

VILLAGE OF VILNA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2009

Maurice R. Joly, CA, CFP*
Barbara K. M^cCarthy, CA*
Claude R. Dion, CA, CMA*
Richard R. Jean, CA*

5002 - 51 Ave., St. Paul
Ph: (780) 645-4611
Fax: (780) 645-6644
*Denotes Professional Corporation

Mailing Address:
P.O. Box 1452,
St. Paul, AB. T0A 3A0

AUDITORS' REPORT

To the Mayor and Council Village of Vilna

We have audited the consolidated statement of financial position of the **Village of Vilna** as at December 31, 2009 and the consolidated statement of operations, the consolidated statement of change in net financial debt and the consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of the municipal administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Village of Vilna as at December 31, 2009 and the results of its operations, the change in net financial debt and its cash flows the year then ended in accordance with Canadian generally accepted accounting principles.

ST. PAUL, ALBERTA
June 1, 2010


Joly, M^cCarthy & Dion

CHARTERED ACCOUNTANTS

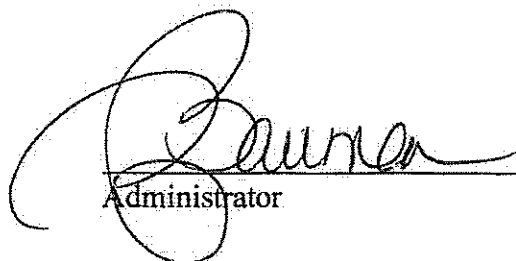
**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2009**

	<u>2009</u>	<u>2008</u> (restated)
Financial assets		
Cash	\$ 6,578	\$ 19,053
Taxes and grants in place receivable (note 2)	96,631	77,132
Receivable from other governments	63,509	115,150
Trade and other receivables	34,329	43,100
Loans receivable (note 3)	--	--
Land inventory held for resale	12,000	12,000
Share in Alberta Capital Finance Authority	<u>30</u>	<u>30</u>
	<u>213,077</u>	<u>266,465</u>
Liabilities		
Bank indebtedness	--	295,789
Temporary loan (note 4)	45,000	--
Accounts payable and accrued liabilities	81,870	95,972
Deposit liabilities and tax sale surplus	16,848	16,048
Funds held in trust (note 5)	974	77
Deferred revenue (note 6)	104,830	147,014
Long-term and callable debt (note 7)	<u>666,854</u>	<u>402,669</u>
	<u>916,376</u>	<u>957,569</u>
Net financial debt	<u>(703,299)</u>	<u>(691,104)</u>
Non-financial assets		
Tangible capital assets (schedule 1)	2,809,451	2,401,498
Prepaid expenses	<u>2,160</u>	<u>800</u>
	<u>2,811,611</u>	<u>2,402,298</u>
Accumulated surplus (note 9)	<u>\$ 2,108,312</u>	<u>\$ 1,711,194</u>
Contingent liabilities (note 11)		

APPROVED BY:



Mayor



Administrator

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budget</u> (unaudited)	<u>2009</u>	<u>2008</u> (restated)
Revenue			
Net municipal taxes (schedule 2)	\$ 217,010	\$ 240,760	\$ 219,701
User fees and sales of goods	169,097	165,833	169,199
Government transfers for operating (schedule 3)	40,946	49,160	135,868
Franchise fees	6,500	7,594	6,598
Investment income	--	6	--
Penalties and costs on taxes	15,000	16,247	17,331
Licenses and permits	1,100	13,851	833
Local improvement charges	15,982	14,346	14,914
Rentals	1,000	1,007	1,097
Other	<u>18,270</u>	<u>18,830</u>	<u>8,633</u>
	<u>484,905</u>	<u>527,634</u>	<u>574,174</u>
Expenses			
Legislative	25,000	21,360	24,043
Administration	102,877	116,138	108,833
Protective services	16,858	24,815	35,493
Roads, streets, walks, lighting	60,070	154,067	159,078
Water supply and distribution	88,374	121,446	138,501
Wastewater treatment and disposal	27,745	54,749	68,399
Waste management	56,256	44,710	49,287
Family and community support	10,433	7,262	5,060
Planning and development	3,250	16,402	5,689
Parks and recreation	41,253	33,462	30,347
Culture	<u>10,794</u>	<u>15,573</u>	<u>10,374</u>
	<u>442,910</u>	<u>609,984</u>	<u>635,104</u>
Excess (deficiency) of revenues over expenses – before other	41,995	(82,350)	(60,930)
Other			
Government transfers for capital (schedule 3)	--	479,468	29,950
Gain on disposal of tangible capital assets	<u>--</u>	<u>--</u>	<u>500</u>
Excess (deficiency) of revenues over expenses	41,995	397,118	(30,480)
Accumulated surplus, beginning of year	<u>1,711,194</u>	<u>1,711,194</u>	<u>1,741,674</u>
Accumulated surplus, end of year	\$ <u>1,753,189</u>	\$ <u>2,108,312</u>	\$ <u>1,711,194</u>

VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budget</u> (unaudited)	<u>2009</u>	<u>2008</u> (restated)
Excess (deficiency) of revenues over expenses	\$ <u>41,995</u>	\$ <u>397,118</u>	\$ <u>(30,480)</u>
Acquisition of tangible capital assets	(10,607)	(512,895)	(51,723)
Amortization of tangible capital assets	--	104,942	96,085
Proceeds on disposal of tangible capital assets	--	--	500
Gain on disposal of tangible capital assets	<u>--</u>	<u>--</u>	<u>(500)</u>
	<u>(10,607)</u>	<u>(407,953)</u>	<u>44,362</u>
(Acquisition) use of prepaid expenses	<u>--</u>	<u>(1,360)</u>	<u>(575)</u>
Increase (decrease) in net financial debt	31,388	(12,195)	13,307
Net financial debt, beginning of year	(<u>691,104</u>)	(<u>691,104</u>)	(<u>704,411</u>)
Net financial debt, end of year	\$ (<u>659,716</u>)	\$ (<u>703,299</u>)	\$ (<u>691,104</u>)

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>2009</u>	<u>2008</u> (restated)
Net inflow of cash related to the following activities:		
Operating		
Excess (deficiency) of revenues over expenses	\$ 397,118	\$ (30,480)
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	104,942	96,085
Gain on disposal of tangible capital assets	<u> --</u>	<u> (500)</u>
	502,060	65,105
Decrease (increase) in:		
Taxes and grants in place receivable	(19,499)	(12,287)
Receivable from other governments	51,641	(80,536)
Trade and other receivables	8,771	20,108
Prepaid expenses	(1,360)	(575)
Increase (decrease) in:		
Temporary loan	45,000	--
Accounts payable and accrued liabilities	(14,102)	(17,142)
Deposit liabilities and tax sale surplus	800	(162)
Funds held in trust	897	(25,811)
Deferred revenue	<u>(42,184)</u>	<u> 42,969</u>
	<u>532,024</u>	<u> (8,331)</u>
Capital		
Acquisition of tangible capital assets	(512,895)	(51,723)
Proceeds on disposal of tangible capital assets	<u> --</u>	<u> 500</u>
	<u>(512,895)</u>	<u> (51,223)</u>
Financing		
Debt advanced	300,000	--
Debt repaid	<u>(35,815)</u>	<u>(30,116)</u>
	<u>264,185</u>	<u>(30,116)</u>
Change in cash during the year	283,314	(89,670)
Cash (indebtedness), beginning of year	<u>(276,736)</u>	<u>(187,066)</u>
Cash (indebtedness), end of year	\$ <u> 6,578</u>	\$ <u>(276,736)</u>
Cash (indebtedness) consists of:		
Cash	\$ 6,578	\$ 19,053
Bank indebtedness	<u> --</u>	<u>(295,789)</u>
	\$ <u> 6,578</u>	\$ <u>(276,736)</u>

