

VILLAGE OF CREMONA

**Financial Statements and
Independent Auditor's Report**

December 31, 2018

INDEPENDENT AUDITOR'S REPORT

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, 2018 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, 2018, 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 .

Emphasis of Matter — Restated Comparative Information

We draw attention to Note 3 to the accompanying financial statements, which explains that certain comparative information presented for the year ended December 31, 2017 which has been restated. The financial statements for the year ended December 31, 2017 (prior to the adjustments that were applied to restate certain comparative information as explained in note 3) were audited by another auditor who expressed a unmodified opinion on those financial statements on April 17, 2018. 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
April 16, 2019

RSM Alberta LLP

Chartered Professional Accountants

VILLAGE OF CREMONA
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VILLAGE OF CREMONA
Statement of Financial Position
December 31, 2018

	2018	2017 (restated note 3)
FINANCIAL ASSETS		
Cash and temporary investments (note 4)	\$ 400,335	121,174
Taxes receivable (note 5)	43,598	24,918
Trade and other receivables	74,390	559,053
Investments (note 6)	<u>11,543</u>	<u>11,543</u>
	<u>529,866</u>	<u>716,688</u>
LIABILITIES		
Accounts payable and accruals	111,000	153,146
Deposit liabilities	450	27,355
Capital lease obligation	-	5,927
Long-term debt (note 7)	<u>244,180</u>	<u>272,338</u>
	<u>355,630</u>	<u>458,766</u>
Contingency (note 8)		
NET FINANCIAL ASSETS	<u>174,236</u>	<u>257,922</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (page 6)	5,641,751	5,569,660
Land held for resale	24,398	24,398
Prepaid expenses	<u>-</u>	<u>8,626</u>
	<u>5,666,149</u>	<u>5,602,684</u>
ACCUMULATED SURPLUS (note 9)	<u>\$ 5,840,385</u>	<u>5,860,606</u>

Approved by Council:

R. G. Kelly

 Mayor

R. G. Kelly

[Signature]

 Chief Administrative Officer

See accompanying schedules and notes.

VILLAGE OF CREMONA

Statement of Operations and Accumulated Surplus Year Ended December 31, 2018

	Budget (unaudited)	2018	2017 (restated note 3)
Revenue			
Net municipal taxes (page 7)	\$ 396,281	397,692	381,201
User fees and sales of goods	273,295	245,715	252,134
Government transfers for operating (page 8)	69,251	141,791	113,027
Franchise and concession contracts	67,000	69,968	55,632
Other	35,399	37,086	54,281
Penalties and cost of taxes	6,000	9,353	6,047
Return on investments	8,000	6,313	7,968
Licenses and permits	11,353	3,140	3,867
	<u>866,579</u>	<u>911,058</u>	<u>874,157</u>
Expenses (page 9)			
Utilities	201,210	350,453	411,002
Administration	262,591	334,265	272,575
Public works	182,173	223,481	272,912
Community services	106,470	104,129	99,381
Protective services	54,995	42,815	65,870
Culture	7,090	35,795	7,045
Legislative	31,100	32,170	34,791
Parks and recreation	12,700	18,550	18,327
Subdivision land and development	22,550	16,366	21,747
	<u>880,879</u>	<u>1,158,024</u>	<u>1,203,650</u>
Deficiency of revenue over expenses before the following	(14,300)	(246,966)	(329,493)
Other income (expenses)			
Government transfers for capital (page 8)	31,150	92,577	245,777
Contributed tangible capital assets	-	135,054	-
Loss on asset disposal	-	(886)	-
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenses	16,850	(20,221)	(83,716)
Accumulated surplus, beginning of year (note 3)	5,860,606	5,860,606	5,944,322
Accumulated surplus, end of year	\$ 5,877,456	5,840,385	5,860,606

See accompanying schedules and notes.

VILLAGE OF CREMONA
Statement of Changes in Net Financial Assets
Year Ended December 31, 2018

	Budget (unaudited)	2018	2017 (restated note 3)
Excess (deficiency) of revenue over expenses	\$ 16,850	(20,221)	(83,716)
Acquisition of tangible capital assets	(128,320)	(250,470)	(826,693)
Amortization of tangible capital assets	-	177,493	166,550
Loss on disposal of tangible capital assets	-	886	-
Change in prepaid expenses	<u>-</u>	<u>8,626</u>	<u>(359)</u>
Decrease in net financial assets	(111,470)	(83,686)	(744,218)
Net financial assets, beginning of year	<u>257,922</u>	<u>257,922</u>	<u>1,002,140</u>
Net financial assets, end of year	<u>\$ 146,452</u>	<u>\$ 174,236</u>	<u>257,922</u>

See accompanying schedules and notes.

