

VILLAGE OF VILNA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016

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, 2016, and the consolidated statements of operations, change in net financial debt and cash flows and schedules 1 to 6 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, 2016, 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.

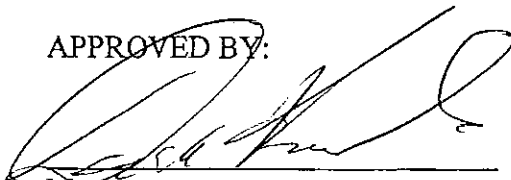
ST. PAUL, ALBERTA
April 24, 2017

CHARTERED ACCOUNTANTS

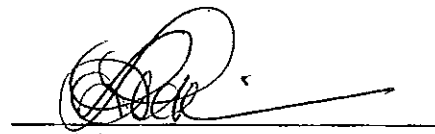
**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Financial assets		
Cash - general	\$ 360,416	\$ 75,653
Cash - held in trust (note 3)	50	50
Taxes and grants in place receivable (note 2)	85,383	106,358
Receivable from other governments	39,652	32,074
Trade and other receivables	76,075	93,787
Land inventory held for resale	28,000	28,000
Share in Alberta Capital Finance Authority	<u>30</u>	<u>30</u>
	<u>589,606</u>	<u>335,952</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	128,732	92,592
Deposit liabilities and tax sale surplus	14,860	14,395
Funds held in trust (note 3)	50	50
Deferred revenue (note 5)	321,984	131,434
Long-term and callable debt (note 6)	<u>274,166</u>	<u>329,299</u>
	<u>739,792</u>	<u>567,770</u>
Net financial debt	<u>(150,186)</u>	<u>(231,818)</u>
Non-financial assets		
Tangible capital assets (schedule 2)	3,150,727	2,853,015
Prepaid expenses	<u>1,455</u>	<u>2,316</u>
	<u>3,152,182</u>	<u>2,855,331</u>
Accumulated surplus (note 9)	<u>\$ 3,001,996</u>	<u>\$ 2,623,513</u>
Contingent liabilities (note 12)		

APPROVED BY:



Mayor



Administrator

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 265,757	\$ 265,226	\$ 264,555
User fees and sales of goods	249,650	233,027	232,394
Government transfers for operating (schedule 4)	75,662	76,041	79,913
Franchise fees	65,000	59,763	61,568
Investment income	500	667	213
Penalties and costs on taxes	21,000	19,661	20,078
Licenses and permits	2,500	2,978	2,292
Local improvement charges	30,706	30,615	21,793
Rentals	--	71	--
Other	<u>47,600</u>	<u>33,193</u>	<u>43,663</u>
	<u>758,375</u>	<u>721,242</u>	<u>726,469</u>
Expenses			
Legislative	14,950	16,052	14,842
Administration	180,880	179,680	160,900
Protective services	30,790	25,561	26,731
Roads, streets, walks, lighting	229,770	232,199	193,271
Water supply and distribution	197,420	192,335	193,823
Wastewater treatment and disposal	57,440	25,717	100,588
Waste management	65,900	58,557	50,757
Public health and welfare	10,900	15,133	13,371
Planning and development	11,000	10,641	8,919
Parks and recreation	40,200	31,008	30,570
Culture	<u>22,050</u>	<u>24,726</u>	<u>22,163</u>
	<u>861,300</u>	<u>811,609</u>	<u>815,935</u>
Deficiency of revenues over expenses - before other	(102,925)	(90,367)	(89,466)
Other			
Contributed assets from other local government	--	173,759	--
Government transfers for capital (schedule 4)	<u>325,000</u>	<u>295,091</u>	<u>7,328</u>
Excess (deficiency) of revenues over expenses	222,075	378,483	(82,138)
Accumulated surplus, beginning of year	<u>2,623,513</u>	<u>2,623,513</u>	<u>2,705,651</u>
Accumulated surplus, end of year	\$ <u>2,845,588</u>	\$ <u>3,001,996</u>	\$ <u>2,623,513</u>

