

VILLAGE OF VILNA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2012



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, 2012, and the consolidated statements of operations, change 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, 2012, 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 15, 2013

Joly, M^cCarthy & Dion

CHARTERED ACCOUNTANTS



**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012**

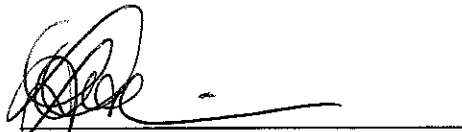
	<u>2012</u>	<u>2011</u>
Financial assets		
Cash - general	\$ 345,745	\$ 64,789
Cash – held in trust (note 5)	644	441
Taxes and grants in place receivable (note 2)	114,226	113,764
Receivable from other governments	99,577	77,798
Trade and other receivables	44,265	43,008
Loans receivable (note 3)	--	--
Land inventory held for resale	28,000	12,000
Share in Alberta Capital Finance Authority	<u>30</u>	<u>30</u>
	<u>632,487</u>	<u>311,830</u>
Liabilities		
Temporary loan (note 4)	--	46,000
Accounts payable and accrued liabilities (note 6)	248,521	150,260
Deposit liabilities and tax sale surplus	37,455	16,248
Funds held in trust (note 5)	644	441
Deferred revenue (note 7)	334,080	173,428
Long-term and callable debt (note 8)	<u>498,133</u>	<u>554,064</u>
	<u>1,118,833</u>	<u>940,441</u>
Net financial debt	<u>(486,346)</u>	<u>(628,611)</u>
Non-financial assets		
Tangible capital assets (schedule 2)	2,889,958	2,664,758
Prepaid expenses	<u>3,554</u>	<u>2,259</u>
	<u>2,893,512</u>	<u>2,667,017</u>
Accumulated surplus (note 11)	<u>\$ 2,407,166</u>	<u>\$ 2,038,406</u>

Contingent liabilities (note 14)

APPROVED BY:



Mayor



Administrator

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 260,966	\$ 262,855	\$ 257,130
User fees and sales of goods	165,500	169,044	169,964
Government transfers for operating (schedule 4)	56,960	67,436	69,565
Franchise fees	48,000	50,283	11,577
Investment income	--	313	15
Penalties and costs on taxes	24,000	23,396	7,919
Licenses and permits	2,000	22,195	3,515
Local improvement charges	21,959	21,083	14,245
Rentals	50	150	225
Other	<u>19,290</u>	<u>22,960</u>	<u>22,415</u>
	<u>598,725</u>	<u>639,715</u>	<u>556,570</u>
Expenses			
Legislative	18,800	11,835	13,743
Administration	187,450	234,622	206,606
Protective services	16,200	24,189	22,551
Roads, streets, walks, lighting	95,537	161,880	179,273
Water supply and distribution	67,837	99,196	83,448
Wastewater treatment and disposal	21,885	26,245	43,291
Waste management	61,870	51,690	32,410
Public health and welfare	13,150	10,630	11,199
Planning and development	500	11,933	6,352
Parks and recreation	45,802	36,242	38,421
Culture	<u>19,342</u>	<u>25,790</u>	<u>19,287</u>
	<u>548,373</u>	<u>694,252</u>	<u>656,581</u>
Excess (deficiency) of revenues over expenses - before other	50,352	(54,537)	(100,011)
Other			
Loss on disposal of tangible capital assets	--	--	(8,495)
Contributions from local organizations	--	69,197	--
Government transfers for capital (schedule 4)	<u>385,041</u>	<u>354,100</u>	<u>84,581</u>
Excess (deficiency) of revenues over expenses	435,393	368,760	(23,925)
Accumulated surplus, beginning of year	<u>2,038,406</u>	<u>2,038,406</u>	<u>2,062,331</u>
Accumulated surplus, end of year	\$ <u>2,473,799</u>	\$ <u>2,407,166</u>	\$ <u>2,038,406</u>

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
Excess (deficiency) of revenues over expenses	\$ <u>435,393</u>	\$ <u>368,760</u>	\$ <u>(23,925)</u>
Acquisition of tangible capital assets	(385,041)	(350,541)	(90,483)
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>125,341</u>	<u>119,898</u>
	(385,041)	(225,200)	41,960
Acquisition of prepaid expenses	<u>--</u>	<u>(1,295)</u>	<u>(2,259)</u>
Increase in net financial debt	50,352	142,265	15,776
Net financial debt, beginning of year	(628,611)	(628,611)	(644,387)
Net financial debt, end of year	\$ <u>(578,259)</u>	\$ <u>(486,346)</u>	\$ <u>(628,611)</u>