VILLAGE OF CREMONA
Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from ratepayers, services and agencies	\$ 1,463,306	880,380
Cash paid to suppliers, employees and agencies	(986,723)	(989,222)
Interest received	6,313	7,968
Interest paid	(6,636)	(6,765)
	<u>476,260</u>	<u>(107,639)</u>
Capital activities		
Purchase of tangible capital assets	(163,015)	(779,094)
Financing activities		
Repayment of capital lease obligation	(5,927)	(14,224)
Repayment of long-term debt	(28,157)	(27,662)
	<u>(34,084)</u>	<u>(41,886)</u>
Increase (decrease) in cash	279,161	(928,619)
Cash, beginning of year	<u>121,174</u>	<u>1,049,793</u>
Cash, end of year	<u><u>\$ 400,335</u></u>	<u><u>121,174</u></u>

Included in accounts payable are tangible capital assets purchased of \$nil (2017- \$47,599).
Excluded from capital assets in the year is contributed assets of \$135,054 (2017- \$nil).

See accompanying schedules and notes.

VILLAGE OF CREMONA
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2018

	Unrestricted	Reserves	Equity in Tangible Capital Assets	2018	2017 (restated note 3)
Balance, beginning of year (restated) (note 3)	\$ (193,558)	810,368	5,243,796	5,860,606	5,944,322
Excess (deficiency) of revenue over expenses	(20,221)	-	-	(20,221)	(83,716)
Unrestricted funds designated for future use	(19,723)	19,723	-	-	-
Reserves used for operating expense	33,000	(33,000)	-	-	-
Contributed tangible capital assets	(135,054)	-	135,054	-	-
Current year funds used for tangible capital assets	(163,016)	-	163,016	-	-
Loss on disposal of capital assets	886	-	(886)	-	-
Annual amortization expense	177,493	-	(177,493)	-	-
Capital leases repaid	(5,927)	-	5,927	-	-
Long term debt repaid	(28,157)	-	28,157	-	-
Balance, end of year	<u>\$ (354,277)</u>	<u>797,091</u>	<u>5,397,571</u>	<u>5,840,385</u>	<u>5,860,606</u>

See accompanying schedules and notes.

VILLAGE OF CREMONA
Schedule of Tangible Capital Assets
Year Ended December 31, 2018

		Land Land improvements	Buildings	Engineering structures	Machinery and equipment	Automotive	2018	2017
Cost								
Beginning balance	\$ 111,940	80,161	343,823	7,131,870	298,875	25,000	7,991,669	7,164,976
Additions	-	-	146,644	103,826	-	-	250,470	826,693
Disposals	-	-	-	-	(3,799)	-	(3,799)	-
Ending balance	<u>111,940</u>	<u>80,161</u>	<u>490,467</u>	<u>7,235,696</u>	<u>295,076</u>	<u>25,000</u>	<u>8,238,340</u>	<u>7,991,669</u>
Accumulated amortization								
Beginning balance	-	46,105	61,289	2,186,461	119,404	8,750	2,422,009	2,255,459
Amortization	-	2,470	8,343	147,503	16,677	2,500	177,493	166,550
Disposals	-	-	-	-	(2,913)	-	(2,913)	-
Ending balance	-	<u>48,575</u>	<u>69,632</u>	<u>2,333,964</u>	<u>133,168</u>	<u>11,250</u>	<u>2,596,589</u>	<u>2,422,009</u>
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>	<u>5,569,660</u>
2017 net book value	\$ <u>111,940</u>	<u>34,056</u>	<u>282,534</u>	<u>4,945,409</u>	<u>179,471</u>	<u>16,250</u>	<u>5,569,660</u>	

VILLAGE OF CREMONA
Schedule of Property and Other Taxes
Year Ended December 31, 2018

	Budget (unaudited)	2018	2017
Taxation			
Real property taxes	\$ 438,023	416,211	395,132
Non-residential and linear property taxes	<u>89,209</u>	<u>112,545</u>	<u>108,779</u>
	<u>527,232</u>	<u>528,756</u>	<u>503,911</u>
Requisitions			
Alberta School Foundation Fund	123,536	123,352	116,195
Mountain View Seniors Housing	<u>7,415</u>	<u>7,712</u>	<u>6,515</u>
	<u>130,951</u>	<u>131,064</u>	<u>122,710</u>
Net municipal taxes	\$ <u>396,281</u>	<u>397,692</u>	<u>381,201</u>

