The Corporation of the Town of Petrolia

Financial Statements

For the year ended December 31, 2013

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Financial Statements
For the year ended December 31, 2013

Contents

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Petrolia, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated 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 Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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 consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Petrolia as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Ridgetown, Ontario
July 14, 2014

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

December 31	2013	2012
Financial assets		
Cash (Note 2)	$ 1,440,425	$ 3,785,738
Taxes receivable	981,580	697,100
Accounts receivable	1,248,321	1,178,203
Other receivable (Note 3)	-	90,063
Long-term receivable (Note 4)	350,000	400,000
Investment in Bluewater Power Corporation (Note 5)	4,264,742	4,040,768
	8,285,068	10,191,872
Liabilities		
Accounts payable and accrued liabilities	764,662	771,957
Other current liabilities	356,114	299,911
Interest on municipal debt	24,036	27,451
Municipal debt (Note 6)	4,104,386	5,046,262
Deferred revenue (Note 7)	16,306	266,592
	5,265,504	6,412,173
Net financial assets	3,019,564	3,779,699
Non-financial assets		
Tangible capital assets (Note 13)	57,313,179	56,003,119
Prepaid expenses	16,867	14,380
	57,330,046	56,017,499
Accumulated surplus (Note 10)	$60,349,610	$ 59,797,198

Contingencies (Note 12)

On behalf of Council:

____________________ Mayor

____________________ Treasurer

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

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

For the year ended December 31	Budget 2013 (note 15)	Actual 2013	Actual 2012
Revenue			
Taxation	$ 3,724,563	$ 3,783,094	$ 3,611,146
Water and sewer charges	2,911,925	3,139,570	2,885,927
Fees and user charges	2,245,750	1,936,809	1,922,980
Fees and user charges - other municipalities	166,943	168,943	153,567
Grants	1,963,710	1,647,113	1,179,497
Other	457,432	617,116	716,727
Donations of property	-	-	788,000
Bluewater Power Corporation (Note 5)	80,000	314,407	258,325
	11,550,323	11,607,052	11,516,169
Expenses			
General government	1,486,156	1,720,413	1,146,223
Protection services	1,364,190	1,254,206	1,319,089
Transportation services	1,391,394	1,412,699	1,348,466
Environmental services	2,808,829	3,031,759	2,598,197
Health services	156,683	174,077	158,115
Recreation and cultural services	3,192,876	3,338,949	3,540,062
Planning and development	70,385	122,537	156,088
	10,470,513	11,054,640	10,266,240
Annual surplus	1,079,810	552,412	1,249,929
Accumulated surplus, beginning of year	59,797,198	59,797,198	58,547,269
Accumulated surplus, end of year	$ 60,877,008	$60,349,610	$ 59,797,198

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

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

For the year ended December 31	2013	2012
Annual surplus	$ 552,412	$ 1,249,929
Acquisition of tangible capital assets	(3,300,536)	(3,195,966)
Amortization of tangible capital assets	1,917,096	1,882,090
Loss (gain) on sale of tangible capital assets	8,289	(110,522)
Proceeds on sale of tangible capital assets	65,091	538,522
	(757,648)	364,053
Net change prepaid expenses	(2,487)	18,825
Net change in net financial assets	(760,135)	382,878
Net financial assets, beginning of year	3,779,699	3,396,821
Net financial assets, end of year	$ 3,019,564	$ 3,779,699

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

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

For the year ended December 31	2013	2012
Cash provided by (used in)		
Operating activities		
Annual surplus	$ 552,412	$ 1,249,929
Items not involving cash		
Amortization of capital assets	1,917,096	1,882,090
Loss (gain) on sale of capital assets	8,289	(110,522)
Share of net income of Blue Water Power	(314,407)	(258,325)
	2,163,390	2,763,172
Net change in non-cash working capital items		
Taxes receivable	(284,480)	(58,818)
Accounts receivables	(70,118)	(115,285)
Other receivable	90,063	108,338
Accounts payable and accrued liabilities	48,908	370,326
Interest on municipal debt	(3,415)	8,697
Deferred revenue	(250,286)	51,965
Prepaid expenses	(2,487)	18,825
	(471,815)	384,048
	1,691,575	3,147,220
Capital transactions		
Acquisition of tangible capital assets	(3,300,536)	(3,195,966)
Proceeds from sale of tangible capital assets	65,091	538,522
	(3,235,445)	(2,657,444)
Investing activities		
Repayment of long term receivable	50,000	50,000
Dividends from Blue Water Power	90,433	87,746
	140,433	137,746
Financing activities		
Repayment of municipal debt	(941,876)	(880,021)
Net change in cash and cash equivalents	(2,345,313)	(252,499)
Cash and cash equivalents, beginning of year	3,785,738	4,038,237
Cash and cash equivalents, end of year	$ 1,440,425	$ 3,785,738

