



Village of Vilna Final Inspection Report

July 19, 2010

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**A Report on the Inspection of the Village of Vilna
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OVERVIEW

Sustainability by definition entails the use of resources in such a way that the resources are not depleted or permanently damaged; it is the practice of using sustainable methods in the operation of an organization.

The use of resources by the Village of Vilna council does not lend themselves to sustaining the village as an autonomous and financially viable municipality. This report outlines the actions that would lead to a conclusion that the Village has been managed in an **Irregular, Improper and Improvident manner**.

Dissolution would be the best choice for the Village of Vilna. This Inspection report should be made public (excluding the recommendation regarding the CAO) and as a result village residents may wish to reconsider how their future can be sustained, not as an autonomous village but as a vibrant community in a prosperous region.

The Inspection makes recommendations on actions the Minister should order to ensure the village is governed and managed properly, and providently. While these actions must be taken to have the village conform to the *Municipal Government Act* and the principles of good management there is some doubt whether they will be enough to ensure the village's sustainability as an autonomous municipality.

We have prepared a Proposed Model 2010 Budget as an example of what reductions the village would have to implement in order to be sustainable. Increasing taxes is not a viable option. They are too high already and discourage new growth. The only option is to reduce expenses and maintain the current tax levy.

INTRODUCTION

Municipal Corporate Review, Dissolution Study and Inspection Chronology

July 23, 2007, the village council passed a resolution requesting that the Minister of Municipal Affairs conduct a Municipal Corporate Review.

October 2008 the Municipal Corporate Review was completed and recommended that the village council request the Minister undertake a dissolution study. Village council did not make the request to the Minister.

March 18, 2009, the Minister initiated a dissolution study under section 130(3) of the *Municipal Government Act*. This decision was made only after the Minister took into account the concerns identified in the Vilna municipal corporate review, which included the inability of the village to produce a balanced budget since 2005; the accumulated deficit; having exceeded the debt servicing limit; and concerns identified by the village auditor.

February 16, 2010 Dissolution vote was conducted (26 votes in favour, 80 votes opposed).

March 24, 2010, the Minister announces he does not intend to recommend the dissolution of the village to Cabinet. However the information received during the dissolution study process raised serious financial concerns that require further examination. Under the authority of Section 571 of the *Municipal Government Act* the Minister ordered an inspection into the management and operation of the Village of Vilna.

Mr. Doug Irwin is appointed as the Inspector under the authority of section 571 of the *Municipal Government Act*.

Objectives and Purpose of the Inspection

- To perform an inspection in accordance with Section 571 of the *Municipal Government Act* (MGA).
- To review the overall roles and responsibilities of the Mayor and Council and the Chief Administrative Officer (CAO) and staff.
- To conduct an objective inspection as to fact.
- To conduct an assessment of a sample of citizens' view on past and current experiences and involvement with the Council and Administration.
- To review the overall management, administrative and financial responsibility areas, including policies, procedures and processes.
- To prepare a report to the Minister of Alberta Municipal Affairs of findings, observations, solutions and recommendations to facilitate the appropriate directives that the Minister may need to issue.
- Present the approved inspection report at a council meeting.

The Inspector's Responsibility

An Inspection requires that the Inspector report on the specified objectives of the Inspection pursuant to the provision of the *Municipal Government Act* and determine what, if any, matters fall within the guidelines of “**Irregular, Improper or Improvident** conduct by Council, individual Councillors or by municipal staff”. The definitions of **Irregular, Improper or Improvident** are defined as follows:

- Improvident
 - Demonstrating want of care and foresight
 - failing to provide for the future; reckless,
 - incautious; prone to rashness (rashness – inconsiderate, presumptuous haste, headstrong precipitation in decision(s) or actions, unwarranted boldness not exercising proper caution
- Improper
 - unsuitable to needs or circumstances
 - not according to or consistent with the established facts
- Irregular
 - Not conforming to established laws, rules, expectations, methods and established principles

Inspection Methodology

The Inspection was undertaken between June 3 and June 30, 2010 and included the completion of the services as required in Schedule “A” of the contract and noted above in the Section: Objectives of the Inspection.

We attended the Village office on June 15 and interviewed all three members of Council, the CAO and the Public Works foreman; reviewed and acquired financial documents, samples of policies, bylaws and minutes.

We attended the offices of the Village's bank, the Alberta Treasury Bank in St. Paul where we interviewed the Account Manager.

While in St. Paul we also interviewed the auditor for the Village.

A telephone conversation was conducted with a representative of the Chamber of Commerce.

Letters from a citizen and terminated employee were reviewed and follow up was undertaken.

The Village of Vilna

The Village was incorporated June 23, 1923. Located within the northeast region marketplace Vilna is one of three incorporated municipalities within the geographic boundary of the County of Smoky Lake. The other two are the Village of Waskatenau and the Town of Smoky Lake. The Hamlet of Warspite was a Village until June 1, 2000.

The Village offers the following services:

Water is drawn from a well and treated. Wastewater is managed in a lagoon.

There is a solid waste transfer station located one km away in the County.

Our Lady's Health Care Centre, located in Vilna, is open two full days and two half days each week and provides medical and diagnostic services.

Basic life support ambulance service is provided by the Regional Ambulance Authority located at the Vilna Health Care Centre and ALS is provided from the Town of Smoky Lake Health Care Centre.

Fire protection is served by a volunteer fire department in the Village. The trucks are owned by Smoky Lake County.

Police protection is served by the Smoky Lake detachment of the RCMP.

A Canada post office is located in the Village.

Education is provided with a K-12 school in the Village.

Post secondary programs are available in St. Paul.

The only major industry in the rural area is a peat processing plant and tree nursery.

Four different churches provide religious services.

Recreation facilities maintained by the Village include a children's playground and a campsite located in the County. The hockey arena owned and operated by the Agriculture Society did not operate last winter due to the high cost of electricity and the prospect of low use. The Regional Multi-use Trail passes through the Village. The privately owned public nine-hole golf course in the County is approximately 5 kms away. Soccer and playfields are located at the school are maintained by the school division.

Village Council Membership

The Mayor has been on Village Council since 1983, a total of nearly thirty years of which she has been Mayor for the past four terms (12 years). She operates a retail business in the village and owns the Alberta Treasury Branch agency in the village.

One of the two Councillors is serving his second term and is a full time employee of Smoky Lake County. The other Councillor is a retired educator and is serving his first term on council.

Roles and Responsibilities of Mayor and Council

What is expected?

Municipal purposes (Section 3)

The purposes of a municipality are:

- (a) to provide good government
- (b) to provide services, facilities or other things that, in the opinion of council, are necessary or desirable for all or a part of the municipality, and
- (c) to develop and maintain safe and viable communities

Duties of Councillors (Section 153)

Councillors have the following duties:

- (a) to consider the welfare and interests of the municipality as a whole and to bring to council's attention anything that would promote the welfare or interest of the municipality;
- (b) to participate generally in developing and evaluating the policies and programs of the municipality;
- (c) to participate in council meetings and council committee meetings and meetings of other bodies to which they are appointed by the council;
- (d) to obtain information about the operation or administration of the municipality from the chief administrative officer or a person designated by the chief administrative officer;
- (e) to keep in confidence matters discussed in private at a council or council committee meeting until discussed at a meeting held in public;
- (f) to perform any other duty or function imposed on councillors by this or any other enactment or by the council.

