

**The Corporation of the Town  
of Petrolia**  
**Financial Statements**  
For the year ended December 31, 2015

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	<b>Contents</b>
<b>Independent Auditor's Report</b>	<b>2</b>
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Changes in Net Financial Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
<b>Trust Funds Financial Statements</b>	<b>26</b>
Trust Funds Independent Auditor's Report	27
Trust Funds Balance Sheet - December 31, 2015	28
Trust Funds Statement of Continuity - December 31, 2015	28
Trust Funds Balance Sheet - December 31, 2014	29
Trust Funds Statement of Continuity - December 31, 2014	29
Trust Funds Notes to the Financial Statements	30

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## Independent Auditor's Report

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### To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Petrolia

We have audited the accompanying financial statements of The Corporation of the Town of Petrolia, which comprise the statement of financial position as at December 31, 2015 and the statements of operations and accumulated surplus, changes 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 Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Petrolia as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants, Licensed Public Accountants

Ridgetown, Ontario  
June 27, 2016

## The Corporation of the Town of Petrolia Statement of Financial Position

December 31	2015	2014
<b>Financial Assets</b>		
Cash (Note 3)	\$ 2,875,816	\$ 1,239,483
Taxes receivable	190,815	511,768
Accounts receivable	2,801,401	1,281,386
Long-term receivable (Note 4)	250,000	300,000
Investment in Bluewater Power Corporation (Note 5)	4,470,562	4,466,008
	<u>10,588,594</u>	<u>7,798,645</u>
<b>Liabilities</b>		
Loan payable (Note 6)	1,000,000	-
Accounts payable and accrued liabilities	1,550,502	602,181
Other current liabilities	627,599	523,177
Interest on municipal debt	22,336	20,481
Municipal debt (Note 7)	3,085,776	3,122,281
Deferred revenue (Note 8)	164,464	11,523
	<u>6,450,677</u>	<u>4,279,643</u>
<b>Net Financial Assets</b>	<u>4,137,917</u>	<u>3,519,002</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 9)	60,297,149	57,488,132
Prepaid expenses	89,257	67,397
	<u>60,386,406</u>	<u>57,555,529</u>
<b>Accumulated Surplus (Note 10)</b>	<u>\$64,524,323</u>	<u>\$ 61,074,531</u>

Contingencies (Note 11)

On behalf of Council:

  
 \_\_\_\_\_ Mayor

  
 \_\_\_\_\_ Treasurer

## The Corporation of the Town of Petrolia Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2015	Actual 2015	Actual 2014
	(Note 12)		
<b>Revenue</b>			
Taxation	\$ 4,289,507	\$ 4,326,523	\$ 3,977,759
Water and sewer charges	4,175,474	4,200,307	3,687,581
Fees and user charges	2,258,200	2,365,202	2,088,319
Fees and user charges - other municipalities	173,939	171,352	179,737
Grants (Note 13)	1,247,561	3,203,490	1,136,146
Other	350,405	484,681	678,329
Donations of property	-	-	50,000
Bluewater Power Corporation (Note 5)	105,778	204,620	303,083
	<u>12,600,864</u>	<u>14,956,175</u>	<u>12,100,954</u>
<b>Expenses</b>			
General government	1,471,674	1,433,734	1,331,273
Protection services	1,495,261	1,469,906	1,370,180
Transportation services	1,586,945	1,466,524	1,575,118
Environmental services	3,218,249	3,074,592	3,042,230
Health services	133,364	82,330	156,412
Recreation and cultural services	3,372,005	3,722,672	3,363,068
Planning and development	320,236	256,625	167,752
Write down of tangible capital asset (Note 9)	-	-	370,000
	<u>11,597,734</u>	<u>11,506,383</u>	<u>11,376,033</u>
<b>Annual surplus</b>	1,003,130	3,449,792	724,921
<b>Accumulated surplus, beginning of year</b>	<u>61,074,531</u>	<u>61,074,531</u>	<u>60,349,610</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 62,077,661</u>	<u>\$ 64,524,323</u>	<u>\$ 61,074,531</u>

The accompanying notes are an integral part of these financial statements.

**The Corporation of the Town of Petrolia  
Statement of Changes in Net Financial Assets**

For the year ended December 31	Budget 2015	Actual 2015	Actual 2014
	(Note 12)		
Annual surplus	\$ 1,003,130	\$ 3,449,792	\$ 724,921
Acquisition of tangible capital assets	(3,492,922)	(5,101,423)	(2,564,206)
Amortization of tangible capital assets	1,978,869	1,978,869	1,919,992
Loss on sale of tangible capital assets	-	4,066	97,004
Proceeds on sale of tangible capital assets	-	309,471	2,257
Writedown of tangible capital asset (Note 9)	-	-	370,000
	(510,923)	640,775	549,968
Net change prepaid expenses	-	(21,860)	(50,530)
<b>Net change in net financial assets</b>	<b>(510,923)</b>	<b>618,915</b>	<b>499,438</b>
Net financial assets, beginning of year	3,519,002	3,519,002	3,019,564
<b>Net financial assets, end of year</b>	<b>\$ 3,008,079</b>	<b>\$ 4,137,917</b>	<b>\$ 3,519,002</b>

The accompanying notes are an integral part of these financial statements.

## The Corporation of the Town of Petrolia Statement of Cash Flows

For the year ended December 31	2015	2014
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	\$ 3,449,792	\$ 724,921
Items not involving cash		
Writedown of tangible capital asset (Note 9)	-	370,000
Amortization of capital assets	1,978,869	1,919,992
Loss on sale of capital assets	4,066	97,004
Share of net income of Bluewater Power Corporation	(204,620)	(303,083)
	<u>5,228,107</u>	<u>2,808,834</u>
<b>Net change in non-cash working capital items</b>		
Taxes receivable	320,953	469,812
Accounts receivables	(1,520,015)	(33,065)
Accounts payable and accrued liabilities	1,052,743	4,582
Interest on municipal debt	1,855	(3,555)
Deferred revenue	152,941	(4,783)
Prepaid expenses	(21,860)	(50,530)
	<u>(13,383)</u>	<u>382,461</u>
	<u>5,214,724</u>	<u>3,191,295</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(5,101,423)	(2,564,206)
Proceeds from sale of tangible capital assets	309,471	2,257
	<u>(4,791,952)</u>	<u>(2,561,949)</u>
<b>Investing activities</b>		
Repayment of long-term receivable	50,000	50,000
Dividends from Bluewater Power Corporation	200,066	101,817
	<u>250,066</u>	<u>151,817</u>
<b>Financing activities</b>		
Long-term debt advances	950,000	-
Repayment of municipal debt	(986,505)	(982,105)
	<u>(36,505)</u>	<u>(982,105)</u>
<b>Net change in cash and cash equivalents</b>	<b>636,333</b>	<b>(200,942)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,239,483</b>	<b>1,440,425</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,875,816</b>	<b>\$ 1,239,483</b>
<b>Comprised of:</b>		
Cash	\$ 2,875,816	\$ 1,239,483
Bank loan	(1,000,000)	-
	<u>\$ 1,875,816</u>	<u>\$ 1,239,483</u>

The accompanying notes are an integral part of these financial statements.

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# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

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### 1. Significant Accounting Policies

The financial statements of The Corporation of the Town of Petrolia (the "Town") are the representations of management prepared in accordance with accounting principles established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

#### (a) Basis of Reporting

##### (i) Reporting Entity

The financial statements reflect the financial assets, liabilities, reserves, surpluses/deficits, revenues and expenses of all municipal organizations and committees which are controlled by Council.

##### (ii) Government Business Enterprises

The investment in Petrolia Electricity Holdings Inc. and its investment in Bluewater Power Corporation is accounted for on the modified equity basis which reflects the Town's investment in the enterprise and its share of net income since acquisition. Under the modified equity basis, the enterprise's accounting principles are not adjusted to conform with those of the municipality and inter-organizational transactions and balances are not eliminated.

##### (iii) Accounting for County and School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Lambton are not reflected in these financial statements except to the extent that any amounts due to or from are reported on the Statement of Financial Position. Taxation raised by the Town on their behalf is reflected as a deduction from total taxation on the Statement of Operations and Accumulated Surplus.

##### (iv) Trust Funds

Trust funds and their related operations administered by the Town are not reflected in these financial statements, but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

#### (b) Basis of Accounting

##### (i) Accrual Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

##### (ii) Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and short-term investments with maturities of three months or less and are stated at cost.

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# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

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### 1. Significant Accounting Policies (Continued)

#### (b) Basis of Accounting (Continued)

##### (iii) 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 ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

##### (iv) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at their fair value at the date of contribution. Where fair market value cannot be reasonably determined, contributed tangible capital assets are recorded at a nominal amount. Amortization is provided over the estimated useful life of the assets, using the straight line method. The useful life of the assets is based on estimates determined by management. The following useful lives are used:

Land improvements	75 years
Buildings	50 years
Equipment	3 - 15 years
Vehicles	7 - 20 years
Road infrastructure	30 - 75 years
Environmental infrastructure	45 - 60 years

Assets under construction are not amortized until the asset is available for productive use.

##### (v) Intangible Assets

Intangible assets, art and historic treasures, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recognized in these financial statements.

##### (vi) Deferred Revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the Statement of Financial Position. The revenue is reported on the Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.



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# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

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### 1. Significant Accounting Policies (Continued)

#### (b) Basis of Accounting (Continued)

##### (vii) Revenue Recognition

Property tax billings are prepared by the municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Town Council, incorporating amounts to be raised for local services, the requisition made by the County of Lambton in respect of County services and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the town determines the taxes applicable and renders supplementary tax billings. Assessments and related property taxes are also subject to appeal. Each year management provides a best estimate of the affect of supplementary assessments and tax appeals on taxation revenue.

The Town is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

User fees and other revenues are recognized when related goods or services are provided and collectability is reasonably assured.

