

VILLAGE OF VILNA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2010



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, 2010, 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, 2010, 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
June 6, 2011

Joly, McCarthy & Dion

CHARTERED ACCOUNTANTS



**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
Financial assets		
Cash - general	\$ --	\$ 5,604
Cash – held in trust (note 5)	150	974
Taxes and grants in place receivable (note 2)	127,838	96,631
Receivable from other governments	86,187	63,509
Trade and other receivables	51,202	34,329
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>277,407</u>	<u>213,077</u>
Liabilities		
Bank indebtedness (note 16)	52,950	--
Temporary loan (note 4)	46,000	45,000
Accounts payable and accrued liabilities	85,732	81,870
Deposit liabilities and tax sale surplus	16,648	16,848
Funds held in trust (note 5)	150	974
Deferred revenue (note 6)	111,830	104,830
Long-term and callable debt (note 7)	<u>608,484</u>	<u>666,854</u>
	<u>921,794</u>	<u>916,376</u>
Net financial debt	<u>(644,387)</u>	<u>(703,299)</u>
Non-financial assets		
Tangible capital assets (schedule 2)	2,706,718	2,809,451
Prepaid expenses	<u>--</u>	<u>2,160</u>
	<u>2,706,718</u>	<u>2,811,611</u>
Accumulated surplus (note 10)	\$ <u>2,062,331</u>	\$ <u>2,108,312</u>
Contingent liabilities (note 13)		

APPROVED BY:

Mayor

Administrator

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budget</u> (unaudited)	<u>2010</u>	<u>2009</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 257,310	\$ 255,081	\$ 240,760
User fees and sales of goods	181,167	163,117	155,641
Government transfers for operating (schedule 4)	100,304	70,590	49,160
Franchise fees	12,000	10,347	7,594
Investment income	--	--	6
Penalties and costs on taxes	15,000	27,066	16,247
Licenses and permits	2,000	2,990	13,851
Local improvement charges	15,933	13,483	14,346
Rentals	1,000	300	1,007
Other	<u>30,270</u>	<u>28,686</u>	<u>29,022</u>
	<u>614,984</u>	<u>571,660</u>	<u>527,634</u>
Expenses			
Legislative	32,500	23,078	21,360
Administration	112,850	142,421	116,138
Protective services	15,940	22,844	24,815
Roads, streets, walks, lighting	74,570	169,104	154,067
Water supply and distribution	90,931	86,189	121,446
Wastewater treatment and disposal	51,845	41,160	54,749
Waste management	68,600	59,305	44,710
Public health and welfare	17,933	13,681	7,262
Planning and development	17,000	15,544	16,402
Parks and recreation	44,077	41,642	33,462
Culture	<u>18,650</u>	<u>12,673</u>	<u>15,573</u>
	<u>544,896</u>	<u>627,641</u>	<u>609,984</u>
Excess (deficiency) of revenues over expenses - before other	70,088	(55,981)	(82,350)
Other			
Government transfers for capital (schedule 4)	<u>231,613</u>	<u>10,000</u>	<u>479,468</u>
Excess (deficiency) of revenues over expenses	301,701	(45,981)	397,118
Accumulated surplus, beginning of year	<u>2,108,312</u>	<u>2,108,312</u>	<u>1,711,194</u>
Accumulated surplus, end of year	\$ <u>2,410,013</u>	\$ <u>2,062,331</u>	\$ <u>2,108,312</u>

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budget</u> (unaudited)	<u>2010</u>	<u>2009</u>
Excess (deficiency) of revenues over expenses	\$ <u>301,701</u>	\$ <u>(45,981)</u>	\$ <u>397,118</u>
Acquisition of tangible capital assets	(231,613)	(15,854)	(512,895)
Amortization of tangible capital assets	<u> --</u>	<u>118,587</u>	<u>104,942</u>
	(231,613)	102,733	(407,953)
(Acquisition) use of prepaid expenses	<u> --</u>	<u>2,160</u>	<u>(1,360)</u>
Increase (decrease) in net financial debt	70,088	58,912	(12,195)
Net financial debt, beginning of year	(703,299)	(703,299)	(691,104)
Net financial debt, end of year	\$ <u>(633,211)</u>	\$ <u>(644,387)</u>	\$ <u>(703,299)</u>