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
Net inflow of cash related to the following activities:		
Operating		
Excess (deficiency) of revenues over expenses	\$ 368,760	\$ (23,925)
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	125,341	119,898
Loss on disposal of tangible capital assets	<u> --</u>	<u> 8,495</u>
	494,101	104,468
Decrease (increase) in:		
Taxes and grants in place receivable	(462)	14,074
Receivable from other governments	(21,779)	8,389
Trade and other receivables	(1,257)	8,194
Land held for resale	(16,000)	--
Prepaid expenses	(1,295)	(2,259)
Increase (decrease) in:		
Temporary loan	(46,000)	--
Accounts payable and accrued liabilities	98,261	64,528
Deposit liabilities and tax sale surplus	21,207	(400)
Funds held in trust	203	291
Deferred revenue	<u>160,652</u>	<u>61,598</u>
	<u>687,631</u>	<u>258,883</u>
Capital		
Proceeds on disposal of tangible capital assets	--	4,050
Acquisition of tangible capital assets	<u>(350,541)</u>	<u>(90,483)</u>
	<u>(350,541)</u>	<u>(86,433)</u>
Financing		
Debt repaid	<u>(55,931)</u>	<u>(54,420)</u>
Change in cash during the year	281,159	118,030
Cash (indebtedness), beginning of year	<u>65,230</u>	<u>(52,800)</u>
Cash, end of year	\$ <u>346,389</u>	\$ <u>65,230</u>
Cash consists of:		
Cash - general	\$ 345,745	64,789
Cash - held in trust	<u>644</u>	<u>441</u>
	\$ <u>346,389</u>	\$ <u>65,230</u>

VILLAGE OF VILNA
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Accumulated Operating Deficit</u>	<u>Equity in Tangible Capital Assets</u>	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ <u>(314,122)</u>	\$ <u>2,352,528</u>	\$ <u>2,038,406</u>	\$ <u>2,062,331</u>
Excess (deficiency) of revenues over expenses	368,760	--	368,760	(23,925)
Current year funds used for tangible capital assets	(350,541)	350,541	--	--
Capital debt repaid	(28,145)	28,145	--	--
Annual amortization expense	<u>125,341</u>	<u>(125,341)</u>	<u>--</u>	<u>--</u>
Change in accumulated surplus	<u>115,415</u>	<u>253,345</u>	<u>368,760</u>	<u>(23,925)</u>
Balance, end of year	\$ <u>(198,707)</u>	\$ <u>2,605,873</u>	\$ <u>2,407,166</u>	\$ <u>2,038,406</u>

**VILLAGE OF VILNA
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Land	Cultural Structures	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2012	2011
Cost:									
Balance, beginning of year	\$ 126,273	\$ 27,887	\$ 54,582	\$ 541,243	\$ 3,261,555	\$ 176,558	\$ 28,508	\$ 4,216,606	\$ 4,207,585
Acquisition of tangible capital assets	--	--	--	--	350,541	--	--	350,541	90,483
Disposal of tangible capital assets	--	--	--	--	--	--	--	--	(81,462)
Balance, end of year	<u>126,273</u>	<u>27,887</u>	<u>54,582</u>	<u>541,243</u>	<u>3,612,096</u>	<u>176,558</u>	<u>28,508</u>	<u>4,567,147</u>	<u>4,216,606</u>
Accumulated amortization:									
Balance, beginning of year	--	--	27,342	252,797	1,138,931	104,270	28,508	1,551,848	1,500,867
Annual amortization	--	--	3,232	10,825	104,254	7,030	--	125,341	119,898
Accumulated amortization on disposals	--	--	--	--	--	--	--	--	(68,917)
Balance, end of year	<u>--</u>	<u>--</u>	<u>30,574</u>	<u>263,622</u>	<u>1,243,185</u>	<u>111,300</u>	<u>28,508</u>	<u>1,677,189</u>	<u>1,551,848</u>
Net book value of tangible capital assets	<u>\$ 126,273</u>	<u>\$ 27,887</u>	<u>\$ 24,008</u>	<u>\$ 277,621</u>	<u>\$ 2,368,911</u>	<u>\$ 65,258</u>	<u>\$ --</u>	<u>\$ 2,889,958</u>	<u>\$ 2,664,758</u>
2011 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>	

