

VILLAGE OF CREMONA



Independent Auditor's Report and Financial Statements

December 31, 2020

INDEPENDENT AUDITOR'S REPORT

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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, 2020 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 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, 2020, and its result of operations, its 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 .

Emphasis of Matter

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2019 has been restated. Our opinion is not modified in respect of this matter.

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.

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
May 19, 2021

RSM Alberta LLP

RSM ALBERTA LLP
Chartered Professional Accountants

VILLAGE OF CREMONA

Contents

December 31, 2020

| Financial Statements | Page |
|---|-------------|
| Statement of Financial Position | 1 |
| Statement of Operations and Accumulated Surplus | 2 |
| Statement of Changes in Net Financial Assets | 3 |
| Statement of Cash Flows | 4 |
| Schedule of Changes in Accumulated Surplus | 5 |
| Schedule of Tangible Capital Assets | 6 |
| Schedule of Property and Other Taxes | 7 |
| Schedule of Government Transfers | 8 |
| Schedule of Expenses by Object | 9 |
| Notes to the Financial Statements | 10 - 20 |
| Supplementary Financial Information | 21 |

VILLAGE OF CREMONA
Statement of Financial Position
December 31, 2020

| | 2020 | 2019 <i>(restated - note 3)</i> |
|-------------------------------------|---------------------|--|
| FINANCIAL ASSETS | | |
| Cash (note 4) | \$ 609,448 | 600,074 |
| Taxes receivable - net (note 5) | 29,120 | 22,749 |
| Trade and other receivables - net | 65,522 | 35,438 |
| Investments | <u>13,552</u> | <u>12,751</u> |
| | <u>717,642</u> | <u>671,012</u> |
| LIABILITIES | | |
| Accounts payable and accruals | 84,009 | 88,240 |
| Deposit liabilities | 2,250 | 1,350 |
| Deferred revenue (note 6) | 112,822 | 186,871 |
| Long-term debt (note 7) | <u>472,611</u> | <u>215,519</u> |
| | <u>671,692</u> | <u>491,980</u> |
| Contingency (note 8) | | |
| NET FINANCIAL ASSETS | <u>45,950</u> | <u>179,032</u> |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (page 6) | 6,098,207 | 5,652,130 |
| Land inventory held for resale | <u>24,398</u> | <u>24,398</u> |
| | <u>6,122,605</u> | <u>5,676,528</u> |
| ACCUMULATED SURPLUS (note 9) | <u>\$ 6,168,555</u> | <u>5,855,560</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, 2020

| | Budget (unaudited) | 2020 | 2019 (restated - note 3) |
|---|-----------------------|-------------------------|--------------------------------|
| Revenue | | | |
| Net municipal taxes (page 7) | \$ 408,696 | 418,187 | 394,975 |
| Utilities | 213,100 | 206,066 | 203,231 |
| Government transfers for operating (page 8) | 136,157 | 135,916 | 143,443 |
| Franchise and concession contracts | 61,898 | 58,486 | 52,633 |
| Other | 28,325 | 42,891 | 27,358 |
| Donations | 28,400 | 19,875 | 23,006 |
| Return on investments | 6,300 | 7,238 | 10,709 |
| Penalties and cost of taxes | 5,253 | 6,019 | 7,977 |
| Licenses and permits | 5,950 | 4,025 | 9,086 |
| | <u>894,079</u> | <u>898,703</u> | <u>872,418</u> |
| Expenses (page 9) | | | |
| Administration | 319,024 | 287,665 | 271,007 |
| Public works | 160,590 | 270,849 | 293,505 |
| Utilities | 139,516 | 231,166 | 312,880 |
| Community services | 96,660 | 77,299 | 92,062 |
| Protective services | 70,758 | 74,088 | 80,985 |
| Culture | 36,385 | 36,092 | 35,951 |
| Legislative | 36,150 | 26,216 | 21,467 |
| Parks and recreation | 20,850 | 12,239 | 30,936 |
| Subdivision land and development | 14,000 | 6,861 | 27,720 |
| | <u>893,933</u> | <u>1,022,475</u> | <u>1,166,513</u> |
| Annual surplus (deficiency) before other | <u>146</u> | <u>(123,772)</u> | <u>(294,095)</u> |
| Other | | | |
| Government transfers for capital (page 8) | 418,160 | 423,981 | 290,380 |
| Contributed tangible capital assets | - | 12,786 | 18,890 |
| | <u>418,160</u> | <u>436,767</u> | <u>309,270</u> |
| Annual surplus | 418,306 | 312,995 | 15,175 |
| Accumulated surplus, beginning of year (note 3) | <u>5,855,560</u> | <u>5,855,560</u> | <u>5,840,385</u> |
| Accumulated surplus, end of year | <u>\$ 6,273,866</u> | <u>6,168,555</u> | <u>5,855,560</u> |

See accompanying schedules and notes.

VILLAGE OF CREMONA
Statement of Changes in Net Financial Assets
Year Ended December 31, 2020

| | Budget <i>(unaudited)</i> | 2020 | 2019 <i>(restated - note 3)</i> |
|--|------------------------------|-------------------------|--|
| Annual surplus | \$ 418,306 | 312,995 | 15,175 |
| Acquisition of tangible capital assets | (681,831) | (638,151) | (192,695) |
| Amortization of tangible capital assets | <u>-</u> | <u>192,074</u> | <u>182,316</u> |
| Increase (decrease) in net financial assets | (263,525) | (133,082) | 4,796 |
| Net financial assets, beginning of year | <u>179,032</u> | <u>179,032</u> | <u>174,236</u> |
| Net financial assets, end of year | <u>\$ (84,493)</u> | <u>\$ 45,950</u> | <u>179,032</u> |

See accompanying schedules and notes.

VILLAGE OF CREMONA
Statement of Cash Flows
Year Ended December 31, 2020

| | 2020 | 2019 |
|--|--------------------------|-----------------------|
| CASH PROVIDED BY (USED FOR) | | |
| Operating activities | | |
| Cash receipts from ratepayers, services and agencies | \$ 1,204,943 | 1,398,761 |
| Cash paid to suppliers, employees and agencies | (826,618) | (1,000,071) |
| Interest received | 7,238 | 10,709 |
| Interest and bank charges paid | <u>(7,916)</u> | <u>(7,194)</u> |
| | <u>377,647</u> | <u>402,205</u> |
| Capital activity | | |
| Purchase of tangible capital assets | <u>(625,365)</u> | <u>(173,805)</u> |
| Financing activities | | |
| Long-term debt issued | 300,000 | - |
| Long-term debt repaid | <u>(42,908)</u> | <u>(28,661)</u> |
| | <u>257,092</u> | <u>(28,661)</u> |
| Increase in cash | 9,374 | 199,739 |
| Cash, beginning of year | <u>600,074</u> | <u>400,335</u> |
| Cash, end of year | <u>\$ 609,448</u> | <u>600,074</u> |

Excluded from capital assets in the year is contributed assets of \$12,786 (2019 - \$18,890).

VILLAGE OF CREMONA
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2020

| | Unrestricted | Reserves | Equity in Tangible Capital Assets | 2020 | 2019 (restated - note 3) |
|--|--------------------|----------------|--|------------------|--------------------------------|
| Balance, beginning of year (restated)(note 3) | \$ (153,316) | 572,265 | 5,436,611 | 5,855,560 | 5,840,385 |
| Annual surplus | 312,995 | - | - | 312,995 | 15,175 |
| Current year funds used for tangible capital assets | (625,365) | - | 625,365 | - | - |
| Contributed tangible capital assets | (12,786) | - | 12,786 | - | - |
| Annual amortization expense | 192,074 | - | (192,074) | - | - |
| Long-term debt issued | 300,000 | - | (300,000) | - | - |
| Long-term debt repaid | <u>(42,908)</u> | <u>-</u> | <u>42,908</u> | <u>-</u> | <u>-</u> |
| Balance, end of year | \$ <u>(29,306)</u> | <u>572,265</u> | <u>5,625,596</u> | <u>6,168,555</u> | <u>5,855,560</u> |