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
Net inflow of cash related to the following activities:		
Operating		
Excess (deficiency) of revenues over expenses	\$ (45,981)	\$ 397,118
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	<u>118,587</u>	<u>104,942</u>
	72,606	502,060
Decrease (increase) in:		
Taxes and grants in place receivable	(31,207)	(19,499)
Receivable from other governments	(22,678)	51,641
Trade and other receivables	(16,873)	8,771
Prepaid expenses	2,160	(1,360)
Increase (decrease) in:		
Temporary loan	1,000	45,000
Accounts payable and accrued liabilities	3,862	(14,102)
Deposit liabilities and tax sale surplus	(200)	800
Funds held in trust	(824)	897
Deferred revenue	<u>7,000</u>	<u>(42,184)</u>
	<u>14,846</u>	<u>532,024</u>
Capital		
Acquisition of tangible capital assets	<u>(15,854)</u>	<u>(512,895)</u>
Financing		
Debt advanced	--	300,000
Debt repaid	<u>(58,370)</u>	<u>(35,815)</u>
	<u>(58,370)</u>	<u>264,185</u>
Change in cash during the year	(59,378)	283,314
Cash (indebtedness), beginning of year	<u>6,578</u>	<u>(276,736)</u>
Cash (indebtedness), end of year	\$ <u>(52,800)</u>	\$ <u>6,578</u>
Cash (indebtedness) consists of:		
Cash - general	\$ --	\$ 5,604
Cash - held in trust	150	974
Bank indebtedness	<u>(52,950)</u>	<u>--</u>
	\$ <u>(52,800)</u>	\$ <u>6,578</u>

VILLAGE OF VILNA
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Accumulated Operating Deficit</u>	<u>Equity in Tangible Capital Assets</u>	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ (329,494)	\$ 2,437,806	\$ 2,108,312	\$ 1,711,194
Excess (deficiency) of revenues over expenses	(45,981)	--	(45,981)	397,118
Current year funds used for tangible capital assets	(15,854)	15,854	--	--
Capital debt repaid	(31,982)	31,982	--	--
Annual amortization expense	<u>118,587</u>	<u>(118,587)</u>	<u>--</u>	<u>--</u>
Change in accumulated surplus	<u>24,770</u>	<u>(70,751)</u>	<u>(45,981)</u>	<u>397,118</u>
Balance, end of year	\$ (304,724)	\$ 2,367,055	\$ 2,062,331	\$ 2,108,312

**VILLAGE OF VILNA
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Cultural Land	Structures	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010	2009
Cost:									
Balance, beginning of year	\$ 126,273	\$ 27,887	\$ 54,582	\$ 541,243	\$ 3,207,821	\$ 199,917	\$ 34,008	\$ 4,191,731	\$ 3,678,836
Acquisition of tangible capital assets	--	--	--	--	--	15,854	--	15,854	512,895
Disposal of tangible capital assets	--	--	--	--	--	--	--	--	--
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>215,771</u>	<u>34,008</u>	<u>4,207,585</u>	<u>4,191,731</u>
Accumulated amortization:									
Balance, beginning of year	--	--	20,878	231,147	959,672	136,575	34,008	1,382,280	1,277,338
Annual amortization	--	--	3,232	10,825	98,554	5,976	--	118,587	104,942
Accumulated amortization on disposals	--	--	--	--	--	--	--	--	--
Balance, end of year	<u>--</u>	<u>--</u>	<u>24,110</u>	<u>241,972</u>	<u>1,058,226</u>	<u>142,551</u>	<u>34,008</u>	<u>1,500,867</u>	<u>1,382,280</u>
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>	<u>\$ 2,809,451</u>
2009 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>	