**VILLAGE OF VILNA
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
SCHEDULE 1**

	<u>Land</u>	<u>Cultural Structures</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>2009</u>	<u>2008</u> (restated)
Cost:									
Balance, beginning of year	\$ 126,273	\$ 27,887	\$ 32,262	\$ 511,934	\$ 2,751,821	\$ 194,651	\$ 34,008	\$ 3,678,836	\$ 3,660,498
Acquisition of tangible capital assets	--	--	22,320	29,309	456,000	5,266	--	512,895	51,723
Disposal of tangible capital assets	--	--	--	--	--	--	--	--	(33,385)
Balance, end of year	<u>126,273</u>	<u>27,887</u>	<u>54,582</u>	<u>541,243</u>	<u>3,207,821</u>	<u>199,917</u>	<u>34,008</u>	<u>4,191,731</u>	<u>3,678,836</u>
Accumulated amortization:									
Balance, beginning of year	--	--	18,762	220,615	872,518	131,435	34,008	1,277,338	1,214,638
Annual amortization	--	--	2,116	10,532	87,154	5,140	--	104,942	96,085
Accumulated amortization on disposals	--	--	--	--	--	--	--	--	(33,385)
Balance, end of year	--	--	<u>20,878</u>	<u>231,147</u>	<u>959,672</u>	<u>136,575</u>	<u>34,008</u>	<u>1,382,280</u>	<u>1,277,338</u>
Net book value of									
tangible capital assets	\$ <u>126,273</u>	\$ <u>27,887</u>	\$ <u>33,704</u>	\$ <u>310,096</u>	\$ <u>2,248,149</u>	\$ <u>63,342</u>	\$ <u>--</u>	\$ <u>2,809,451</u>	\$ <u>2,401,498</u>
2008 Net book value of									
tangible capital assets (restated)	\$ <u>126,273</u>	\$ <u>27,887</u>	\$ <u>13,500</u>	\$ <u>291,319</u>	\$ <u>1,879,303</u>	\$ <u>63,216</u>	\$ <u>--</u>	\$ <u>2,401,498</u>	

**VILLAGE OF VILNA
SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2009
SCHEDULE 2**

	<u>Budget</u> (unaudited)	<u>2009</u> <u>Actual</u>	<u>2008</u> <u>Actual</u> (restated)
Levies			
Residential land and improvements	\$ 187,361	\$ 209,006	\$ 172,068
Non-residential land and improvements	43,337	45,442	54,240
Linear property	25,386	25,386	28,390
Farm land	<u>81</u>	<u>81</u>	<u>98</u>
	<u>256,165</u>	<u>279,915</u>	<u>254,796</u>
Requisitions			
Alberta School Foundation Fund	32,179	32,179	30,955
Smoky Lake Foundation	<u>6,976</u>	<u>6,976</u>	<u>4,140</u>
	<u>39,155</u>	<u>39,155</u>	<u>35,095</u>
Net taxes for general municipal purposes	\$ <u>217,010</u>	\$ <u>240,760</u>	\$ <u>219,701</u>

**SCHEDULE OF GOVERNMENT TRANSFERS
SCHEDULE 3**

Transfers for operating			
Provincial government	\$ 24,446	\$ 36,026	\$ 121,257
Other local governments	<u>16,500</u>	<u>13,134</u>	<u>14,611</u>
	40,946	49,160	135,868
Transfers for capital			
Provincial government	<u>--</u>	<u>479,468</u>	<u>29,950</u>
Total government transfers	\$ <u>40,946</u>	\$ <u>528,628</u>	\$ <u>165,818</u>

**SCHEDULE OF EXPENDITURES BY TYPE
SCHEDULE 4**

Expenditures			
Salaries and benefits	\$ 194,932	\$ 168,291	\$ 177,791
Contracted and general services	88,400	91,931	86,246
Purchases from other governments	17,250	37,954	36,225
Materials, goods, supplies and utilities	122,152	167,552	181,772
Transfers to local boards and agencies	1,794	12,333	15,974
Transfers to individuals and organizations	5,181	700	3,094
Provision for allowances	--	4,131	--
Amortization	--	104,942	96,085
Bank charges and short-term interest	5,100	7,215	12,562
Interest on debt	8,101	14,935	21,288
Other expenditures	<u>--</u>	<u>--</u>	<u>4,067</u>
Total expenditures by type	\$ <u>442,910</u>	\$ <u>609,984</u>	\$ <u>635,104</u>

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. Significant Accounting Policies

The consolidated financial statements of the Village of Vilna are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the village are as follows:

(a) Reporting Entity

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

The schedule of taxes levied also includes requisitions for education 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.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. Significant Accounting Policies -- continued

(d) Land Inventory 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 physical assets under their respective function.

