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**The Corporation Of The Town Of Petrolia**

**Financial Statements  
December 31, 2018**

AUDIT • TAX • ADVISORY

*Baker Tilly Sarnia LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.*

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

The accompanying financial statements of The Corporation of the Town of Petrolia are the responsibility of management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation of the Town of Petrolia's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of financial statements. These systems are monitored and evaluated by management.

The financial statements have been audited by Baker Tilly Sarnia LLP, independent external auditors and appointed by the Town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation of the Town of Petrolia's financial statements.



**Rick Charlebois**

**Chief Administrative Officer / Treasurer**

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## **Town Council**

Mayor

R. Brad Loosley

Councillors

Wade Deighton

Joel Field

Marty Souch

Ross O'Hara

Grant Purdy

Don Welton

## **Town Administration**

CAO/Treasurer

Rick Charlebois

Clerk/Operations Clerk

Mandi Pearson

Director of Town Marketing, Arts &

Laurissa Ellsworth

Communications

Director of Facilities/Community Services

Dave Menzies

Director of Operations

Mike Thompson

Deputy Treasurer/Tax Collector

Annette Strand

Fire Chief/Director of Protective Services

Jay Arns

# The Corporation of the Town of Petrolia

## Financial Statements

For The Year Ended December 31, 2018

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**Independent Auditors' Report**

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**To The Members Of Council, Inhabitants and Ratepayers  
Of The Corporation of the Town of Petrolia***Opinion*

We have audited the financial statements of the Corporation of the Town of Petrolia (the Municipality) which comprise the statement of financial position as at December 31, 2018 and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Petrolia as at December 31, 2018 and the results of its financial activities, cash flows and change in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

*Basis for Opinion*

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

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

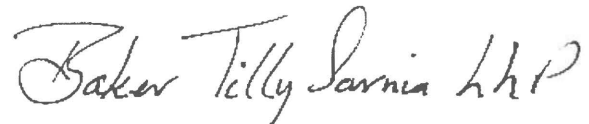
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

**Independent  
Auditor's Report cont'd...**

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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



**Sarnia, Ontario  
June 24, 2019**

**Chartered Professional Accountants  
Licensed Public Accountants**

**Corporation of the Town of Petrolia**  
**Statement Of Financial Position**  
**December 31, 2018**

	2018	2017
<b>Assets</b>		
<b>Financial Assets</b>		
Cash (note 3)	\$ 9,767,138	\$ 4,455,601
Taxes and interest receivable	163,264	419,849
Accounts receivable	2,633,727	4,558,664
Land available for sale	-	144,795
Estimated taxes receivable (note 4)	37,898	-
Long-term receivable (note 5)	100,000	150,000
Investment in Bluewater Power Corporation (note 6)	5,022,720	4,707,191
<b>Total financial assets</b>	<u>17,724,747</u>	<u>14,436,100</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,653,881	3,790,284
Other current liabilities	565,295	606,648
Interest on municipal debt	91,422	96,279
Estimated tax liability (note 4)	27,068	-
Municipal debt (note 7)	9,662,418	10,233,645
Deferred revenue (note 8)	4,825,947	117,476
<b>Total liabilities</b>	<u>16,826,031</u>	<u>14,844,332</u>
<b>Net Financial Assets (Debt)</b>	<u>898,716</u>	<u>(408,232)</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (note 9)	88,442,762	86,401,357
Prepaid expenses	205,009	114,088
<b>Total non-financial assets</b>	<u>88,647,771</u>	<u>86,515,445</u>
<b>Accumulated Surplus (note 10)</b>	<u>\$ 89,546,487</u>	<u>\$ 86,107,213</u>

**Contingencies and Commitments (note 11)**

**On Behalf Of Council**

  
 \_\_\_\_\_

**Mayor**

  
 \_\_\_\_\_

**Treasurer**

The accompanying notes are an integral part of this financial statement.

**Corporation of the Town of Petrolia**  
**Statement Of Operations and Accumulated Surplus**  
**For the Year Ended December 31, 2018**

	<b>Budget 2018 (note 12)</b>	<b>Actual 2018</b>	<b>Actual 2017</b>
<hr/>			
<b>Revenues</b>			
Taxation	\$ 5,137,404	\$ 5,327,022	\$ 4,970,487
Water and sewage charges	3,138,523	3,115,590	4,342,280
Fees and user charges	2,117,000	2,032,085	2,503,043
Fees and user charges - other municipalities	1,102,298	1,128,377	179,679
Grants (note 13)	8,586,958	2,124,090	7,703,280
Other	1,118,975	1,070,217	1,543,949
Bluewater Power Corporation, change in equity	115,000	557,021	270,006
<b>Total revenues</b>	<u>21,316,158</u>	<u>15,354,402</u>	<u>21,512,724</u>
<b>Expenditures</b>			
General government	1,455,952	1,551,118	1,650,767
Protection services	1,399,224	1,503,802	1,511,507
Transportation services	1,193,116	1,455,409	1,471,329
Environmental services	3,160,344	3,801,042	3,532,770
Health services	92,686	68,200	214,665
Recreation and cultural services	3,796,546	3,297,116	4,168,136
Planning and development	201,047	238,441	262,163
<b>Total expenditures</b>	<u>11,298,915</u>	<u>11,915,128</u>	<u>12,811,337</u>
<b>Annual Surplus of Revenues over Expenditures</b>	10,017,243	3,439,274	8,701,387
<b>Net Assets Assumed</b>	<u>-</u>	<u>-</u>	<u>608,876</u>
<b>Annual Surplus</b>	10,017,243	3,439,274	9,310,263
<b>Accumulated Surplus, Beginning Of Year</b>	<u>86,107,213</u>	<u>86,107,213</u>	<u>76,796,950</u>
<b>Accumulated Surplus, End Of Year</b>	<u>\$ 96,124,456</u>	<u>\$ 89,546,487</u>	<u>\$ 86,107,213</u>

