st Street East development project and the Pump Station PLC Upgrade project.

6. Long-Term Debt	2021	2020
Debenture payable bearing interest at 1.782% per annum, repayable in semi-annual blended payments of \$16,443 due September 2026.	156,649	186,345
Debenture payable bearing interest at 1.592% per annum, repayable in semi-annual blended payments of \$16,285 due June 2030.	<u>258,138</u>	<u>286,266</u>
	<u>\$ 414,787</u>	<u>472,611</u>

Debenture debt is issued on the credit and security of the Village of Cremona at large.

The estimated principal and interest repayments for the next five years and thereafter are as follows:

	Principal	Interest	Total
2022	\$ 58,805	6,651	65,456
2023	59,802	5,653	65,455
2024	60,817	4,638	65,455
2025	61,849	3,606	65,455
2026	62,899	2,557	65,456
Subsequent	<u>110,615</u>	<u>3,546</u>	<u>114,161</u>
	<u>\$ 414,787</u>	<u>26,651</u>	<u>441,438</u>

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2021

7. Contingency

The Village is a member of the Alberta Municipal 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.

8. Accumulated Surplus	2021	2020
Unrestricted deficit	\$ <u>(112,913)</u>	<u>(29,306)</u>
Reserves		
Operating contingency	2,000	2,000
Roads, streets, walks and lighting	278,856	278,856
Water and wastewater	<u>291,409</u>	<u>291,409</u>
	<u>572,265</u>	<u>572,265</u>
Equity in tangible capital assets		
Tangible capital assets (page 6)	6,663,779	6,098,207
Long-term debt (note 7)	<u>(414,787)</u>	<u>(472,611)</u>
	<u>6,248,992</u>	<u>5,625,596</u>
	\$ <u>6,708,344</u>	<u>6,168,555</u>

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2021

9. Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Village as follows:

	<u>2021</u>	<u>2020</u>
Total debt limit	\$ 1,795,100	1,348,054
Total debt	<u>414,624</u>	<u>472,611</u>
Amount of debt limit unused	<u>1,380,476</u>	<u>875,443</u>
Service limit of debt	\$ 299,183	224,676
Service on debt	<u>65,456</u>	<u>65,456</u>
Amount of debt servicing limit unused	<u>\$ 233,727</u>	<u>159,220</u>

The debt limit is calculated at 1.5 times the 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 Village. Rather, the financial statements must be interpreted as a whole.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2021

10. 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:

	<u>Salary (1)</u>	<u>Benefits and allowances (2)</u>	<u>2021 Total</u>	<u>2020 Total</u>
Mayor				
Hagen, T	\$ 3,110	49	3,159	3,015
Councilors				
Reid, R	2,848	48	2,896	2,718
Shi, J	2,440	41	2,481	2,040
Temple, S	1,748	33	1,781	1,896
Schibiner, B	2,015	31	2,046	1,827
Goebel, S	550	8	558	-
Thompson, T	<u>550</u>	<u>8</u>	<u>558</u>	<u>-</u>
	<u>13,261</u>	<u>218</u>	<u>13,479</u>	<u>11,496</u>
Chief Administrative Officer				
Gertzen, A	21,154	15	21,169	109,438
Friesen, R	<u>63,077</u>	<u>88</u>	<u>63,165</u>	<u>-</u>
	<u>84,231</u>	<u>103</u>	<u>84,334</u>	<u>109,438</u>
	<u>\$ 97,492</u>	<u>321</u>	<u>97,813</u>	<u>120,934</u>

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honorariums and any other direct cash remuneration.

(2) Employer's share of all employee benefits including Canada Pension Plan (CPP) and Worker's Compensation.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2021

11. Local Authorities Pension Plan

Employees of the Village participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP serves 275,863 employees and 433 employers. The LAPP is financed by employer and employee contributions and by investment earnings in the LAPP Fund.

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

The Village is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above that amount. Employees of the Village are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Village to the LAPP in 2021 were \$14,496 (2020 - \$20,744). Total current service contributions by employees of the municipality to the LAPP in 2020 were \$13,009 (2020 - \$18,731).

As at December 31, 2020 the LAPP disclosed an actuarial surplus of \$5.0 billion (2019 - \$7.91 billion). The 2021 amounts are not yet available.

12. Contractual Rights

The Village has contractual rights to franchise fees from ATCO Gas for 25% and Fortis Alberta for 10% of the gross usage charges for gas and electricity respectively each year.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2021

13. Financial Instruments

The Village's financial instruments consist of cash, taxes receivable, trade and other receivables, investments, accounts payable and accruals, long-term debt 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:

Interest rate risk

The Village is exposed to interest rate price risk as long-term debt bears interest at fixed interest rates.

Credit risk

The Village is exposed to credit risk with respect to taxes and grants in place of taxes, 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.

14. Contingent Assets

The Village qualifies to receive a MSI Capital grant of \$207,836 for 2021. Project applications need to be submitted and the payment conditions must be met in order to receive the government transfer. Receipt of the funds are contingent on the Government of Alberta approving the project applications. The Village of Cremona received \$103,918, the first half of the funding, subsequent to the year end. In order to receive the second half of the funding of \$103,918, additional eligible projects totaling \$29,800 need to be submitted for approval.

15. Budget Amounts

Council and management approved the 2021 budget for the Village of Cremona on March 17, 2020 and the revised budget on April 20, 2021.

16. Approval of Financial Statements

Council and management have approved these financial statements.

VILLAGE OF CREMONA
Supplementary Financial Information
Year Ended December 31, 2021

Reconciliation of 2021 Budget to Operating Results

Effective January 1, 2009 the Village adopted the changes required under the Public Sector Accounting Board (PSAB) Handbook, including Section 1200, "Financial Statement Presentation". Under these requirements, the Village is required to use a full accrual reporting model for preparation of its consolidated financial statements. However, the Village continues to use a cash requirement basis in determining its annual budget. The reconciliation below is for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated financial statements provided and users should note that this information may not be appropriate for their purposes.

	Budget (<i>unaudited</i>) (Note 14)	2021	2020
Annual surplus per financial statements	\$ 501,064	539,789	312,995
Capital expenditures:			
Add: amortization expense	-	204,851	192,074
Transfer from reserves	340,778	-	-
Less: tangible capital assets acquired	(767,000)	(785,308)	(638,151)
Add: Net book value of disposed tangible capital asset	<u>-</u>	<u>14,885</u>	<u>-</u>
Excess (deficiency) of operating and capital revenues over expenditures	74,842	(25,783)	(133,082)
Capital financing:			
Add: interest on long-term capital debt	-	5,466	6,098
Add: capital debt issued	-	-	300,000
Less: repayment of capital debt	<u>(65,446)</u>	<u>(63,290)</u>	<u>(49,006)</u>
(Deficiency) excess before the following	<u>9,396</u>	<u>(83,607)</u>	<u>124,010</u>
(Increase) decrease in unrestricted deficiency	<u>\$ 9,396</u>	<u>(83,607)</u>	<u>124,010</u>