

# VILLAGE OF CREMONA



Independent Auditor's Report and Financial Statements

December 31, 2019



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## INDEPENDENT AUDITOR'S REPORT

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### To the Members of Council of the Village of Cremona

#### *Opinion*

We have audited the financial statements of Village of Cremona (the "Village"), which comprises of the statement of financial position as at December 31, 2019 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Village of Cremona as at December 31, 2019, 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.

#### *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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## INDEPENDENT AUDITOR'S REPORT, continued

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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.

Red Deer County, Alberta  
July 27, 2020

RSM Alberta LLP

Chartered Professional Accountants



# VILLAGE OF CREMONA

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December 31, 2019

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**VILLAGE OF CREMONA**  
**Statement of Financial Position**  
**December 31, 2019**

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (note 3)	\$ 600,074	400,335
Taxes receivable - net (note 4)	22,749	43,598
Trade and other receivables - net	35,438	74,390
Investments (note 5)	<u>12,751</u>	<u>11,543</u>
	<u>671,012</u>	<u>529,866</u>
<b>LIABILITIES</b>		
Accounts payable and accruals	88,240	111,000
Deposit liabilities	1,350	450
Long-term debt (note 6)	<u>215,519</u>	<u>244,180</u>
	<u>305,109</u>	<u>355,630</u>
<b>Contingency (note 7)</b>		
<b>NET FINANCIAL ASSETS</b>	<u>365,903</u>	<u>174,236</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (page 6)	5,652,130	5,641,751
Land held for resale	<u>24,398</u>	<u>24,398</u>
	<u>5,676,528</u>	<u>5,666,149</u>
<b>ACCUMULATED SURPLUS (note 8)</b>	<u>\$ 6,042,431</u>	<u>5,840,385</u>

**Approved by Council:**

  
 Mayor

DocuSigned by:  
  
 Aaron Gertzen  
 Chief Administrative Officer

See accompanying schedules and notes.

# VILLAGE OF CREMONA

## Statement of Operations and Accumulated Surplus Year Ended December 31, 2019

	Budget (unaudited)	2019	2018
<b>Revenue</b>			
Net municipal taxes (page 7)	\$ 401,462	394,975	397,692
Utilities	213,100	203,231	217,706
Government transfers for operating (page 8)	143,650	143,443	141,791
Franchise and concession contracts	61,898	52,633	69,968
Other	29,298	27,358	28,009
Donations	27,677	23,006	37,086
Return on investments	6,300	10,709	6,313
Licenses and permits	5,700	9,086	3,140
Penalties and cost of taxes	5,253	7,977	9,353
	<u>894,338</u>	<u>872,418</u>	<u>911,058</u>
<b>Expenses (page 9)</b>			
Utilities	169,998	312,880	350,453
Public works	247,770	293,505	223,481
Administration	257,010	271,007	334,265
Community services	97,270	92,062	104,129
Protective services	54,847	80,985	42,815
Culture	36,250	35,951	35,795
Parks and recreation	16,450	30,936	18,550
Subdivision land and development	15,500	27,720	16,366
Legislative	25,650	21,467	32,170
	<u>920,745</u>	<u>1,166,513</u>	<u>1,158,024</u>
<b>Deficiency of revenue over expenses before the following</b>	<b>(26,407)</b>	<b>(294,095)</b>	<b>(246,966)</b>
<b>Other income (expenses)</b>			
Government transfers for capital (page 8)	269,174	477,251	92,577
Contributed tangible capital assets	-	18,890	135,054
Loss on asset disposal	-	-	(886)
	<u>269,174</u>	<u>496,141</u>	<u>226,745</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>242,767</b>	<b>202,046</b>	<b>(20,221)</b>
<b>Accumulated surplus, beginning of year</b>	<b>5,840,385</b>	<b>5,840,385</b>	<b>5,860,606</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 6,083,152</b>	<b>6,042,431</b>	<b>5,840,385</b>

See accompanying schedules and notes.