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
Excess (deficiency) of revenues over expenses	\$ <u>222,075</u>	\$ <u>378,483</u>	\$ <u>(82,138)</u>
Acquisition of tangible capital assets	(325,000)	(266,302)	--
Contributed tangible capital assets	--	(173,759)	--
Amortization of tangible capital assets	<u>157,550</u>	<u>142,349</u>	<u>138,275</u>
	<u>(167,450)</u>	<u>(297,712)</u>	<u>138,275</u>
Use (acquisition) of prepaid expenses	--	861	(954)
Decrease in net financial debt	54,625	81,632	55,183
Net financial debt, beginning of year	(231,818)	(231,818)	(287,001)
Net financial debt, end of year	\$ (177,193)	\$ (150,186)	\$ (231,818)

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Net inflow of cash related to the following activities:		
Operating		
Excess (deficiency) of revenues over expenses	\$ 378,483	\$ (82,138)
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	142,349	138,275
Tangible capital assets received as contributions	<u>(173,759)</u>	<u>---</u>
	347,073	56,137
Decrease (increase) in:		
Taxes and grants in place receivable	20,975	7,480
Receivable from other governments	(7,578)	37,611
Trade and other receivables	17,712	4,615
Prepaid expenses	861	(954)
Increase (decrease) in:		
Accounts payable and accrued liabilities	36,140	(73,760)
Deposit liabilities and tax sale surplus	465	(18,098)
Funds held in trust	--	30
Deferred revenue	<u>190,550</u>	<u>(7,328)</u>
	<u>606,198</u>	<u>5,733</u>
Capital		
Acquisition of tangible capital assets	<u>(266,302)</u>	<u>---</u>
Financing		
Debt repaid	<u>(55,133)</u>	<u>(52,864)</u>
Change in cash during the year	284,763	(47,131)
Cash, beginning of year	<u>75,703</u>	<u>122,834</u>
Cash, end of year	\$ <u>360,466</u>	\$ <u>75,703</u>
Cash consists of:		
Cash - general	\$ 360,416	\$ 75,653
Cash - held in trust	<u>50</u>	<u>50</u>
	\$ <u>360,466</u>	\$ <u>75,703</u>

VILLAGE OF VILNA
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted Surplus (Deficit)</u>	<u>Equity in Tangible Capital Assets</u>	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ <u>(26,497)</u>	\$ <u>2,650,010</u>	\$ <u>2,623,513</u>	\$ <u>2,705,651</u>
Excess (deficiency) of revenues over expenses	378,483	--	378,483	(82,138)
Current year funds used for tangible capital assets	(266,302)	266,302	--	--
Contributed tangible capital assets	(173,759)	173,759	--	--
Capital debt repaid	(23,053)	23,053	--	--
Annual amortization expense	<u>142,349</u>	<u>(142,349)</u>	<u>--</u>	<u>--</u>
Change in accumulated surplus	<u>57,718</u>	<u>320,765</u>	<u>378,483</u>	<u>(82,138)</u>
Balance, end of year	\$ <u>31,221</u>	\$ <u>2,970,775</u>	\$ <u>3,001,996</u>	\$ <u>2,623,513</u>