(e) 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.

(f) Requisition Over-levy and Under-levy

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

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

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

(g) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Debt for the year.

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Significant Accounting Policies – continued

(g) Non-Financial Assets (continued)

(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 asset. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Years</u>
Land improvements	10-20
Buildings	50
Engineered structures	
Roadway system	10-30
Water system	40-75
Wastewater system	35-75
Machinery and equipment	10-15
Vehicles	10-25

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

(ii) Contributions of Tangible Capital Assets

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

	<u>2009</u>	<u>2008</u>
2. Taxes and Grants In Place Receivable		
Current	\$ 50,958	\$ 46,772
Arrears	49,402	34,089
	100,360	80,861
Less: allowance for doubtful accounts	(3,729)	(3,729)
	\$ 96,631	\$ 77,132
3. Loans Receivable	<u>2009</u>	<u>2008</u>
Non-interest bearing loan receivable from Vilna Main Street Project with no specific terms of repayment.	\$ 15,466	\$ 14,270
Non-interest bearing loan receivable from Vilna Housing Development Corporation with no specific terms of repayment.	44,000	44,000
	59,466	58,270
Less: allowance for doubtful amount	(59,466)	(58,270)
	\$ --	\$ --

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

4. Temporary Loan

The temporary loan was an advance from the Vilna Main Street Project to help the village meet its obligations until the 2010 property taxes can be collected. The loan is unsecured, non-interest bearing with no fixed terms of repayment.

5. Funds Held in Trust

The village has collected donations on behalf of the senior's lodge. These funds are held in a separate bank account in trust. The bank balance is included in the village's total cash balance.

6. Deferred Revenue	<u>2009</u>	<u>2008</u>
New deal for cities and communities	\$ --	\$ 21,375
Municipal Sustainability Initiative - capital	10,567	66,832
Municipal Sustainability Initiative - operating	66,986	40,700
Deferred permits income	23,875	--
FCSS	3,402	--
Fire department advance	--	7,500
Riverland Trail Society	<u>--</u>	<u>10,607</u>
	<u>\$ 104,830</u>	<u>\$ 147,014</u>

Funding in the amount of \$104,830 was received in the current and previous years from various grant programs, organizations and individuals. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or as indicated by the donors. Most of the projects are scheduled for completion in 2010.

7. Long-Term and Callable debt	<u>2009</u>	<u>2008</u>
Tax supported debentures	\$ 151,645	\$ 168,919
Tax supported callable capital loan	220,000	233,750
Tax supported callable operating loan	<u>295,209</u>	<u>--</u>
	<u>\$ 666,854</u>	<u>\$ 402,669</u>

Principal and interest repayments for each of the next five years and to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 59,220	\$ 19,602	\$ 78,822
2011	55,290	17,693	72,983
2012	56,635	16,072	72,707
2013	58,034	14,399	72,433
2014	59,489	12,669	72,158
Thereafter	<u>378,186</u>	<u>46,784</u>	<u>424,970</u>
	<u>\$ 666,854</u>	<u>\$ 127,219</u>	<u>\$ 794,073</u>

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

7. Long-Term and Callable debt (continued)

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.038% to 6.5% per annum, and matures in periods 2010 through 2021. The average annual interest rate is 5.69% for 2009 (5.68% for 2008). Debenture debt is issued on the credit and security of the Village of Vilna at large.

The callable loans are repayable to ATB Financial and bear a floating rate of interest of bank prime less 0.25% (capital loan) and bank prime (operating loan). Interest is accrued monthly and the loans are callable at the option of the lender. The callable debt is issued on the credit and security of the village at large and by a \$275,000 land mortgage.

The village's total cash payments for interest in 2009 were \$15,957 (2008 - \$25,969).