Investment income earned on surplus funds (other than obligatory reserve funds) is reported as revenue on the daily accrual basis. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when the monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

##### (viii) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

### 2. Operations of School Boards and the County of Lambton

Further to note 1(a)(iii), the taxation, other revenues and requisitions for the school boards and the County of Lambton are comprised of:

	County of Lambton	School Boards	Total
Taxation and user charges	\$ 2,135,961	\$ 1,516,417	\$ 3,652,378
Share of payments in lieu of taxes	16,649	14,140	30,789
	<u>2,152,610</u>	<u>1,530,557</u>	<u>3,683,167</u>
Share of taxes written off	48,267	44,874	93,141
Share of tax rebates	2,232	2,850	5,082
	<u>50,499</u>	<u>47,724</u>	<u>98,223</u>
Amounts transferred	<u>\$ 2,102,111</u>	<u>\$ 1,482,833</u>	<u>\$ 3,584,944</u>

### 3. Cash

	2015	2014
Unrestricted	\$ 2,875,816	\$ 1,227,854
Restricted	-	11,629
	<u>\$ 2,875,816</u>	<u>\$ 1,239,483</u>

The municipality has internally and externally restricted funds that are segregated and will be used only for specific purposes.

Interest is earned on bank balances at the bank's monthly average prime rate less 2.00%.

### 4. Long-term Receivable

In 2000, the Town reached a settlement with regards to royalties to be paid for waste deposited in the landfill site formerly owned by the Town. Under the terms of the settlement, the Town received a settlement of \$5,000,000, of which \$4,000,000 was paid during the fiscal year 2000 and the remaining \$1,000,000 is to be paid without interest over 20 years with an annual payment of \$50,000 per year commencing January 1, 2001. The balance outstanding at the end of 2015 was \$250,000 (2014 - \$300,000). The outstanding principal balance or any portion thereof may be repaid at any time.

# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

### 5. Hydro Investments

In recognition of the requirements of Bill 35 (The Energy Competition Act, 1998) the Town, along with the City of Sarnia, Township of Warwick, Village of Point Edward, Village of Oil Springs and Village of Alvinston, effective October, 2000, merged their hydro-electrical operations and transferred all of their hydro-electrical assets and liabilities to Bluewater Power Corporation and its subsidiary.

In consideration of the transfers, each municipality took back a proportionate share of the common shares of Bluewater Power Corporation and promissory notes of its wholly owned subsidiary, Bluewater Power Distribution Corporation. The Town's proportionate share of the investment amounted to 7.36% (736 common shares). A wholly owned subsidiary, Petrolia Electricity Holdings Inc. was incorporated to hold the common share portion of the investment.

The financial statements of Bluewater Power Corporation were prepared in accordance with International Financial Reporting Standards (IFRS) for the first time for the year ended December 31, 2015, including comparative information. Bluewater Power Corporation adjusted the amounts reported previously in accordance with Canadian generally accepted accounting principles.

The Town has prospectively included in its December 31, 2015 financial statements the proportionate share of the prior period adjustments due to Bluewater Power Corporation's conversion to IFRS.

The investment is composed of the following:

	2015	2014
Promissory Notes - Blue Water Power Corporation	\$ 1,430,914	\$ 1,430,914
Petrolia Electricity Holdings Inc. - common shares	1,327,163	1,327,163
Share of net income since acquisition, net of dividends received	1,712,485	1,707,931
	\$ 4,470,562	\$ 4,466,008

### Continuity of Investment

	2015	2014
Balance, beginning of year	\$ 4,466,008	\$ 4,264,742
Adjustment to equity due to change in accounting policy	(76,779)	-
	4,389,229	4,264,742
Share of net income for the year	281,399	303,083
Less: Dividends received during the year	200,066	101,817
Net increase in equity during the year	81,333	201,266
	\$ 4,470,562	\$ 4,466,008

# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

### 5. Hydro Investments (Continued)

The promissory note due from Bluewater Power Corporation, bears interest at 6.39%, is unsecured, subordinated and due eighteen months following demand for payment. Interest received on these notes amounted to \$91,435 (2014 - \$91,435) which is reported in the Statement of Operations and Accumulated Surplus.

The following tables provide condensed financial information for the municipality's government business enterprises.

#### Bluewater Power Corporation - Financial Position

	2015	2014 (Restated)
<b>Assets</b>		
Current assets	\$ 32,798,683	\$ 34,085,653
Property, plant and equipment	55,279,649	51,809,351
Other assets	7,775,288	8,560,772
Total assets	95,853,620	94,455,776
Regulatory balances	6,660,625	4,784,683
Total assets and regulatory balances	\$ 102,514,245	\$ 99,240,459
	2015	2014 (Restated)
<b>Liabilities</b>		
Current liabilities	\$ 22,046,594	\$ 20,028,677
Long-term liabilities	35,592,704	34,878,498
Total liabilities	57,639,298	54,907,175
<b>Equity</b>		
Share capital	18,032,105	18,032,105
Retained earnings	24,383,305	23,241,485
Accumulated other comprehensive loss	(1,115,849)	(1,079,108)
Total equity	41,299,561	40,194,482
Total liabilities and equity	98,938,859	95,101,657
Regulatory balances	3,575,386	4,138,802
Total liabilities, equity and regulatory balances	\$ 102,514,245	\$ 99,240,459