**VILLAGE OF VILNA
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<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>2016</u>	<u>2015</u>
Cost:									
Balance, beginning of year	\$ 126,273	\$ 27,887	\$ 54,582	\$ 541,243	\$ 3,823,867	\$ 156,427	\$ 38,008	\$ 4,768,287	\$ 4,768,287
Acquisition of tangible capital assets	--	--	--	--	172,668	--	--	172,668	--
Construction in progress	--	--	--	--	267,393	--	--	267,393	--
Disposal of tangible capital assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Balance, end of year	<u>126,273</u>	<u>27,887</u>	<u>54,582</u>	<u>541,243</u>	<u>4,263,928</u>	<u>156,427</u>	<u>38,008</u>	<u>5,208,348</u>	<u>4,768,287</u>
Accumulated amortization:									
Balance, beginning of year	--	--	40,270	296,096	1,453,295	95,678	29,933	1,915,272	1,776,997
Annual amortization	--	--	3,232	10,733	119,077	8,357	950	142,349	138,275
Accumulated amortization on disposals	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Balance, end of year	<u>--</u>	<u>--</u>	<u>43,502</u>	<u>306,829</u>	<u>1,572,372</u>	<u>104,035</u>	<u>30,883</u>	<u>2,057,621</u>	<u>1,915,272</u>
Net book value of tangible capital assets	<u>\$ 126,273</u>	<u>\$ 27,887</u>	<u>\$ 11,080</u>	<u>\$ 234,414</u>	<u>\$ 2,691,556</u>	<u>\$ 52,392</u>	<u>\$ 7,125</u>	<u>\$ 3,150,727</u>	<u>\$ 2,853,015</u>
2015 Net book value of tangible capital assets	<u>\$ 126,273</u>	<u>\$ 27,887</u>	<u>\$ 14,312</u>	<u>\$ 245,147</u>	<u>\$ 2,370,572</u>	<u>\$ 60,749</u>	<u>\$ 8,075</u>	<u>\$ 2,853,015</u>	

**VILLAGE OF VILNA
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>		<u>2015</u>
	<u>Budget</u> (unaudited)	<u>Actual</u>	<u>Actual</u>
Levies			
Residential land and improvements and farm land	\$ 238,430	\$ 238,670	\$ 237,230
Non-residential land and improvements and linear	<u>73,961</u>	<u>73,190</u>	<u>73,458</u>
	<u>312,391</u>	<u>311,860</u>	<u>310,688</u>
Requisitions			
Alberta School Foundation Fund	36,996	36,996	36,495
Smoky Lake Foundation	<u>9,638</u>	<u>9,638</u>	<u>9,638</u>
	<u>46,634</u>	<u>46,634</u>	<u>46,133</u>
Net taxes for general municipal purposes	\$ <u>265,757</u>	\$ <u>265,226</u>	\$ <u>264,555</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operating			
Provincial government	\$ 51,662	\$ 50,026	\$ 53,093
Other local governments	<u>24,000</u>	<u>26,015</u>	<u>26,820</u>
	75,662	76,041	79,913
Transfers for capital			
Provincial government	<u>325,000</u>	<u>295,091</u>	<u>7,328</u>
Total government transfers	\$ <u>400,662</u>	\$ <u>371,132</u>	\$ <u>87,241</u>

SCHEDULE 5 - EXPENDITURES BY TYPE

Expenditures			
Salaries and benefits	\$ 257,900	\$ 239,231	\$ 216,215
Contracted and general services	145,300	100,926	157,196
Purchases from other governments	100,000	92,210	98,216
Materials, goods, supplies and utilities	141,100	150,479	134,881
Transfers to other governments	31,000	33,767	29,934
Transfers to local boards and agencies	8,450	10,654	11,381
Provision for allowances	5,000	29,331	15,117
Amortization	157,550	142,349	138,275
Bank charges and short-term interest	1,000	1,637	1,493
Interest on debt	<u>14,000</u>	<u>11,025</u>	<u>13,227</u>
Total expenditures by type	\$ <u>861,300</u>	\$ <u>811,609</u>	\$ <u>815,935</u>