**VILLAGE OF CREMONA**  
**Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2019**

	<b>Budget</b> (unaudited)	<b>2019</b>	2018
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 242,767</b>	<b>202,046</b>	(20,221)
Acquisition of tangible capital assets	(288,897)	(192,695)	(250,470)
Amortization of tangible capital assets	-	<b>182,316</b>	177,493
Loss on disposal of tangible capital assets	-	-	886
Change in prepaid expenses	<u>-</u>	<u>-</u>	<u>8,626</u>
<b>Increase (decrease) in net financial assets</b>	<b>(46,130)</b>	<b>191,667</b>	(83,686)
<b>Net financial assets, beginning of year</b>	<u>174,236</u>	<u>174,236</u>	<u>257,922</u>
<b>Net financial assets, end of year</b>	<b><u>\$ 128,106</u></b>	<b><u>\$ 365,903</u></b>	<u>174,236</u>

See accompanying schedules and notes.

**VILLAGE OF CREMONA**  
**Statement of Cash Flows**  
**Year Ended December 31, 2019**

	2019	2018
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>Operating activities</b>		
Cash receipts from ratepayers, services and agencies	\$ 1,398,761	1,463,306
Cash paid to suppliers, employees and agencies	(1,000,071)	(986,723)
Interest received	10,709	6,313
Interest and bank charges paid	<u>(7,194)</u>	<u>(6,636)</u>
	<u>402,205</u>	<u>476,260</u>
<b>Capital activities</b>		
Purchase of tangible capital assets	<u>(173,805)</u>	<u>(163,015)</u>
<b>Financing activities</b>		
Repayment of capital lease obligation	-	(5,927)
Repayment of long-term debt	<u>(28,661)</u>	<u>(28,157)</u>
	<u>(28,661)</u>	<u>(34,084)</u>
<b>Increase in cash</b>	<b>199,739</b>	<b>279,161</b>
<b>Cash, beginning of year</b>	<u><b>400,335</b></u>	<u><b>121,174</b></u>
<b>Cash, end of year</b>	<u><b>\$ 600,074</b></u>	<u><b>400,335</b></u>

Excluded from capital assets in the year is contributed assets of \$18,890 (2018 - \$135,054).

See accompanying schedules and notes.



**VILLAGE OF CREMONA**  
**Schedule of Changes in Accumulated Surplus**  
**Year Ended December 31, 2019**

	Unrestricted	Reserves	Equity in Tangible Capital Assets	2019	2018
<b>Changes in accumulated surplus</b>					
Excess (deficiency) of revenue over expenses	202,046	-	-	202,046	(20,221)
Reserves used for operating expenses	70,000	(70,000)	-	-	-
Transfer from capital reserves	154,826	(154,826)	-	-	-
Contributed tangible capital assets	(18,890)	-	18,890	-	-
Current year funds used for tangible capital assets	(173,805)	-	173,805	-	-
Annual amortization expense	182,316	-	(182,316)	-	-
Long term debt repaid	<u>(28,661)</u>	<u>-</u>	<u>28,661</u>	<u>-</u>	<u>-</u>
<b>Total change in accumulated surplus</b>	<b>(168,491)</b>	<b>572,265</b>	<b>5,436,611</b>	<b>5,840,385</b>	<b>5,860,606</b>
<b>Balance, beginning of year</b>	<u><b>(354,277)</b></u>	<u><b>797,091</b></u>	<u><b>5,397,571</b></u>	<u><b>5,840,385</b></u>	<u><b>5,860,606</b></u>
<b>Balance, end of year</b>	<u><b>\$ 33,555</b></u>	<u><b>572,265</b></u>	<u><b>5,436,611</b></u>	<u><b>6,042,431</b></u>	<u><b>5,840,385</b></u>

See accompanying schedules and notes.