VILLAGE OF CREMONA
Schedule of Tangible Capital Assets
Year Ended December 31, 2020

| | | Land Land improvements | Buildings | Engineered structures | Machinery and equipment | Automotive | 2020 | 2019 |
|---------------------------------|--------------------------|---------------------------|-----------------------|--------------------------|-------------------------------|----------------------|-------------------------|-------------------------|
| Cost | | | | | | | | |
| Beginning balance | \$ 111,940 | 90,257 | 490,467 | 7,389,210 | 324,161 | 25,000 | 8,431,035 | 8,238,340 |
| Additions | - | - | 35,721 | 523,241 | 56,613 | 22,576 | 638,151 | 192,695 |
| Ending balance | <u>111,940</u> | <u>90,257</u> | <u>526,188</u> | <u>7,912,451</u> | <u>380,774</u> | <u>47,576</u> | <u>9,069,186</u> | <u>8,431,035</u> |
| Accumulated amortization | | | | | | | | |
| Beginning balance | - | 51,297 | 79,441 | 2,483,183 | 151,234 | 13,750 | 2,778,905 | 2,596,589 |
| Amortization | - | 2,975 | 10,167 | 153,932 | 21,371 | 3,629 | 192,074 | 182,316 |
| Ending balance | - | <u>54,272</u> | <u>89,608</u> | <u>2,637,115</u> | <u>172,605</u> | <u>17,379</u> | <u>2,970,979</u> | <u>2,778,905</u> |
| 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> | <u>5,652,130</u> |
| 2019 net book value | \$ <u>111,940</u> | <u>38,960</u> | <u>411,026</u> | <u>4,906,027</u> | <u>172,927</u> | <u>11,250</u> | <u>5,652,130</u> | |



VILLAGE OF CREMONA
Schedule of Property and Other Taxes
Year Ended December 31, 2020

| | Budget (<i>unaudited</i>) | 2020 | 2019 |
|---|--------------------------------|-----------------------|----------------|
| Taxation | | | |
| Real property taxes | \$ 472,278 | 443,676 | 425,722 |
| Non-residential and linear property taxes | <u>98,215</u> | <u>117,429</u> | <u>108,250</u> |
| | <u>570,493</u> | <u>561,105</u> | <u>533,972</u> |
| Requisitions | | | |
| Alberta School Foundation Fund | 135,559 | 125,428 | 127,080 |
| Mountain View Seniors Housing | <u>18,069</u> | <u>17,490</u> | <u>11,917</u> |
| | <u>153,628</u> | <u>142,918</u> | <u>138,997</u> |
| Net municipal taxes | \$ <u>416,865</u> | <u>418,187</u> | <u>394,975</u> |

VILLAGE OF CREMONA
Schedule of Government Transfers
Year Ended December 31, 2020

| | Budget <i>(unaudited)</i> | 2020 | 2019 <i>(restated - note 3)</i> |
|----------------------------|------------------------------|-----------------------|--|
| Operating transfers | | | |
| Provincial Government | \$ 27,157 | 28,002 | 30,869 |
| Other Local Governments | <u>109,000</u> | <u>107,914</u> | <u>112,574</u> |
| | <u>136,157</u> | <u>135,916</u> | <u>143,443</u> |
| Capital transfers | | | |
| Provincial Government | <u>418,160</u> | <u>423,981</u> | <u>290,380</u> |
| | <u>\$ 554,317</u> | <u>559,897</u> | <u>433,823</u> |

VILLAGE OF CREMONA
Schedule of Expenses by Object
Year Ended December 31, 2020

| | Budget <i>(unaudited)</i> | 2020 | 2019 |
|--|------------------------------|-------------------------|------------------|
| Salaries, wages and benefits | \$ 305,025 | 337,592 | 307,868 |
| Materials, goods, supplies and utilities | 239,573 | 218,533 | 211,902 |
| Amortization | - | 192,074 | 182,316 |
| Contracted and purchased services | 223,523 | 158,392 | 350,780 |
| Grants to other organizations | 121,900 | 107,948 | 106,453 |
| Bank charges | <u>3,912</u> | <u>7,936</u> | <u>7,194</u> |
| | <u>\$ 893,933</u> | <u>1,022,475</u> | <u>1,166,513</u> |

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2020

1. Nature of Activities

The Village of Cremona 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 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 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. External contributions

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Revenue is recognized in the period when the related expense are incurred, services performed or the tangible capital assets are acquired.

v. 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.

vi. 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.

2. Significant Accounting Policies (Continued)

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

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 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.

The Village regularly reviews its tangible capital assets to eliminate obsolete items.

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.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2020

2. Significant Accounting Policies (Continued)

iii. Cultural and historical tangible capital assets

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

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.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2020

3. Restatement of Prior Year

In 2019, the Village recognized Government transfers for capital totaling \$186,871 as other revenue on the basis of when received rather than when utilized in accordance with the funding agreement. The Village needs to meet funding stipulations, which require the Village to spend the funds on approved capital projects before it recognizes the revenue. The Village utilized the funding in accordance with the stipulations in 2020. The recognition of the revenue resulted in an overstatement of the Government transfers for capital and an understatement of deferred revenue by \$186,871 in fiscal 2019.

To restate the December 31, 2019 comparative amounts, the following adjustments have been made:

| | <u>As Previously Stated</u> | <u>Adjustment</u> | <u>Restated</u> |
|--|-------------------------------------|-------------------|-------------------------|
| <u>Statement of Financial Position</u> | | | |
| Financial assets | \$ 671,012 | - | 671,012 |
| Liabilities | | | |
| Deferred revenue | - | 186,871 | 186,871 |
| Other liabilities | <u>305,109</u> | <u>-</u> | <u>305,109</u> |
| | <u>305,109</u> | <u>186,871</u> | <u>491,980</u> |
| Net financial assets | <u>365,903</u> | <u>(186,871)</u> | <u>179,032</u> |
| Non-financial assets | <u>5,676,528</u> | <u>-</u> | <u>5,676,528</u> |
| Accumulated surplus | \$ <u>6,042,431</u> | <u>(186,871)</u> | <u>5,855,560</u> |
| <u>Statement of Financial Position and Changes in Accumulated Surplus</u> | | | |
| Revenue | \$ 872,418 | - | 872,418 |
| Expenses | 1,166,513 | - | 1,166,513 |
| Other income | | | |
| Government transfers for capital | 477,251 | (186,871) | 290,380 |
| Contributed tangible capital assets | <u>18,890</u> | <u>-</u> | <u>18,890</u> |
| | <u>496,141</u> | <u>(186,871)</u> | <u>309,270</u> |
| Annual surplus | 202,046 | (186,871) | 15,175 |
| Accumulated surplus, beginning of year | <u>5,840,385</u> | <u>-</u> | <u>5,840,385</u> |
| Accumulated surplus, end of year | \$ <u>6,042,431</u> | <u>(186,871)</u> | <u>5,855,560</u> |

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2020

4. Cash

Cash consists of various Mountain View Credit Union Ltd. treasury bill interest savings accounts totaling \$52,449 (2019 - \$45,835) that earn 0.75% interest per year, payable monthly.

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

| 5. Taxes Receivable | 2020 | 2019 |
|---------------------------------|-------------------------|----------------------|
| Current taxes receivable | \$ 12,970 | 15,708 |
| Arrears taxes | 18,285 | 9,176 |
| Allowance for doubtful accounts | <u>(2,135)</u> | <u>(2,135)</u> |
| | <u>\$ 29,120</u> | <u>22,749</u> |

| 6. Deferred Revenue | 2020 | 2019 <i>(restated)</i> |
|---|--------------------------|---------------------------|
| Federal grant | \$ 51,863 | - |
| Municipal Operating Support Transfer | 49,959 | - |
| Other deferred revenue | 11,000 | - |
| Federal Gas Tax funding | - | 115,896 |
| Municipal Sustainability Initiative for Capital funding | <u>-</u> | <u>70,975</u> |
| | <u>\$ 112,822</u> | <u>186,871</u> |

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 Federal Gas Tax funding and Municipal Sustainability Initiative for Capital funding was utilized in the current year on projects approved by Alberta Municipal Affairs.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2020

| 7. Long-Term Debt | 2020 | 2019 |
|--|--------------------------|-----------------------|
| Debenture payable bearing interest at 1.782% per annum, repayable in semi-annual blended payments of \$16,443 with final payment due September 2026. | 186,345 | 215,519 |
| Debenture payable bearing interest at 1.782% per annum, repayable in semi-annual blended payments of \$16,285 with final payment due June 2030. | <u>286,266</u> | <u>-</u> |
| | <u>\$ 472,611</u> | <u>215,519</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 are as follows:

| | Principal | Interest | Total |
|------------|--------------------------|----------------------|-----------------------|
| 2021 | \$ 57,824 | 7,632 | 65,456 |
| 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 |
| Subsequent | <u>173,514</u> | <u>6,103</u> | <u>179,617</u> |
| | <u>\$ 472,611</u> | <u>34,283</u> | <u>506,894</u> |