**VILLAGE OF VILNA
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<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	\$ 295,841	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 295,841
Government transfers	6,900	15,636	159,880	6,500	1,962	170,470	9,784	371,132
User fees and sales of goods	120	--	20	--	9,581	223,106	200	233,027
Investment income	667	--	--	--	--	--	--	667
Other revenues	<u>90,637</u>	<u>--</u>	<u>--</u>	<u>1,500</u>	<u>22,030</u>	<u>175,258</u>	<u>--</u>	<u>289,425</u>
	<u>394,165</u>	<u>15,636</u>	<u>159,900</u>	<u>8,000</u>	<u>33,573</u>	<u>568,834</u>	<u>9,984</u>	<u>1,190,092</u>
Expenses								
Contract and general services	48,082	12,996	11,341	1,378	5,345	43,381	--	122,523
Salaries and wages	107,963	--	34,630	--	31,482	59,506	5,650	239,231
Goods and supplies	10,673	6,472	87,598	--	10,059	106,290	--	221,092
Transfers	--	--	--	9,263	2,354	23,321	9,483	44,421
Other expenses	<u>26,977</u>	<u>--</u>	<u>3,803</u>	<u>--</u>	<u>--</u>	<u>11,213</u>	<u>--</u>	<u>41,993</u>
	<u>193,695</u>	<u>19,468</u>	<u>137,372</u>	<u>10,641</u>	<u>49,240</u>	<u>243,711</u>	<u>15,133</u>	<u>669,260</u>
Net revenue before amortization	200,470	(3,832)	22,528	(2,641)	(15,667)	325,123	(5,149)	520,832
Amortization expense	<u>(2,037)</u>	<u>(6,093)</u>	<u>(94,827)</u>	<u>--</u>	<u>(6,494)</u>	<u>(32,898)</u>	<u>--</u>	<u>(142,349)</u>
Net revenue	\$ <u>198,433</u>	\$ <u>(9,925)</u>	\$ <u>(72,299)</u>	\$ <u>(2,641)</u>	\$ <u>(22,161)</u>	\$ <u>292,225</u>	\$ <u>(5,149)</u>	\$ <u>378,483</u>

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 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 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.

(d) Cash

Cash is defined as petty cash plus cash in bank accounts adjusted for outstanding items.

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Significant Accounting Policies – continued

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(j) 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.

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Significant Accounting Policies – continued

(k) 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.

(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.

(iii) **Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits 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.

	<u>2016</u>	<u>2015</u>
2. Taxes and Grants in Place Receivable		
Current	\$ 48,114	\$ 40,250
Arrears	<u>107,544</u>	<u>124,996</u>
	155,658	165,246
Less: allowance for doubtful accounts	<u>(70,275)</u>	<u>(58,888)</u>
	<u>\$ 85,383</u>	<u>\$ 106,358</u>

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

3. Funds Held in Trust

The village has collected donations on behalf of the Vilna and District Senior Citizen's Society. These funds are held in a separate bank account in trust.

4. Accounts Payable and Accrued Liabilities and Employee Benefit Obligation

	<u>2016</u>	<u>2015</u>
Due to other government	\$ 55,552	\$ 38,744
Vacation accrual	6,906	6,488
Other payables	<u>66,274</u>	<u>47,360</u>
	<u>\$ 128,732</u>	<u>\$ 92,592</u>

The vacation accrual is comprised of the vacation pay and banked time that employees have earned and are deferring to next year.

5. Deferred Revenue

	<u>2016</u>	<u>2015</u>
Municipal Sustainability Initiative - capital	\$ <u>321,984</u>	\$ <u>131,434</u>

Funding in the amount of \$321,984 was received in the current and previous years from various grant programs. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements.

6. Long-Term and Callable debt

	<u>2016</u>	<u>2015</u>
Tax supported debentures	\$ 56,202	\$ 65,505
Tax supported callable capital loan	123,750	137,500
Tax supported callable operating loan	<u>94,214</u>	<u>126,294</u>
	<u>\$ 274,166</u>	<u>\$ 329,299</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>
2017	\$ 56,714	\$ 9,566	\$ 66,280
2018	58,332	7,541	65,873
2019	52,038	5,463	57,501
2020	25,661	4,007	29,668
2021	26,421	2,836	29,257
Thereafter	<u>55,000</u>	<u>4,058</u>	<u>59,058</u>
	<u>\$ 274,166</u>	<u>\$ 33,471</u>	<u>\$ 307,637</u>

The current portion of the debentures amounts to \$9,896 (2015 - \$9,303).

The callable debt due within the next year is \$46,818 (2015 - \$45,757).

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

6. Long-Term and Callable debt (continued)

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at a rate of 6.375% per annum, and matures in 2021. The average annual interest rate is 6.41% for 2016 (6.41% for 2015). 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 plus 0.25%. The average annual interest rate is 2.96% for 2016 (3.06% for 2015). 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 2016 was \$11,514 (2015 - \$13,639).

7. 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>2016</u>	<u>2015</u>
Total debt limit	\$ 1,081,863	\$ 1,089,704
Total debt	<u>274,166</u>	<u>329,299</u>
Amount of debt limit unused	\$ <u>807,697</u>	\$ <u>760,405</u>
Debt servicing limit	\$ 180,311	\$ 181,617
Debt servicing	<u>66,280</u>	<u>66,806</u>
Amount of debt servicing limit unused	\$ <u>114,031</u>	\$ <u>114,811</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.

8. Equity in Tangible Capital Assets

	<u>2016</u>	<u>2015</u>
Tangible capital assets (schedule 2)	\$ 5,208,348	\$ 4,768,287
Accumulated amortization (schedule 2)	(2,057,621)	(1,915,272)
Capital debentures (note 6)	(56,202)	(65,505)
Capital callable debt (note 6)	<u>(123,750)</u>	<u>(137,500)</u>
	\$ <u>2,970,775</u>	\$ <u>2,650,010</u>

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

9. Accumulated Surplus

Accumulated surplus consists of the unrestricted surplus (deficit) and equity in tangible capital assets as follows:

	<u>2016</u>	<u>2015</u>
Unrestricted surplus (deficit)	\$ 31,221	\$ (26,497)
Equity in tangible capital assets (note 8)	<u>2,970,775</u>	<u>2,650,010</u>
	<u>\$ 3,001,996</u>	<u>\$ 2,623,513</u>

10. Commitment

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

2017	\$ 1,392
2018	1,392
2019	1,392
2020	1,392
2021	1,392

11. 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).

12. 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.

The Village of Vilna is a member of the Evergreen Regional Waste Management Services Commission. Each participating municipality funds a portion of the Commission's deficit based on their proportionate tippage for the year. The expense is accounted for as a current transaction in the year the village is invoiced.

The Village of Vilna is a member of Highway 28/63 Regional Water Services Commission. Each participating municipality would be responsible for their proportionate share of any unfunded deficit. The expense would be accounted for as a current transaction in the year the village is invoiced.

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

13. 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:

	2016		2015	
	Salary (1)	Benefits & Allow. (2)	Total	Total
Mayor – Romanko	\$ 3,290	\$ 850	\$ 4,140	\$ 5,637
Deputy mayor – Barry	6,405	1,429	7,834	5,619
Councillor – Klassen	--	--	--	2,707
Councillor – Dyck	5,115	763	5,878	699
CAO – Leslie	61,139	4,718	65,857	65,797
Assistant CAO – Wagar	29,003	763	29,766	31,745

(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 mileage.

14. Financial Instruments

The village's financial instruments consist of cash, receivables, investment, accounts payable and accrued liabilities, deferred revenue 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 \$91,360 (2015 - \$72,663) against taxes and grants in place receivable and other receivables.

The village is subject to interest rate risk with respect to its operating line-of-credit and 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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

15. 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 plus 0.25%.

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 security over callable loans described in note 6 also secures these other credit facilities.

16. Related Party Transactions

The village purchased a truck from an employee of the village in the amount of \$2,500 (2015 - \$Nil). The village also paid a councillor for trail maintenance in the amount of \$1,800 (2015 - \$1,560). The amount recorded was measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

17. Contaminated Sites Liability

The village has adopted PS3260 Liability for Contaminated Sites. The village did not identify any financial liabilities in 2016 (2015 - \$Nil) as a result of this standard.

18. Approval of Financial Statements

Council and Management have approved these financial statements.

19. Budget Amounts

Budget amounts are included for information purposes only and are not audited.

20. Recent Accounting Pronouncements Published But Not Yet Adopted

PSAB Section 1201, Financial Statement Presentation

Revised standard is effective in 2019, when Sections PS2601 and PS3450 are adopted.

PSAB Section 2601, Foreign Currency Transaction

PS2601 establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statement and is effective in 2019.

PSAB Section 3041, Portfolio Investments

This standard is effective for the 2019 fiscal year and addresses the distinction between temporary and portfolio investments.

PSAB Section 3450, Financial Instruments

PS3450 establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments, effective for the 2019 fiscal year.