The accompanying notes are an integral part of this financial statement.



**Corporation of the Town of Petrolia**  
**Statement of Change in Net Financial Assets**  
**December 31, 2018**

	<b>Budget 2018 (note 12)</b>	<b>Actual 2018</b>	<b>Actual 2017</b>
<b>Annual surplus</b>	\$ 10,017,243	\$ 3,439,274	\$ 9,310,263
Amortization of tangible capital assets	2,257,493	2,257,493	2,125,347
Change in prepaid expenses	-	(90,921)	197,510
Loss on sale of tangible capital assets	-	24,068	9,790
Proceeds from sale of tangible assets	-	710	52,040
Acquisition of tangible capital assets	<u>(12,416,980)</u>	<u>(4,323,676)</u>	<u>(12,912,389)</u>
<b>Net change in net financial assets (debt)</b>	(142,244)	1,306,948	(1,217,439)
<b>Net financial assets (debt), beginning of year</b>	<u>(408,232)</u>	<u>(408,232)</u>	<u>809,207</u>
<b>Net financial assets (debt), end of year</b>	\$ <u><u>(550,476)</u></u>	\$ <u><u>898,716</u></u>	\$ <u><u>(408,232)</u></u>

The accompanying notes are an integral part of this financial statement.

**Corporation of the Town of Petrolia**  
**Statement Of Cash Flows**  
**For The Year Ended December 31, 2018**

	2018	2017
<b>Operating Activities</b>		
Annual surplus	\$ 3,439,274	\$ 9,310,263
Items not requiring cash:		
Amortization and non-cash items	2,062,789	2,231,018
Share of net income of Bluewater Power Distribution	(315,529)	(270,006)
Loss on disposal of tangible capital assets	<u>24,068</u>	<u>9,790</u>
	5,210,602	11,281,065
Taxes and interest receivable	256,585	(203,349)
Accounts receivable	1,924,937	2,645,861
Land available for sale	144,795	-
Accounts payable and accrued liabilities	(2,136,673)	(1,626,164)
Interest on municipal debt	(4,857)	71,059
Deferred revenue	4,708,471	(6,963)
Prepaid expenses	<u>(90,921)</u>	<u>197,510</u>
	10,012,939	12,359,019
<b>Capital Transactions</b>		
Proceeds from sale of tangible assets	710	52,040
Acquisition of tangible capital assets	<u>(4,323,676)</u>	<u>(12,912,389)</u>
	(4,322,966)	(12,860,349)
<b>Investing Transactions</b>		
Repayment of long-term receivable	50,000	50,000
Dividend from Bluewater Power Corporation	<u>142,791</u>	<u>124,129</u>
	192,791	174,129
<b>Financing Transactions</b>		
Proceeds from long-term debt issue	-	3,750,000
Repayment of municipal debt	<u>(571,227)</u>	<u>(330,020)</u>
	(571,227)	3,419,980
<b>Net Change in Cash and Cash Equivalents</b>	5,311,537	3,092,779
<b>Opening Balance, Cash and Cash Equivalents</b>	<u>4,455,601</u>	<u>1,362,822</u>
<b>Closing Balance, Cash and Cash Equivalents</b>	<u>\$ 9,767,138</u>	<u>\$ 4,455,601</u>

The accompanying notes are an integral part of this financial statement.

## **1. Significant Accounting Policies**

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The Financial Statements of the Corporation of the Town of Petrolia (the "Town") are the representation of management prepared in accordance with local government accounting standards 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.

Significant accounting policies adopted include:

**(a) Basis of Reporting**

**(i) Reporting Entity**

These financial statements reflect the financial assets, liabilities, reserves, surpluses/deficits, changes in investment in tangible capital assets and revenues and expenditures of all municipal organizations and committees which are controlled by Council.

**(ii) Government Business Enterprises**

The investment in Petrolia Electricity Holdings Inc. and the investment in Bluewater Power Corporation is accounted for on the modified equity basis which reflects the Town of Petrolia's investment in the enterprises 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 the balances of 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; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

**1. Significant Accounting Policies** cont'd....

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**(b) Basis of Accounting** cont'd..