8. Debt Limits

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

	<u>2009</u>	<u>2008</u>
Total debt limit	\$ 791,451	\$ 862,011
Total debt	<u>711,854</u>	<u>698,458</u>
Amount of debt limit unused	\$ <u>79,597</u>	\$ <u>163,553</u>
Debt servicing limit	\$ 131,909	\$ 143,669
Debt servicing	<u>123,822</u>	<u>350,361</u>
Amount of debt servicing limit unused (exceeded)	\$ <u>8,087</u>	\$ <u>(206,692)</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

9. Accumulated Surplus

Accumulated surplus consists of an accumulated operating deficit and equity in tangible capital assets as follows:

	<u>2009</u>	<u>2008</u> (restated)
Accumulated operating deficit	\$ (329,494)	\$ (287,635)
Equity in tangible capital assets	<u>2,437,806</u>	<u>1,998,829</u>
	<u>\$ 2,108,312</u>	<u>\$ 1,711,194</u>

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

10. Commitment

The Village currently leases a photocopier. The future lease payments under this operating lease are as follows:

2010	\$ 1,184
2011	1,184
2012	1,184
2013	888

11. Contingent Liabilities

The Village of Vilna is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Village of Vilna 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.

12. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials and the chief administrative officer as required by Alberta Regulation 313/2000 is as follows:

	2009			2008
	Salary	Benefits & Allow.	Total	Total
	(1)	(2)		
Mayor – Trider	\$ 6,255	\$ 1,241	\$ 7,496	\$ 8,442
Deputy mayor – English	2,813	509	3,322	4,888
Councillor – Barry	2,835	1,321	4,156	4,933
Chief Administrative Officer – Bauman	18,480	1,864	20,344	17,022

(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 and contributions or payments made on behalf of employees including Canada Pension Plan, Employment Insurance, health care, dental coverage and group life insurance.

13. Financial Instruments

The village's financial instruments consist of cash, receivables, temporary loan, accounts payable and accrued liabilities and long-term and callable debt. It is management's opinion that the village is not exposed to significant interest or currency risks arising from these financial instruments.

The village is subject to credit risk with respect to taxes and grants in place receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the village provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instruments approximates fair value.

14. Other Credit Facilities

The village has an Alberta Treasury Branch MasterCard with a limit of \$10,000. Interest is calculated on principal owing beyond one month at the Alberta Treasury Branch prime rate plus 2%. The MasterCard had a balance owing of \$680 at December 31, 2009.

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

15. Prior Period Adjustments

The village has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. These adjustments are as follows:

	<u>2008</u>
Adjustments to opening accumulated surplus	
As previously reported	\$ 3,228,467
Adjustment to net book value of tangible capital assets	<u>(1,486,793)</u>
As restated	\$ <u>1,741,674</u>
Adjustments to excess (shortfall) of revenues over expenses	
As previously reported	\$ 13,882
Tangible capital assets recorded but previously expensed	51,723
Proceeds on disposals previously in revenue	(500)
Gain on disposal of tangible capital assets	500
Annual amortization expense	<u>(96,085)</u>
As restated	\$ <u>(30,480)</u>
Adjustments to tangible capital assets:	
As previously reported	\$ 3,950,991
Adjustment to historical cost of tangible capital assets	(272,155)
Accumulated amortization recorded	<u>(1,277,338)</u>
As restated	\$ <u>2,401,498</u>

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

16. Going Concern

The financial statements have been prepared in accordance with generally accepted accounting principles that are applicable to a going concern, meaning that the village will be able to realize its assets and discharge its liabilities in the normal course of operations. However, the use of generally accepted accounting principles that are applicable to a going concern is potentially inappropriate because there is significant doubt about the appropriateness of the going concern assumption. Given the deficits in the last five years and the accumulated operating deficit. The village's ability to realize its assets and discharge its liabilities depends on increasing support from taxpayers and other funding sources. The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate, because management feels support from taxpayers and other funding sources will mitigate the effect of the conditions and facts that raise doubt about the appropriateness of this assumption.

17. Approval of Financial Statements

Council and Management have approved these financial statements: