

Approved

VILLAGE OF VILNA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2008

VILLAGE OF VILNA

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

St. Paul
5002 - 51 Ave.
Ph: (780) 645-4611
Fax: (780) 645-6644

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

Elk Point
4934 - 50 Ave.
Ph: (780) 724-3300

*Denotes Professional Corporation

AUDITORS' REPORT

To the Mayor and Council of the Village of Vilna

We have audited the consolidated statement of financial position of the Village of Vilna as at December 31, 2008 and the consolidated statement of financial activities and changes in fund balances, and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Village of Vilna as at December 31, 2008 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

ST. PAUL, ALBERTA
May 5, 2009



CHARTERED ACCOUNTANTS

VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Capital</u>	<u>Operating</u>	<u>2008 Actual</u>	<u>2008 Budget (unaudited)</u>	<u>2007 Actual</u>
Revenues					
Net property taxes - schedule 1	\$ --	\$ 219,701	\$ 219,701	\$ 221,547	\$ 197,015
Local improvement charges	--	14,914	14,914	15,732	15,732
Penalties and costs on taxes	--	17,331	17,331	15,000	16,946
Sales and user fees	500	169,199	169,699	166,725	150,765
Fines issued	--	740	740	--	65
Government transfers - schedule 2	29,950	135,868	165,818	173,317	81,046
Franchise and concession contracts	--	6,598	6,598	6,500	6,513
Investment income	--	--	--	--	128
Licenses and permits	--	833	833	1,000	499
Rentals	--	1,097	1,097	800	843
Insurance proceeds	--	--	--	--	15,760
Other revenue	--	<u>7,893</u>	<u>7,893</u>	<u>30,770</u>	<u>70,263</u>
	<u>30,450</u>	<u>574,174</u>	<u>604,624</u>	<u>631,391</u>	<u>555,575</u>
Expenditures – schedule 3					
Council	--	24,043	24,043	27,750	22,005
Administration	5,989	107,350	113,339	106,663	113,938
Protective services	--	30,721	30,721	32,158	20,485
Roads, streets, walks, lighting	38,728	103,529	142,257	120,663	145,267
Water and wastewater	--	176,641	176,641	158,221	243,260
Waste management	--	49,287	49,287	52,609	48,332
Family and community support services	--	5,060	5,060	10,433	4,795
Planning and development	--	5,689	5,689	3,250	1,187
Recreation and culture	<u>7,006</u>	<u>36,699</u>	<u>43,705</u>	<u>70,604</u>	<u>38,928</u>
	<u>51,723</u>	<u>539,019</u>	<u>590,742</u>	<u>582,351</u>	<u>638,197</u>
Excess (deficiency) of revenues over expenditures	(21,273)	35,155	13,882	49,040	(82,622)
Net inter-fund transfers					
From (to) capital	21,273	(21,273)	--	--	--
Debt repayment	<u>--</u>	<u>(30,116)</u>	<u>(30,116)</u>	<u>(30,116)</u>	<u>(29,259)</u>
Change in fund balances	--	(16,234)	(16,234)	18,924	(111,881)
Balance, beginning of year	(75,000)	(196,401)	(271,401)	(271,401)	(159,520)
Balance, end of year	\$ <u>(75,000)</u>	\$ <u>(212,635)</u>	\$ <u>(287,635)</u>	\$ <u>(252,477)</u>	\$ <u>(271,401)</u>

VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
Cash provided by (used in):		
Operating activities		
Net operating revenue	\$ 35,155	\$ (91,808)
Net changes in non-cash working capital balances		
Decrease (increase) in		
Taxes and grants in place receivable	(12,287)	(2,335)
Receivable from other governments	(80,536)	(6,652)
Trade and other receivables	20,108	(26,056)
Loan receivable	--	14,270
Land held for resale	--	(12,000)
Prepaid expenses	(575)	(225)
Increase (decrease) in		
Accounts payable and accrued liabilities	(17,142)	3,497
Deposit liabilities	(162)	600
Funds held in trust	(25,811)	2,724
Deferred revenue	<u>42,969</u>	<u>74,200</u>
Net cash from operations	<u>(38,281)</u>	<u>(43,785)</u>
Investing activities		
Acquisition of capital assets	(51,723)	(47,700)
Capital revenue	<u>30,450</u>	<u>56,886</u>
Net cash from investing activities	<u>(21,273)</u>	<u>9,186</u>
Financing activities		
Long-term debt repaid	<u>(30,116)</u>	<u>(29,259)</u>
Change in cash during the year	(89,670)	(63,858)
Cash and bank indebtedness, beginning of year	(187,066)	(123,208)
Cash and bank indebtedness, end of year	\$ <u>(276,736)</u>	\$ <u>(187,066)</u>
 Cash and bank indebtedness consist of:		
Cash	\$ 19,053	\$ 48,261
Bank indebtedness	(295,789)	(235,327)
	\$ <u>(276,736)</u>	\$ <u>(187,066)</u>

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
Assets		
Financial assets		
Cash	\$ 19,053	\$ 48,261
Taxes and grants in place receivable (note 2)	77,132	64,845
Receivable from other governments	115,150	34,614
Trade and other receivables	43,100	63,208
Loans receivable (note 3)	--	--
Land held for resale	12,000	12,000
Prepaid expenses	800	225
Share in Alberta Capital Finance Authority	<u>30</u>	<u>30</u>
Total financial assets	267,265	223,183
Capital assets (note 4)	<u>3,950,991</u>	<u>3,932,653</u>
Total assets	<u>\$ 4,218,256</u>	<u>\$ 4,155,836</u>
 Liabilities and municipal equity		
Liabilities		
Bank indebtedness (note 5)	\$ 295,789	\$ 235,327
Accounts payable and accrued liabilities	110,760	127,902
Deposit liabilities	1,260	1,422
Funds held in trust (note 6)	77	25,888
Deferred revenue (note 7)	147,014	104,045
Long-term debt (note 8)	<u>402,669</u>	<u>432,785</u>
Total liabilities	<u>957,569</u>	<u>927,369</u>
Municipal equity		
Fund balances		
Capital fund	(75,000)	(75,000)
Operating fund	<u>(212,635)</u>	<u>(196,401)</u>
Total fund balances	(287,635)	(271,401)
Equity in capital assets (note 11)	<u>3,548,322</u>	<u>3,499,868</u>
Total municipal equity	<u>3,260,687</u>	<u>3,228,467</u>
Total liabilities and municipal equity	<u>\$ 4,218,256</u>	<u>\$ 4,155,836</u>

Contingency (note 12)

Approved by:

Mayor

Chief Administrative Officer

**VILLAGE OF VILNA
SCHEDULE 1 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budget</u> (unaudited)	<u>2008</u> Actual	<u>2007</u> Actual
Taxation			
Residential land and improvements	\$ 185,003	\$ 172,068	\$ 166,014
Non residential land and improvements	50,000	54,240	30,013
Linear property	21,985	28,390	38,287
Farm land	<u>100</u>	<u>98</u>	<u>143</u>
	<u>257,088</u>	<u>254,796</u>	<u>234,457</u>
Requisitions			
Alberta School Foundation	30,865	30,955	32,762
County of Lamont Foundation	<u>4,676</u>	<u>4,140</u>	<u>4,680</u>
	<u>35,541</u>	<u>35,095</u>	<u>37,442</u>
Net taxes for general municipal operations	\$ <u>221,547</u>	\$ <u>219,701</u>	\$ <u>197,015</u>

SCHEDULE 2 - GOVERNMENT TRANSFERS

Federal transfers			
Shared-cost agreements	\$ <u> --</u>	\$ <u> --</u>	\$ <u> 2,000</u>
Provincial transfers			
Shared-cost agreements	155,415	150,205	30,190
Grants	<u>1,002</u>	<u>1,002</u>	<u>25,197</u>
	<u>156,417</u>	<u>151,207</u>	<u>55,387</u>
Local government transfers			
Shared-cost agreements	<u>16,900</u>	<u>14,611</u>	<u>23,659</u>
Total government transfers	\$ <u>173,317</u>	\$ <u>165,818</u>	\$ <u>81,046</u>

SCHEDULE 3 - CONSOLIDATED EXPENDITURES BY OBJECT

Expenditures			
Salaries, wages and benefits	\$ 200,440	\$ 177,791	\$ 177,208
Contracted and general services	85,050	86,246	72,725
Purchases from other governments	10,750	36,225	25,832
Materials, goods, supplies and utilities	171,270	181,772	254,046
Transfers to individuals and organizations	5,181	3,094	5,095
Transfers to local boards and agencies	17,794	15,974	7,121
Bank charges & short-term interest	12,100	12,562	11,497
Interest on long-term debt	25,766	21,288	25,943
Other expenditures	--	4,067	11,030
Capital expenditures	<u>54,000</u>	<u>51,723</u>	<u>47,700</u>
Total expenditures	\$ <u>582,351</u>	\$ <u>590,742</u>	\$ <u>638,197</u>

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. Significant Accounting Policies

The consolidated financial statements of the Village of Vilna are the representations of management prepared in accordance with 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

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(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, 2008

1. Significant Accounting Policies - continued

(d) Fund Accounting

Management funds consist of the operating and capital funds. Transfers between funds are recorded as adjustments in the appropriate equity account. Proceeds from land sales are recorded as operating fund revenues.

(e) Investments

Investments are recorded at cost.

(f) 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 expensed and carried as physical assets under their respective function.

(g) Capital Assets

Capital assets are reported as expenditures in the period they are acquired. Capital assets are reported at cost except for donated assets, which are reported at estimated fair value.

Government contributions for the acquisition of capital assets are reported as capital revenue and do not reduce the related capital asset costs.

Capital assets for government purposes are not amortized.

(h) Tangible Capital Assets

Effective January 1, 2007, the Village of Vilna adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2008, the Village of Vilna continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008 they have established a policy on asset classifications, capitalization thresholds, and amortization methods and have drafted listings of tangible capital assets owned and/or controlled by the village. They are also in the process of determining historical values and calculating accumulated amortization in order to comply with section 3150 for the 2009 fiscal year.

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Significant Accounting Policies - continued

(i) 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.

(j) Operating Fund

Operating fund represents the amounts available to offset future operational revenue requirements.

(k) Capital Fund

Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.

(l) Equity in Capital Assets

Equity in capital assets represents the village's net investment in its capital assets, after deducting the portion financed by third parties through debenture, bond and mortgage debts, long-term capital borrowings, capitalized leases and other capital liabilities which will be repaid by the municipality.

2. Taxes and Grants in Place Receivable	<u>2008</u>	<u>2007</u>
Taxes receivable		
Current	\$ 46,772	\$ 29,964
Arrears	<u>34,089</u>	<u>38,610</u>
	80,861	68,574
Less: allowance for doubtful accounts	<u>(3,729)</u>	<u>(3,729)</u>
	<u>\$ 77,132</u>	<u>\$ 64,845</u>

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

3. Loans Receivable	<u>2008</u>	<u>2007</u>
Non-interest bearing loan receivable from Vilna Main Street Project with no specific terms of repayment.	\$ 14,270	\$ 14,270
Non-interest bearing loan receivable from Vilna Housing Development Corporation with no specific terms of repayment.	<u>44,000</u>	<u>44,000</u>
	58,270	58,270
Less: allowance for doubtful amount	<u>(58,270)</u>	<u>(58,270)</u>
	\$ <u> --</u>	\$ <u> --</u>
4. Capital Assets	<u>2008</u>	<u>2007</u>
Land	\$ 56,610	\$ 56,610
Buildings	140,898	140,898
Distribution systems		
Water	1,673,034	1,673,034
Wastewater	724,512	724,512
Other engineering structures	1,090,930	1,053,332
Machinery, equipment and furnishings	241,163	260,423
Vehicles	<u>23,844</u>	<u>23,844</u>
	<u>\$ 3,950,991</u>	<u>\$ 3,932,653</u>

5. Temporary Borrowing

The village has a \$300,000 authorized overdraft with the Alberta Treasury Branch. Interest is charged monthly at 0.25% below the bank's prime lending rate.