8. 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.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2020

| 9. Accumulated Surplus | 2020 | 2019 <i>(restated)</i> |
|--|----------------------------|----------------------------------|
| Unrestricted deficit | \$ <u>(29,306)</u> | <u>(153,316)</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) | 6,098,207 | 5,652,130 |
| Long-term debt (note 7) | <u>(472,611)</u> | <u>(215,519)</u> |
| | <u>5,625,596</u> | <u>5,436,611</u> |
| | <u>\$ 6,168,555</u> | <u>5,855,560</u> |

10. 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 municipality as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|--------------------------|--------------------|
| Total debt limit | \$ 1,348,054 | 1,308,627 |
| Total debt | <u>472,611</u> | <u>215,519</u> |
| Amount of debt limit unused | <u>875,443</u> | <u>1,093,108</u> |
| Service limit of debt | \$ 224,676 | 218,105 |
| Service on debt | <u>65,456</u> | <u>32,885</u> |
| Amount of debt servicing limit unused | <u>\$ 159,220</u> | <u>185,220</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 municipality. Rather, the financial statements must be interpreted as a whole.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2020

11. 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>2020 Total</u> | <u>2019 Total</u> |
|-------------------------------------|-------------------|------------------------------------|-----------------------|-------------------|
| Mayor | | | | |
| Hagen, T | \$ 2,970 | 45 | 3,015 | 2,838 |
| Councilors | | | | |
| Reid, R | 2,678 | 40 | 2,718 | 3,109 |
| Shi, J | 2,010 | 30 | 2,040 | 2,676 |
| Temple, S | 1,868 | 28 | 1,896 | 2,436 |
| Schibiner, B | <u>1,800</u> | <u>27</u> | <u>1,827</u> | <u>1,824</u> |
| Chief Administrative Officer | | | | |
| Gertzen, A | 95,054 | 14,384 | 109,438 | 63,113 |
| Allison, S | <u>-</u> | <u>-</u> | <u>-</u> | <u>24,433</u> |
| | <u>\$ 106,380</u> | <u>14,554</u> | <u>120,934</u> | <u>100,429</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, 2020

12. 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 274,151 employees and 420 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 2020 were \$20,744 (2019 - \$17,310). Total current service contributions by employees of the municipality to the LAPP in 2020 were \$18,731 (2019 - \$15,651).

As at December 31, 2019 the LAPP disclosed an actuarial surplus of \$7.91 billion (2018 - \$3.47 billion). 2020 amounts are not yet available.

13. 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, 2020

14. 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.

15. Budget Amounts

Council and management approved the 2020 budget for the Village of Cremona on March 17, 2020 and the revised budget on June 18, 2020.

16. Approval of Financial Statements

Council and management have approved these financial statements.

VILLAGE OF CREMONA
Supplementary Financial Information
Year Ended December 31, 2020

Reconciliation of 2020 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>) | 2020 | 2019 (<i>restated</i>) |
|---|--------------------------------|-------------------------|-----------------------------|
| Annual surplus per financial statements | \$ 418,306 | 312,995 | 15,175 |
| Capital expenditures: | | | |
| Add: amortization expense | - | 192,074 | 182,316 |
| Less: tangible capital assets acquired | <u>(681,831)</u> | <u>(638,151)</u> | <u>(192,695)</u> |
| Excess (deficiency) of operating and capital revenues over expenditures | (263,525) | (133,082) | 4,796 |
| Capital financing: | | | |
| Add: interest on long-term capital debt | - | 6,098 | - |
| Add: capital debt issued | 300,000 | 300,000 | - |
| Less: repayment of capital debt | <u>(49,804)</u> | <u>(49,006)</u> | <u>(28,661)</u> |
| Excess (deficiency) before the following | (13,329) | 124,010 | (23,865) |
| Other: | | | |
| Add: reserves used for operating expenses | - | - | 70,000 |
| Add: transfer from capital reserves | - | - | 154,826 |
| Add: Transfer from operating reserve | <u>29,175</u> | <u>-</u> | <u>-</u> |
| Decrease in unrestricted deficiency | <u>\$ 15,846</u> | <u>124,010</u> | <u>200,961</u> |