

VILLAGE OF VILNA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2011



INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Village of Vilna, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, changes in net financial debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Vilna as at December 31, 2011, the results of its operations, change in its net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

ST. PAUL, ALBERTA
April 16, 2012

Joly, M^cCarthy & Dion
CHARTERED ACCOUNTANTS



**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
Financial assets		
Cash - general	\$ 64,789	\$ --
Cash – held in trust (note 5)	441	150
Taxes and grants in place receivable (note 2)	113,764	127,838
Receivable from other governments	77,798	86,187
Trade and other receivables	43,008	51,202
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>311,830</u>	<u>277,407</u>
Liabilities		
Bank indebtedness (note 16)	--	52,950
Temporary loan (note 4)	46,000	46,000
Accounts payable and accrued liabilities	150,260	85,732
Deposit liabilities and tax sale surplus	16,248	16,648
Funds held in trust (note 5)	441	150
Deferred revenue (note 6)	173,428	111,830
Long-term and callable debt (note 7)	<u>554,064</u>	<u>608,484</u>
	<u>940,441</u>	<u>921,794</u>
Net financial debt	<u>(628,611)</u>	<u>(644,387)</u>
Non-financial assets		
Tangible capital assets (schedule 2)	2,664,758	2,706,718
Prepaid expenses	<u>2,259</u>	<u>--</u>
	<u>2,667,017</u>	<u>2,706,718</u>
Accumulated surplus (note 10)	<u>\$ 2,038,406</u>	<u>\$ 2,062,331</u>
Contingent liabilities (note 13)		

APPROVED BY:

Mayor

Administrator

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budget</u> (unaudited)	<u>2011</u>	<u>2010</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 277,300	\$ 257,130	\$ 255,081
User fees and sales of goods	170,300	169,964	163,117
Government transfers for operating (schedule 4)	71,000	69,565	70,590
Franchise fees	10,000	11,577	10,347
Investment income	--	15	--
Penalties and costs on taxes	15,000	7,919	27,066
Licenses and permits	2,000	3,515	2,990
Local improvement charges	24,000	14,245	13,483
Rentals	500	225	300
Other	<u>16,500</u>	<u>22,415</u>	<u>28,686</u>
	<u>586,600</u>	<u>556,570</u>	<u>571,660</u>
Expenses			
Legislative	27,800	13,743	23,078
Administration	152,380	206,606	142,421
Protective services	15,800	22,551	22,844
Roads, streets, walks, lighting	100,400	179,273	169,104
Water supply and distribution	62,900	83,448	86,189
Wastewater treatment and disposal	40,650	43,291	41,160
Waste management	44,300	32,410	59,305
Public health and welfare	18,820	11,199	13,681
Planning and development	17,000	6,352	15,544
Parks and recreation	33,500	38,421	41,642
Culture	<u>18,300</u>	<u>19,287</u>	<u>12,673</u>
	<u>531,850</u>	<u>656,581</u>	<u>627,641</u>
Excess (deficiency) of revenues over expenses - before other	54,750	(100,011)	(55,981)
Other			
Loss on disposal of tangible capital assets	--	(8,495)	--
Government transfers for capital (schedule 4)	<u>--</u>	<u>84,581</u>	<u>10,000</u>
Excess (deficiency) of revenues over expenses	54,750	(23,925)	(45,981)
Accumulated surplus, beginning of year	<u>2,062,331</u>	<u>2,062,331</u>	<u>2,108,312</u>
Accumulated surplus, end of year	<u>\$ 2,117,081</u>	<u>\$ 2,038,406</u>	<u>\$ 2,062,331</u>