## The Corporation of the Town of Petrolia Notes to the Financial Statements

December 31, 2015

### 5. Hydro Investments (continued)

#### Bluewater Power Corporation - Results of Operations

	2015	2014 (Restated)
Revenues	\$ 136,449,483	\$ 124,812,957
Expenses	133,687,739	122,582,519
Income tax expense	1,351,000	1,570,000
Net income for the year	1,410,744	660,438
Net movement in regulatory balances, net of tax	2,449,358	3,538,557
Other comprehensive loss for the year	(36,741)	(1,079,108)
Total comprehensive income for the year	<u>\$ 3,823,361</u>	<u>\$ 3,119,887</u>
Town of Petrolia share of net income at 7.36%	<u>\$ 281,399</u>	<u>\$ 229,624</u>
Dividends	<u>\$ 2,718,282</u>	<u>\$ 1,383,376</u>
Town of Petrolia of dividend at 7.36%	<u>\$ 200,066</u>	<u>\$ 101,817</u>
Net increase in equity during the year	<u>\$ 81,333</u>	<u>\$ 127,807</u>

### 6. Loan Payable

The loan payable represents advances on an Ontario Infrastructure debenture to be used to upgrade the Town's waste water treatment plant. The loan has been approved to a maximum of \$7,000,000. Currently the advances bear interest at the Canadian dollar offered rate (CDOR) and will be converted to municipal debt, payable over 20 years, once the loan is fully advanced.

# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

### 7. Municipal Debt

- (a) The balance of municipal debt reported on the Consolidated Statement of Financial Position consists of the following:

	2015	2014
Bank loan, bearing interest at 4.19%, repayable in blended monthly payments of \$53,118, maturing December 2015.	\$ -	\$ 623,186
Bank loan, bearing interest at 4.60%, repayable in blended monthly payments of \$18,742, maturing October 2015.	-	183,526
CMHC loan, bearing interest at 3.99%, repayable in blended annual payments of \$111,269, maturing November 2024.	827,701	902,943
CMHC loan, bearing interest at 3.97%, repayable in blended annual payments of \$78,174, maturing December 2024.	582,048	635,013
Ontario infrastructure debenture, bearing interest at 3.17%, repayable in blended semi-annual payments of \$37,916 maturing February 2027.	726,027	777,613
Ontario infrastructure debenture, bearing interest at 2.29%, repayable in blended semi-annual payments of \$53,416 maturing October 2025.	950,000	-
	<b>\$ 3,085,776</b>	<b>\$ 3,122,281</b>

- (b) The following schedule shows the principal repayments of long-term debt expected on the loans that have been disbursed to date.

2016	\$ 272,111
2017	281,091
2018	290,381
2019	299,994
2020	309,941
Thereafter	1,632,258
	<b>\$ 3,085,776</b>

- (c) Total interest charges related to the municipal debt are reported in expenses in the Consolidated Statement of Operations and amounted to \$105,463 (2014 - \$141,937).
- (d) The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

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## The Corporation of the Town of Petrolia Notes to the Financial Statements

December 31, 2015

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### 8. Deferred Revenue

Provincial legislation restricts how certain funds may be used. Deferred revenue related to these funds is comprised of the following:

	2015	2014
Recreational land	\$ 3,644	\$ 11,523
Gas tax funding	160,820	-
	\$ 164,464	\$ 11,523

The net change during the year in the deferred revenue balances is as follows:

	2015	2014
Balance, beginning of year	\$ 11,523	\$ 16,306
Investment income	911	155
Gas tax funding received	160,066	164,345
Donations	-	3,000
	172,500	183,806
Transfer to operations	8,036	172,283
	\$ 164,464	\$ 11,523

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The Corporation of the Town of Petrolia  
Notes to the Financial Statements