VILLAGE OF CREMONA
Schedule of Government Transfers
Year Ended December 31, 2018

	Budget (unaudited)	2018	2017 (restated) note 3)
Operating transfers			
Provincial Government	\$ 12,898	31,150	47,569
Other Local Governments	<u>56,353</u>	<u>110,641</u>	<u>65,458</u>
	<u>69,251</u>	<u>141,791</u>	<u>113,027</u>
Capital transfers			
Provincial Government	31,150	50,000	245,777
Other Local Governments	<u>-</u>	<u>42,577</u>	<u>-</u>
	<u>31,150</u>	<u>92,577</u>	<u>245,777</u>
	<u>\$ 100,401</u>	<u>234,368</u>	<u>358,804</u>

VILLAGE OF CREMONA
Schedule of Expenses by Object
Year Ended December 31, 2018

	Budget (unaudited)	2018	2017
Contracted and purchased services	\$ 251,658	284,429	404,126
Salaries, wages, and benefits	378,590	441,645	395,793
Materials, goods, supplies, and utilities	154,321	160,539	182,292
Amortization of tangible capital assets	-	177,493	166,550
Grants to other organizations	57,727	87,282	48,124
Bank charges and short term interest	<u>38,583</u>	<u>6,636</u>	<u>6,765</u>
	<u>\$ 880,879</u>	<u>1,158,024</u>	<u>1,203,650</u>

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2018

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 expenditures, changes in fund balances 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 estimate 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. 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 tangible capital assets. Actual results could differ from those estimates.

Investments

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Leases

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

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2018

2. Significant Accounting Policies (Continued)

Requisition over-levy and under-levy

Over-levies and under levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and the property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Land held for 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.

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. 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
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
Buildings	25 to 50 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.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2018

2. Significant Accounting Policies (Continued)

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 revenue.

iii. Cultural and historical tangible capital assets

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

iv. Prepaid expenses

Expenses paid in advance where services have not been performed or materials have not been received.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2018

3. Restatement of Prior Year

In the prior year accounts receivable was overstated by government transfers for capital revenue totaling \$199,700, recorded in error. It was determined in the current year that no funds were owed to the Village at December 31, 2017.

It was also determined that \$34,441 of revenue was reported as Government transfers for capital when it needed to be reported as Government transfers for operating.

To restate the December 31, 2017 comparative amounts the following restatements have been made:

	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>Restated</u>
<u>Statement of Financial Position</u>			
Financial assets	\$ 916,388	(199,700)	716,688
Liabilities	<u>458,766</u>	-	<u>458,766</u>
Net financial assets	457,622	(199,700)	257,922
Non-financial assets	<u>5,602,684</u>	-	<u>5,602,684</u>
Accumulated surplus	<u>\$ 6,060,306</u>	<u>(199,700)</u>	<u>5,860,606</u>

Statement of Financial Position and Changes in Accumulated Surplus

Revenue	\$ 839,716	34,441	874,157
Expenses	1,203,650	-	1,203,650
Government transfers for capital	<u>479,918</u>	<u>(234,141)</u>	<u>245,777</u>
Excess (deficiency) of revenue over expenses	115,984	(199,700)	(83,716)
Accumulated surplus, beginning of year	<u>5,944,322</u>	-	<u>5,944,322</u>
Accumulated surplus, end of year	<u>\$ 6,060,306</u>	<u>(199,700)</u>	<u>5,860,606</u>

In addition to the restatement, the presentation of certain amounts in the previous year have been changed to conform with the presentation adopted in the current year.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2018

4. Cash and temporary investments	2018	2017
Cash	\$ 354,877	75,716
Temporary investments	<u>45,458</u>	<u>45,458</u>
	\$ <u>400,335</u>	<u>121,174</u>

Temporary investments are comprised of various Mountain View Credit Union Ltd. treasury bill interest savings accounts totaling \$45,458 (2017 - \$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 3.95%).