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

1. Significant Accounting Policies

The consolidated 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 Consolidation

(i) Reporting Entity

The consolidated financial statements reflect the financial assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.

(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 Consolidated Statement of Financial Position. Taxation raised by the Town on their behalf is reflected as a deduction from total taxation on the Consolidated Statement of Operations and Accumulated Surplus.

(iv) Trust Funds

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

(b) Basis of Accounting

(i) Accrual Basis of Accounting

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.

(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.

1. Significant Accounting Policies (continued)

(b) Basis of Accounting (continued)

(iii) Inventories

Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

(iv) 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.

(v) 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	4 - 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.

(vi) 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.

(vii) Deferred Revenue

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

1. **Significant Accounting Policies (continued)**

(b) **Basis of Accounting (continued)**

(viii) **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) are 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.

(ix) **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.

2. Cash

	2013	2012
Unrestricted	$ 1,424,013	$ 3,609,209
Restricted	16,412	176,529
	$ 1,440,425	$ 3,785,738

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%. The municipality's bank accounts are all held at one financial institution.

3. Other Receivable

Other receivable consisted of a surplus in the OMERS pension plan. The employee portion of this surplus had been returned to the affected employees and the remaining balance of the surplus, plus any interest earned, was restricted in that it could only be used by the Town to fund the Town's portion of OMERS pension plan contributions. The final portion of the surplus was used in 2013.

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 2013 was $350,000 (2012 - $400,000). The outstanding principal balance or any portion thereof may be repaid at any time.

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 the 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%. A wholly owned subsidiary, Petrolia Electricity Holdings Inc. was incorporated to hold the common share portion of the investment.

5. Hydro Investments (continued)

The investment is composed of the following:

	2013	2012
Promissory Notes - Blue Water Power Distribution 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	1,506,665	1,282,691
	$ 4,264,742	$ 4,040,768

Continuity of Investment

	2013	2012
Balance, beginning of year	$ 4,040,768	$ 3,870,189
Share of net income for the year	314,407	258,325
Less: Dividends received during the year	90,433	87,746
Net increase in equity during the year	223,974	170,579
	$ 4,264,742	$ 4,040,768

The promissory note due from Bluewater Power Distribution Corporation, bears interest at 6.39%, is unsecured, subordinated and due eighteen months following demand for payment. Interest received on these notes amounted to $97,222 (2012 - $109,036) which is reported in the Consolidated Statement of Operations.

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

5. Hydro Investments (continued)

Bluewater Power Corporation - Financial Position

	2013	2012
Assets		
Current assets	$33,846,694	$ 28,620,350
Property, plant and equipment	57,669,135	57,623,118
Other assets	5,544,163	6,200,062
Total assets	$97,059,992	$ 92,443,530

	2013	2012
Liabilities		
Current liabilities	$19,824,135	$ 17,745,614
Long-term liabilities	38,732,777	39,237,951
Total liabilities	58,556,912	56,983,565
Equity		
Share capital	18,032,105	18,032,105
Retained earnings	20,470,975	17,427,860
Total equity	38,503,080	35,459,965
Total liabilities and equity	$97,059,992	$ 92,443,530

Bluewater Power Corporation - Results of Operations

	2013	2012
Revenues	$ 118,660,901	$107,502,025
Expenditures	114,318,072	103,741,180
Payment in lieu of income taxes	71,000	251,000
Net income	$ 4,271,829	$ 3,509,845
Town of Petrolia share of net income at 7.36%	$ 314,407	$ 258,325
Dividends	$ 1,228,714	$ 1,192,200
Town of Petrolia share of dividend at 7.36%	$ 90,433	$ 87,746
Net increase in equity during the year	$ 223,974	$ 170,579