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budget</u> (unaudited)	<u>2011</u>	<u>2010</u>
Excess (deficiency) of revenues over expenses	\$ <u>54,750</u>	\$ <u>(23,925)</u>	\$ <u>(45,981)</u>
Acquisition of tangible capital assets	--	(90,483)	(15,854)
Loss on disposal of tangible capital assets	--	8,495	--
Proceeds on disposal of tangible capital assets	--	4,050	--
Amortization of tangible capital assets	<u>--</u>	<u>119,898</u>	<u>118,587</u>
	<u>--</u>	<u>41,960</u>	<u>102,733</u>
(Acquisition) use of prepaid expenses	<u>--</u>	<u>(2,259)</u>	<u>2,160</u>
Increase in net financial debt	54,750	15,776	58,912
Net financial debt, beginning of year	<u>(644,387)</u>	<u>(644,387)</u>	<u>(703,299)</u>
Net financial debt, end of year	\$ <u>589,637</u>	\$ <u>(628,611)</u>	\$ <u>(644,387)</u>

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
Net inflow of cash related to the following activities:		
Operating		
Deficiency of revenues over expenses	\$ (23,925)	\$ (45,981)
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	119,898	118,587
Loss on disposal of tangible capital assets	<u>8,495</u>	<u>--</u>
	104,468	72,606
Decrease (increase) in:		
Taxes and grants in place receivable	14,074	(31,207)
Receivable from other governments	8,389	(22,678)
Trade and other receivables	8,194	(16,873)
Prepaid expenses	(2,259)	2,160
Increase (decrease) in:		
Temporary loan	--	1,000
Accounts payable and accrued liabilities	64,528	3,862
Deposit liabilities and tax sale surplus	(400)	(200)
Funds held in trust	291	(824)
Deferred revenue	<u>61,598</u>	<u>7,000</u>
	<u>258,883</u>	<u>14,846</u>
Capital		
Proceeds on disposal of tangible capital assets	4,050	--
Acquisition of tangible capital assets	<u>(90,483)</u>	<u>(15,854)</u>
	<u>(86,433)</u>	<u>(15,854)</u>
Financing		
Debt repaid	<u>(54,420)</u>	<u>(58,370)</u>
Change in cash during the year	118,030	(59,378)
Cash (indebtedness), beginning of year	<u>(52,800)</u>	<u>6,578</u>
Cash (indebtedness), end of year	\$ <u>65,230</u>	\$ <u>(52,800)</u>
Cash (indebtedness) consists of:		
Cash - general	64,789	\$ --
Cash - held in trust	441	150
Bank indebtedness	<u>--</u>	<u>(52,950)</u>
	\$ <u>65,230</u>	\$ <u>(52,800)</u>

**VILLAGE OF VILNA
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Accumulated Operating Deficit</u>	<u>Equity in Tangible Capital Assets</u>	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ <u>(304,724)</u>	\$ <u>2,367,055</u>	\$ <u>2,062,331</u>	\$ <u>2,108,312</u>
Deficiency of revenues over expenses	(23,925)	--	(23,925)	(45,981)
Current year funds used for tangible capital assets	(90,483)	90,483	--	--
Disposal of tangible capital assets	12,545	(12,545)	--	--
Capital debt repaid	(27,433)	27,433	--	--
Annual amortization expense	<u>119,898</u>	<u>(119,898)</u>	<u>--</u>	<u>--</u>
Change in accumulated surplus	<u>(9,398)</u>	<u>(14,527)</u>	<u>(23,925)</u>	<u>(45,981)</u>
Balance, end of year	\$ <u>(314,122)</u>	\$ <u>2,352,528</u>	\$ <u>2,038,406</u>	\$ <u>2,062,331</u>