WHAT WE FOUND

The interviews and document review pertaining to the role and responsibilities of Mayor and Council focused on the extent to which Mayor and Council was:

- developing and maintaining a viable community
- undertaking any initiatives in response to the MCR report and the assessment of the opportunities for improvement referenced therein
- considering the welfare and interests of the municipality as a whole
- participating generally in developing and evaluating policies and programs

Municipal Corporate Review Follow-up

As evidence of irregular and improvident management there was little initiative taken on behalf of either Council or the CAO regarding recommendations and suggestions in the Municipal Corporate Review with regard to operating deficits, debt servicing limits, questionable write-offs, below cost utility rates and the need for a CAO to work regular hours.

Council never requested the Ministry to conduct a dissolution study.

In the Minister's letter of March 18, 2009 he said,

“In response to a request from council, a municipal corporate review of the Village of Vilna was conducted, with the final report produced in October 2008. The report recommended that council request the Minister of Municipal Affairs to conduct a dissolution study for the village. To date, a request has not been received.”

“However, having considered the concerns identified in the review, which included the inability of the village to produce a balanced budget since 2005; the accumulated deficit; having exceeded the debt servicing limit; and the concerns identified by your auditor in the audit of the village's consolidated financial statement as of December 31, 2007, I have decided to undertake a dissolution study for the Village of Vilna, pursuant to section 130(3) of the *Municipal Government Act*. Ministry staff will contact you shortly regarding next steps.”

In spite of the financial crisis identified in the MCR report council approved extending the permitted borrowing limit from the revolving loan at ATB to \$300,000 on January 19, 2009 and to \$400,000 on April 20, 2009.

Two initiatives were undertaken in response to the MCR report in January 2009 the Mayor sent a letter to Smoky Lake County requesting they consider providing administrative services at a daily rate, which was rejected by the County; and in June 2010 Council made a decision to commence recruiting for a new full time CAO.

Long Range Strategic Planning

The village Business Plan prepared in 2002 has not been reviewed or updated in eight years. Council did not use the Plan to stay focused on stated visions and goals.

Long Range Financial Planning

No Plan exists nor could anyone recall having had one.

Infrastructure project decisions are made based on breakdowns, grant availability and what the grant dollars could fund. For example with the grant dollars available in 2010 the decision was made to purchase, relocate and renovate an old school for which there is no plan for its use or operating costs; and to upgrade Mushroom Park.

These initiatives are not proper given the condition of village equipment and the condition of residential water distribution lines and the roads on the east side of the village.

In 2009 the grants were used to pave the residential streets on the west side of Main Street. Council chose to award the contract to the contractor supplying hot asphalt which was available from the chosen contractor working nearby but outside the village. No base stabilization was undertaken, thereby seriously compromising the life of the asphalt. This work was done knowing that the water lines underneath the streets needed to be replaced.

As displayed by the above, little or no long range financial planning is evidence of irregular, improper and improvident management and governance.

Tangible Capital Assets (TCA) Planning

This initiative was commenced utilizing a summer student in 2008 and not completed until the last week of June which along with other reasons delayed completion of the 2009 year-end financial statements and audit until June 30.

Integrated Community Sustainability Plan (ICSP)

Work on the plan has not commenced.

The lack of planning is irregular and improper.

Financial Planning

2010 Budget

An analysis was completed of the Village of Vilna's 2010 approved budget. The following improvident, improper and irregular issues were found and noted:

- Note – The 2010 budget information supplied by the CAO was not in a form that was easily understandable. A revised budget format was created for easier review and analysis. (Attachment I)
- The 2010 budget was not in balance. There was an addition error.
- The 2010 budget was presented to council May 25, 2010. Nearly half the year was over before the town had an approved budget. The annual budget should be prepared, presented and approved before the start of the fiscal period.
- A new budget format should be used to present the budget to council. The current format is confusing and it is difficult for councillors to see the “macro budget picture”.
- The initial budget included all operating and capital grants. The grant revenue in the budget exceeded the budgeted expenditures. This created a false surplus. The grant revenue should balance the project costs.
- Operating and capital budgets should be presented separately.
- The way the budget was drafted the water and sewer programs are still shown as being subsidized by tax funding. Our Proposed Model Budget shows how this can be corrected.
- An annual debt payment of \$13,750 for the ATB capital loan was missed in the initial budget.
- A budgeted transfer to reserve of \$51,893 from a previous year's budget was not removed and was double counted in the 2010 initial budget. This is a significant error.
- The budget includes MSI grant funding and capital expenditures totalling \$111,613 for the old schoolhouse retrofit and mushroom park improvement projects.
- These projects are not core services. Considering the village's aging infrastructure and limited capital grant funding there is a serious question whether these grant funds should be used for these projects.

- Connection to the future Edmonton water line is a few years away and will require capital funding.
- Will there be funds available for this project or will debt funding be required?
- The waste budget costs are excessive. The Village budgets for \$20,000 in tipping fees and another \$20,000 in waste commission fees. There is another \$43,000 in expenditures (\$28,000 salaries) and (\$15,000 garbage truck) in the 2010 budget. We expressed concern regarding these figures and sought explanation for them. (Note – the CAO reduced the waste budget by \$15,000. It is uncertain why.)
- The 2010 budget includes expenditure items that appear excessive in nature, given the financial challenges that the Village is experiencing.
- Examples are:
 - Two full time public works employees
 - Two seasonal public works employees
 - Professional development of \$7,000
 - Mileage expenses of \$6,000
 - Meals and accommodations of \$4,000

Note – The initial approved 2010 budget mistakes were shown to the CAO. She confirmed the mistakes and made revisions. A new budget was presented to council June 21, 2010 and was approved.

- MSI Operating and Capital Grants
 - The Village has received MSI grant funding from previous years, but has yet to spend them. The 2009 audited financial statements notes that the village has “deferred grant revenue of \$104,830. (Note 6 in audited financial statement)
 - The 2009 audited financial statements also show that the village only had \$6,578 in the bank at Dec.31 2009.
 - The CAO was asked where the MSI grant revenue was being held. She told us that it was used to pay monthly bills and that the funds would be recovered through 2010 taxes.
 - The village only receives \$273,218 annually in tax revenue. It is very unlikely that these funds will ever be recovered by taxes.

Please refer to Attachment II for a sample of a Proposed Model 2010 Budget for the Village of Vilna.

Debt

The Village has the following debt:

- Alberta Capital Financing Authority (ACFA)
 - Account #310006 – Balance owing \$35,706, annual payment of \$8,029 and maturing on March 2014
 - Account #1185149 – Balance owing \$110,715, annual payment of \$13,479 and maturing on July 2021
- Alberta Treasury Branch – St. Paul
 - Term loan (converted line of credit) – Balance owing \$283,929, monthly payments of \$2,800, interest rate @ prime and maturing October 2019
 - Capital loan – Balance owing \$220,000, annual payment of \$13,750, interest rate at prime plus 0.25% and maturing March 2026

On August 16, 2006, council approved taking out a line of credit with the St. Paul Alberta Treasury Branch (ATB). The line of credit was originally taken out as bridge financing to cover costs during a capital project.

