

VILLAGE OF VILNA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018



INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the consolidated financial statements of the Village of Vilna (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, changes in net financial assets, and cash flows and schedules 1 to 6 for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of the audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

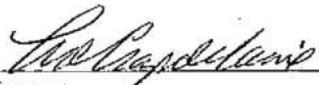
St. Paul, Alberta
April 9, 2019

JMD Group LLP
CHARTERED ACCOUNTANTS


**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
Financial assets		
Cash - general	\$ 291,219	\$ 469,521
Cash - held in trust (note 3)	50	50
Taxes and grants in place receivable (note 2)	55,106	94,124
Receivable from other governments	121,027	34,875
Trade and other receivables	89,370	77,952
Land inventory held for resale	28,000	28,000
Share in Alberta Capital Finance Authority	<u>30</u>	<u>30</u>
	<u>584,802</u>	<u>704,552</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	235,911	109,942
Deposit liabilities and tax sale surplus	6,745	8,988
Funds held in trust (note 3)	50	50
Deferred revenue (note 5)	199,593	367,004
Long-term and callable debt (note 6)	<u>163,089</u>	<u>219,145</u>
	<u>605,388</u>	<u>705,129</u>
Net financial debt	<u>(20,586)</u>	<u>(577)</u>
Non-financial assets		
Tangible capital assets (schedule 2)	3,290,264	3,138,706
Prepaid expenses	<u>1,996</u>	<u>1,950</u>
	<u>3,292,260</u>	<u>3,140,656</u>
Accumulated surplus (note 9)	<u>\$ 3,271,674</u>	<u>\$ 3,140,079</u>
Contingent liabilities (note 12)		

APPROVED BY:



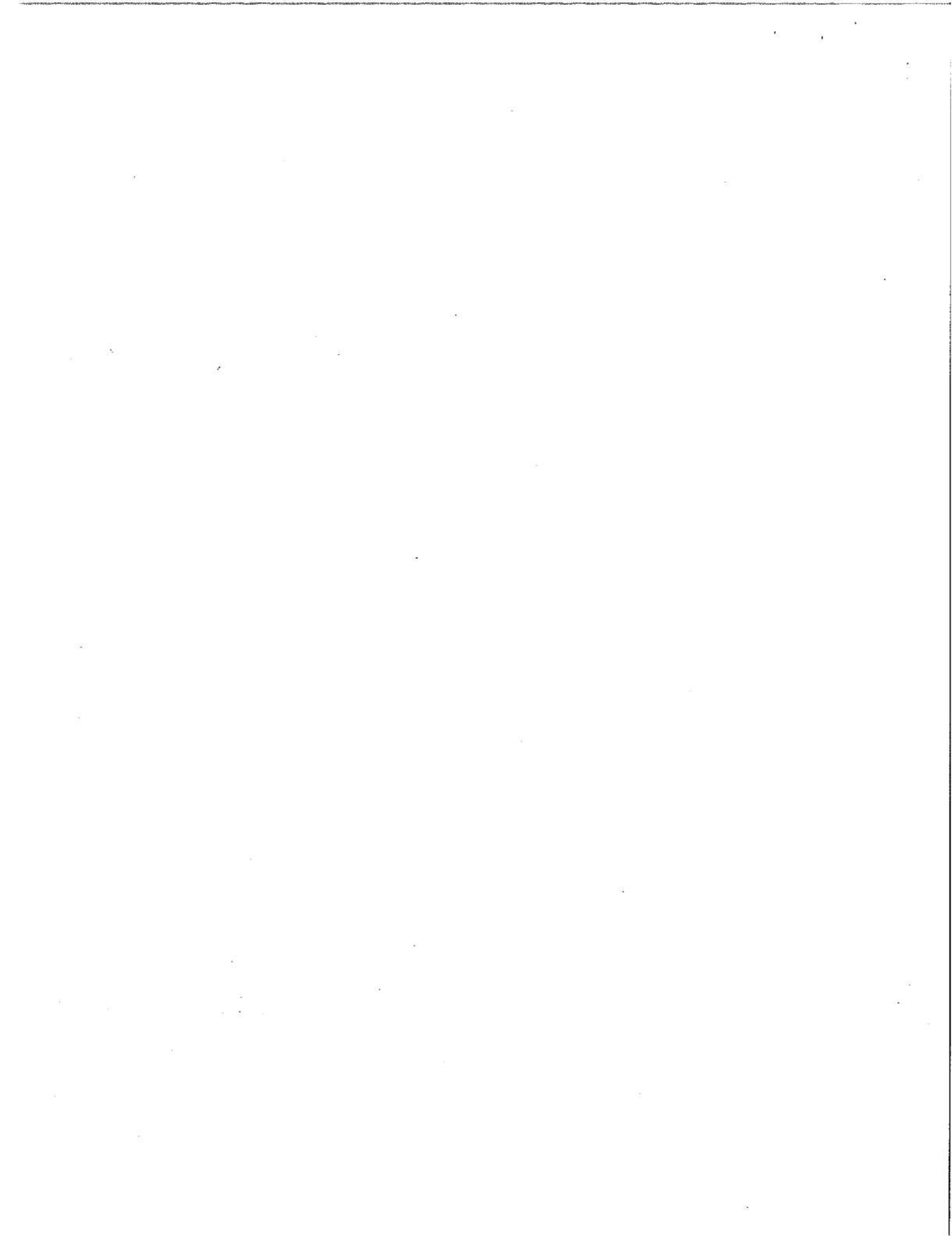
Mayor



Administrator

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u> (unaudited)	<u>2018</u>	<u>2017</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 271,497	\$ 271,049	\$ 261,876
User fees and sales of goods	238,950	214,739	220,532
Government transfers for operating (schedule 4)	89,615	148,510	77,770
Franchise fees	65,000	62,412	60,714
Investment income	1,000	1,127	1,065
Penalties and costs on taxes	20,000	16,237	14,975
Licenses and permits	2,500	1,140	1,955
Local improvement charges	33,912	33,775	33,912
Rentals	100	71	31
Other	<u>58,710</u>	<u>64,891</u>	<u>31,005</u>
	<u>781,284</u>	<u>813,951</u>	<u>703,835</u>
Expenses			
Legislative	19,600	17,727	18,648
Administration	168,950	180,011	156,276
Protective services	44,150	44,935	31,371
Roads, streets, walks, lighting	244,500	257,206	221,546
Water supply and distribution	210,200	196,266	180,384
Wastewater treatment and disposal	33,150	129,558	36,367
Waste management	55,200	57,019	47,112
Public health and welfare	14,200	10,918	10,640
Planning and development	9,500	7,451	8,713
Parks and recreation	45,200	33,562	37,032
Culture	<u>23,675</u>	<u>15,114</u>	<u>16,393</u>
	<u>868,325</u>	<u>949,767</u>	<u>764,482</u>
Deficiency of revenues over expenses - before other	(87,041)	(135,816)	(60,647)
Other			
Government transfers for capital (schedule 4)	<u>658,000</u>	<u>267,411</u>	<u>198,730</u>
Excess of revenues over expenses	570,959	131,595	138,083
Accumulated surplus, beginning of year	<u>3,140,079</u>	<u>3,140,079</u>	<u>3,001,996</u>
Accumulated surplus, end of year	<u>\$ 3,711,038</u>	<u>\$ 3,271,674</u>	<u>\$ 3,140,079</u>



**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u> (unaudited)	<u>2018</u>	<u>2017</u>
Excess of revenues over expenses	\$ <u>570,959</u>	\$ <u>131,595</u>	\$ <u>138,083</u>
Acquisition of tangible capital assets	(658,000)	(304,212)	(135,866)
Amortization of tangible capital assets	<u>146,000</u>	<u>152,654</u>	<u>147,887</u>
	<u>(512,000)</u>	<u>(151,558)</u>	<u>12,021</u>
Use (acquisition) of prepaid expenses	<u>--</u>	<u>(46)</u>	<u>(495)</u>
Change in net financial assets (debt)	58,959	(20,009)	149,609
Net financial debt, beginning of year	<u>(577)</u>	<u>(577)</u>	<u>(150,186)</u>
Net financial assets (debt), end of year	\$ <u>58,382</u>	\$ <u>(20,586)</u>	\$ <u>(577)</u>

**VILLAGE OF VILNA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
Net inflow of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 131,595	\$ 138,083
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	<u>152,654</u>	<u>147,887</u>
	284,249	285,970
Decrease (increase) in:		
Taxes and grants in place receivable	39,018	(8,741)
Receivable from other governments	(86,152)	4,777
Trade and other receivables	(11,418)	(1,877)
Prepaid expenses	(46)	(495)
Increase (decrease) in:		
Accounts payable and accrued liabilities	125,969	(18,790)
Deposit liabilities and tax sale surplus	(2,243)	(5,872)
Deferred revenue	<u>(167,411)</u>	<u>45,020</u>
	<u>181,966</u>	<u>299,992</u>
Capital		
Acquisition of tangible capital assets	<u>(304,212)</u>	<u>(135,866)</u>
Financing		
Debt repaid	<u>(56,056)</u>	<u>(55,021)</u>
Change in cash during the year	(178,302)	109,105
Cash, beginning of year	<u>469,571</u>	<u>360,466</u>
Cash, end of year	\$ <u>291,269</u>	\$ <u>469,571</u>
Cash consists of:		
Cash - general	\$ 291,219	\$ 469,521
Cash - held in trust	<u>50</u>	<u>50</u>
	\$ <u>291,269</u>	\$ <u>469,571</u>