December 31, 2015

9. Tangible Capital Assets

2015

	Land	Land Improve- ments	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
<b>Cost</b>								
Balance - December 31, 2014	\$ 1,516,783	\$ 1,275,752	\$ 26,295,482	\$ 6,694,833	\$ 1,668,808	\$ 50,412,682	\$ 2,606,425	\$ 90,470,765
Additions	-	55,414	226,641	190,282	40,857	621,524	3,966,705	5,101,423
Disposals	(50,000)	(136,991)	(225,000)	-	(188,765)	-	-	(600,756)
Transfer (to) from other classes	-	512,019	5,651	-	3,556	295,023	(816,249)	-
Balance - December 31, 2015	<b>\$ 1,466,783</b>	<b>\$ 1,706,194</b>	<b>\$ 26,302,774</b>	<b>\$ 6,885,115</b>	<b>\$ 1,524,456</b>	<b>\$ 51,329,229</b>	<b>\$ 5,756,881</b>	<b>\$ 94,971,432</b>
<b>Accumulated Amortization</b>								
Balance - December 31, 2014	\$ -	\$ 437,082	\$ 8,023,489	\$ 2,541,663	\$ 967,993	\$ 21,012,406	\$ -	\$ 32,982,633
Amortization expense	-	52,835	500,090	269,223	77,517	1,079,204	-	1,978,869
Disposals	-	(72,248)	(30,206)	-	(184,765)	-	-	(287,219)
Balance - December 31, 2015	<b>\$ -</b>	<b>\$ 417,669</b>	<b>\$ 8,493,373</b>	<b>\$ 2,810,886</b>	<b>\$ 860,745</b>	<b>\$ 22,091,610</b>	<b>\$ -</b>	<b>\$ 34,674,283</b>
Net Book Value	<b>\$ 1,466,783</b>	<b>\$ 1,288,525</b>	<b>\$ 17,809,401</b>	<b>\$ 4,074,229</b>	<b>\$ 663,711</b>	<b>\$ 29,237,619</b>	<b>\$ 5,756,881</b>	<b>\$ 60,297,149</b>



**The Corporation of the Town of Petrolia  
Notes to the Financial Statements**

December 31, 2015

**9. Tangible Capital Assets (Continued)**

**2014**

	Land	Land Improve- ments	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
<b>Cost</b>								
Balance - December 31, 2013	\$ 1,211,818	\$ 1,272,828	\$ 26,007,042	\$ 6,488,546	\$ 1,678,862	\$ 49,340,142	\$ 2,679,531	\$ 88,678,769
Additions	304,965	82,240	59,737	221,849	29,246	48,720	1,817,449	2,564,206
Disposals	-	(35,054)	(21,605)	(15,562)	(39,300)	(290,689)	-	(402,210)
Writedown of assets	-	(95,000)	(275,000)	-	-	-	-	(370,000)
Transfer (to) from other classes	-	50,738	525,308	-	-	1,314,509	(1,890,555)	-
Balance - December 31, 2014	<b>\$ 1,516,783</b>	<b>\$ 1,275,752</b>	<b>\$ 26,295,482</b>	<b>\$ 6,694,833</b>	<b>\$ 1,668,808</b>	<b>\$ 50,412,682</b>	<b>\$ 2,606,425</b>	<b>\$ 90,470,765</b>
<b>Accumulated Amortization</b>								
Balance - December 31, 2013	\$ -	\$ 425,720	\$ 7,544,045	\$ 2,299,355	\$ 910,459	\$ 20,186,011	\$ -	\$ 31,365,590
Amortization expense	-	43,261	499,244	252,682	93,123	1,031,682	-	1,919,992
Disposals	-	(31,899)	(19,800)	(10,374)	(35,589)	(205,287)	-	(302,949)
Balance - December 31, 2014	<b>\$ -</b>	<b>\$ 437,082</b>	<b>\$ 8,023,489</b>	<b>\$ 2,541,663</b>	<b>\$ 967,993</b>	<b>\$ 21,012,406</b>	<b>\$ -</b>	<b>\$ 32,982,633</b>
<b>Net Book Value</b>	<b>\$ 1,516,783</b>	<b>\$ 838,670</b>	<b>\$ 18,271,993</b>	<b>\$ 4,153,170</b>	<b>\$ 700,815</b>	<b>\$ 29,400,276</b>	<b>\$ 2,606,425</b>	<b>\$ 57,488,132</b>

# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

### 10. Accumulated Surplus

Accumulated surplus consists of the following individual fund surplus and reserves as follows:

	2015	2014
<b>Surplus</b>		
Invested in tangible capital assets	\$ 60,297,149	\$ 57,488,132
Reduce (recover) from future taxation	79,570	50,461
Equity in Bluewater Power Corporation	4,470,562	4,466,008
Unfunded	(3,583,676)	(4,584,093)
	<b>61,263,605</b>	<b>57,420,508</b>
<b>Reserves set aside for specific purposes by Council for:</b>		
Working capital	410,779	468,132
Budget stabilization	50,460	-
Capital projects	250,000	300,000
Cemetery	8,354	8,354
Fire	37,898	16,370
General government	4,000	-
Insurance	50,000	50,000
Library	6,488	4,469
Other cultural	46,039	12,748
Recreation facilities	201,777	173,854
Sewage	2,318,805	2,399,061
Waterworks	(123,882)	221,035
	<b>3,260,718</b>	<b>3,654,023</b>
<b>Total Reserves</b>	<b>3,260,718</b>	<b>3,654,023</b>
<b>Accumulated Surplus</b>	<b>\$ 64,524,323</b>	<b>\$ 61,074,531</b>

### 11. Contingencies

#### Federal Grant

Under the terms of an agreement with the Government of Canada with respect to a \$350,000 grant received for the restoration of Victoria Hall, the Town must operate and maintain Victoria Hall in its restored state for a period of 42 years, commencing from 1992. If Victoria Hall is damaged by fire and not restored to its original condition, then the Town must repay the grant to the Government of Canada. Repayments, if any, will be recognized as an expense in the year of repayment.