Council approved increasing the limit of the line of credit from \$100K to \$400K and this was then used to cover the day to day accounts payable and to cover annual financial deficits.

Contrary to the legislation, the MGA debt servicing limits were exceeded because the debt was a revolving line of credit due in full each December 31.

In November 2009, on the initiative of the new Account Manager, the ATB closed the line of credit and converted it to a capital loan. This action has brought the village back under the MGA debt servicing limit.

The village is still carrying a high debt load and only has \$8,000.00 of debt servicing capacity and therefore has very little debt servicing capacity for future infrastructure replacement.

The Account Manager advised the Inspector that the original revolving loan did not meet any of ATB's lending policies and could not understand how it was approved.

Banking

- The village has very little available cash. On December 31, 2009 they had \$6,578.00. On June 15, 2010 they had \$18,387.20. The village struggles to meet payroll and to pay their expenses on a monthly basis. During 2010 the ATB has, from time to time, allowed the village's bank account to be in overdraft to pay the payroll.
- The town has had 6 cheques returned NSF in 2010.
- The ATB banking representative stated that the village's line of credit was inappropriate and should never have been approved.
- The ATB bank is very nervous about the village's two outstanding loans and they have some apprehension about renewing the existing loans.

Audit Reports

Auditor and Management Responsibilities

Management is responsible for:

- designing and maintaining a complete set of accounting records
- selecting appropriate accounting policies
- safeguarding assets
- developing and implementing internal controls
- preventing and detecting errors and fraud

Management must acknowledge the foregoing responsibilities in their letter of representation to us and their responsibilities are referred to in our audit opinion.

Responsibilities of the auditors Joly, McCarthy and Dion

The primary responsibility of the auditors of the Village of Vilna is to report to council whether or not the annual financial statements of the village present fairly, in all material respects, the financial position and results of operations of the municipality in accordance with Canadian generally accepted accounting principles.

Materiality and Audit Risk Levels

In the design of the auditors approach, they used a materiality limit of \$10,000. This means that the audit was planned with the objective of detecting misstatements that were, individually or in the aggregate, more than that amount.

Fraudulent and Illegal Activities

The audit procedures are not specifically designed to detect possible fraudulent or illegal activities.

The following is a summary of highlights from the audited statements for the past five years:

The 2005 annual audit report had the following concerns:

- the village was assessed as having moderate audit risk
- study of internal controls was not sufficient to express an opinion on the effectiveness of the village's entire internal control system
- there may be weaknesses in the village's internal controls which the auditor's procedures did not detect
- April 16, 2006 letter from the auditors to the village states: **"This letter includes recommendations that should also be directed to council and is therefore attached to this communication."**

The 2006 annual audit report had the following concerns:

- Council's role is to act in an objective, independent capacity as a liaison between the auditors and management, to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.
- Council's responsibilities include:
 - Meetings with the auditors as necessary and prior to release and approval of financial statements to review audit, disclosure and compliance issues
 - Where necessary, reviewing matters raised by the auditors with appropriate levels of management, and reporting back to the auditors their findings
 - Making known to the auditors any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the financial statements or auditors' report
 - Providing guidance and direction to the auditors on any additional work they feel should be undertaken in response to issues raised or concerns expressed
 - Making such enquiries as appropriate into findings of the auditors with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls

- Reviewing the draft financial statements including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness and approving the financial statements.

Our interviews identified that the auditors annual presentations to Council do not last long as there are very few questions asked and little discussion. It is likely that the audit statements are not well understood as none of the councillors have experience in financial matters.

Evaluation of Internal Controls

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

During the course of the audit, the following specific internal control matters were encountered:

- Tax-rate by-law – The tax revenue required per the budget did not agree to the calculated tax levy and there were some mathematical errors. We recommend that the assessment values, budget figures and calculations be verified prior to the bylaw being passed.
- Council minutes –The Auditor recommended that all pages be initialled to ensure the minutes are an accurate reflection of the motions made and that unauthorized changes are made.
- Tax-sale surplus – The tax-sale surplus funds are not being deposited in a separate bank account as required by the *Municipal Government Act*.
- Payroll cheques – Some payroll cheques are combined with expense re-imburements. We recommend that separate cheques be prepared for payroll and expense re-imburements in order to keep the audit trail clear and straightforward.
- FCSS grant – The FCSS grant plus the municipal portion was not fully spent. This unspent amount should be calculated and set up in deferred revenue.

The 2007 annual audit report had the following concerns:

- Council minutes – The Auditor recommended that all pages be initialled to ensure the minutes are an accurate reflection of the motions made and that no unauthorized changes are made.
- Tax-sale surplus - The tax-sale surplus funds are not being deposited in a separate bank account as required by the *Municipal Government Act*.
- Accounting records – As was noted in the Auditor’s March 3, 2008 letter, there was a significant increase in audit hours due to the fact that the bank was not reconciled for most of the year. For 2008, the Auditors recommended that the bank be reconciled to the general ledger for the entire year prior to the audit commencing.

In 2007, the Village of Vilna adopted Accounting Guideline 9 (PSG-7) of the Public Sector Accounting Handbook of Canadian Institute of Chartered Accountants with respect to the disclosure of tangible capital assets of local governments which comes into effect January 1, 2009.

The 2008 annual audit report had the following concerns:

- Tax-sale surplus – The tax-sale surplus funds are not being deposited in a separate bank account as required by the *Municipal Government Act*.
- Accounting records – The accounts receivable sub-ledgers were not balanced to the general ledger and several journal entries were required to correct posting errors in the revenue and expense accounts.
- Tax credit owing – There has been a credit owing to a taxpayer for over three years. The Auditor recommended that the credit be applied to this taxpayer’s future property taxes.
- Grant reporting – The Auditors noted that applications to use MSI funds in 2008 and the reporting on prior year SIP and NDCC projects were not done at the appropriate time therefore, projects that the village thought would be covered by grants were not accepted resulting in these projects being funded from operating revenues. The grants had to be deferred and can only be used on approved projects in the future. The Auditors recommended that the CAO ensure grant applications and reporting requirements be done on a timely basis.
- Council approvals – Although council approved the budget and the new wage rates, there was no way to verify that the printouts we reviewed were the approved amounts. The Auditors recommended that the motion approving the budget include amounts for the total approved revenues, expenses and surplus

(deficit). For the wage rates, a listing should be prepared that is signed by the Mayor and filed in the personnel files.

- Cheque signing – The Auditors noted that one of the signors on the cheques are at times the same as the payee. The Auditors recommended that the cheques not be signed by the payee.
- Tax-rate by-law errors – The assessment used to arrive at the school and senior's levy was incorrect and there were calculation errors. The errors cause the village to over-charge for the school and senior's levy by \$24,347. The Auditors recommended that the tax-rate bylaw be compared to the budget to ensure the rates and taxes being raised are accurate.
- All concerns raised by the Auditor should not have occurred and were irresponsible of the CAO.
- Council should have dealt with this as a CAO performance issue but did not. The 2009 annual audit report was completed at the end of June. We reviewed the audit report which was in a slightly different format than previous years. The two highlights are the change in the debt servicing limit and the increase in the accumulated operating deficit.
 - Debt Limits – amount of debt servicing limit unused (exceeded)
For 2009 \$8,087.00 and restated for 2008 \$(206,692.00)
 - Accumulated operating deficit - 2009 (\$329,494) – 2008 restated (\$287,635)

Management Letters from the Auditors

An audit does **not**:

- Identify matters that may be of interest to management
- Disclose defalcations or other irregularities
- Express an opinion as to whether the systems of internal control established by management have been properly designed or have been operating effectively.

As a result auditors provide CAO's with a management letter that outlines their observations and suggestions for the CAO's consideration. The letters are not exhaustive and only deal with important matters.

The following is a summary of the 'important matters' outlined by the auditor in the 2005, 2006, 2007, 2008, 2009 management letters.

2005

- The tax penalty bylaw is 21 years old (1985)
- The tax rate bylaw for 2005 had errors and the tax revenue required as per budget did not agree to calculated tax levy
- There is no bylaw to support the tax instalment payment plan
- The May 16, June 20, July 18 and August 16 2005 minutes did not bear the corporate seal and only the last page of minutes were initiated
- The tax sale surplus funds were not deposited in a separate bank account

2006

- When the tax rate bylaw was recalculated errors were again noted. The tax revenue required per the budget did not agree to the calculated tax levy and there were some mathematical errors on the bylaw. The auditors recommended that the assessed values, budget figures and calculations be verified prior to the bylaw being passed.
- The council minutes from July to December 2006 did not bear the corporate seal and council is only signing the last page of the minutes. It was again recommended that all pages be initialled. Most municipalities do not place their seal on the minutes however, if this is policy, it was recommended that all minutes bear the corporate seal.
- As previously noted, the tax sale surplus funds were not deposited in a separate bank account.
- Testing of the payroll was complicated by the fact that some payroll cheques were combined with expense re-imburements. This makes it difficult to ensure amounts paid for payroll are accurate as there is nothing in the payroll records that indicate that an expense reimbursement is included on the cheque. It was recommended that separate cheques be prepared for payroll and expense reimbursements in order to keep the audit trail clear and straightforward.

2007

- During the audit a review of the council minutes it was noted that the September to December 2007 minutes did not bear the corporate seal and that council is only signing the last page of the minutes. The Auditor again recommended that all pages be initialled.
- The tax sale surplus funds are still not deposited in a separate bank account as required by the *Municipal Government Act*.
- During the audit it was noted that the FCSS grant plus the municipal portion was not fully spent. The grant is not material to the overall village operation and the deferred portion should be accounted for correctly.
- As noted previously (March 3, 2008 letter) there was a significant increase in audit hours due to the fact that the bank was not reconciled for most of the year. For 2008 it was recommended that the bank be reconciled to the general ledger for the entire year prior to the audit commencing.
- Small amounts of general accounts receivable becomes uncollectible each year and are therefore written off. It was recommended that the possibility of adding these receivables to outstanding taxes be explored.

2008

- The tax sale surplus funds are still not deposited in a separate bank account as required by the *Municipal Government Act*. The Auditors again recommended that tax sale surpluses collected be deposited into a separate bank account.
- The bank accounts were reconciled monthly during 2008. However, the accounts receivable sub-ledgers were not balanced to the general ledger and several journal entries were required to correct posting errors in the revenue and expense accounts. The Auditors again recommend that accounts receivable sub-ledgers be balanced to the general ledger monthly.
- There has been a credit owing to a taxpayer for over three years. The Auditors again recommended that the credit be applied to this taxpayer's future property taxes.
- Applications to use MSI funds in 2008 and the reporting on the prior year SIP and NDCC projects were not done at the appropriate time therefore; projects that the village thought would be covered by grants were not accepted resulting in these projects being funded from operating revenues. The grants had to be deferred and can only be used on approved projects in the future. The Auditor recommended that the village ensure grant applications and reporting requirements be done on a timely basis.
- Although council approved the budget and the new wage rates, there was no way to verify that the printouts received were the approved amounts. It was recommended that the motion approving the budget include amounts for the total approved revenues, expenses and surplus (deficit). For the wage rates, a listing should be prepared that is signed by the mayor and filed in the personnel files.
- Cheques should not be signed by the payee.
- There were errors made on the tax-rate bylaw in 2008. The amounts to be raised through taxes per the bylaw did not agree with the budget, the assessment used to arrive at the school and senior's levy was incorrect and there were calculation errors.
- Additional time is spent auditing property tax revenues due to assessment changes and posting errors in the revenue accounts. Any write-offs not relating to current year assessment changes should be posted to the tax write-off expense account and not to current year revenues.

The majority of the issues raised above, stem from the limited amount of time that the CAO spends managing the village office. The Auditors recognize the current financial situation the village is in and encouraged the village to take the recommendations made by the corporate review in 2008 and determine a course of action to address the financial and management issues.

Council Meetings and Minutes

The CAO is responsible for ensuring council follows their procedures bylaw and the minutes of council meetings.

There is no procedures bylaw and the approved minutes have spelling errors and incomplete sentences.

Only recently has each page been initialled after repeated direction from the auditor to do so.

The majority of the time at council meetings is spent having verbal reports of activities presented by members of council regarding the nearly 20 committees councillors sit on. No list was provided of all the committees council members sit on.

The only written background information provided to council by the CAO was for bylaws and the few policies passed in 2007.

The CAO does not provide written requests for decisions and there are rarely resolutions of council regarding decisions made with respect to actions the council requests the CAO to undertake.

Bylaws have not been reviewed to determine their validity; and further to repeal bylaws no longer applicable.

While council has passed annual budgets and tax rates, these documents have had significant errors. This includes the recently approved 2010 budget which had serious errors that the Inspector pointed out and which have subsequently been revised for presentation to council for amendment.

Program Service Level Reviews

There have been no program service level reviews in at least the past six years.

Bylaws

Since November 2007, 19 bylaws have been approved by council, of which the last four bylaws 477 - 480 approved between June 8, 2009 and April 14, 2010, are not in the bylaw table of contents.

Three bylaws pertain to increasing the amount of the permitted borrowing from the revolving loan at ATB. Just three months after receiving the MCR which emphasized the fiscal crisis the village was in, the CAO recommended and council approved on January 19, 2009 increasing the limit to \$300,000 and on April 20, 2010 increased it to \$400,000.

Five bylaws pertain to authorizing rates of taxation and penalties in 2008 and 2009. The remaining bylaws are administrative in nature.

The lack of bylaw review and development is Improper and Irregular.

Policy Reviews and/or Development

Only twice in the past five years has there been any policies approved by council. Once on May 22, 2007 establishing all the policies required for setting up the tangible capital assets and later that year on September 17 when four policies were approved (Fire Department Service Levels, Vacation Pay, Utility Arrears and Purchasing Goods and Services.) The lack of policy review and development is Improper and Irregular.

Human Resources (Staffing)

CAO/Assistant CAO

The CAO has served the village for 11 years. The first six years in a full-time position and the last five in a part-time capacity. The village has been without a full time administrator for five years.

Local residents have been hired to act as an assistant CAO, but the residents did not have any municipal administrative experience, financial or business skills and knowledge.

The village has hired three different assistant CAOs during the past five years. The assistant CAOs were supposed to be trained by the CAO. In each case the training time was very minimal and insufficient. This left the assistant CAO in constant need of the part time CAO. This situation perpetuates a constant reliance on one part-time employee, the CAO, who only works one day a month. On May 25, 2010, at a Special Council meeting, the CAO presented a written report (Attachment III) to council. Council chose Option #2 as follows:

“Hire me, under contract (currently under salary) at a cost of **\$3,000 per month for a closed term of six months** to do the following:

- Continue to perform day-to-day CAO duties and provide guidance to staff and Council
- Complete TCA Valuation with the guidance of the Auditor
- Complete ICSP by September 1, 2010
- Provide training to newly hired CAO until end of November
- Run the municipal election for 2010”

It is very unlikely that an experienced, qualified applicant would apply for the CAO position in the Village of Vilna due to the current state of the Village. In the CAO’s report to council and the interview with the CAO she confirms that it is very difficult for her to be available weekdays during office hours due to her full-time employment with the County and has to perform village work weekday evenings and on weekends, as required.

Given these facts the council's decision in this matter is extremely improper and highly irregular.

Further to a recommendation in the CAO's May 25, 2010 report the Assistant CAO was terminated June 12, 2010, just two working days before we were to interview her, on June 15.

On Tuesday, June 15 another local resident was hired as an interim A/CAO. The resident is a first year University of Alberta science student and previous summer seasonal parks labourer for the village.

Roles and Responsibilities of the CAO

What is expected of a CAO pursuant to the requirements of the *Municipal Government Act* 208(1) are being fulfilled **except** for:

- (j) accurate records and accounts are kept of the financial affairs of the municipality, including the things on which a municipality's debt limit is based and the things included in the definition of debt for that municipality
- (k) the actual revenues and expenditures of the municipality compared with the estimates in the operating or capital budget approved by council are reported to council as often as council directs
- (n) public auctions held to recover taxes are carried out in accordance with Part 10
- (o) the council is advised in writing of its legislative responsibilities under the Act

The above noted requirements have not been fulfilled entirely by the CAO which indicated irregular administration.

In addition to the responsibilities in the MGA a CAO is expected to:

- assist council in preparing a corporate vision for the municipality
- provide prudent strategic, financial and policy advice to council
- be apolitical and not support individual council members but council as a whole
- provide professional response to public enquiries
- hire, orient, train and assess staff to ensure they meet the municipality's vision, annual business objectives
- supervise and direct the staff on work priorities
- determine and define the quantity, quality, cost and timeliness of the work to be performed
- ensure timely communication, meetings, and information regarding and impacting employee's work
- ensure oversight and to follow up on the recommendations in the annual management letter from the auditor

Over the past five years the CAO has not provided:

- long range planning advice to council; and what little advice there was, was not in writing
- responses to public enquiries
- on site orientation, training, supervision and assessment of staff
- standards for the work to be performed by employees
- timely communications with employees
- oversight on employee conduct or followed up on all the recommendations of the auditor's management letter

The fact that these responsibilities have not be provided is Improper, Irregular and Improvident.

The CAO did not respond to the Inspector's request for copies of her performance reviews by council. In the absence of them it is assumed they were not completed.

The CAO has acted improperly and both council and the CAO have failed in their leadership role to ensure the municipality is 'managed' properly.

Foremen

Employing two public works employees is Improper. There is insufficient need for two foremen. As the MCR pointed out:

In 2006 Vilna had four employees (a reduction of two from the previous year). This represents a 1:67 ratio of staff to population. At the time of the Review there were 3.5 full-time staff (1 Assistant full-time CAO, 2 full-time foremen, part-time CAO .5) and when compared against all eleven Villages in Alberta with a population between 260 and 299 this is the lowest ratio. The next closest is 1:97 which has three employees. There are seven Villages with two employees and two Villages with one employee. This raises the question: Why does Vilna have more employees than all other Villages in the entire Province? The Village of Waskatenau has only two employees. The Town of Smoky Lake has a 1:144 ratio.

The same situation exists in 2010 as in 2008 when the MCR was completed.

The village still hires summer students to perform grass mowing and odd jobs.

The village no longer has a campground attendant; rather those duties are performed by the foreman and summer student.

Back up for the water treatment plant during those times when a single foreman is away on vacation or ill should be arranged with the Towns of Smoky Lake and St. Paul who have certified water treatment plant operators. (This was the situation in the summer of 2008 when the village foreman was ill and the Assistant foreman was not qualified).

OBSERVATIONS

The Inspector was the author of the 2008 MCR and therefore has had two opportunities to interview members of council and staff; reviewed and now inspected the governance, management and administration of the Village of Vilna.

The Mayor has been a constant on Council for nearly 30 years, attended dozens of AUMA Conferences and training sessions and served on inter-municipal committees.

The passion shown by the Mayor for the village and its history is clearly evident.

During the first 15 years of her tenure the village infrastructure was not attended too and the legacy of old worn out equipment and infrastructure is documented in the MCR report. The legacy of the last 15 years, particularly the past 12 years when she served as Mayor is:

- no new residential assessable development
- higher than average service levels and taxes
- unsupportable debt mainly due to operating deficits and the Main Street redevelopment project

Just as the Inspection is to begin the Mayor is quoted in the June 6, 2010 St. Paul Journal (Attachment IV) as saying that, "it (2010 budget) looks to be a balanced budget" and that "the Village's financial situation is starting to look better." The Mayor went on to say, "Everything is running smoothly right now. I'm confident that some of the issues will be straightened out in record time".

Things are not running smoothly but rather they are running Improperly, Irregularly and Improvidently.

In 2008, the Mayor and councillors understood at a macro level that they were in financial difficulty. The newest member of council with less than a year's experience could not have been expected to understand the gravity of the situation – but the other two should have.

The financial situation is worse now:

- less cash on hand
- issuing NSF cheques
- using overdrafts to make payroll
- using specific capital grant revenue for operating expenses
- buying old school buildings when existing equipment and infrastructure is broken or beyond its useful life

There is little or no hope of attracting new residential or non-residential development due to the high taxes. Within a few miles of the village, in Smoky Lake County there are hundreds of new homes – with low taxes.

The CAO is also quoted as follows in the June 8, 2010 St. Paul Journal, “inspections are routine” – they are not routine. The Minister of Municipal Affairs stated that the village has “serious financial concerns that require further examination”. The CAO is quoted “Our debt is not outrageous” –but it did break the law, and it is not sustainable with the current expenditures. She went on to say “We’re actually getting significant dollars, paying for certain portions of our operations” – which is Irregular. Using grant dollars to back stop current operational expenses is a contravention of grant regulations and accounting principles.

It is regrettable that the citizens of Vilna, while satisfied with their level of snow clearing, sidewalk maintenance and garbage collection, are not aware that the current situation is not sustainable and that many of the choices that council has made and not made are Improvident, Improper and Irregular.

Council’s failure to ensure the village had timely, professional and wise management and administration has been their most significant shortcoming.

CONCLUSIONS

Each member of council and the CAO believe they are conforming to the MGA and none of them accept any responsibility for those decisions, lack of decisions, choices and actions that this report deems to be Improvident, Improper and Irregular.

The Inspection has determined the village has been governed in an Improvident manner and that it has been administered in an Irregular manner because there are numerous contraventions of both the MGA and sound accounting principles.

It would be unreasonable to excuse the CAO for failure to hire persons with at least some minimum municipal and accounting knowledge and experience and even more unreasonable to excuse the failure to train any of the three people who served as assistant CAO's over the past five years. These actions are Improper.

The decision council made on May 25, 2010 to cease having the CAO serve as a salaried part-time CAO and retain her as a contract part-time CAO at more than twice her previous pay for up to six months is certainly Improper.

RECOMMENDATIONS

The purpose of an Inspection is to inspect the municipality to see if it is compliant with the MGA, including a review of the bylaws and policies and the extent to which they are being followed.

An Inspection also considers the extent that professional municipal and business practices are evident in the management and administration of the municipality.

Recommendation A

1. An official administrator be appointed to oversee the Village of Vilna and should direct the council to:
 - a. Terminate the contract with the CAO immediately and retain interim competent CAO services to put the village's finances in order, and
 - b. Postpone the recently commenced recruiting until after the 2010 municipal election and receipt of a comprehensive report from the interim CAO regarding the village's financial, bylaw and policy affairs

The record of the current council and CAO is such that it cannot be relied upon to undertake the necessary initiatives to put the village's affairs in order and establish a new strategic framework to ensure fiscal sustainability for the village.

The AUMA has a list of competent persons capable of providing interim CAO service or alternately one of the nearby Towns or larger municipalities may be willing to share their professional bench strength with the Village.

It would best serve the village to have a two step process; one interim CAO to clean up, and another to move forward doing things right initiating the development of new plans, policies and bylaws.

Recommendation B

That the council should:

1. Hold themselves to a higher standard of conduct according to the MGA.

It is critical to good governance and the integrity of democracy that there be no doubt in the public's mind that they can trust and have confidence in their council to focus on the welfare and sustainability of their community as a whole.

2. Arrange for a "comprehensive" council orientation preferably in partnership with others as a cost saving measure.

A comprehensive orientation and attendance at training sessions throughout the term of council is critical to understanding council's roles and responsibilities.

3. Develop and adopt a procedures bylaw.

How council conducts their meetings is critical to upholding the principles of our democracy and the requirements of the law. Being clear in the procedural bylaw on how to manage delegations and hearings will go a long way to building trust with rate payers and interest groups.

4. Prepare a service level plan/policy with costs to be within the village budget level and adopt the appropriate plan. (See Attachment II for a sample of a Proposed Model Budget for the village.)

The village cannot afford its current service levels AND do the initiatives required and referenced in this Inspection. When 100% of the utility operating and capital costs are included in the utility rate there will be some capacity in the tax funding to pay for new initiatives, but this will not be sufficient without a reduction in full time staff and service levels.

5. Develop a strategic plan and long range capital plan through a public consultation process.

If the municipality does not know where it is going any road will get it there. The Village of Vilna has a slim, very slim chance of remaining autonomous only if it develops a comprehensive long range strategy and sticks to it.

6. Review the operations of the campground to determine appropriate future actions which could include selling the campground and using the proceeds to pay down the capital debt loan set up in November 2009, or operating the campground on a cost recovery basis, awarding a lease for the private operation of the campground.

The campground is subsidized and part of the subsidy is 'hidden' by having the labour costs covered under the foreman's salary. The councillors all said, "There is no evidence that businesses benefit by having the campground, we just assume they do." This is the rationale most often given for the village operating a campground.

The sale would generate significant dollars which would significantly reduce the debt and therefore the annual debt payments and free up money for the recommended new initiatives. At the very least a cost recovery operation should be considered or a lease that operates as a cost recovery should be investigated.

7. Develop a new position profile and description for the CAO, and set annual performance measures linked to the strategic business plan, provide annual appraisals and require an annual individual learning plan for the CAO and provide funds to support the CAO's ongoing professional development.

Council and the CAO need to be clear about expectations generally and objectives specifically for each year. The extent to which they are met should be assessed annually.

8. Develop policies that guide council decisions and the CAO's decision making regarding "how" to achieve what is to be accomplished.

Without policies that support good governance, and the strategic plan the CAO is left to guess what and how things are to be done; so it either does not get done or done poorly – neither of which is acceptable.

9. Undertake to review all bylaws.

Bylaws provide the authority for council action and set out the rules for conduct in the community (i.e. dog control, unsightly properties, etc.). They need to be current as required by law and reflective of changing community norms.

10. Require the CAO to present a budget in a format that is understood by councillors, such as the sample in Attachment I.

The current budget document is unnecessarily long and therefore very confusing. As Attachment I illustrates, the village budget can be presented on one page.

Village of Vilna - 2010 Initial Approved Budget - Revised Format

| Legislative | Tax Revenue and Requisitions | Administration | Freighting | Roads | Water | Sewer | Waste | FCSS | Ambulance | Economic Development | Recreation | Library | Total |
|-------------|------------------------------|----------------|------------|--------|---------|--------|--------|-------|-----------|----------------------|------------|---------|---------|
| - | 271,473 | - | - | - | - | - | - | - | - | - | - | - | 271,473 |
| - | - | - | 8,000 | 500 | - | - | 8,500 | 500 | - | - | 14,250 | - | 31,750 |
| - | - | - | - | - | 83,402 | 26,191 | 52,524 | - | - | - | - | - | 164,117 |
| - | - | 31,800 | - | - | - | - | - | - | - | - | - | 12,000 | 43,800 |
| - | 40,222 | - | - | - | - | - | - | - | - | - | - | - | 40,222 |
| - | - | 34,515 | 7,500 | - | - | - | - | - | - | - | - | - | 42,015 |
| - | - | 279,115 | - | 17,132 | 50,000 | - | - | 9,185 | - | - | 5,000 | - | 360,442 |
| - | - | 10,000 | 770 | - | - | - | - | - | - | - | - | - | 10,770 |
| - | 311,705 | 355,430 | 16,270 | 17,632 | 133,402 | 26,191 | 61,024 | 9,695 | - | - | 19,250 | 12,000 | 964,599 |

REVENUES

| | | | | | | | | | | | | | |
|--------------------------------|--------|--------|---------|--------|---------|---------|--------|--------|-------|--------|---------|--------|---------|
| Salaries and Honorariums | 19,500 | - | 44,000 | - | 8,420 | 34,131 | 10,945 | 22,000 | 1,300 | - | 22,507 | 12,000 | 174,823 |
| Training & Business Expenses | 13,000 | - | 21,500 | 8,000 | 5,400 | 8,800 | 2,900 | 2,000 | - | 2,000 | 2,800 | - | 66,400 |
| Contract and General Services | - | - | 38,250 | 900 | 5,000 | 20,500 | 2,000 | - | - | - | 1,000 | - | 72,250 |
| Supplies, Materials & Repairs | - | - | 3,000 | 100 | 32,500 | 18,500 | 12,500 | 2,000 | 4,452 | - | 15,000 | - | 89,952 |
| Utilities | - | - | 6,100 | 7,000 | 23,250 | 16,000 | 5,000 | 600 | - | - | 1,250 | - | 59,200 |
| Regulation & Transfer Payments | - | - | - | - | - | - | - | 40,000 | 4,681 | 7,500 | 500 | 6,650 | 114,539 |
| Transfers to Reserve | - | - | - | 59,025 | - | - | - | - | - | - | - | - | 59,025 |
| Capital Purchases | - | - | - | 15,000 | 75,000 | - | 15,000 | - | - | - | 135,613 | - | 231,613 |
| Debt Servicing | - | - | 33,600 | 5,944 | - | 21,508 | - | - | - | - | - | - | 61,052 |
| TOTAL EXPENDITURES | 32,500 | 40,207 | 146,450 | 21,164 | 148,595 | 178,039 | 51,845 | 10,433 | 7,500 | 17,000 | 170,660 | 18,650 | 907,973 |

EXPENDITURES

| | | | | | | | | | | | | | |
|--|----------|---------|---------|---------|-----------|----------|----------|-------|---------|----------|-----------|---------|--------|
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (32,500) | 271,498 | 208,960 | (4,884) | (130,963) | (65,537) | (23,654) | (798) | (7,500) | (17,000) | (151,442) | (6,650) | 37,026 |
|--|----------|---------|---------|---------|-----------|----------|----------|-------|---------|----------|-----------|---------|--------|

A Proposed Model 2010 Budget

The budget example recommends the following changes:

1. A new salary and wage structure
 - A CAO salary of \$40,000 per year working 20 hours per week.
 - An office assistant working 15 hours per week.
 - The public works assistant foreman only works half time.
 - 400 seasonal hours budgeted in the parks and recreation cost center
 - Public works staff have been allocated to the cost centers using the following percentages:
 - Roads = 40% (assumes road maintenance and winter plowing)
 - Water = 15%
 - Sewer = 15%
 - Waste = 15%
 - Recreation = 15%
2. The waste transfer station, FCS and librarian salary costs have been moved into the transfer payment object code. Assumed these positions are not village staff.
3. Grant revenue is budgeted in the same cost center as the expenditures. Coloured coded on detail budget sheet.
 - Green – MSI operating grant and expenditures
 - Blue – MSI capital grant and expenditures
 - Yellow – New Deal for Cities grant and expenditures
 - Grey – Street Improvement Program grant and expenditures
4. Only the 2010 project MSI grants are in the 2010 budget. The village has received MSI grants in previous years. These funds are not in the bank and they are listed as deferred revenue. It is uncertain if these prior year grant funds are available.
5. The Schoolhouse and Mushroom Park capital projects have been deferred.
6. The campground revenue and expenditures have been removed from the budget. It is recommended that the campground be sold and the proceeds from the sale be put towards debt elimination.
7. Grant revenue and expenditures are in balance.

8. Reduced the mileage allowance from \$4,000 to \$750. Provided a budget with the following estimates:
 - Edmonton / Vilna round trip is 300 kilometres. Mileage reimbursement is 50 cents per kilometre. Each round trip equals \$150 mileage reimbursement.
 - Budgeting for 5 trips per year = \$750
9. Reduced the meal and accommodation budget from \$4,000 to \$1,950.
 - Budget for AUMA travel by Mayor.
 - Assuming 2 AUMA meetings and the annual conference.
 - Budgeting \$650 reimbursement for each event. (500 km of travel = \$250, 2 nights of hotel accommodations = \$300 and \$100 of meals.)
10. Removed \$4,000 professional development budget from Legislative cost center.
11. Reduced the staff professional development budget from \$4,000 to \$2,000. A budget of \$2,000 is enough to provide office training and water and sewer certification training.
12. Removed the \$10,000 budget for insurance claim revenue. This budget item did not have any detail or historical fact.

By reducing the above noted costs and re-aligning the grant and salary budgets the following has been accomplished:

1. The combined water and sewer cost centers are not being subsidized by tax dollars. No increased utility fees were required. Surplus funds in the water, sewer and waste cost centers have been transferred to reserve for future use in these utility accounts.
2. The budget example generates a surplus of \$21,150. The surplus has been budgeted as a transfer to reserve to fund future capital projects or eliminate debt.

Village of Vilna - 2010 Proposed Model Budget to Support Fiscal Sustainability

| | Tax Revenue and Requisitions | Administration | Firefighting | Roads | Water | Sewer | Waste | FCSS | Ambulance | Economic Development | Recreation | Library | Total |
|--|------------------------------|------------------|----------------|-----------------|----------------|---------------|---------------|--------------|--------------|----------------------|-----------------|---------------|----------------|
| REVENUES | | | | | | | | | | | | | |
| Tax Revenue | 273,062 | - | - | - | - | - | - | - | - | - | - | - | 273,062 |
| State of Goods and Services | - | - | 8,000 | 500 | - | - | 8,500 | 500 | - | - | 2,050 | - | 10,550 |
| Utility Revenue | - | - | - | - | 87,728 | 31,326 | 48,548 | - | - | - | - | - | 168,602 |
| Penalties, Licenses, Fees & Reprints | - | 31,800 | - | - | - | - | - | - | - | - | - | 12,000 | 43,800 |
| Requisitions | 40,232 | - | - | - | - | - | - | - | - | - | - | - | 40,232 |
| Transfer from Reserves | - | - | 7,500 | - | - | - | - | - | - | - | - | - | 7,500 |
| Grant Revenue | - | 12,000 | - | 32,132 | 87,000 | 20,000 | 40,000 | 8,195 | 7,500 | 15,000 | 9,333 | 5,000 | 237,160 |
| Other Revenue | - | 10,000 | - | - | - | - | - | - | - | - | - | - | 10,000 |
| TOTAL REVENUE | 313,294 | 53,800 | 15,500 | 32,632 | 174,728 | 51,326 | 98,048 | 9,695 | 7,500 | 15,000 | 11,383 | 17,000 | 799,906 |
| EXPENDITURES | | | | | | | | | | | | | |
| Salaries and Honorariums | 18,150 | 52,624 | - | 28,914 | 10,843 | 10,843 | 10,843 | - | - | - | 16,123 | - | 148,340 |
| Training & Business Expenses | 4,700 | 16,120 | 5,000 | 4,100 | 6,520 | 2,300 | 1,950 | - | - | 1,800 | 2,600 | - | 45,090 |
| Contractor and General Services | - | 32,250 | - | 5,000 | 25,000 | 22,000 | 2,000 | - | - | - | 1,000 | - | 90,250 |
| Supplies, Materials & Repairs | - | 3,000 | - | 32,000 | 18,000 | 7,000 | 3,500 | - | - | - | 12,000 | - | 78,195 |
| Utilities | - | 6,100 | 7,000 | 23,000 | 16,000 | 5,000 | 600 | - | - | - | - | - | 57,700 |
| Requisition & Transfer Payments | 40,232 | - | - | - | - | - | 36,000 | 5,000 | 7,500 | 15,000 | 600 | 17,000 | 121,232 |
| Transfers to Reserve | - | 21,150 | - | 7,132 | 3,457 | 4,183 | 28,155 | - | - | - | - | - | 64,077 |
| Capital Purchases | - | - | - | 15,000 | 75,000 | - | 15,000 | - | - | - | 15,000 | - | 120,000 |
| Debt Servicing | - | 33,600 | 5,994 | 13,750 | 21,508 | - | - | - | - | - | - | - | 74,852 |
| TOTAL EXPENDITURES | 22,850 | 147,844 | 17,594 | 128,896 | 174,728 | 51,326 | 98,048 | 9,695 | 7,500 | 16,800 | 47,423 | 17,000 | 799,906 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (22,850) | (114,044) | (2,094) | (96,264) | - | - | - | - | - | (1,800) | (36,040) | - | - |

Mayor confident about Village of Vilna's viability

Minister of Municipal Affairs decides village will not dissolve into County of Smoky Lake

BY JANANI WHITFIELD
Journal Staff

Two weeks ago, as the Village of Vilna was finalizing its budget for the upcoming fiscal year, it looked to be a balanced budget, with the village on track to continue steadily paying its debentures,

according to Village Mayor Carol Trider. The village's financial situation is starting to look better, good news on the heels of the Minister of Municipal Affairs Hector Goudreau's recommendation against the village's dissolution into the County of Smoky Lake. In 2007, the village had requested then Minister of Municipal Affairs Ray Danyluk to conduct a municipal corporate review, which, at that time, identified concerns with the village's inability "to produce a balanced budget since 2005," among other things. That review in turn prompted a dissolution study.

Goudreau had sent a letter to the residents of the village, dated April 6, stating that he "will not be recommending the dissolution of the village to the provincial cabinet." In that decision, he stated he considered "the feedback from the village council, the county

council, the vote results, the public input and the dissolution study report." In a vote put to Vilna's public on dissolution, 75 per cent of the village's residents opted to stay as a village, rather than dissolve into the county and lose their village identity and services they enjoy, such as snow removal and garbage pickup.

While all of the information collected suggested that the village should remain together, Goudreau said that the information also "raised serious financial concerns that require further examination. As a result, I have ordered a municipal inspection into the management and operation of the Village of Vilna."

Acting CAO for the village, Twila Jones, said that inspections are routine, and this ordered inspection is not necessarily a bad thing. "Our books are open to the public and to Municipal Affairs," she said. The village's debt is not outra-

geous, at \$500,000, and the village is slowly beginning to pay off its debts, with the last of the long-term debt, taken out to improve village infrastructure, expected to be paid-off in 2021.

Jones feels confident the village is viable, and is encouraged by the fact that new grant programs, specifically the Municipal Sustainability Initiative (MSI), are now increasing the funds for smaller municipalities such as Vilna. In the first year of MSI funds, the Village received an \$800 grant, while more recently, it received \$80,000.

"We're actually getting significant dollars, paying for certain portions of our operations," she said.

Jones, who has a full-time job with the County of Smoky Lake on top of her duties as CAO, notes that the village needs its own full-time CAO to take care of its operations and ensure that financial reports are filed on time. For the village, however, "one of the

difficulties is retaining and attracting staff at wages it can afford to pay," she said. Jones said that some restructuring in budget operations could create the room to offer wages that would attract and retain an experienced CAO.

Given that Vilna residents already face high taxes, the village has been trying to keep taxes down, part of the reason it ran into a deficit, said Trider. "We still don't want to raise the taxes to any degree," she said, adding that instead, the village is looking at some of its specific services to ensure it is charging enough for garbage, water and sewer services.

With the hiring of a full-time qualified CAO, Trider said she felt assured that the village would be able to operate successfully as an independent municipality.

"Everything is running smoothly right now. I'm confident that some of the issues will be straightened out in record time."

CONFIDENTIAL

May 25, 2010

CAO Position

As you well know, the Village of Vilna has struggled to retain qualified staff to confidently take over the position of Chief Administrative Officer.

Current Situation

Our current Assistant CAO was hired in January 2009, with the intentions of taking over duties of CAO by year end, through one full year's cycle.

At this point, I cannot recommend the transition to the Assistant CAO and instead recommend the formal advertisement of the CAO position with the intention of transition to the successful candidate within a month to six months.

As discussed informally with Council, there is likely to be some difficulty in attracting an experienced CAO, and if successful in doing so, Council will have to likely have to pay in the range of \$50 – 60,000 per year. When I left the full time position in 2005, my salary was \$30,000. Your current Assistant CAO is making \$32,448 per annum and my salary is \$18,000 per year totally just over \$50,000.

As we are all aware, the current situation is not working, due to the lack of cooperation with my current employer. As a result, over the past five years, I have had to use my holiday days to work in Vilna during the work week, and now that is even being questioned / denied. In addition, I have providing work time from home and in office on weekends as required.

In the last year, the workload has increased substantially, including the following:

- **BALANCING** - Cannot rely on current office staff to accurately balance sub-ledgers (tax roll, utility roll, accounts payable, payroll, etc);
- **TRAINING** - I have trained and retrained on a number of issues and she is not catching on to the importance of financial accountability;
- **THE 2009 YEAR END** cleanup was very challenging -- over 500 Journal entries had to be made to correct errors.
- **MINUTES** - She is not catching on to the responsibility / need for accuracy of the Minutes, although this has been drilled into her many times. I will need to go through the minutes of 2009 quite thoroughly to correct grammatical / formatting issues to ensure it is presented in a professional manner.

Major Projects to be done in addition to day-to-day duties of CAO

By June 10, 2010 (projected)
TANGIBLE CAPITAL ASSETS (TCA)

- Data that has been gathered by Jeannie needs to be verified to be sure that all assets are captured and logged accurately into spread sheets for Auditor
- Assets then need to be evaluated in terms of their remaining life, and each asset must be financially depreciated for the Auditor to capture for the 2009 Financial Statements

ALTERNATIVE -- Pay a professional asset evaluation company (such as SunCorp Evaluations) at an estimated cost of \$10 – 15,000.

By September 1, 2010 (project)
INTERGRATED COMMUNITY SUSTAINABILITY PLAN (ICSP)

- Planning document required to be completed by each municipality and submitted to Alberta Transportation as part of the funding requirements.
- To date, Alberta Transportation has not been firm in having receipt of this document, but the deadline is coming and will be mandatory likely by year end.

ALTERNATIVE -- Pay a professional planner (such as Municipal Planning Services) to complete this document at an estimated cost of \$10 – 15,000.

October 2010 (ongoing)
MUNICIPAL ELECTIONS

- Knowledge of Elections Act required

ALTERNATIVE -- Hire an experienced individual to perform duties as required by the Local Government Election Act.

CONFIDENTIAL

May 25, 2010

WHERE TO FROM HERE?

Proposal Option #1

Accept my formal resignation to be for my position to be completed by June 30, 2010:

- Hire an Interim CAO to perform duties until a new CAO is hired. (estimated cost of \$50-75 per hour)
- Hire a Planner to complete the ICSP (estimated cost of \$10-15,000)
- Hire an Asset Evaluation company to complete the TCA for the Auditor. (estimated cost of \$10-15,000)
- Hire an individual to run the Election

Proposal Option #2

Hire me, under contract (currently under salary) at a cost of \$3,000 per month, for a closed term of six months to do the following:

- Continue to perform day-to-day CAO duties and provide guidance to staff and Council.
- Complete TCA Valuation with the guidance of Auditor;
- Complete ICSP by September 1, 2010;
- Provide training for newly hired CAO until end of November;
- Run the municipal election for 2010.

Current Situation (continued)

- GRANT MANAGEMENT - Other impacts to the position, which are time consuming, include the Grant management. Even with my extensive knowledge of the grant programs, I find the reporting to the various government departments' time consuming and challenging. I have not delegated this duty to Jeannie as she has not given me the confidence to be able to handle it.
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