**(ii) Cash and Cash Equivalents**

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

**(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 expenditures, provides the Change in Net Financial Assets for the year.

**(iv) 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. 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. The useful life of the assets is based on estimates determined by management. The cost, less residual value, of the tangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

<b>Asset</b>	<b>Years</b>
Land improvements	75 years
Buildings	50 years
Equipment	3 to 15 years
Vehicles	7 to 20 years
Road infrastructure	30 to 75 years
Environmental infrastructure	45 to 60 years

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

**(v) Intangible Assets**

Intangible assets, art and cultural and historic assets, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recorded as assets 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.

**1. Significant Accounting Policies cont'd....**

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**(b) Basis of Accounting cont'd...**

**(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 sets up supplementary tax billings. Assessments and related property taxes are also subject to appeals, vacancy rebates and write-offs if applicable in the year. 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 the 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 and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Due to the inherent uncertainty in making estimates, actual results could differ from management's best estimates as additional information becomes available in the future.

**Corporation of the Town of Petrolia**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**2. Operations Of School Boards And The County Of Lambton**

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Further to note 1(a)(iii), the taxation, other revenues and requisitions of the School Boards and the County of Lambton are comprised of the following:

	<b>School Boards</b>	<b>County</b>	<b>2018 Total</b>	<b>2017 Total</b>
Taxation	\$ 1,593,489	\$ 2,425,864	\$ 4,019,353	\$ 3,953,944
Share of payments in lieu of taxes	<u>16,316</u>	<u>18,292</u>	<u>34,608</u>	<u>32,687</u>
	<u>1,609,805</u>	<u>2,444,156</u>	<u>4,053,961</u>	<u>3,986,631</u>
Share of taxes written off	2,825	4,037	6,862	53,930
Share of tax rebates and capping adjustments	<u>2,410</u>	<u>5,598</u>	<u>8,008</u>	<u>5,937</u>
	<u>5,235</u>	<u>9,635</u>	<u>14,870</u>	<u>59,867</u>
Amounts transferred	\$ <u>1,604,570</u>	\$ <u>2,434,521</u>	\$ <u>4,039,091</u>	\$ <u>3,926,764</u>

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**3. Cash and Short-Term Investments**

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**2018**

**2017**

Unrestricted

\$ 9,767,138

\$ 4,455,601

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

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**4. Estimated Taxes**

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**Estimated Taxes Receivable**

At the end of 2018 there was a settlement on the appeal on the tax assessments between Waste Management Ltd. and the Municipal Property Assessment Corporation Field Office No. 26 and the Town of Petrolia. There was a revised property assessment values and classifications within the Town of Petrolia that had revised taxes owing by Waste Management to the Town from 2013 to 2016. Since the amounts each year are measurable and likely to be received, they have been setup as receivable.

**Estimated Taxes Liability**

An estimate was setup for \$20,000 due to property that was billed in prior years to the property owner but is currently in a legal dispute regarding ownership. The amount setup is for legal costs and potential taxes owing depending on the outcome. The remaining amount setup, \$7,068, was due to a settlement of a request for consideration which resulted in a revision to the property assessment by MPAC for the taxation year 2018.

Notes continued on page 11....

**Corporation of the Town of Petrolia**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**5. Long-Term Receivable**

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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 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. At the end of 2018 - \$100,000 (2017 - \$150,000) was still outstanding. The outstanding principal balance or any portion thereof may be prepaid at any time.

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**6. Hydro Investments**

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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 31, 2000, merged all of their hydro-electrical operations and transferred all of their hydro-electrical assets and liabilities to Bluewater Power Corporation and its subsidiary.

Upon determination of the fair value of assets and liabilities transferred, each municipality received a promissory note from Bluewater Power Corporation's wholly owned subsidiary, Bluewater Power Distribution Corporation, and a proportionate share of the common shares of Bluewater Power Corporation. The fair market value of the assets and liabilities contributed by the Town of Petrolia was determined to be 7.36% (736 common shares) of the fair market value of all of the assets and liabilities contributed by all of the six participating municipalities to Bluewater Power Corporation. A wholly owned subsidiary, Petrolia Electricity Holdings Inc. was incorporated to hold the common share portion of the investment.

The investment is composed of the following:

	<b>2018</b>	<b>2017</b>
Promissory note	\$ 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	<u>2,264,643</u>	<u>1,949,114</u>
	<u>\$ 5,022,720</u>	<u>\$ 4,707,191</u>
<b>Continuity of Investment</b>		
Balance, beginning of year	\$ <u>4,707,191</u>	\$ <u>4,561,536</u>
Share of net income for the year	458,320	269,784
Dividends received during the year	<u>142,791</u>	<u>124,129</u>
Net increase in equity during the year	<u>315,529</u>	<u>145,655</u>
Balance, end of year	<u>\$ 5,022,720</u>	<u>\$ 4,707,191</u>

Notes continued on page 12....

**Corporation of the Town of Petrolia**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**6. Hydro Investments cont'd...**

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The promissory note due from Bluewater Power Distribution Corporation, bears interest at 6.73%, is unsecured, subordinated and due eighteen months following demand for payment. During 2018, the Town of Petrolia received \$98,702 (2017 - \$99,557) of interest income on the promissory note which is reported in the Statement of Operations and Accumulated Surplus.

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

<b>Bluewater Power Corporation - Financial Position</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets	\$ 29,869,264	\$ 39,256,653
Property, plant and equipment	71,862,777	66,349,482
Other assets	<u>6,189,274</u>	<u>6,125,605</u>
Total assets	107,921,315	111,731,740
Regulatory balances	<u>3,305,906</u>	<u>2,314,833</u>
Total assets and regulatory balances	<u>\$ 111,227,221</u>	<u>\$ 114,046,573</u>
<b>Liabilities</b>		
Current liabilities	\$ 18,602,719	\$ 26,678,124
Long-term liabilities	<u>39,051,221</u>	<u>38,985,929</u>
	<u>57,653,940</u>	<u>65,664,053</u>
<b>Equity</b>		
Share capital	18,032,105	18,032,105
Retained earnings	33,772,608	30,684,797
Accumulated other comprehensive loss	<u>(3,002,997)</u>	<u>(4,202,268)</u>
Total equity	<u>48,801,716</u>	<u>44,514,634</u>
Total liabilities and equity	106,455,656	110,178,687
Regulatory balances	<u>4,771,565</u>	<u>3,867,886</u>
Total Liabilities, Equity and Regulatory Balances	<u>\$ 111,227,221</u>	<u>\$ 114,046,573</u>
<b>Bluewater Power Corporation - Results of Operations</b>		
Revenues	\$ 131,792,398	\$ 132,110,244
Expenditures	124,638,778	125,160,594
Income tax expense	<u>1,731,000</u>	<u>1,628,000</u>
Net income for the year	5,422,620	5,321,650
Net loss from discontinued operation, net of tax	(179,105)	(215,281)
Net movement in regulatory balances, net of tax	(215,606)	(334,876)
Other comprehensive income (loss) for the year	<u>1,199,271</u>	<u>(1,105,949)</u>
Total comprehensive income for the year	<u>\$ 6,227,180</u>	<u>\$ 3,665,544</u>

Notes continued on page 13....



**Corporation of the Town of Petrolia**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**6. Hydro Investments cont'd...**

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Town of Petrolia Share of Net Income @ 7.36%	\$ <u>458,320</u>	\$ <u>269,784</u>
Dividends	\$ <u>1,940,098</u>	\$ <u>1,686,529</u>
Town of Petrolia, dividend @ 7.36%	\$ <u>142,791</u>	\$ <u>124,129</u>
Net Increase in Equity During the Year	\$ <u>315,529</u>	\$ <u>145,655</u>

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**7. Municipal Debt**

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(a) The balance of municipal debt reported on the statement of financial position is made up of the following:

	2018	2017
CMHC loan, bearing interest at 3.99%, repayable in blended annual payments of \$111,269, due November, 2024.	\$ 583,479	\$ 668,091
CMHC loan, bearing interest at 3.97%, repayable in blended annual payments of \$78,174, due December, 2024.	410,202	469,728
Ontario infrastructure debenture, bearing interest at 2.29%, repayable in blended semi - annual payments of \$53,416, due October, 2025.	687,348	776,900
Ontario infrastructure debenture, bearing interest at 3.17%, repayable in blended semi - annual payments of \$37,916, due February, 2027.	561,164	617,855
Ontario infrastructure debenture, bearing interest at 3.27%, repayable in blended semi - annual payments of \$171,283, due October, 2037.	4,819,471	5,000,000
Ontario infrastructure debenture, bearing interest at 3.33%, repayable in blended semi - annual payments of \$94,717, due February, 2037.	<u>2,600,754</u>	<u>2,701,071</u>
	<u>\$ 9,662,418</u>	<u>\$ 10,233,645</u>

Notes continued on page 14....

**Corporation of the Town of Petrolia**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**7. Municipal Debt** cont'd...

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(b) Principal repayments are as follows:

<b>2019</b>	\$ 590,160
<b>2020</b>	609,736
<b>2021</b>	629,977
<b>2022</b>	650,908
<b>2023</b>	672,551
<b>2024 to 2028</b>	2,464,495
<b>Thereafter</b>	<u>4,044,591</u>
	<b><u>\$ 9,662,418</u></b>

(c) Total interest charges for the year for municipal debt which is reported on the statement of financial position was \$328,023 (2017 - \$271,336).