#### Line of Credit

The Town approves a line of credit for Actors' Equity whereby a stand by letter of credit in the amount of \$70,000 is to be issued on behalf of Actors' Equity. This bond is to insure payment to the actors performing at the Victoria Playhouse Theatre. Any payments required under this bond will be recognized as an expense in the year payment is made.

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# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

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### 11. Contingencies (Continued)

#### Oil Heritage District Community Centre (OHGCC)

As part of the condition of receiving the Ontario SuperBuild Corporation grant of \$1,686,000 used in financing the construction of the OHGCC, the Town may not transfer ownership of the OHGCC until March 31, 2027 unless the Town receives the prior written consent of the Ministry of Tourism and Recreation (Ministry). As a condition of its consent, the Ministry may specify any conditions including the requirement that the Town repay some or all of the Ontario SuperBuild Corporation grant. The repayment amount, if any, is to be determined by the Ministry and to be repaid within a time period specified by the Ministry.

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### 12. Budget Data

The unaudited budget data presented in these financial statements is based upon the 2015 budget approved by Council. Budgets are not prepared on a basis consistent with that used to report actual results under Public Sector Accounting Standards. Budgets anticipate using surpluses (or deficits) accumulated in previous years to reduce current year expenditures in excess of revenues to nil. In addition the budget expensed all tangible capital assets rather than capitalizing them and recording amortization expense. The budget also expenses principal payments on debt and reserve transfers. As a result, the budget figures presented in the Statement of Operations and Accumulated Surplus represent the budget adopted by council with the following adjustments:

	<u>2015</u>
Budgeted surplus (deficit) for the year	\$ (1,220,472)
Adjustments for:	
Debt principal repayments	986,505
Capital expenditures	3,492,922
Reserve transfers	(276,956)
Amortization	<u>(1,978,869)</u>
<b>Annual budgeted surplus</b>	<b><u>\$ 1,003,130</u></b>

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## The Corporation of the Town of Petrolia Notes to the Financial Statements

December 31, 2015

### 13. Grants

	2015	2014
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 920,300	\$ 875,600
Celebrate Ontario	101,025	-
Ontario Cultural Attractions Fund	35,000	-
Stewardship Ontario	38,327	77,298
	1,094,652	952,898
Government of Canada		
Heritage Canada	5,000	5,000
Program support	11,616	13,903
	16,616	18,903
Total Operating	1,111,268	971,801
Capital		
Province of Ontario		
Provincial gas tax	-	164,345
Ontario Community Infrastructure Fund	1,175,096	-
Small Community Fund	414,782	-
IESO Energy Incentive	87,562	-
	1,677,440	164,345
Government of Canada		
Small Community Fund	414,782	-
Total Capital	2,092,222	164,345
Total Grants	\$ 3,203,490	\$ 1,136,146

### 14. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees' Retirement System (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 461,000 active and retired members and approximately 978 employers.

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# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

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### 14. Pension Agreements (Continued)

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2015. The results of this valuation disclosed total actuarial liabilities of \$81,924 million (2014 - \$76,924 million) in respect of benefits accrued for service with actuarial assets at that date of \$74,947 million (2014 - \$69,846 million) indicating an actuarial deficit of \$6,977 million (2014 - \$7,078 million).

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2015 was \$146,567 (2014 - \$153,135) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level for 2015 (2014 - 9.0% to 14.6% depending on income level).

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### 15. Classification of Expenditures by Object

The Statement of Financial Activities presents the expenditures by function. The following classifies those same expenditures by object:

	2015	2014
Salaries, wages and employee benefits	\$ 3,304,064	\$ 3,368,238
Operating materials and supplies	3,725,799	3,144,010
Contracted services	2,309,216	2,264,182
Interest on long-term debt	103,735	141,936
Amortization	1,978,869	1,919,992
Other	84,700	167,675
Write down of tangible capital asset (Note 9)	-	370,000
Total expenditures by object	<u>\$11,506,383</u>	<u>\$ 11,376,033</u>

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### 16. Trust Funds

Trust funds administered by the Town amounting to \$401,633 (2014 - \$394,586) are not included in the Statement of Financial Position nor have their operations been included in the Statement of Financial Activities.

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### 17. Comparative Figures

Some of the prior year figures have been reclassified to conform to the current year's presentation.

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# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

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### 18. Segmented Information

The Corporation of the Town of Petrolia is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, building inspection, sewer, water, waste collection, waste disposal, recycling, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The nature of the segments and the activities they encompass are as follows:

#### General Government

This item reports the revenues and expenses that relate to the governance and operations of the Town itself and cannot be directly attributed to a specific segment.

#### Protection to Persons and Property

Protection is comprised of police services, fire protection, conservation authority, emergency measures, animal control and building and structural inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

#### Transportation

Transportation is responsible for construction and maintenance of the Town's roadways, bridges, parking areas and streetlighting.