**VILLAGE OF VILNA
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
	Budget (unaudited)	Actual
Levies		
Residential land and improvements	\$ 223,069	\$ 221,067
Non-residential land and improvements	48,983	48,781
Linear property	25,372	25,372
Farm land	<u>93</u>	<u>93</u>
	<u>297,517</u>	<u>295,313</u>
Requisitions		
Alberta School Foundation Fund	33,173	33,173
Smoky Lake Foundation	<u>7,034</u>	<u>7,059</u>
	<u>40,207</u>	<u>39,155</u>
Net taxes for general municipal purposes	\$ <u>257,310</u>	\$ <u>255,081</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operating			
Provincial government	\$ 83,804	\$ 50,113	\$ 36,026
Other local governments	<u>16,500</u>	<u>20,477</u>	<u>13,134</u>
	<u>100,304</u>	<u>70,590</u>	<u>49,160</u>
Transfers for capital			
Provincial government	231,613	--	479,468
Federal government	<u>--</u>	<u>10,000</u>	<u>--</u>
	<u>231,613</u>	<u>10,000</u>	<u>479,468</u>
Total government transfers	\$ <u>331,917</u>	\$ <u>80,590</u>	\$ <u>528,628</u>

SCHEDULE 5 - EXPENDITURES BY TYPE

Expenditures			
Salaries and benefits	\$ 179,275	\$ 141,477	\$ 168,291
Contracted and general services	131,650	122,762	91,931
Purchases from other governments	49,500	40,424	21,802
Materials, goods, supplies and utilities	143,700	137,948	167,552
Transfers to other governments	15,000	14,253	16,152
Transfers to local boards and agencies	6,650	1,670	12,333
Transfers to individuals and organizations	5,181	100	700
Provision for allowances	--	27,467	4,131
Amortization	--	118,587	104,942
Bank charges and short-term interest	5,100	2,520	7,215
Interest on debt	<u>8,840</u>	<u>20,433</u>	<u>14,935</u>
Total expenditures by type	\$ <u>544,896</u>	\$ <u>627,641</u>	\$ <u>609,984</u>

**VILLAGE OF VILNA
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 268,564	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 268,564
Government transfers	6,148	22,330	696	14,253	1,680	20,127	15,356	80,590
User fees and sales of goods	154	--	1,830	--	6,627	154,175	331	163,117
Other revenues	<u>55,958</u>	<u>--</u>	<u>81</u>	<u>--</u>	<u>11,850</u>	<u>1,500</u>	<u>--</u>	<u>69,389</u>
	<u>330,824</u>	<u>22,330</u>	<u>2,607</u>	<u>14,253</u>	<u>20,157</u>	<u>175,802</u>	<u>15,687</u>	<u>581,660</u>
Expenses								
Contract and general services	79,526	8,644	4,472	1,291	7,823	57,914	3,516	163,186
Salaries and wages	37,370	--	28,801	--	22,464	42,777	10,065	141,477
Goods and supplies	9,186	8,751	56,548	--	15,864	47,599	--	137,948
Transfers	--	--	--	14,253	1,670	--	100	16,023
Other expenses	<u>37,289</u>	<u>16</u>	<u>5,010</u>	<u>--</u>	<u>--</u>	<u>8,105</u>	<u>--</u>	<u>50,420</u>
	<u>163,371</u>	<u>17,411</u>	<u>94,831</u>	<u>15,544</u>	<u>47,821</u>	<u>156,395</u>	<u>13,681</u>	<u>509,054</u>
Net Revenue Before Amortization	167,453	4,919	(92,224)	(1,291)	(27,664)	19,407	2,006	72,606
Amortization expense	<u>(2,128)</u>	<u>(5,433)</u>	<u>(74,273)</u>	<u>--</u>	<u>(6,494)</u>	<u>(30,259)</u>	<u>--</u>	<u>(118,587)</u>
Net Revenue	\$ <u>165,325</u>	\$ <u>(514)</u>	\$ <u>(166,497)</u>	\$ <u>(1,291)</u>	\$ <u>(34,158)</u>	\$ <u>(10,852)</u>	\$ <u>2,006</u>	\$ <u>(45,981)</u>

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010

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, 2010**

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.