6. Municipal Debt

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

	2013	2012
Bank loan, bearing interest at 4.19%, repayable in blended monthly payments of $53,118, maturing December 2015.	**$ 1,220,843**	$ 1,794,017
Bank loan, bearing interest at 4.60%, repayable in blended monthly payments of $18,742, maturing October 2015.	**394,688**	596,373
CMHC loan, bearing interest at 3.99%, repayable in blended annual payments of $111,269, maturing November 2024.	**975,297**	1,044,876
CMHC loan, bearing interest at 3.97%, repayable in blended annual payments of $78,174, maturing December 2024.	**685,955**	734,952
Ontario infrastructure debenture, bearing interest at 3.17%, repayable in blended semi-annual payments of $37,916 maturing February 2027.	**827,603**	876,044
	$ 4,104,386	$ 5,046,262

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

2014	$ 982,105
2015	986,505
2016	186,546
2017	193,555
2018	200,830
Thereafter	1,554,845
	$ 4,104,386

(c) Total interest charges related to the municipal debt are reported in expenses in the Consolidated Statement of Operations and amounted to $182,304 (2012 - $218,357).

(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.

7. Deferred Revenue

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

	2013	2012
Recreational land	$ 16,306	$ 16,158
Canada gas tax funding	-	160,371
OMERS pension plan type 3 excess funds	-	90,063
	$ 16,306	$ 266,592

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

	2013	2012
Balance, beginning of year	$ 266,592	$ 214,627
Investment Income	2,582	6,525
Gas tax funding received	160,185	160,185
	429,359	381,337
Transfer to operations	413,053	114,745
Balance, end of year	$ 16,306	$ 266,592

8. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of members 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.

For 2013 the contribution made by the Town to OMERS was $145,652 (2012 - $124,425).

9. Public Sector Salary Disclosure

During 2013, no Town employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of $100,000 or more.

December 31, 2013

10. Accumulated Surplus

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

	2013	2012
Surplus		
Invested in tangible capital assets	$57,313,179	$ 56,003,119
Reduce (recover) from future taxation	90	(155,760)
Equity in Bluewater Power Corporation	4,264,742	4,040,768
Unfunded	(5,260,607)	(5,076,932)
	56,317,404	54,811,195
Reserves set aside for specific purposes by Council for:		
Working capital	806,797	594,758
Fire	16,370	29,142
Recreation facilities	113,071	128,928
Planning and development	-	785,147
Capital projects	364,340	524,364
Waterworks	301,879	583,044
Sewage	2,394,524	2,308,165
Cemetery	15,504	15,504
Library	4,089	3,977
Other cultural	15,632	12,974
Total Reserves	4,032,206	4,986,003
Accumulated Surplus	$60,349,610	$ 59,797,198

11. Classification of Expenditures by Object

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

	2013	2012
Salaries, wages and employee benefits	$ 2,827,698	$ 2,567,489
Operating materials and supplies	4,648,636	4,077,806
Contracted services	1,448,655	1,466,990
Interest on long-term debt	209,262	252,087
Amortization	1,917,098	1,882,091
Other	3,291	19,777
Total expenditures by object	$11,054,640	$ 10,266,240

12. 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 $125,000 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.

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.

13. Tangible Capital Assets

2013	Land	Land Improve-ments	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Cost								
Balance - December 31, 2012	$ 1,196,081	$ 1,261,964	$ 25,420,032	$ 6,397,544	$ 1,580,765	$ 49,340,142	$ 598,258	$ 85,794,786
Additions	4,589	10,864	465,772	375,470	189,898	-	2,253,943	3,300,536
Disposals	-	-	-	(324,752)	(91,801)	-	-	(416,553)
Transfer (to) from other classes	11,148	-	121,238	40,284	-	-	(172,670)	-
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**
Accumulated Amortization								
Balance - December 31, 2012	$ -	$ 381,701	$ 7,061,932	$ 2,375,824	$ 833,789	$ 19,138,421	$ -	$ 29,791,667
Amortization expense	-	44,019	482,113	247,834	95,540	1,047,590	-	1,917,096
Disposals	-	-	-	(324,303)	(18,870)	-	-	(343,173)
Balance - December 31, 2013	**$ -**	**$ 425,720**	**$ 7,544,045**	**$ 2,299,355**	**$ 910,459**	**$ 20,186,011**	**$ -**	**$ 31,365,590**
Net Book Value	**$ 1,211,818**	**$ 847,108**	**$ 18,462,997**	**$ 4,189,191**	**$ 768,403**	**$ 29,154,131**	**$ 2,679,531**	**$ 57,313,179**

2012	Land	Land Improve-ments	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Cost								
Balance - December 31, 2011	$ 1,343,081	$ 1,061,964	$ 23,917,226	$ 5,934,382	$ 1,567,634	$ 49,252,769	$ 214,407	$ 83,291,463
Additions	278,000	200,000	1,502,806	463,162	280,774	87,373	383,851	3,195,966
Disposals	(425,000)	-	-	-	(267,643)	-	-	(692,643)
Balance - December 31, 2012	**$ 1,196,081**	**$ 1,261,964**	**$ 25,420,032**	**$ 6,397,544**	**$ 1,580,765**	**$ 49,340,142**	**$ 598,258**	**$ 85,794,786**
Accumulated Amortization								
Balance - December 31, 2011	$ -	$ 337,825	$ 6,591,816	$ 2,151,253	$ 1,014,575	$ 18,078,751	$ -	$ 28,174,220
Amortization expense	-	43,876	470,116	224,571	83,857	1,059,670	-	1,882,090
Disposals	-	-	-	-	(264,643)	-	-	(264,643)
Balance - December 31, 2012	**$ -**	**$ 381,701**	**$ 7,061,932**	**$ 2,375,824**	**$ 833,789**	**$ 19,138,421**	**$ -**	**$ 29,791,667**
Net Book Value	**$ 1,196,081**	**$ 880,263**	**$ 18,358,100**	**$ 4,021,720**	**$ 746,976**	**$ 30,201,721**	**$ 598,258**	**$ 56,003,119**

14. Trust Funds

Trust funds administered by the Town amounting to $395,233 (2012 - $385,997) are not included in the Statement of Financial Position nor have their operations been included in the Statement of Financial Activities.

15. Budget Data

The unaudited budget data presented in these financial statements is based upon the 2013 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:

	2013
Budgeted surplus (deficit) for the year	$ -
Adjustments:	
Prior year budgeted deficit to be recovered	208,493
Debt principal repayments	1,138,340
Capital expenditures	2,691,672
Reserve transfers	(1,041,598)
Amortization	(1,917,097)
Annual budgeted surplus	$ 1,079,810

16. Comparative Figures

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

17. 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.

17. Segmented Information (continued)

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.

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.

17. Segmented Information (continued)

For the year ended December 31, 2013	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
Revenue								
Taxation	$ 3,783,094							$ 3,783,094
Water and sewer charges				3,139,570				3,139,570
Fees and user charges	6,885				49,822	1,872,815	7,287	1,936,809
Fees and user charges - other municipalities	23,391	132,430			5,042	8,080		168,943
Grants	1,231,636			51,125		364,352		1,647,113
Other municipal	383,289	4,265		720	57,200	138,947	32,695	617,116
Other	314,407							314,407
	5,742,702	136,695		3,191,415	112,064	2,384,194	39,982	11,607,052
Expenses								
Salaries and benefits	923,220	116,026	317,878	268,742	35,199	1,157,212	9,421	2,827,698
Materials and supplies	618,220	258,160	516,377	1,254,603	90,074	1,849,242	61,960	4,648,636
Contracted services		812,099		576,145	23,713	36,523	175	1,448,655
Interest	26,958		59,210	73,839		28,260	20,995	209,262
Amortization	150,286	67,921	519,234	858,430	25,091	266,150	29,986	1,917,098
Other	1,729					1,562		3,291
	1,720,413	1,254,206	1,412,699	3,031,759	174,077	3,338,949	122,537	11,054,640
Annual surplus (deficit)	$ 4,022,289	$ (1,117,511)	$ (1,412,699)	$ 159,656	$ (62,013)	$ (954,755)	$ (82,555)	$ 552,412