5. Taxes Receivable	2018	2017
Current taxes receivable	\$ 36,910	23,613
Arrears taxes	8,823	3,805
Allowance for doubtful accounts	<u>(2,135)</u>	<u>(2,500)</u>
	\$ <u>43,598</u>	<u>24,918</u>

6. Investments

Investments consist of shares in Mountain View Credit Union.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2018

7. Long-Term Debt

Long-term debt consists of a debenture payable bearing interest at 1.782% 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
2019	\$ 28,661	4,224	32,885
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
Subsequent	<u>95,652</u>	<u>3,005</u>	<u>98,657</u>
	<u>\$ 244,180</u>	<u>18,902</u>	<u>263,082</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.

9. Accumulated Surplus

	2018	2017 (restated note 3)
Deficit	<u>\$ (354,277)</u>	<u>(193,558)</u>
Reserves		
Operating contingency	2,000	2,000
Roads, streets, walks and lighting	346,407	346,408
Water and wastewater	<u>448,684</u>	<u>461,960</u>
	<u>797,091</u>	<u>810,368</u>
Equity in tangible capital assets		
Tangible capital assets (page 6)	5,641,751	5,569,660
Long-term debt (note 7)	(244,180)	(272,338)
Tangible capital assets included in accounts payable (page 4)	-	(47,599)
Obligation under capital lease	-	(5,927)
	<u>5,397,571</u>	<u>5,243,796</u>
	<u>\$ 5,840,385</u>	<u>5,860,606</u>

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2018

10. Debt Limits		2018	2017 (restated note 3)
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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:

	2018	2017
Total debt limit	\$ 1,122,406	1,311,236
Total debt	<u>244,180</u>	<u>278,265</u>
Amount of debt limit unused	<u>878,226</u>	<u>1,032,971</u>
Service limit of debt	\$ 227,765	218,539
Service on debt	<u>32,885</u>	<u>38,812</u>
Amount of debt servicing limit unused	<u>\$ 194,880</u>	<u>179,727</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, 2018

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:

	Salary (1)	Benefits and allowances (2)	2018 Total	2017 Total
Mayor				
Hagen, T	\$ 3,793	49	3,842	3,762
Councilors				
Bigelow, M	-	-	-	1,716
Reid, R	2,235	28	2,263	2,651
Shi, J	2,893	37	2,930	2,771
Temple, S	2,865	38	2,903	3,172
Scrbiner, B	2,482	32	2,514	234
Chief Administrative Officer				
Smith, L	130,269	7,118	137,387	83,023
Allison, S	<u>2,580</u>	<u>-</u>	<u>2,580</u>	<u>-</u>
	<u>\$ 147,117</u>	<u>7,302</u>	<u>154,419</u>	<u>97,329</u>

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

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

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2018

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 259,714 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 2018 were \$15,277 (2017 - \$16,624). Total current service contributions by employees of the municipality to the LAPP in 2018 were \$13,916 (2017 - \$15,258).

As at December 31, 2017 the LAPP disclosed an actuarial surplus of \$4.835 billion (2016 - \$637 million deficiency). 2018 amounts are not yet available.

13. Contractual Assets

The Town 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.

14. Contingent Asset

The Village is eligible to receive a Municipal Sustainability Initiative Capital Grant of \$219,174 for 2018. In order to receive the funds certain reports and project applications need to be completed. Receipt of the funds are contingent on the Government of Alberta approving the project applications.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2018

15. Financial Instruments

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.

16. Budget Amounts

Council and management approved the 2018 budget for the Village on April 17, 2018.

17. Approval of Financial Statements

Council and management have approved these financial statements.

VILLAGE OF CREMONA
Supplementary Financial Information
Year Ended December 31, 2018

Reconciliation of 2018 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)	2018	2017 (restated note 3)
Excess (deficiency) of revenue over expenses per financial statements	\$ 16,850	(20,221)	(83,716)
Capital expenditures:			
Add: amortization expense	-	177,493	166,550
Less: tangible capital assets acquired	(128,320)	(298,070)	(779,094)
Add: proceeds on disposal of capital assets	<u>-</u>	<u>886</u>	<u>-</u>
Excess (deficiency) of operating and capital revenues over expenditures	(111,470)	(139,912)	(696,260)
Capital financing:			
Less: repayment of capital debt	<u>(32,885)</u>	<u>(34,084)</u>	<u>(41,886)</u>
Deficiency before the following	(144,355)	(173,996)	(738,146)
Other:			
Add (deduct): transfer from (to) capital reserves	<u>-</u>	<u>13,277</u>	<u>544,834</u>
Increase in deficit	\$ (144,355)	(160,719)	(193,312)