2. Taxes and Grants In Place Receivable

	<u>2010</u>	<u>2009</u>
Current	\$ 66,011	\$ 50,958
Arrears	92,875	49,402
	158,886	100,360
Less: allowance for doubtful accounts	(31,048)	(3,729)
	\$ 127,838	\$ 96,631

3. Loans Receivable

	<u>2010</u>	<u>2009</u>
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.	44,000	44,000
	59,466	59,466
Less: allowance for doubtful amount	(59,466)	(59,466)
	\$ --	\$ --

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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>2010</u>	<u>2009</u>
Municipal Sustainability Initiative - capital	\$ 3,571	\$ 10,567
Municipal Sustainability Initiative - operating	84,384	66,986
Deferred permits income	23,875	23,875
FCSS	<u>—</u>	<u>3,402</u>
	<u>\$ 111,830</u>	<u>\$ 104,830</u>

Funding in the amount of \$111,830 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 2011.

7. Long-Term and Callable debt

	<u>2010</u>	<u>2009</u>
Tax supported debentures	\$ 133,413	\$ 151,645
Tax supported callable capital loan	206,250	220,000
Tax supported callable operating loan	<u>268,821</u>	<u>295,209</u>
	<u>\$ 608,484</u>	<u>\$ 666,854</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>
2011	\$ 54,417	\$ 21,709	\$ 76,126
2012	55,950	19,762	75,712
2013	57,547	17,753	75,300
2014	59,211	15,677	74,888
2015	52,915	13,531	66,446
Thereafter	<u>328,444</u>	<u>45,559</u>	<u>374,003</u>
	<u>\$ 608,484</u>	<u>\$ 133,991</u>	<u>\$ 742,475</u>

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 2014 through 2021. The average annual interest rate is 5.70% for 2010 (5.69% for 2009). 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 2.49% for 2010 (1.55% for 2009). 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 2010 were \$20,646 (2009 - \$15,957).

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>2010</u>	<u>2009</u>
Total debt limit	\$ 857,490	\$ 791,451
Total debt	<u>707,434</u>	<u>711,854</u>
Amount of debt limit unused	\$ <u>150,056</u>	\$ <u>79,597</u>
Debt servicing limit	\$ 142,915	\$ 131,909
Debt servicing	<u>175,076</u>	<u>123,822</u>
Amount of debt servicing limit unused (exceeded)	\$ <u>(32,161)</u>	\$ <u>8,087</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>2010</u>	<u>2009</u>
Tangible capital assets (schedule 2)	\$ 4,207,585	\$ 4,191,731
Accumulated amortization (schedule 2)	(1,500,867)	(1,382,280)
Capital debentures (note 7)	(133,413)	(151,645)
Capital callable debt (note 7)	<u>(206,250)</u>	<u>(220,000)</u>
	\$ <u>2,367,055</u>	\$ <u>2,437,806</u>

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10. Accumulated Surplus

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

	<u>2010</u>	<u>2009</u>
Accumulated operating deficit	\$ (304,724)	\$ (329,494)
Equity in tangible capital assets (note 9)	<u>2,367,055</u>	<u>2,437,806</u>
	<u>\$ 2,062,331</u>	<u>\$ 2,108,312</u>

11. Commitment

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

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

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:

	2010		2009	
	Salary (1)	Benefits & Allow. (2)	Total	Total
Mayor – Romanko	\$ 465	\$ 68	\$ 533	\$ --
Mayor – Trider	5,242	750	5,992	7,496
Deputy mayor – English	3,185	789	3,974	3,322
Deputy mayor/Councillor – Barry	3,435	972	4,407	4,156
Councillor – Farmer	765	238	1,003	--
Chief Administrative Officer – Bauman	16,800	1,097	17,897	20,344
Chief Administrative Officer – Wagar	22,276	--	22,276	--

(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.

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 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.

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, 2010.

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

**VILLAGE OF VILNA
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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 deficits in the last several years and 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. Comparative Figures

Certain of the 2009 comparative figures have been reclassified to conform to the current year's financial statement presentation.

19. Approval of Financial Statements

Council and Management have approved these financial statements.