17. Segmented Information (continued)

For the year ended December 31, 2012	General Government	Protection Services	Transportatio n Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
Revenue								
Taxation	$ 3,611,146							$ 3,611,146
Water and sewer charges				2,885,927				2,885,927
Fees and user charges	7,757			60,182	40,622	1,785,553	28,866	1,922,980
Fees and user charges - other municipalities	5,482	119,165			5,000	23,920		153,567
Grants	939,454	116,309		22,439		101,295		1,179,497
Donations of property	788,000							788,000
Other municipal	516,424	4,650		6,320	52,900	95,659	40,774	716,727
Other	258,325							258,325
	6,126,588	240,124		2,974,868	98,522	2,006,427	69,640	11,516,169
Expenses								
Salaries and benefits	591,348	112,616	324,062	163,296	26,587	1,329,776	19,804	2,567,489
Materials and supplies	358,341	267,567	432,894	967,189	73,356	1,893,871	84,588	4,077,806
Contracted services		878,680		524,846	34,839	28,625		1,466,990
Interest	28,723		62,882	101,240		37,532	21,710	252,087
Amortization	150,311	60,226	528,628	841,626	23,333	247,981	29,986	1,882,091
Other	17,500					2,277		19,777
	1,146,223	1,319,089	1,348,466	2,598,197	158,115	3,540,062	156,088	10,266,240
Annual surplus (deficit)	$ 4,980,365	$ (1,078,965)	$ (1,348,466)	$ 376,671	$ (59,593)	$ (1,533,635)	$ (86,448)	$ 1,249,929

The Corporation of the Town of Petrolia
Trust Funds
Financial Statements
For the year ended December 31, 2013

BDO

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BDO Canada LLP
211 Main Street E
Ridgetown ON N0P 2C0 Canada

Independent Auditor's Report

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, 2013 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 Consolidated 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 evaluation 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 as at December 31, 2013 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Ridgetown, Ontario
July 14, 2014

The Corporation of the Town of Petrolia
Trust Funds
Balance Sheet

December 31, 2013

Assets	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Cash	$ 88,509	$ 71,618	$ 8,988	$ 4,703	$ 3,200
Due from the Corporation of the Town of Petrolia	27,092	27,092	-	-	-
Investments	279,632	279,632	-	-	-
	$ 395,233	$ 378,342	$ 8,988	$ 4,703	$ 3,200
Liabilities					
Fund Balance	$ 395,233	$ 378,342	$ 8,988	$ 4,703	$ 3,200

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

December 31, 2013

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Balance, beginning of year	$ 385,997	$ 369,132	$ 8,969	$ 4,697	$ 3,199
Receipts					
Care and maintenance	9,210	9,210	-	-	-
Interest earned (net of service charges)	3,950	3,879	55	15	1
	13,160	13,089	55	15	1
Expenditures					
Flowers	45	-	36	9	-
Transfer to the Corporation of the Town of Petrolia	3,879	3,879	-	-	-
	3,924	3,879	36	9	-
Balance, end of year	$ 395,233	$ 378,342	$ 8,988	$ 4,703	$ 3,200

The Corporation of the Town of Petrolia
Trust Funds
Balance Sheet

December 31, 2012

Assets	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Cash	$ 87,871	$ 71,006	$ 8,969	$ 4,697	$ 3,199
Due from the Corporation of the Town of Petrolia	18,494	18,494	-	-	-
Investments	279,632	279,632	-	-	-
	$ 385,997	$ 369,132	$ 8,969	$ 4,697	$ 3,199
Liabilities					
Fund Balance	$ 385,997	$ 369,132	$ 8,969	$ 4,697	$ 3,199

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

December 31, 2012

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Balance, beginning of year	$ 378,687	$ 361,787	$ 8,955	$ 4,716	$ 3,229
Receipts					
Care and maintenance	7,345	7,345	-	-	-
Interest earned (net of service charges)	6,342	6,377	14	(19)	(30)
	13,687	13,722	14	(19)	(30)
Expenditures					
Transfer to the Corporation of the Town of Petrolia	6,377	6,377	-	-	-
Balance, end of year	$ 385,997	$ 369,132	$ 8,969	$ 4,697	$ 3,199

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

December 31, 2013

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.