(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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<b>8. Deferred Revenue</b>	<b>2018</b>	<b>2017</b>
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The deferred revenue is comprised of the following:

OCIF funding - water treatment plant	\$ 4,820,474	\$ -
OCIF funding - formula based	2,029	-
Canada gas tax funding	<u>3,444</u>	<u>117,476</u>
	<b><u>\$ 4,825,947</u></b>	<b><u>\$ 117,476</u></b>

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

Balance, beginning	\$ 117,476	\$ 124,439
OCIF funding - application based grant	5,313,315	-
OCIF funding - formula based grant	191,731	-
Gas tax funding received	176,072	171,044
Investment income	<u>61,792</u>	<u>4,342</u>
	<b>5,860,386</b>	<b>299,825</b>
Utilization of reserve funds - tangible capital assets	740,891	-
Deferred revenue recognized - Gas tax	<u>293,548</u>	<u>182,349</u>
Balance, ending	<b><u>\$ 4,825,947</u></b>	<b><u>\$ 117,476</u></b>

Notes continued on page 15....

**Corporation of the Town of Petrolia**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**9. Tangible Capital Assets**

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**Asset Cost 2018**

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 1,466,783	\$ 1,315,107	\$ 18,440,471	\$ 3,029,085	\$ 1,697,543	\$ 74,742,053	\$ 24,541,740	\$ 125,232,782
Additions	-	20,993	101,466	350,287	-	24,665,703	3,254,552	28,393,001
Disposals	-	916	-	51,498	-	25,600	24,068,409	24,146,423
<b>Balance, ending</b>	<b>\$ 1,466,783</b>	<b>\$ 1,335,184</b>	<b>\$ 18,541,937</b>	<b>\$ 3,327,874</b>	<b>\$ 1,697,543</b>	<b>\$ 99,433,356</b>	<b>\$ 3,727,883</b>	<b>\$ 129,479,360</b>

**Accumulated Amortization**

Balance, beginning	\$ -	\$ 421,752	\$ 6,126,034	\$ 1,940,077	\$ 884,608	\$ 29,458,954	\$ -	\$ 38,831,425
Amortization	-	52,600	354,729	136,460	92,042	1,621,662	-	2,257,493
Disposals	-	-	-	26,720	-	25,600	-	52,320
<b>Balance, ending</b>	<b>\$ -</b>	<b>\$ 474,352</b>	<b>\$ 6,480,763</b>	<b>\$ 2,049,817</b>	<b>\$ 976,650</b>	<b>\$ 31,055,016</b>	<b>\$ -</b>	<b>\$ 41,036,598</b>

**Net Book**

<b>Value</b>	<b>\$ 1,466,783</b>	<b>\$ 860,832</b>	<b>\$ 12,061,174</b>	<b>\$ 1,278,057</b>	<b>\$ 720,893</b>	<b>\$ 68,378,340</b>	<b>\$ 3,727,883</b>	<b>\$ 88,442,762</b>
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**Asset Cost 2017**

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 1,466,783	\$ 1,242,407	\$ 17,914,970	\$ 2,954,575	\$ 1,769,317	\$ 73,173,595	\$ 14,069,422	\$ 112,591,069
Additions	-	72,700	527,602	179,404	91,907	1,568,458	10,472,318	12,912,389
Disposals	-	-	2,101	104,894	163,681	-	-	270,676
Class transfers, (to) from	-	-	-	-	-	-	-	-
<b>Balance, ending</b>	<b>\$ 1,466,783</b>	<b>\$ 1,315,107</b>	<b>\$ 18,440,471</b>	<b>\$ 3,029,085</b>	<b>\$ 1,697,543</b>	<b>\$ 74,742,053</b>	<b>\$ 24,541,740</b>	<b>\$ 125,232,782</b>

**Accumulated Amortization**

Balance, beginning	\$ -	\$ 371,033	\$ 5,775,405	\$ 1,881,998	\$ 906,876	\$ 27,979,611	\$ -	\$ 36,914,923
Amortization	-	50,719	352,684	58,079	95,378	1,568,487	-	2,125,347
Disposals	-	-	2,055	-	117,646	89,144	-	208,845
<b>Balance, ending</b>	<b>\$ -</b>	<b>\$ 421,752</b>	<b>\$ 6,126,034</b>	<b>\$ 1,940,077</b>	<b>\$ 884,608</b>	<b>\$ 29,458,954</b>	<b>\$ -</b>	<b>\$ 38,831,425</b>

**Net Book**

<b>Value</b>	<b>\$ 1,466,783</b>	<b>\$ 893,355</b>	<b>\$ 12,314,437</b>	<b>\$ 1,089,008</b>	<b>\$ 812,935</b>	<b>\$ 45,283,099</b>	<b>\$ 24,541,740</b>	<b>\$ 86,401,357</b>
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**Assets Under Construction**

Assets under construction having a value of \$3,727,883 (2017 - \$24,541,740) have not been amortized. Amortization of these assets will commence when the asset is put into service.

**Works Of Art And Historical Treasures**

The Town manages and controls art and historical cultural treasures, they are not setup as capital assets or amortized.

**Writedown Of Tangible Capital Assets**

The writedown of tangible capital assets during the year was \$916 (2017 - \$Nil).

Notes continued on page 16....

