

VILLAGE OF HOLDEN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

**Brian King Professional Corporation
Certified General Accountant**



INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Holden:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Village of Holden, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Holden as at December 31, 2015, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

M.D. of Wainwright

May 15, 2016

A handwritten signature in black ink, appearing to be 'M.D. of Wainwright', written over a horizontal line.

Certified General Accountant

VILLAGE OF HOLDEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	1,572,653	1,417,187
Taxes and grants in place of taxes (Note 3)	98,440	89,639
Trade and other receivables	21,520	16,487
Due from other governments	94,949	37,252
Inventory held for resale	47,683	47,683
Other financial assets	10	10
	<u>1,835,255</u>	<u>1,608,258</u>
LIABILITIES		
Accounts payable and accrued liabilities	73,399	35,632
Deposits held in trust	4,977	5,116
Deferred revenue (Note 5)	678,085	618,883
Long term debt (Note 6)	1,130,231	1,217,562
	<u>1,886,692</u>	<u>1,877,193</u>
NET FINANCIAL DEBT	<u>(51,437)</u>	<u>(268,935)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>3,890,406</u>	<u>3,802,408</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>3,838,969</u>	<u>3,533,473</u>

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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (unaudited)	2015	2014
REVENUE			
Net municipal property taxes (Schedule 3)	325,203	318,366	312,109
User fees and sales of goods	104,723	110,361	93,375
Penalties and costs on taxes	12,000	10,800	9,187
Licenses and permits	1,650	1,525	1,538
Fines	3,000	1,150	450
Franchise and concession contracts	12,400	12,728	11,905
Investment income	154,900	329,299	114,657
Rentals	10,260	9,641	11,533
Government transfers for operating	76,225	83,215	66,991
Other	5,700	18,473	32,514
	<u>706,061</u>	<u>895,558</u>	<u>654,259</u>
EXPENSES			
Legislative	26,585	28,248	22,705
Administration	229,996	247,087	202,614
Protective services	50,281	41,858	46,791
Transportation	134,415	130,627	129,583
Wastewater treatment and disposal	35,325	39,826	38,713
Waste management	20,880	20,587	22,318
Public health and welfare	3,500	3,540	3,268
Recreation	36,300	31,773	28,509
Culture	52,111	62,918	49,518
Amortization	158,240	161,234	158,246
Loss on disposal of assets	-	-	3,550
	<u>747,633</u>	<u>767,698</u>	<u>705,815</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(41,572)	127,860	(51,556)
OTHER			
Government transfers for capital (Schedule 4)	-	177,636	89,269
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(41,572)	305,496	37,713
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>3,533,473</u>	<u>3,533,473</u>	<u>3,495,760</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>3,491,901</u></u>	<u><u>3,838,969</u></u>	<u><u>3,533,473</u></u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (unaudited)	2015	2014
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>(41,572)</u>	<u>305,496</u>	<u>37,713</u>
Acquisition of tangible capital assets	(257,100)	(249,232)	(58,892)
Proceeds on disposal of tangible capital assets	-	-	1,000
Amortization of tangible capital assets	158,240	161,234	158,246
Loss (gain) on sale of tangible capital assets	<u>-</u>	<u>-</u>	<u>3,550</u>
	<u>(98,860)</u>	<u>(87,998)</u>	<u>103,904</u>
Net (increase) decrease of prepaid assets	<u>-</u>	<u>-</u>	<u>2,888</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>(140,432)</u>	<u>217,498</u>	<u>144,505</u>
NET FINANCIAL DEBT, BEGINNING OF YEAR	<u>(268,935)</u>	<u>(268,935)</u>	<u>(413,440)</u>
NET FINANCIAL DEBT, END OF YEAR	<u><u>(409,367)</u></u>	<u><u>(51,437)</u></u>	<u><u>(268,935)</u></u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	305,496	37,713
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	161,234	158,246
Loss (gain) on disposal of tangible capital assets	-	3,550
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(8,801)	(53,496)
Decrease (increase) in trade and other receivables	(5,033)	10,873
Decrease (increase) in due from other governments	(57,697)	2,797
Decrease (increase) in prepaid expenses	-	2,887
Increase (decrease) in accounts payable and accrued liabilities	37,767	(2,508)
Increase (decrease) in deposits held in trust	(139)	325
Increase (decrease) in deferred revenue	59,202	157,104
	492,029	317,491
CAPITAL		
Acquisition of tangible capital assets	(249,232)	(58,892)
Sale of tangible capital assets	-	1,000
	(249,232)	(57,892)
FINANCING		
Long-term debt repaid	(87,331)	(84,295)
	(87,331)	(84,295)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	155,466	175,304
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,417,187	1,241,883
CASH AND CASH EQUIVALENTS, END OF YEAR	1,572,653	1,417,187
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	150	150
Cash in bank	400,652	242,126
Term Deposits and demand notices	1,171,851	1,174,911
	1,572,653	1,417,187