**VILLAGE OF CREMONA**  
**Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2019**

		Land Land improvements	Buildings	Engineering structures	Machinery and equipment	Automotive	2019	2018
<b>Cost</b>								
Beginning balance	\$ 111,940	80,161	490,467	7,235,696	295,076	25,000	8,238,340	7,991,669
Additions	-	10,096	-	153,514	29,085	-	192,695	250,470
Disposals	-	-	-	-	-	-	-	(3,799)
Ending balance	<u>111,940</u>	<u>90,257</u>	<u>490,467</u>	<u>7,389,210</u>	<u>324,161</u>	<u>25,000</u>	<u>8,431,035</u>	<u>8,238,340</u>
<b>Accumulated amortization</b>								
Beginning balance	-	48,575	69,632	2,333,964	133,168	11,250	2,596,589	2,422,009
Amortization	-	2,722	9,809	149,219	18,066	2,500	182,316	177,493
Disposals	-	-	-	-	-	-	-	(2,913)
Ending balance	-	<u>51,297</u>	<u>79,441</u>	<u>2,483,183</u>	<u>151,234</u>	<u>13,750</u>	<u>2,778,905</u>	<u>2,596,589</u>
<b>Net book value</b>	<b>\$ <u>111,940</u></b>	<b><u>38,960</u></b>	<b><u>411,026</u></b>	<b><u>4,906,027</u></b>	<b><u>172,927</u></b>	<b><u>11,250</u></b>	<b><u>5,652,130</u></b>	<b><u>5,641,751</u></b>
2018 net book value	\$ <u>111,940</u>	<u>31,586</u>	<u>420,835</u>	<u>4,901,732</u>	<u>161,908</u>	<u>13,750</u>	<u>5,641,751</u>	

**VILLAGE OF CREMONA**  
**Schedule of Property and Other Taxes**  
**Year Ended December 31, 2019**

	<b>Budget</b> (unaudited)	<b>2019</b>	<b>2018</b>
<b>Taxation</b>			
Real property taxes	\$ 452,685	425,722	416,211
Non-residential and linear property taxes	<u>83,066</u>	<u>108,250</u>	<u>112,545</u>
	<u>535,751</u>	<u>533,972</u>	<u>528,756</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	122,300	127,080	123,352
Mountain View Seniors Housing	<u>11,989</u>	<u>11,917</u>	<u>7,712</u>
	<u>134,289</u>	<u>138,997</u>	<u>131,064</u>
<b>Net municipal taxes</b>	<b>\$ <u>401,462</u></b>	<b><u>394,975</u></b>	<b><u>397,692</u></b>

**VILLAGE OF CREMONA**  
**Schedule of Government Transfers**  
**Year Ended December 31, 2019**

	Budget (unaudited)	2019	2018
<b>Operating transfers</b>			
Provincial Government	\$ -	30,869	31,150
Other Local Governments	<u>143,650</u>	<u>112,574</u>	<u>110,641</u>
	<u>143,650</u>	<u>143,443</u>	<u>141,791</u>
<b>Capital transfers</b>			
Provincial Government	269,174	477,251	50,000
Other Local Governments	<u>-</u>	<u>-</u>	<u>42,577</u>
	<u>269,174</u>	<u>477,251</u>	<u>92,577</u>
<b>Total government transfers</b>	<b>\$ <u>412,824</u></b>	<b><u>620,694</u></b>	<b><u>234,368</u></b>

**VILLAGE OF CREMONA**  
**Schedule of Expenses by Object**  
**Year Ended December 31, 2019**

	<b>Budget</b> (unaudited)	<b>2019</b>	2018
Contracted and purchased services	\$ 189,412	350,780	260,676
Salaries, wages, and benefits	398,850	307,868	428,192
Materials, goods, supplies, and utilities	225,251	211,902	197,745
Amortization of tangible capital assets	-	182,316	177,493
Grants to other organizations	105,432	106,453	87,282
Bank charges and short term interest	<u>1,800</u>	<u>7,194</u>	<u>6,636</u>
	<u>\$ 920,745</u>	<u>1,166,513</u>	<u>1,158,024</u>

# VILLAGE OF CREMONA

## Notes to the Financial Statements

### December 31, 2019

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#### 1. Nature of Activities

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

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#### 2. Significant Accounting Policies

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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 expenditures and changes in financial position 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 are accounted for as deferred revenue until the related expenses are incurred, services performed or tangible capital assets are acquired.