6. Funds Held in Trust

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

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

7. Deferred Revenue	<u>2008</u>	<u>2007</u>
MSI operating and capital	\$ 107,532	\$ 25,806
NDCC	21,375	22,250
Riverland Trail Society - staging	10,607	10,607
Fire department advance	7,500	--
SIP 2006 and 2007	--	33,932
Joint Municipal grant 2004 - staging	<u> --</u>	<u>11,450</u>
	<u>\$ 147,014</u>	<u>\$ 104,045</u>

Funding from various grant programs, organizations and individuals in the amount of \$147,014 remained unspent at the end of the current year. 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 projects are scheduled for completion in 2009.

8. Long-Term Debt	<u>2008</u>	<u>2007</u>
Tax supported debentures	\$ 168,919	\$ 185,285
Tax supported capital loan	<u>233,750</u>	<u>247,500</u>
	<u>\$ 402,669</u>	<u>\$ 432,785</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>
2009	\$ 31,023	\$ 23,549	\$ 54,572
2010	31,983	21,813	53,796
2011	27,433	20,022	47,455
2012	28,145	18,533	46,678
2013	28,896	17,006	45,902
Thereafter	<u>255,189</u>	<u>93,412</u>	<u>348,601</u>
	<u>\$ 402,669</u>	<u>\$ 194,335</u>	<u>\$ 597,004</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.038% to 6.5% per annum, and matures in periods 2010 through 2021. The average annual interest rate is 5.68% for 2008 (5.67% for 2007). Debenture debt is issued on the credit and security of the Village of Vilna at large.

The capital loan is repayable to ATB Financial and bears a floating rate of interest of bank prime less 0.25%. Interest is accrued monthly and the loan is callable at the option of the lender until December 31, 2010. Capital debt is issued on the credit and security of the village at large.

The village's total cash payments for interest in 2008 were \$25,969 (2007 - \$26,623).

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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>2008</u>	<u>2007</u>
Total debt limit	\$ 862,011	\$ 833,361
Total debt	<u>698,458</u>	<u>668,112</u>
Amount of debt limit unused	\$ <u>163,553</u>	\$ <u>165,249</u>
Debt servicing limit	\$ 143,669	\$ 138,894
Debt servicing	<u>350,361</u>	<u>290,826</u>
Amount of debt servicing limit unused (exceeded)	\$ <u>(206,692)</u>	\$ <u>(151,932)</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 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:

	<u>2008</u>			<u>2007</u>
	Salary(1)	Benefits & Allowances(2)	Total	Total
Mayor – Trider	\$ 7,295	\$ 1,147	\$ 8,442	\$ 8,698
Deputy Mayor – English	3,835	1,053	4,888	5,392
Councillor – Barry	3,740	1,193	4,933	1,064
Councillor – Pidluzny	--	--	--	1,167
Administrator – Bauman	\$ 16,000	1,022	17,022	12,727

(1) Salary includes regular base pay, 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 pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships, tuition and conference fees.

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

11. Equity in Capital Assets	<u>2008</u>	<u>2007</u>
Capital assets (note 4)	\$ 3,950,991	\$ 3,932,653
Long-term debt (note 8)	<u>402,669</u>	<u>432,785</u>
	<u>\$ 3,548,322</u>	<u>\$ 3,499,868</u>

12. Contingency

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

13. Financial Instruments

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

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

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

14. Approval of Financial Statements

Council and Management have approved these financial statements.

15. Going Concern

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

16. Comparative Figures

Certain of the 2007 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2008.