**Corporation of the Town of Petrolia**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**10. Accumulated Surplus**

**2018**

**2017**

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

**Surplus**

Invested in tangible capital assets	\$ 88,442,762	\$ 86,401,357
Reduce from future taxation	525,753	164,604
Equity in Bluewater Power Corporation	5,022,720	4,707,191
Unfunded	<u>(9,795,747)</u>	<u>(10,372,027)</u>
	<b>\$ 84,195,488</b>	<b>\$ 80,901,125</b>

**Reserves set aside for specific purposes by Council for:**

Working capital	\$ 1,310,883	\$ 875,278
Budget stabilization	130,032	130,032
Cemetery	39,613	10,200
Fire	11,120	37,898
General government	-	8,539
Health Hub	-	8,372
Insurance	50,000	50,000
Library	6,488	6,488
Landfill sale proceeds	100,000	150,000
Other Cultural	392,538	303,118
Parks	1,817	(11,761)
Recreation facilities	327,248	222,315
Sewage	2,335,172	2,885,572
Waterworks	<u>646,088</u>	<u>530,037</u>
<b>Total Reserves</b>	<b>\$ 5,350,999</b>	<b>\$ 5,206,088</b>
<b>Accumulated Surplus</b>	<b>\$ 89,546,487</b>	<b>\$ 86,107,213</b>

Notes continued on page 17....

## **11. Contingencies and Commitments**

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### **Federal Grants**

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. Any 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 line of credit in the form of a bond in the amount of \$70,000 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.

### **Oil Heritage District Community Centre ("OHDCC")**

As part of the condition of receiving the Ontario SuperBuild Corporation grant of \$1,686,000 used in financing the construction of the OHDCC, the Town may not transfer ownership of the OHDCC 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.

### **YMCA Operation Agreement**

The agreement between the Corporation of the Town of Petrolia and the YMCA for operation of the Centre does not violate the contingency with the OHDCC and the Ontario SuperBuild Corporation grant as the Town retains total ownership of the building, land and equipment. The agreement term is for 5 years from the effective date with a renewal option of an additional 5 years based on mutual review and agreement.

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## **12. Budget Data**

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The unaudited budget data presented in these financial statements is based upon the 2018 budget approved by Council. Budgets are not prepared on a basis consistent with that used to report actual results under Public Sector Accounting Standards which is allowable as per Ontario Regulation 284/09 of the Municipal Act. Budgets anticipate using surpluses (or deficits) accumulated in previous years to reduce current 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 the Town's council with the following adjustments.

**Corporation of the Town of Petrolia**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**12. Budget Data** cont'd...

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	<b>2018</b>
	<b>Budget Amount</b>
Budgeted deficit for the year	\$ (1,562,447)
Adjustments to budgeted deficit:	
Debt principal repayments	571,227
Capital expenditures	12,416,980
Reserve transfers	848,975
Amortization	<u>(2,257,492)</u>
<b>Annual budgeted surplus</b>	<b>\$ <u>10,017,243</u></b>

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<b>13. Grants</b>	<b>2018</b>	<b>2017</b>
<b>Operating</b>		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 944,300	\$ 1,080,400
Celebrate Ontario	(3,616)	138,196
Ontario Cultural Attractions Fund	-	30,000
Stewardship Ontario	<u>52,814</u>	<u>44,698</u>
	<u>993,498</u>	<u>1,293,294</u>
Government of Canada		
Heritage Program	10,400	5,000
Program Support	<u>18,480</u>	<u>18,195</u>
	<u>28,880</u>	<u>23,195</u>
<b>Total Operating</b>	<b>\$ <u>1,022,378</u></b>	<b>\$ <u>1,316,489</u></b>
<b>Capital</b>		
Province of Ontario		
Provincial Gas Tax	\$ 293,548	\$ 182,349
Ontario Community Infrastructure Fund	40,704	1,035,534
Small Community Fund	<u>383,730</u>	<u>2,584,454</u>
	<u>717,982</u>	<u>3,802,337</u>
Government of Canada		
Small Community Fund	<u>383,730</u>	<u>2,584,454</u>
<b>Total Capital</b>	<b>\$ <u>1,101,712</u></b>	<b>\$ <u>6,386,791</u></b>
<b>Total Grants</b>	<b>\$ <u>2,124,090</u></b>	<b>\$ <u>7,703,280</u></b>

Notes continued on page 19....

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#### **14. Pension Agreements**

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The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of members of its employees. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by employees based on the length of service and rates of pay. Employers and employees contribute jointly to the plan.

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 plan surplus or deficit. The amount contributed to "OMERS" for 2018 was \$165,566 (2017 - \$164,467) for current service. Employers contributions for current service are included as an expense in the consolidated Statement of Financial Activity.

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#### **15. Trust Funds**

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Trust funds administered by the Town amounting to \$424,953 (2017 - \$415,620) 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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#### **16. Comparative Figures**

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

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#### **17. Segmented Information**

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The Corporation of the Town of Petrolia is a diversified municipal government institution that provides a wide range of services to its inhabitants such as policing, fire protection, water distribution, sewage collection and treatment, waste collection and disposal, recycling services, recreational services, library facilities, 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 reports the revenues and expenses that relate to the governance and operations of the Town and cannot be directly attributed to a specific segment.