VILLAGE OF VILNA
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Unrestricted <u>Surplus</u>	Equity in Tangible <u>Capital Assets</u>	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ <u>159,236</u>	\$ <u>2,980,843</u>	\$ <u>3,140,079</u>	\$ <u>3,001,996</u>
Excess of revenues over expenses	131,595	--	131,595	138,083
Current year funds used for tangible capital assets	(304,212)	304,212	--	--
Capital debt repaid	(22,405)	22,405	--	--
Annual amortization expense	<u>152,654</u>	<u>(152,654)</u>	<u>--</u>	<u>--</u>
Change in accumulated surplus	<u>(42,368)</u>	<u>173,963</u>	<u>131,595</u>	<u>138,083</u>
Balance, end of year	\$ <u>116,868</u>	\$ <u>3,154,806</u>	\$ <u>3,271,674</u>	\$ <u>3,140,079</u>

**VILLAGE OF VILNA
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Cultural Land	Structures	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
Cost:									
Balance, beginning of year	\$ 126,273	\$ 27,887	\$ 54,582	\$ 541,243	\$ 4,357,912	\$ 198,309	\$ 38,008	\$ 5,344,214	\$ 5,208,348
Acquisition of tangible capital assets	--	--	--	--	481,529	--	--	481,529	52,182
Construction in progress	--	--	--	--	(177,317)	--	--	(177,317)	83,684
Disposal of tangible capital assets	--	--	--	--	(330,000)	--	--	(330,000)	--
Balance, end of year	<u>126,273</u>	<u>27,887</u>	<u>54,582</u>	<u>541,243</u>	<u>4,332,124</u>	<u>198,309</u>	<u>38,008</u>	<u>5,318,426</u>	<u>5,344,214</u>
Accumulated amortization:									
Balance, beginning of year	--	--	46,734	317,471	1,695,682	113,788	31,833	2,205,508	2,057,621
Annual amortization	--	--	3,232	10,641	128,378	9,453	950	152,654	147,887
Accumulated amortization on disposals	--	--	--	--	(330,000)	--	--	(330,000)	--
Balance, end of year	--	--	<u>49,966</u>	<u>328,112</u>	<u>1,494,060</u>	<u>123,241</u>	<u>32,783</u>	<u>2,028,162</u>	<u>2,205,508</u>
Net book value of tangible capital assets	<u>\$ 126,273</u>	<u>\$ 27,887</u>	<u>\$ 4,616</u>	<u>\$ 213,131</u>	<u>\$ 2,838,064</u>	<u>\$ 75,068</u>	<u>\$ 5,225</u>	<u>\$ 3,290,264</u>	<u>\$ 3,138,706</u>
2017 Net book value of tangible capital assets	<u>\$ 126,273</u>	<u>\$ 27,887</u>	<u>\$ 7,848</u>	<u>\$ 223,772</u>	<u>\$ 2,662,230</u>	<u>\$ 84,521</u>	<u>\$ 6,175</u>	<u>\$ 3,138,706</u>	

**VILLAGE OF VILNA
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>		<u>2017</u>
	<u>Budget</u> (unaudited)	<u>Actual</u>	<u>Actual</u>
Levies			
Residential land and improvements and farm land	\$ 242,650	\$ 242,226	\$ 235,600
Non-residential land and improvements and linear	<u>75,432</u>	<u>75,456</u>	<u>72,608</u>
	<u>318,082</u>	<u>317,682</u>	<u>308,208</u>
Requisitions			
Alberta School Foundation Fund	36,970	36,970	36,718
Smoky Lake Foundation	9,615	9,638	9,614
Designated industrial	<u>--</u>	<u>25</u>	<u>--</u>
	<u>46,585</u>	<u>46,633</u>	<u>46,332</u>
Net taxes for general municipal purposes	\$ <u>271,497</u>	\$ <u>271,049</u>	\$ <u>261,876</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operating			
Provincial government	\$ 60,115	\$ 56,599	\$ 50,199
Federal government	--	50,000	--
Other local governments	<u>29,500</u>	<u>41,911</u>	<u>27,571</u>
	89,615	148,510	77,770
Transfers for capital			
Provincial government	<u>658,000</u>	<u>267,411</u>	<u>198,730</u>
Total government transfers	\$ <u>747,615</u>	\$ <u>415,921</u>	\$ <u>276,500</u>