**VILLAGE OF VILNA
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Land	Cultural Structures	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2011	2010
Cost:									
Balance, beginning of year	\$ 126,273	\$ 27,887	\$ 54,582	\$ 541,243	\$ 3,207,821	\$ 215,771	\$ 34,008	\$ 4,207,585	\$ 4,191,731
Acquisition of tangible capital assets	--	--	--	--	84,581	5,902	--	90,483	15,854
Disposal of tangible capital assets	--	--	--	--	(30,847)	(45,115)	(5,500)	(81,462)	--
Balance, end of year	<u>126,273</u>	<u>27,887</u>	<u>54,582</u>	<u>541,243</u>	<u>3,261,555</u>	<u>176,558</u>	<u>28,508</u>	<u>4,216,606</u>	<u>4,207,585</u>
Accumulated amortization:									
Balance, beginning of year	--	--	24,110	241,972	1,058,226	142,551	34,008	1,500,867	1,382,280
Annual amortization	--	--	3,232	10,825	99,007	6,834	--	119,898	118,587
Accumulated amortization on disposals	--	--	--	--	(18,302)	(45,115)	(5,500)	(68,917)	--
Balance, end of year	<u>--</u>	<u>--</u>	<u>27,342</u>	<u>252,797</u>	<u>1,138,931</u>	<u>104,270</u>	<u>28,508</u>	<u>1,551,848</u>	<u>1,500,867</u>
Net book value of tangible capital assets	<u>\$ 126,273</u>	<u>\$ 27,887</u>	<u>\$ 27,240</u>	<u>\$ 288,446</u>	<u>\$ 2,122,624</u>	<u>\$ 72,288</u>	<u>\$ --</u>	<u>\$ 2,664,758</u>	<u>\$ 2,706,718</u>
2010 Net book value of tangible capital assets	<u>\$ 126,273</u>	<u>\$ 27,887</u>	<u>\$ 30,472</u>	<u>\$ 299,271</u>	<u>\$ 2,149,595</u>	<u>\$ 73,220</u>	<u>\$ --</u>	<u>\$ 2,706,718</u>	

**VILLAGE OF VILNA
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>		<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(unaudited)		
Levies			
Residential land and improvements		\$ 225,800	\$ 221,067
Non-residential land and improvements		49,204	48,781
Linear property		26,322	25,372
Farm land		<u>94</u>	<u>93</u>
	\$ <u>320,300</u>	<u>301,420</u>	<u>295,313</u>
Requisitions			
Alberta School Foundation Fund	35,000	35,817	33,173
Smoky Lake Foundation	<u>8,000</u>	<u>8,473</u>	<u>7,059</u>
	<u>43,000</u>	<u>44,290</u>	<u>40,232</u>
Net taxes for general municipal purposes	\$ <u>277,300</u>	\$ <u>257,130</u>	\$ <u>255,081</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operating			
Provincial government	\$ 54,500	\$ 43,871	\$ 50,113
Other local governments	<u>16,500</u>	<u>25,694</u>	<u>20,477</u>
	<u>71,000</u>	<u>69,565</u>	<u>70,590</u>
Transfers for capital			
Provincial government	--	84,581	--
Federal government	<u>--</u>	<u>--</u>	<u>10,000</u>
	<u>--</u>	<u>84,581</u>	<u>10,000</u>
Total government transfers	\$ <u>71,000</u>	\$ <u>154,146</u>	\$ <u>80,590</u>

SCHEDULE 5 - EXPENDITURES BY TYPE

Expenditures			
Salaries and benefits	\$ 170,200	\$ 121,370	\$ 141,477
Contracted and general services	148,650	196,406	122,762
Purchases from other governments	27,500	34,855	40,424
Materials, goods, supplies and utilities	133,000	119,801	137,948
Transfers to other governments	15,000	6,325	14,253
Transfers to local boards and agencies	12,300	15,444	1,670
Transfers to individuals and organizations	500	--	100
Provision for allowances	--	19,895	27,467
Amortization	--	119,898	118,587
Bank charges and short-term interest	2,600	1,470	2,520
Interest on debt	<u>22,100</u>	<u>21,117</u>	<u>20,433</u>
Total expenditures by type	\$ <u>531,850</u>	\$ <u>656,581</u>	\$ <u>627,641</u>