Notes continued on page 20....

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**17. Segmented Information** cont'd...

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**Protection to Persons and Property**

Protection to persons and property is comprised of police services, fire protection, animal control and building inspections. The police services work to ensure the safety and protection of the inhabitants and their property. The fire department, whose members are all volunteers, is responsible to provide for fighting services, fire prevention programs, training and education. The building inspections provides a number of services including enforcement of building and construction codes and a review of all property development plans through its application process.

**Transportation Services**

Transportation is responsible for maintenance and construction of the Town's roadways, bridges, parking areas, street lighting and winter control.

**Environmental Services**

Environmental services consist of providing water treatment and distribution, sanitary sewage collection and treatment and ensuring that the Town's sewer and water systems meet all Provincial standards. In addition, environmental services consists of providing solid waste collection and recycling services.

**Health Services**

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

**Recreational and Cultural Services**

This service provides services to improve health and development of the Town's inhabitants. This is accomplished by the municipality operating and maintaining a performing arts theatre, parks and an arena, a swimming pool and a community centre. The Town also provides recreational programs and library facilities.

**Planning and Development Services**

The Town is responsible for planning and zoning including the Official Plan. In addition, this area of service includes tourist information, promotion and events, business improvement areas, drainage, and commercial and residential development.



**Corporation of the Town of Petrolia**  
**Notes to the Financial Statements**  
**December 31, 2018**

**17. Segmented Information cont'd...**

<b>For the Year Ended December 31, 2018</b>	<b>General Government</b>	<b>Protection Services</b>	<b>Transportation Services</b>	<b>Environmental Services</b>	<b>Health Services</b>	<b>Recreation Cultural</b>	<b>Planning Development</b>	<b>Total</b>
Revenue								
Taxation	\$ 5,327,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,327,022
Water and sewer charges	-	-	-	3,115,590	-	-	-	3,115,590
Fees and User charges	10,195	4,104	1,288	4,330	71,615	1,928,393	12,160	2,032,085
Fees and User charges Other municipalities	-	212,793	-	869,224	7,500	38,860	-	1,128,377
Grants	987,530	-	309,502	820,274	-	6,784	-	2,124,090
Other	192,060	-	66,548	549,161	-	195,413	67,035	1,070,217
Bluewater Power	557,021	-	-	-	-	-	-	557,021
	<u>6,516,807</u>	<u>216,897</u>	<u>377,338</u>	<u>5,358,579</u>	<u>79,115</u>	<u>2,169,450</u>	<u>79,195</u>	<u>15,354,402</u>
Expenditures								
Salaries and benefits	767,478	248,505	464,319	337,113	33,909	1,293,100	56,477	3,200,901
Materials and supplies	428,365	200,523	344,458	805,431	32,133	1,217,082	136,665	3,164,657
Contracted services	159,684	998,332	14,659	1,293,025	-	444,714	-	2,910,414
Interest on long term debt	1,346	-	44,129	259,441	-	7,794	15,313	328,023
Amortization	190,124	33,644	587,844	1,106,032	2,158	307,707	29,986	2,257,495
Other	4,121	22,798	-	-	-	26,719	-	53,638
	<u>1,551,118</u>	<u>1,503,802</u>	<u>1,455,409</u>	<u>3,801,042</u>	<u>68,200</u>	<u>3,297,116</u>	<u>238,441</u>	<u>11,915,128</u>
Annual Surplus (Deficit)	<u>\$ 4,965,689</u>	<u>\$ (1,286,905)</u>	<u>\$ (1,078,071)</u>	<u>\$ 1,557,537</u>	<u>\$ 10,915</u>	<u>\$ (1,127,666)</u>	<u>\$ (159,246)</u>	<u>\$ 3,439,274</u>

Notes continued on page 22....