##### 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 estimate of the amounts can be determined.

**2. Significant Accounting Policies (Continued)**

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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. 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 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. 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.

**Investments**

The Investment in Mountain View 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 excess of revenue over expenses, provides the changes in net financial assets for the year.

**2. Significant Accounting Policies (Continued)**

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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
Engineering structures	
Water system	5 to 65 years
Wastewater system	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 recorded in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

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.

iv. Land held for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under their respective functions.



**VILLAGE OF CREMONA**  
**Notes to the Financial Statements**  
**December 31, 2019**

<b>3. Cash and Temporary Investments</b>	<b>2019</b>	<b>2018</b>
Cash	\$ 554,239	354,877
Temporary investments	<u>45,835</u>	<u>45,458</u>
	<u>\$ 600,074</u>	<u>400,335</u>

Temporary investments are comprised of various Mountain View Credit Union Ltd. treasury bill interest savings accounts totaling \$45,835 (2018 - \$45,458) that earn 1% interest per year, payable monthly.

The Village has an undrawn \$250,000 operating line of credit, bearing interest at the bank prime rate (currently 2.45%).

<b>4. Taxes Receivable</b>	<b>2019</b>	<b>2018</b>
Current taxes receivable	\$ 15,708	36,910
Arrears taxes	9,176	8,823
Allowance for doubtful accounts	<u>(2,135)</u>	<u>(2,135)</u>
	<u>\$ 22,749</u>	<u>43,598</u>

**5. Investments**

Investments consist of shares in Mountain View Credit Union.

**VILLAGE OF CREMONA**  
**Notes to the Financial Statements**  
**December 31, 2019**

**6. Long-Term Debt**

Long-term debt consists of a debenture payable bearing interest at 1.782% per year, repayable in semi-annual blended payments of \$16,443, final payment due September 2026.

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

	Principal	Interest	Total
2020	\$ 29,174	3,711	32,885
2021	29,696	3,189	32,885
2022	30,228	2,657	32,885
2023	30,769	2,116	32,885
2024	31,320	1,566	32,886
Subsequent	<u>64,332</u>	<u>1,439</u>	<u>65,771</u>
	<u>\$ 215,519</u>	<u>14,678</u>	<u>230,197</u>

**7. Contingency**

The Village is a member of the Genesis 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.

**8. Accumulated Surplus**

	2019	2018
<b>Unrestricted surplus (deficit)</b>	<u>\$ 33,555</u>	<u>(354,277)</u>
<b>Reserves</b>		
Operating contingency	2,000	2,000
Roads, streets, walks and lighting	278,856	346,407
Water and wastewater	<u>291,409</u>	<u>448,684</u>
	<u>572,265</u>	<u>797,091</u>
<b>Equity in tangible capital assets</b>		
Tangible capital assets (page 6)	5,652,130	5,641,751
Long-term debt (note 6)	<u>(215,519)</u>	<u>(244,180)</u>
	<u>5,436,611</u>	<u>5,397,571</u>
	<u>\$ 6,042,431</u>	<u>5,840,385</u>

**VILLAGE OF CREMONA**  
**Notes to the Financial Statements**  
**December 31, 2019**

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**9. Debt Limits**

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

	<b>2019</b>	2018
Total debt limit	<b>\$ 1,308,627</b>	1,366,587
Total debt	<u>215,519</u>	<u>244,180</u>
Amount of debt limit unused	<b>\$ 1,093,108</b>	<u>1,122,407</u>
Service limit of debt	<b>\$ 218,105</b>	227,765
Service on debt	<u>32,885</u>	<u>32,885</u>
Amount of debt servicing limit unused	<b>\$ 185,220</b>	<u>194,880</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 limitation 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.

**VILLAGE OF CREMONA**  
**Notes to the Financial Statements**  
**December 31, 2019**

**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:

	Salary (1)	Benefits and allowances (2)	<b>2019 Total</b>	2018 Total
<b>Mayor</b>				
Hagen, T	\$ 2,795	43	<b>2,838</b>	3,842
<b>Councillors</b>				
Reid, R	3,064	45	<b>3,109</b>	2,263
Shi, J	2,640	36	<b>2,676</b>	2,930
Temple, S	2,400	36	<b>2,436</b>	2,903
Scribner, B	1,800	24	<b>1,824</b>	2,514
<b>Chief Administrative Officer</b>				
Gertzen, A	51,950	11,163	<b>63,113</b>	-
Allison, S	24,433	-	<b>24,433</b>	2,580
Smith, L	-	-	-	137,387
	<u>\$ 89,082</u>	<u>11,347</u>	<u><b>100,429</b></u>	<u>154,419</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, 2019**

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**11. Local Authorities Pension Plan**

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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 265,813 employees and 421 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 2019 were \$17,310 (2018 - \$15,277). Total current service contributions by employees of the municipality to the LAPP in 2019 were \$15,651 (2018 - \$13,916).

As at December 31, 2018 the LAPP disclosed an actuarial surplus of \$3.469 billion (2017 - \$4.835 billion). 2019 amounts are not yet available.

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**12. Contractual Assets**

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

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**13. Subsequent event**

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On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. In Canada, the Government of Alberta declared a provincial state of public health emergency as per the Province of Alberta's public Health Act on March 17, 2020 with respect to COVID-19. As of the date of these financial statements, the extent to which COVID-19 impacts the Village's results will depend upon future developments, which are highly uncertain and cannot be predicted and dependent upon new information which may emerge concerning the severity of COVID-19 and actions taken to contain its impact.

**VILLAGE OF CREMONA**  
**Notes to the Financial Statements**  
**December 31, 2019**

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**14. Financial Instruments**

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The Village's financial instruments consist of cash and temporary investments, 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.

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**15. Budget Amounts**

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Council and management approved the 2019 budget for the Village on May 21, 2019.

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**16. Comparative Figures**

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Certain comparative figures have been reclassified to conform to the current year's presentation.

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**17. Approval of Financial Statements**

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Council and management have approved these financial statements.

**VILLAGE OF CREMONA**  
**Supplementary Financial Information**  
**Year Ended December 31, 2019**

**Reconciliation of 2019 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 (unaudited)	2019	2018
<b>Excess (deficiency) of revenue over expenses per financial statements</b>	\$ 242,767	202,046	(20,221)
<b>Capital expenditures:</b>			
Add: amortization expense	-	182,316	177,493
Less: tangible capital assets acquired	(288,897)	(192,695)	(298,070)
Add: proceeds on disposal of capital assets	<u>-</u>	<u>-</u>	<u>886</u>
Excess (deficiency) of operating and capital revenues over expenditures	(46,130)	191,667	(139,912)
<b>Capital financing:</b>			
Less: repayment of capital debt	<u>(32,885)</u>	<u>(28,661)</u>	<u>(34,084)</u>
Excess (deficiency) before the following	(79,015)	163,006	(173,996)
<b>Other:</b>			
Add: reserves used for operating expenses	70,000	70,000	-
Add: transfer from capital reserves	<u>19,723</u>	<u>154,826</u>	<u>13,277</u>
<b>Net change in unrestricted excess (deficit)</b>	\$ <u>10,708</u>	<u>387,832</u>	<u>(160,719)</u>