#### Environmental

Environmental services consists of providing waste collection, waste disposal and recycling to its citizens as well as sewer and water services.

Sewers are responsible for collecting and cleaning the sewage. Water collects, treats and distributes the Town's drinking water. They ensure the Town's sewer and water systems meet all Provincial standards.

#### Health

Health services include provision of a health team building and the operations of the local cemetery.

#### Recreational and Cultural Services

This service area provides services meant to improve the health and development of the Town's citizens. The municipality operates and maintains a performing arts theatre, parks, an arena, a swimming pool and a community centre. The Town also provides recreational programs and library facilities.

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# The Corporation of the Town of Petrolia

## Notes to the Financial Statements

December 31, 2015

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### 18. Segmented Information (Continued)

#### Planning and Development

This department is responsible for planning and zoning including the Official Plan. This service area also includes tourist information, promotion and events as well as business improvement area, weed control, and drainage.

## The Corporation of the Town of Petrolia Notes to the Financial Statements

December 31, 2015

### 18. Segmented Information (Continued)

For the year ended December 31, 2015	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreational and Cultural Services	Planning and Development	Total
<b>Revenue</b>								
Taxation	\$ 4,326,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,326,523
Water and sewer charges	-	-	-	4,200,307	-	-	-	4,200,307
Fees and user charges	11,255	4,157	-	-	53,198	2,281,529	15,063	2,365,202
Fees and user charges - other municipalities	-	128,897	17,055	-	7,000	18,400	-	171,352
Grants	1,019,478	-	-	38,327	-	2,145,685	-	3,203,490
Other	342,448	2,840	-	720	5,487	90,771	42,415	484,681
Bluewater Power Corporation	204,620	-	-	-	-	-	-	204,620
	<b>\$ 5,904,324</b>	<b>\$ 135,894</b>	<b>\$ 17,055</b>	<b>\$ 4,239,354</b>	<b>\$ 65,685</b>	<b>\$ 4,536,385</b>	<b>\$ 57,478</b>	<b>\$14,956,175</b>
<b>Expenses</b>								
Salaries and benefits	\$ 753,475	\$ 167,295	\$ 418,365	\$ 308,615	\$ 42,825	\$ 1,566,446	\$ 47,043	\$ 3,304,064
Materials and supplies	379,644	164,612	426,942	892,427	38,318	1,663,454	160,402	3,725,799
Contracted services	87,059	1,060,641	21,370	988,726	-	151,420	-	2,309,216
Interest on long-term debt	-	-	52,991	23,704	-	8,546	18,494	103,735
Amortization	197,061	58,257	546,856	861,120	1,187	284,402	29,986	1,978,869
Other	16,495	19,101	-	-	-	48,404	700	84,700
	<b>\$ 1,433,734</b>	<b>\$ 1,469,906</b>	<b>\$ 1,466,524</b>	<b>\$ 3,074,592</b>	<b>\$ 82,330</b>	<b>\$ 3,722,672</b>	<b>\$ 256,625</b>	<b>\$11,506,383</b>
<b>Annual surplus (deficit)</b>	<b>\$ 4,470,590</b>	<b>\$(1,334,012)</b>	<b>\$(1,449,469)</b>	<b>\$ 1,164,762</b>	<b>\$ (16,645)</b>	<b>\$ 813,713</b>	<b>\$ (199,147)</b>	<b>\$ 3,449,792</b>



**The Corporation of the Town of Petrolia  
Notes to the Financial Statements**

December 31, 2015

**18. Segmented Information (Continued)**

For the year ended December 31, 2014	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreational and Cultural Services	Planning and Development	Total
<b>Revenue</b>								
Taxation	\$ 3,977,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,977,759
Water and sewer charges	-	-	-	3,687,581	-	-	-	3,687,581
Fees and user charges	11,083	2,450	-	-	54,233	2,008,788	11,765	2,088,319
Fees and user charges - other municipalities	-	131,433	19,325	-	7,000	21,979	-	179,737
Grants	889,503	-	164,345	77,298	-	5,000	-	1,136,146
Other	274,403	4,600	-	720	51,672	346,645	50,289	728,329
Bluewater Power Corporation	303,083	-	-	-	-	-	-	303,083
	<b>\$ 5,455,831</b>	<b>\$ 138,483</b>	<b>\$ 183,670</b>	<b>\$ 3,765,599</b>	<b>\$ 112,905</b>	<b>\$ 2,382,412</b>	<b>\$ 62,054</b>	<b>\$12,100,954</b>
<b>Expenses</b>								
Salaries and benefits	\$ 705,686	\$ 162,429	\$ 440,862	\$ 318,823	\$ 54,000	\$ 1,655,244	\$ 31,194	\$ 3,368,238
Materials and supplies	379,334	157,254	512,757	663,266	79,851	1,265,441	86,107	3,144,010
Contracted services	76,661	963,724	20,597	1,103,201	-	99,999	-	2,264,182
Interest on long-term debt	-	-	55,210	48,549	-	18,412	19,765	141,936
Amortization	161,713	68,872	500,979	866,454	22,561	269,427	29,986	1,919,992
Other	7,879	17,901	44,713	41,937	370,000	54,545	700	537,675
	<b>\$ 1,331,273</b>	<b>\$ 1,370,180</b>	<b>\$ 1,575,118</b>	<b>\$ 3,042,230</b>	<b>\$ 526,412</b>	<b>\$ 3,363,068</b>	<b>\$ 167,752</b>	<b>\$11,376,033</b>
<b>Annual surplus (deficit)</b>	<b>\$ 4,124,558</b>	<b>\$ (1,231,697)</b>	<b>\$ (1,391,448)</b>	<b>\$ 723,369</b>	<b>\$ (413,507)</b>	<b>\$ (980,656)</b>	<b>\$ (105,698)</b>	<b>\$ 724,921</b>