**VILLAGE OF VILNA
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Planning and Development</u>	<u>Recreation and Culture</u>	<u>Environmental Services</u>	<u>Public Health and Welfare</u>	<u>Total</u>
Revenue								
Net municipal and improvement taxes	\$ 271,375	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 271,375
Government transfers	6,992	15,345	--	6,325	10,400	106,930	8,154	154,146
User fees and sales of goods	120	--	120	--	10,472	159,002	250	169,964
Other revenues	<u>32,027</u>	<u>170</u>	<u>4,050</u>	<u>--</u>	<u>11,969</u>	<u>1,500</u>	<u>--</u>	<u>49,716</u>
	<u>310,514</u>	<u>15,515</u>	<u>4,170</u>	<u>6,325</u>	<u>32,841</u>	<u>267,432</u>	<u>8,404</u>	<u>645,201</u>
Expenses								
Contract and general services	135,490	8,102	22,297	27	2,750	61,603	992	231,261
Salaries and wages	42,188	--	22,686	--	25,711	28,785	2,000	121,370
Goods and supplies	11,484	8,356	53,806	--	15,463	30,639	53	119,801
Transfers	--	--	--	6,325	7,290	--	8,154	21,769
Other expenses	<u>29,058</u>	<u>--</u>	<u>6,015</u>	<u>--</u>	<u>--</u>	<u>19,954</u>	<u>--</u>	<u>55,027</u>
	<u>218,220</u>	<u>16,458</u>	<u>104,804</u>	<u>6,352</u>	<u>51,214</u>	<u>140,981</u>	<u>11,199</u>	<u>549,228</u>
Net revenue before amortization	92,294	(943)	(100,634)	(27)	(18,373)	126,451	(2,795)	95,973
Amortization expense	<u>(2,129)</u>	<u>(6,093)</u>	<u>(74,470)</u>	<u>--</u>	<u>(6,494)</u>	<u>(30,712)</u>	<u>--</u>	<u>(119,898)</u>
Net revenue	<u>\$ 90,165</u>	<u>\$ (7,036)</u>	<u>\$ (175,104)</u>	<u>\$ (27)</u>	<u>\$ (24,867)</u>	<u>\$ 95,739</u>	<u>\$ (2,795)</u>	<u>\$ (23,925)</u>

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2011

1. Significant Accounting Policies – continued

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. 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.

(e) 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.

(f) Government Transfers

Government transfers are the transfer of assets from senior levels of government and other local governments 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.

(g) 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.

(h) 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, 2011**

1. Significant Accounting Policies – continued

(h) 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 recorded as revenue.

	<u>2011</u>	<u>2010</u>
2. Taxes and Grants In Place Receivable		
Current	\$ 76,942	\$ 66,011
Arrears	<u>90,765</u>	<u>92,875</u>
	167,707	158,886
Less: allowance for doubtful accounts	<u>(53,943)</u>	<u>(31,048)</u>
	<u>\$ 113,764</u>	<u>\$ 127,838</u>

	<u>2011</u>	<u>2010</u>
3. Loans Receivable		
Non-interest bearing loan receivable from Vilna Main Street Project with no specific terms of repayment.	\$ 15,466	\$ 15,466
Non-interest bearing loan receivable from Vilna Housing Development Corporation with no specific terms of repayment.	<u>44,000</u>	<u>44,000</u>
	59,466	59,466
Less: allowance for doubtful amount	<u>(59,466)</u>	<u>(59,466)</u>
	<u>\$ -----</u>	<u>\$ -----</u>

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

4. Temporary Loan

The temporary loan is advances from the Vilna Main Street Project to help the village meet its obligations. 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.

6. Deferred Revenue	<u>2011</u>	<u>2010</u>
Municipal Sustainability Initiative - capital	\$ 92,544	\$ 3,571
Municipal Sustainability Initiative - operating	59,389	84,384
Deferred permits income	<u>21,495</u>	<u>23,875</u>
	<u>\$ 173,428</u>	<u>\$ 111,830</u>

Funding in the amount of \$173,428 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.