**Corporation of the Town of Petrolia**  
**Notes to the Financial Statements**  
**December 31, 2018**

**17. Segmented Information cont'd...**

<b>For the Year Ended December 31, 2017</b>	<b>General Government</b>	<b>Protection Services</b>	<b>Transportation Services</b>	<b>Environmental Services</b>	<b>Health Services</b>	<b>Recreation Cultural</b>	<b>Planning Development</b>	<b>Total</b>
Revenue								
Taxation	\$ 4,970,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,970,487
Water and sewer charges	-	-	-	4,342,280	-	-	-	4,342,280
Fees and User charges	9,730	2,535	684	-	60,263	2,399,622	30,209	2,503,043
Fees and User charges Other municipalities	-	152,359	-	-	7,500	19,820	-	179,679
Grants	1,280,944	-	374,606	5,603,534	-	444,196	-	7,703,280
Other	372,142	-	1,537	822,775	-	347,495	-	1,543,949
Bluewater Power	<u>270,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,006</u>
	<u>6,531,167</u>	<u>216,897</u>	<u>376,827</u>	<u>9,945,814</u>	<u>67,763</u>	<u>3,211,133</u>	<u>30,209</u>	<u>21,512,724</u>
Expenditures								
Salaries and benefits	850,714	214,839	440,770	326,760	45,976	1,809,862	73,377	3,762,298
Materials and supplies	395,416	203,589	372,266	791,908	158,774	1,772,152	158,100	3,852,205
Contracted services	186,555	1,036,135	20,661	1,254,508	-	218,824	-	2,716,683
Interest on long term debt	1,509	-	49,602	194,770	8,639	16,816	-	271,336
Amortization	198,768	37,082	587,985	964,824	1,276	305,427	29,986	2,125,348
Other	<u>17,805</u>	<u>19,862</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>45,055</u>	<u>700</u>	<u>83,467</u>
	<u>1,650,767</u>	<u>1,511,507</u>	<u>1,471,329</u>	<u>3,532,770</u>	<u>214,665</u>	<u>4,168,136</u>	<u>262,163</u>	<u>12,811,337</u>
Annual Surplus (Deficit)	<u>\$ 4,880,400</u>	<u>\$(1,294,610)</u>	<u>\$(1,094,502)</u>	<u>\$ 6,413,044</u>	<u>\$(146,902)</u>	<u>\$(957,003)</u>	<u>\$(231,954)</u>	<u>\$ 8,701,387</u>

**Corporation Of The Town Of Petrolia  
Trust Funds**

**Financial Statements  
December 31, 2018**

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**Independent Auditors' Report**

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

*Opinion*

We have audited the financial statements of the Corporation of the Town of Petrolia (the Municipality) which comprise the statement of financial position as at December 31, 2018 and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Petrolia as at December 31, 2018 and the results of its financial activities, cash flows and change in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

*Basis for Opinion*

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

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Independent  
Auditor's Report cont'd...**

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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



**Sarnia, Ontario  
June 24, 2019**

**Chartered Professional Accountants  
Licensed Public Accountants**

**The Corporation of the Town of Petrolia**  
**Trust Funds**  
**Statement of Financial Position**  
**For the Year Ended December 31, 2018**

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
<b>Assets</b>					
Cash	\$ 9,421	\$ -	\$ 970	\$ 5,029	\$ 3,422
Due from the Corporation of the Town of Petrolia	18,348	18,348	-	-	-
Investments	<u>397,184</u>	<u>397,184</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>	<u><u>424,953</u></u>	<u><u>415,532</u></u>	<u><u>970</u></u>	<u><u>5,029</u></u>	<u><u>3,422</u></u>

**The Corporation of the Town of Petrolia**  
**Statement of Continuity**  
**December 31, 2018**

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Balance, Beginning of year	\$ <u>415,619</u>	\$ <u>406,392</u>	\$ <u>950</u>	\$ <u>4,925</u>	\$ <u>3,352</u>
<b>Receipts</b>					
Care and maintenance	9,140	9,140	-	-	-
Interest earned (net of service charges)	<u>6,322</u>	<u>6,128</u>	<u>20</u>	<u>104</u>	<u>70</u>
	<u>15,462</u>	<u>15,268</u>	<u>20</u>	<u>104</u>	<u>70</u>
<b>Expenditures</b>					
Transfer to the Corporation of the Town of Petrolia	<u>6,128</u>	<u>6,128</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u><u>424,953</u></u>	<u><u>415,532</u></u>	<u><u>970</u></u>	<u><u>5,029</u></u>	<u><u>3,422</u></u>

**The Corporation of the Town of Petrolia**  
**Trust Funds**  
**Statement of Financial Position**  
**For the Year Ended December 31, 2017**

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
<b>Assets</b>					
Cash	\$ 9,227	\$ -	\$ 950	\$ 4,925	\$ 3,352
Due from the Corporation of the Town of Petrolia	6,282	6,282	-	-	-
Investments	<u>400,110</u>	<u>400,110</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>	<u>415,619</u>	<u>406,392</u>	<u>950</u>	<u>4,925</u>	<u>3,352</u>

**The Corporation of the Town of Petrolia**  
**Statement of Continuity**  
**December 31, 2017**

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Balance, Beginning of year	\$ <u>407,492</u>	\$ <u>398,392</u>	\$ <u>937</u>	\$ <u>4,857</u>	\$ <u>3,306</u>
<b>Receipts</b>					
Care and maintenance	8,000	8,000	-	-	-
Interest earned (net of service charges)	<u>5,842</u>	<u>5,715</u>	<u>13</u>	<u>68</u>	<u>46</u>
	<u>13,842</u>	<u>13,715</u>	<u>13</u>	<u>68</u>	<u>46</u>
<b>Expenditures</b>					
Transfer to the Corporation of the Town of Petrolia	<u>5,715</u>	<u>5,715</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>415,619</u>	<u>406,392</u>	<u>950</u>	<u>4,925</u>	<u>3,352</u>

**Corporation Of The Town of Petrolia**  
**Trust Funds**  
**Notes to Financial Statements**  
**December 31, 2018**

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**1. Accounting Policy**

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**Management Responsibility**

The financial statement of The Corporation of the Town of Petrolia - 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 judgement and review.

**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. The expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay.

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**2. Investments**

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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.