**VILLAGE OF VILNA
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012	2011
	Budget (unaudited)	Actual
		Actual
Levies		
Residential land and improvements and farm land	\$ 231,293	\$ 230,504
Non-residential land and improvements and linear	<u>78,286</u>	<u>80,395</u>
	<u>309,579</u>	<u>310,899</u>
Requisitions		
Alberta School Foundation Fund	40,063	39,494
Smoky Lake Foundation	<u>8,550</u>	<u>8,550</u>
	<u>48,613</u>	<u>48,044</u>
Net taxes for general municipal purposes	<u>\$ 260,966</u>	<u>\$ 262,855</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operating			
Provincial government	\$ 32,200	\$ 50,411	\$ 43,871
Other local governments	<u>24,760</u>	<u>17,025</u>	<u>25,694</u>
	56,960	67,436	69,565
Transfers for capital			
Provincial government	<u>385,041</u>	<u>354,100</u>	<u>84,581</u>
Total government transfers	<u>\$ 442,001</u>	<u>\$ 421,536</u>	<u>\$ 154,146</u>

SCHEDULE 5 - EXPENDITURES BY TYPE

Expenditures			
Salaries and benefits	\$ 203,391	\$ 172,404	\$ 121,370
Contracted and general services	148,430	175,301	196,406
Purchases from other governments	23,000	20,955	33,863
Materials, goods, supplies and utilities	135,500	124,255	119,801
Transfers to other governments	3,000	33,048	7,317
Transfers to local boards and agencies	14,952	13,024	15,444
Provision for allowances	1,000	10,275	19,895
Amortization	--	125,341	119,898
Bank charges and short-term interest	600	412	1,470
Interest on debt	<u>18,500</u>	<u>19,237</u>	<u>21,117</u>
Total expenditures by type	<u>\$ 548,373</u>	<u>\$ 694,252</u>	<u>\$ 656,581</u>

**VILLAGE OF VILNA
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$ 283,938	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 283,938
Government transfers	14,847	7,072	5,236	10,000	5,000	369,512	9,869	421,536
User fees and sales of goods	120	--	72	--	12,236	156,366	250	169,044
Other revenues	<u>172,145</u>	<u>--</u>	<u>--</u>	<u>2,000</u>	<u>12,699</u>	<u>1,650</u>	<u>--</u>	<u>188,494</u>
	<u>471,050</u>	<u>7,072</u>	<u>5,308</u>	<u>12,000</u>	<u>29,935</u>	<u>527,528</u>	<u>10,119</u>	<u>1,063,012</u>
Expenses								
Contract and general services	134,473	9,998	4,020	1,933	4,238	41,594	--	196,256
Salaries and wages	76,160	--	16,116	--	27,300	50,288	2,540	172,404
Goods and supplies	16,065	8,098	61,460	--	10,602	27,880	150	124,255
Transfers	--	--	--	10,000	13,399	14,733	7,940	46,072
Other expenses	<u>17,630</u>	<u>--</u>	<u>5,618</u>	<u>--</u>	<u>--</u>	<u>6,676</u>	<u>--</u>	<u>29,924</u>
	<u>244,328</u>	<u>18,096</u>	<u>87,214</u>	<u>11,933</u>	<u>55,539</u>	<u>141,171</u>	<u>10,630</u>	<u>568,911</u>
Net revenue before amortization	226,722	(11,024)	(81,906)	67	(25,604)	386,357	(511)	494,101
Amortization expense	<u>(2,129)</u>	<u>(6,093)</u>	<u>(74,666)</u>	<u>--</u>	<u>(6,494)</u>	<u>(35,959)</u>	<u>--</u>	<u>(125,341)</u>
Net revenue	<u>\$ 224,593</u>	<u>\$ (17,117)</u>	<u>\$ (156,572)</u>	<u>\$ 67</u>	<u>\$ (32,098)</u>	<u>\$ 350,398</u>	<u>\$ (511)</u>	<u>\$ 368,760</u>

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012

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, 2012**

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.