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014
BALANCE, BEGINNING OF YEAR	150,316	798,311	2,584,846	3,533,473	3,495,760
Excess of revenues over expenses	305,496	-	-	305,496	37,713
Unrestricted funds designated for future use	(139,487)	139,487	-	-	-
Current year funds used for tangible capital assets	(249,232)	-	249,232	-	-
Annual amortization expense	161,234	-	(161,234)	-	-
Net change in long term debt	(87,331)	-	87,331	-	-
Change in accumulated surplus	(9,320)	139,487	175,329	305,496	37,713
BALANCE, END OF YEAR	140,996	937,798	2,760,175	3,838,969	3,533,473

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CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2015	2014
COST:								
Balance - beginning of year	412,464	138,550	844,459	6,378,781	422,877	32,217	8,229,348	8,176,956
Acquisition of tangible capital assets	-	-	46,436	184,386	7,410	11,000	249,232	58,892
Disposal of tangible capital assets	-	-	-	-	-	-	-	6,500
Balance - end of year	412,464	138,550	890,895	6,563,167	430,287	43,217	8,478,580	8,229,348
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	56,948	199,982	4,033,858	115,793	20,359	4,426,940	4,270,644
Annual amortization	-	5,410	16,889	117,134	18,579	3,222	161,234	158,246
Accumulated amortization on disposals	-	-	-	-	-	-	-	1,950
Balance - end of year	-	62,358	216,871	4,150,992	134,372	23,581	4,588,174	4,426,940
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	412,464	76,192	674,024	2,412,175	295,915	19,636	3,890,406	3,802,408
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	412,464	81,602	644,477	2,344,923	307,084	11,858	3,802,408	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 3)

	Budget (Unaudited)	2015	2014
TAXATION			
Real property taxes	347,138	346,905	335,602
Linear property taxes	44,689	44,689	44,360
Government grants in place of property taxes	9,418	2,642	9,115
	<u>401,245</u>	<u>394,236</u>	<u>389,077</u>
REQUISITIONS			
Alberta School Foundation	64,522	64,350	65,448
Beaver Foundation	11,520	11,520	11,520
	<u>76,042</u>	<u>75,870</u>	<u>76,968</u>
NET MUNICIPAL TAXES	<u>325,203</u>	<u>318,366</u>	<u>312,109</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 4)

	Budget (Unaudited)	2015	2014
TRANSFERS FOR OPERATING			
Federal Government	-	-	635
Provincial Government	49,890	57,530	41,953
Local Governments	26,335	25,685	24,403
	<u>76,225</u>	<u>83,215</u>	<u>66,991</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	100,000	11,325
Provincial Government	-	77,636	77,944
	<u>-</u>	<u>177,636</u>	<u>89,269</u>
TOTAL GOVERNMENT TRANSFERS	<u>76,225</u>	<u>260,851</u>	<u>156,260</u>

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CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 5)

	Budget (Unaudited)	2015	2014
Expenditures			
Salaries, wages and benefits	219,343	216,428	206,550
Contracted and general services	144,570	149,731	139,586
Purchases from other governments	7,250	7,320	-
Materials, goods and utilities	113,923	128,927	106,879
Provision for allowances	-	5,759	(17,372)
Transfers to local boards and agencies	59,535	52,371	48,223
Transfers to individuals and agencies	1,790	1,793	1,849
Bank charges and short term interest	300	244	303
Interest on capital long term debt	42,682	42,546	45,586
Other expenditures	-	1,345	12,415
Amortization of tangible capital assets	158,240	161,234	158,246
Loss on disposal of tangible capital assets	-	-	3,550
	<u>747,633</u>	<u>767,698</u>	<u>705,815</u>

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SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Recreation & Culture	Total
REVENUE							
Net municipal property taxes (Schedule 2)	318,366	-	-	-	-	-	318,366
User fees and sales of goods	17,133	-	1,300	77,969	-	13,959	110,361
Penalties and costs on taxes	10,800	-	-	-	-	-	10,800
Licenses and permits	385	1,140	-	-	-	-	1,525
Fines	-	1,150	-	-	-	-	1,150
Franchise and concession contracts	12,728	-	-	-	-	-	12,728
Investment income	329,299	-	-	-	-	-	329,299
Rentals	9,641	-	-	-	-	-	9,641
Government transfers	58,280	-	-	-	-	24,935	83,215
Other	2,242	-	-	-	-	16,231	18,473
	<u>758,874</u>	<u>2,290</u>	<u>1,300</u>	<u>77,969</u>	<u>-</u>	<u>55,125</u>	<u>895,558</u>
EXPENSES							
Salaries, wages and benefits	148,860	2,806	24,868	12,945	-	26,949	216,428
Contracted and general services	74,570	270	17,639	38,871	40	18,341	149,731
Purchases from other governments	-	7,320	-	-	-	-	7,320
Materials, goods and utilities	35,392	164	45,574	8,597	-	39,200	128,927
Provision for allowances	5,759	-	-	-	-	-	5,759
Transfers to local boards and agencies	8,717	31,298	-	-	3,500	8,856	52,371
Transfers to individuals and agencies	1,793	-	-	-	-	-	1,793
Bank charges and short term interest	244	-	-	-	-	-	244
Interest on capital long term debt	-	-	42,546	-	-	-	42,546
Other expenditures	-	-	-	-	-	1,345	1,345
	<u>275,335</u>	<u>41,858</u>	<u>130,627</u>	<u>60,413</u>	<u>3,540</u>	<u>94,691</u>	<u>606,464</u>
NET REVENUE, BEFORE AMORTIZATION	<u>483,539</u>	<u>(39,568)</u>	<u>(129,327)</u>	<u>17,556</u>	<u>(3,540)</u>	<u>(39,566)</u>	<u>289,094</u>
AMORTIZATION AND DISPOSAL OF ASSETS							
Amortization of tangible capital assets	5,100	-	102,607	37,941	-	15,586	161,234
NET REVENUE	<u>478,439</u>	<u>(39,568)</u>	<u>(231,934)</u>	<u>(20,385)</u>	<u>(3,540)</u>	<u>(55,152)</u>	<u>127,860</u>

VILLAGE OF HOLDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Holden are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional 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 are, therefore accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure 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) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) 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.

f) Inventories 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 levelling 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 the respective function.

g) 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Government Transfers

Government transfers are the transfer of assets from senior levels of government 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.

h) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets 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 cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings	25-50
Engineered structures - other	10-65
Engineered structures - wastewater system	45-75
Land improvements	10-45
Machinery and equipment	5-40
Vehicles	10-40

No amortization is charged in the year of acquisition and full amortization is taken year of disposal. 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.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

2. CASH AND TERM DEPOSITS

	2015	2014
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)	661,861	609,986
Included in cash and term deposits that are deposits held in trust	4,977	5,116
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)	937,798	798,311
Total restricted cash and term deposits	1,604,636	1,413,413
Total un-restricted cash and term deposits	(31,983)	3,774

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2015	2014
Current taxes and grants in place of taxes	28,744	27,179
Arrears taxes	6,451	9,936
Property held by the village as a result of tax forfeiture	116,384	99,905
	151,579	137,020
Less: allowance for doubtful accounts	53,139	47,381
	98,440	89,639

4. BANK INDEBTEDNESS

Bank indebtedness consists of an authorized overdraft in the amount of \$100,000 bearing interest at prime, secured by all assets of the village at large.

5. DEFERRED INCOME

Deferred income consists of the following:	2015	2014
Federal Gas Tax	-	50,000
Municipal Sustainability Initiative - capital	653,274	485,138
Municipal Sustainability Initiative - operating	8,587	9,226
Basic Municipal Transportation	-	65,622
Prepaid property taxes	5,677	7,220
Other deferred revenue	10,547	1,677
	678,085	618,883

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

6. LONG TERM DEBT

	<u>2015</u>	<u>2014</u>
Alberta Capital Finance Authority	<u>1,130,231</u>	<u>1,217,562</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	90,475	39,538	130,013
2017	93,733	36,280	130,013
2018	97,109	32,904	130,013
2019	100,605	29,408	130,013
2020	104,228	25,785	130,013
Thereafter	<u>644,081</u>	<u>70,993</u>	<u>715,074</u>
	<u>1,130,231</u>	<u>234,908</u>	<u>1,365,139</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at 3.569% per annum and matures in 2026.

The village's total cash payments for interest in 2015 were \$42,682 (2014 - \$45,718).

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 Holden be disclosed as follows:

	<u>2015</u>	<u>2014</u>
Total debt limit	<u>1,343,337</u>	<u>981,389</u>
Total debt	<u>1,130,231</u>	<u>1,217,562</u>
Surplus debt limit	<u>213,106</u>	<u>(236,173)</u>
Debt servicing limit	<u>223,890</u>	<u>163,565</u>
Debt servicing	<u>130,013</u>	<u>130,013</u>
Surplus debt servicing	<u>93,877</u>	<u>33,552</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, which 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.

In 2011, the Village of Holden received Ministerial approval for the debenture exceeding the debt limit. This debenture was approved to fund the 50th street paving project.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
Tangible capital assets (Schedule 2)	8,478,580	8,229,348
Accumulated amortization (Schedule 2)	(4,588,174)	(4,426,940)
Long-term debt (Note 6)	(1,130,231)	(1,217,562)
	<u>2,760,175</u>	<u>2,584,846</u>

9. ACCUMULATED SURPLUS

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

	<u>2015</u>	<u>2014</u>
Unrestricted surplus	<u>140,996</u>	<u>150,316</u>
Restricted surplus		
Beaver Municipal Solutions surplus	247,030	63,159
Debenture borrowing surplus	290,484	333,166
Fire department	10,070	4,735
General	244,993	244,993
Grants to organizations	-	1,000
Interest on investments	18,203	25,203
Land development	24,000	24,000
ECD	7,008	10,375
Playground and recreation	45,840	33,110
Sewer	50,170	58,570
	<u>937,798</u>	<u>798,311</u>
Equity in tangible capital assets	<u>2,760,175</u>	<u>2,584,846</u>
	<u>3,838,969</u>	<u>3,533,473</u>

VILLAGE OF HOLDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

10. SEGMENTED DISCLOSURE

The Village provides a range of services to its ratepayers. For each reported 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)

11. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer as required by Alberta Regulation 313/2000 is as follows:

	2015			2014
	Salary	Benefits & Allowances	Total	Total
Bartel	2,690	-	2,690	2,680
Giebelhaus	2,555	-	2,555	1,560
Marko	2,900	-	2,900	2,780
Marsh	5,555	4	5,559	3,310
Thompson	4,805	-	4,805	5,505
CAO	55,645	15,474	71,119	68,680

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 pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

12. CONTINGENCIES

The village is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the village could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The village is a member of the Beaver Regional Waste Management Services Commission. Under the terms of the membership, the village could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the commission. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

VILLAGE OF HOLDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

13. FINANCIAL INSTRUMENTS

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

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

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

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the village participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves 237,612 people and 423 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The village is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the village are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the village to the LAPP in 2015 were \$15,828. Total current service contributions by the employees of the village to the Local Authorities Pension Plan in 2015 were \$14,439.

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.45 billion.

VILLAGE OF HOLDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

15. COMPARITIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.