SCHEDULE 5 - EXPENDITURES BY TYPE

Expenditures			
Salaries and benefits	\$ 231,400	\$ 226,726	\$ 217,617
Contracted and general services	172,950	266,194	108,292
Purchases from other governments	103,000	100,336	101,353
Materials, goods, supplies and utilities	160,900	140,700	139,894
Transfers to other governments	31,200	28,118	29,328
Transfers to local boards and agencies	10,375	7,332	7,262
Provision for allowances	500	18,888	2,714
Amortization	146,000	152,654	147,887
Bank charges and short-term interest	1,000	275	653
Interest on debt	<u>11,000</u>	<u>8,544</u>	<u>9,482</u>
Total expenditures by type	\$ <u>868,325</u>	\$ <u>949,767</u>	\$ <u>764,482</u>

VILLAGE OF VILNA
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<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	\$ 304,824	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 304,824
Government transfers	4,000	17,392	--	--	--	384,745	9,784	415,921
User fees and sales of goods	308	--	--	--	8,749	205,632	50	214,739
Investment income	1,127	--	--	--	--	--	--	1,127
Other revenues	<u>108,059</u>	<u>125</u>	<u>--</u>	<u>--</u>	<u>14,024</u>	<u>22,543</u>	<u>--</u>	<u>144,751</u>
	<u>418,318</u>	<u>17,517</u>	<u>--</u>	<u>--</u>	<u>22,773</u>	<u>612,920</u>	<u>9,834</u>	<u>1,081,362</u>
Expenses								
Contract and general services	48,576	28,972	26,066	820	9,424	178,270	--	292,128
Salaries and wages	112,281	--	45,455	200	20,104	44,686	4,000	226,726
Goods and supplies	14,325	9,870	84,475	--	9,164	97,268	--	215,102
Transfers	--	--	--	6,431	2,094	20,007	6,918	35,450
Other expenses	<u>20,911</u>	<u>--</u>	<u>4,153</u>	<u>--</u>	<u>--</u>	<u>2,643</u>	<u>--</u>	<u>27,707</u>
	<u>196,093</u>	<u>38,842</u>	<u>160,149</u>	<u>7,451</u>	<u>40,786</u>	<u>342,874</u>	<u>10,918</u>	<u>797,113</u>
Net revenue before amortization	222,225	(21,325)	(160,149)	(7,451)	(18,013)	270,046	(1,084)	284,249
Amortization expense	<u>(1,645)</u>	<u>(6,093)</u>	<u>(97,057)</u>	<u>--</u>	<u>(7,890)</u>	<u>(39,969)</u>	<u>--</u>	<u>(152,654)</u>
Net revenue	<u>\$ 220,580</u>	<u>\$ (27,418)</u>	<u>\$ (257,206)</u>	<u>\$ (7,451)</u>	<u>\$ (25,903)</u>	<u>\$ 230,077</u>	<u>\$ (1,084)</u>	<u>\$ 131,595</u>

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018

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, 2018

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.

2. Taxes and Grants in Place Receivable

	<u>2018</u>	<u>2017</u>
Current	\$ 41,110	\$ 54,229
Arrears	<u>107,136</u>	<u>114,147</u>
	148,246	168,376
Less: allowance for doubtful accounts	<u>(93,140)</u>	<u>(74,252)</u>
	<u>\$ 55,106</u>	<u>\$ 94,124</u>

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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>2018</u>	<u>2017</u>
Due to other government	\$ 41,604	\$ 55,318
Vacation accrual	15,005	12,072
Other payables	<u>179,302</u>	<u>42,552</u>
	<u>\$ 235,911</u>	<u>\$ 109,942</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>2018</u>	<u>2017</u>
Municipal Sustainability Initiative - capital	\$ 99,593	\$ 231,183
Alberta Transportation - AMWWP	--	135,821
Gas Tax Fund	<u>100,000</u>	<u>--</u>
	<u>\$ 199,593</u>	<u>\$ 367,004</u>