2. Taxes and Grants In Place Receivable

	<u>2012</u>	<u>2011</u>
Current	\$ 67,373	\$ 76,942
Arrears	<u>94,426</u>	<u>90,765</u>
	161,799	167,707
Less: allowance for doubtful accounts	<u>(47,573)</u>	<u>(53,943)</u>
	<u>\$ 114,226</u>	<u>\$ 113,764</u>

3. Loans Receivable

	<u>2012</u>	<u>2011</u>
Non-interest bearing loan receivable from Vilna Main Street Project with no specific terms of repayment.	\$ --	\$ 15,466
Non-interest bearing loan receivable from Vilna Housing Development Corporation with no specific terms of repayment.	<u>---</u>	<u>44,000</u>
	--	59,466
Less: allowance for doubtful amount	<u>---</u>	<u>(59,466)</u>
	<u>\$ ---</u>	<u>\$ ---</u>

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

4. Temporary Loan

The temporary loan was advances from the Vilna Main Street Project to help the village meet its obligations. The obligation to repay this loan no longer exists as of December 31, 2012.

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. Accounts Payable and Accrued Liabilities and Employee Benefit Obligation

	<u>2012</u>	<u>2011</u>
Due to other government	\$ 43,117	\$ 17,546
Vacation accrual	242	227
Other payables	<u>205,162</u>	<u>132,487</u>
	<u>\$ 248,521</u>	<u>\$ 150,260</u>

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

7. Deferred Revenue

	<u>2012</u>	<u>2011</u>
Municipal Sustainability Initiative - capital	\$ 308,204	\$ 92,544
Municipal Sustainability Initiative - operating	--	59,389
Transportation grant	25,876	--
Deferred permits income	<u>---</u>	<u>21,495</u>
	<u>\$ 334,080</u>	<u>\$ 173,428</u>

Funding in the amount of \$334,080 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.

8. Long-Term and Callable debt

	<u>2012</u>	<u>2011</u>
Tax supported debentures	\$ 105,335	\$ 119,730
Tax supported callable capital loan	178,750	192,500
Tax supported callable operating loan	<u>214,048</u>	<u>241,834</u>
	<u>\$ 498,133</u>	<u>\$ 554,064</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>
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
2017	55,945	9,677	65,622
Thereafter	<u>218,116</u>	<u>24,252</u>	<u>242,368</u>
	<u>\$ 498,133</u>	<u>\$ 92,525</u>	<u>\$ 590,658</u>

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

8. 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 5.93% for 2012 (5.85% for 2011). 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 3.04% for 2012 (3.01% for 2011). 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 2012 was \$19,846 (2011 - \$21,462).

9. 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>2012</u>	<u>2011</u>
Total debt limit	\$ 959,572	\$ 840,930
Total debt	<u>498,133</u>	<u>600,064</u>
Amount of debt limit unused	<u>\$ 461,439</u>	<u>\$ 240,866</u>
Debt servicing limit	\$ 159,929	\$ 140,155
Debt servicing	<u>75,300</u>	<u>121,712</u>
Amount of debt servicing limit unused	<u>\$ 84,629</u>	<u>\$ 18,443</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.

10. Equity in Tangible Capital Assets

	<u>2012</u>	<u>2011</u>
Tangible capital assets (schedule 2)	\$ 4,567,147	\$ 4,216,606
Accumulated amortization (schedule 2)	(1,677,189)	(1,551,848)
Capital debentures (note 7)	(105,335)	(119,730)
Capital callable debt (note 7)	<u>(178,750)</u>	<u>(192,500)</u>
	<u>\$ 2,605,873</u>	<u>\$ 2,352,528</u>

**VILLAGE OF VILNA
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11. Accumulated Surplus

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

	<u>2012</u>	<u>2011</u>
Accumulated operating deficit	\$ (198,707)	\$ (314,122)
Equity in tangible capital assets (note 10)	<u>2,605,873</u>	<u>2,352,528</u>
	<u>\$ 2,407,166</u>	<u>\$ 2,038,406</u>

12. Commitment

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

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

13. 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).

14. 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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15. 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:

	2012		2011	
	Salary	Benefits & Allow.	Total	Total
	(1)	(2)		
Mayor – Romanko	\$ 2,995	\$ 615	\$ 3,610	\$ 4,429
Deputy mayor – Barry	3,030	1,089	4,119	4,201
Councillor – Farmer	3,190	915	4,105	5,112
Assistant CAO – Wagar	68,380	--	68,380	98,535
CAO – Leslie	61,339	5,099	66,438	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 mileage.

16. Financial Instruments

The village's financial instruments consist of cash, receivables, operating line-of-credit, investment, 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 \$57,490 (2011 - \$58,599) 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 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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17. 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 security over callable loans described in note 8 also secures these other credit facilities.

18. 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 continued 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.

19. Comparative Figures

Certain of the 2011 comparative figures have been reclassified to conform to the current year's financial statement presentation.

20. Approval of Financial Statements

Council and Management have approved these financial statements.