7. Long-Term and Callable debt	<u>2011</u>	<u>2010</u>
Tax supported debentures	\$ 119,730	\$ 133,413
Tax supported callable capital loan	192,500	206,250
Tax supported callable operating loan	<u>241,834</u>	<u>268,821</u>
	<u>\$ 554,064</u>	<u>\$ 608,484</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>
2012	\$ 55,950	\$ 19,762	\$ 75,712
2013	57,547	17,753	75,300
2014	59,211	15,677	74,888
2015	52,916	13,531	66,447
2016	54,398	11,635	66,033
Thereafter	<u>274,042</u>	<u>33,929</u>	<u>307,971</u>
	<u>\$ 554,064</u>	<u>\$ 112,287</u>	<u>\$ 666,351</u>

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 6.375% per annum, and matures in periods 2014 through 2021. The average annual interest rate is 5.85% for 2011 (5.70% for 2010). 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. The average annual interest rate is 3.01% for 2011 (2.49% for 2010). 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 of Vilna at large and by a \$275,000 land mortgage.

The village's total cash payments for interest in 2011 was \$21,462 (2010 - \$20,646).

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>2011</u>	<u>2010</u>
Total debt limit	\$ 840,930	\$ 857,490
Total debt	<u>600,064</u>	<u>707,434</u>
Amount of debt limit unused	\$ <u>240,866</u>	\$ <u>150,056</u>
Debt servicing limit	\$ 140,155	\$ 142,915
Debt servicing	<u>121,712</u>	<u>175,076</u>
Amount of debt servicing limit unused (exceeded)	\$ <u>18,443</u>	\$ <u>(32,161)</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. Equity in Tangible Capital Assets

	<u>2011</u>	<u>2010</u>
Tangible capital assets (schedule 2)	\$ 4,216,606	\$ 4,207,585
Accumulated amortization (schedule 2)	(1,551,848)	(1,500,867)
Capital debentures (note 7)	(119,730)	(133,413)
Capital callable debt (note 7)	<u>(192,500)</u>	<u>(206,250)</u>
	\$ <u>2,352,528</u>	\$ <u>2,367,055</u>

**VILLAGE OF VILNA
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10. Accumulated Surplus

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

	<u>2011</u>	<u>2010</u>
Accumulated operating deficit	\$ (314,122)	\$ (304,724)
Equity in tangible capital assets (note 9)	<u>2,352,528</u>	<u>2,367,055</u>
	<u>\$ 2,038,406</u>	<u>\$ 2,062,331</u>

11. Commitment

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

2012	\$ 1,392
2013	1,392
2014	1,392
2015	1,392
2016	696

12. Segmented Disclosure

The Village of Vilna provides a range of services to its ratepayers. For each segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6).

13. 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.

**VILLAGE OF VILNA
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14. 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:

	2011		2010	
	Salary (1)	Benefits & Allow. (2)	Total	Total
Mayor – Romanko	\$ 3,585	\$ 844	\$ 4,429	\$ 533
Mayor – Trider	--	--	--	5,992
Deputy mayor – English	--	--	--	3,974
Deputy mayor – Barry	3,543	658	4,201	4,407
Councillor – Farmer	3,970	1,142	5,112	1,003
CAO – Bauman	--	--	--	17,897
CAO – Wagar	98,535	--	98,535	22,276
CAO – Leslie	8,928	645	9,573	--

(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 plus council mileage.

15. Financial Instruments

The village's financial instruments consist of cash, receivables, bank indebtedness, 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 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 village has recorded a total allowance of \$58,599 (2010 - \$31,049) against taxes and grants in place receivable and other receivables.

The village is subject to interest rate risk with respect to bank indebtedness and callable debt. Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates.

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

**VILLAGE OF VILNA
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16. Other Credit Facilities

The village has an operating line-of-credit with the Alberta Treasury Branches with a limit of \$75,000. Interest is calculated from the date or dates funds are advanced on the daily outstanding principal at the Alberta Treasury Branches prime rate.

The village also has an Alberta Treasury Branches 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 \$Nil at December 31, 2011.

The security over callable loans described in note 7 also secures these other credit facilities.

17. 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 accumulated operating deficit. The village's ability to realize its assets and discharge its liabilities depends on increasing support from taxpayers or amalgamation with another municipality. 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 or a possible amalgamation will mitigate the effect of the conditions and facts that raise doubt about the appropriateness of this assumption.

18. Approval of Financial Statements

Council and Management have approved these financial statements.