Funding in the amount of \$199,593 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>2018</u>	<u>2017</u>
Tax supported debentures	\$ 35,780	\$ 46,307
Tax supported callable capital loan	99,678	111,556
Tax supported callable operating loan	<u>27,631</u>	<u>61,282</u>
	<u>\$ 163,089</u>	<u>\$ 219,145</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>
2019	\$ 50,502	\$ 6,981	\$ 57,483
2020	24,075	5,263	29,338
2021	25,346	3,993	29,339
2022	13,207	2,653	15,860
2023	13,762	2,098	15,860
Thereafter	<u>36,197</u>	<u>2,729</u>	<u>38,926</u>
	<u>\$ 163,089</u>	<u>\$ 23,717</u>	<u>\$ 186,806</u>

The current portion of the debentures amounts to \$11,198 (2017 - \$10,527).

The callable debt due within the next year is \$39,304 (2017 - \$45,432).

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 6.44% for 2018 (6.42% for 2017). 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 3.93% for 2018 (3.17% for 2017). 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 2018 was \$8,682 (2017 - \$9,718).

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>2018</u>	<u>2017</u>
Total debt limit	\$ 1,220,927	\$ 1,055,752
Total debt	<u>163,089</u>	<u>219,145</u>
Amount of debt limit unused	\$ <u>1,057,838</u>	\$ <u>836,607</u>
Debt servicing limit	\$ 203,488	\$ 175,959
Debt servicing	<u>57,483</u>	<u>64,739</u>
Amount of debt servicing limit unused	\$ <u>146,005</u>	\$ <u>111,220</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>2018</u>	<u>2017</u>
Tangible capital assets (schedule 2)	\$ 5,318,426	\$ 5,344,214
Accumulated amortization (schedule 2)	(2,028,162)	(2,205,508)
Capital debentures (note 6)	(35,780)	(46,307)
Capital callable debt (note 6)	<u>(99,678)</u>	<u>(111,556)</u>
	\$ <u>3,154,806</u>	\$ <u>2,980,843</u>

**VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Accumulated Surplus

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

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	\$ 116,868	\$ 159,236
Equity in tangible capital assets (note 8)	<u>3,154,806</u>	<u>2,980,843</u>
	<u>\$ 3,271,674</u>	<u>\$ 3,140,079</u>

10. Commitment

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

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 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, 2018

13. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials and officers as required by Alberta Regulation 313/2000 is as follows:

	2018		2017	
	Salary (1)	Benefits & Allow. (2)	Total	Total
Mayor – Romanko	\$ --	\$ --	\$ --	\$ 4,711
Mayor – Chapdelaine	6,290	1,552	7,842	697
Deputy Mayor – Barry	--	--	--	6,440
Deputy Mayor – Dyck	2,975	1,009	3,984	809
Councillor – Dyck	--	--	--	3,388
Councillor – Romanko	5,000	901	5,901	1,027
CAO – Leslie	64,146	5,582	69,728	67,400
Assistant CAO – Wagar	26,299	611	26,910	21,668
Designated officer (contract position)	5,113	--	5,113	5,250

(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 risk 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 \$93,994 (2017 - \$75,107) 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.

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%.

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

15. Other Credit Facilities (continued)

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 paid a councillor \$900 (2017 - \$2,130) for trail maintenance and paid an employee \$Nil (2017 - \$1,300) for equipment rent. The village sold a truck to an employee for \$1,000 including GST in 2017. The amounts recorded were 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 2018 (2017 - \$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

(a) PSAS Section 1201, Financial Statement Presentation

Revised standard is effective beginning on or after April 1, 2021, when sections PS2601 and PS3450 are adopted.

(b) PSAS Section 2601, Foreign Currency Transactions

PS2601 establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statements. It applies to years beginning on or after April 1, 2021.

(c) PSAS Section 3041, Portfolio Investments

This standard addresses the distinction between temporary and portfolio investments. The standard is effective beginning on or after April 1, 2021, when sections PS1201, PS2601 and PS3450 are adopted.

VILLAGE OF VILNA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. Recent Accounting Pronouncements Published But Not Yet Adopted (continued)

(d) PSAS Section 3280, Asset Retirement Obligations

This standard is intended to provide guidance on accounting for asset retirement obligations and will apply in years beginning on or after April 1, 2021.

(e) PSAS Section 3400, Revenue

This standard will provide greater clarity on the difference between exchange and non-exchange transactions. It applies in years beginning on or after April 1, 2022.

(f) PSAS Section 3450, Financial Instruments

This standard establishes recognition, measurement and disclosure requirements for derivative and non- derivative financial instruments. It applies to years beginning on or after April 1, 2021.