**The Corporation of the Town  
of Petrolia  
Trust Funds  
Financial Statements  
For the year ended December 31, 2015**

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## Independent Auditor's Report

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### To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Petrolia

We have audited the accompanying trust fund financial statements of The Corporation of the Town of Petrolia, which comprise the balance sheet as at December 31, 2015 and the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the trust fund financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the trust fund 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 trust fund 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 trust fund financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the trust fund financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Petrolia trust funds as at December 31, 2015 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants, Licensed Public Accountants

Ridgetown, Ontario  
June 27, 2016

**The Corporation of the Town of Petrolia  
Trust Funds  
Balance Sheet**

December 31, 2015

Assets	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Cash	\$ 8,991	\$ -	\$ 926	\$ 4,799	\$ 3,266
Due from the Corporation of the Town of Petrolia	3,706	3,706	-	-	-
Investments	388,936	388,936	-	-	-
	<b>\$ 401,633</b>	<b>\$ 392,642</b>	<b>\$ 926</b>	<b>\$ 4,799</b>	<b>\$ 3,266</b>
<b>Fund Balance</b>	<b>\$ 401,633</b>	<b>\$ 392,642</b>	<b>\$ 926</b>	<b>\$ 4,799</b>	<b>\$ 3,266</b>

**The Corporation of the Town of Petrolia  
Trust Funds  
Statement of Continuity**

December 31, 2015

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Balance, beginning of year	\$ 394,586	\$ 385,692	\$ 912	\$ 4,750	\$ 3,232
<b>Receipts</b>					
Care and maintenance	6,950	6,950	-	-	-
Interest earned (net of service charges)	6,528	6,431	14	49	34
	<b>13,478</b>	<b>13,381</b>	<b>14</b>	<b>49</b>	<b>34</b>
<b>Expenditures</b>					
Transfer to the Corporation of the Town of Petrolia	6,431	6,431	-	-	-
<b>Balance, end of year</b>	<b>\$ 401,633</b>	<b>\$ 392,642</b>	<b>\$ 926</b>	<b>\$ 4,799</b>	<b>\$ 3,266</b>

**The Corporation of the Town of Petrolia  
Trust Funds  
Balance Sheet**

December 31, 2014

Assets	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Cash	\$ 8,894	\$ -	\$ 912	\$ 4,750	\$ 3,232
Due from the Corporation of the Town of Petrolia	5,437	5,437	-	-	-
Investments	380,255	380,255	-	-	-
	<b>\$ 394,586</b>	<b>\$ 385,692</b>	<b>\$ 912</b>	<b>\$ 4,750</b>	<b>\$ 3,232</b>
<b>Fund Balance</b>	<b>\$ 394,586</b>	<b>\$ 385,692</b>	<b>\$ 912</b>	<b>\$ 4,750</b>	<b>\$ 3,232</b>

**The Corporation of the Town of Petrolia  
Trust Funds  
Statement of Continuity**

December 31, 2014

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Balance, beginning of year	\$ 395,233	\$ 378,342	\$ 8,988	\$ 4,703	\$ 3,200
<b>Receipts</b>					
Care and maintenance	7,350	7,350	-	-	-
Interest earned (net of service charges)	5,394	5,250	65	47	32
	12,744	12,600	65	47	32
<b>Expenditures</b>					
Memorial restoration	8,141	-	8,141	-	-
Transfer to the Corporation of the Town of Petrolia	5,250	5,250	-	-	-
	13,391	5,250	8,141	-	-
Balance, end of year	<b>\$ 394,586</b>	<b>\$ 385,692</b>	<b>\$ 912</b>	<b>\$ 4,750</b>	<b>\$ 3,232</b>

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**The Corporation of the Town of Petrolia  
Trust Funds  
Notes to Financial Statements**

**December 31, 2015**

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**1. Significant Accounting Policies**

**(a) Management Responsibility**

The financial statements of The Corporation of the Town of Petrolia (the "Town") Trust Funds are the representations of management. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.

**(b) Basis of Accounting**

Investment income is reported on a cash basis.

Other revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

**(c) Investments**

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

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