

**The Corporation of the Town
of Petrolia
Financial Statements
For the year ended December 31, 2014**

The Corporation of the Town of Petrolia
Financial Statements
For the year ended December 31, 2014

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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 financial statements of The Corporation of the Town of Petrolia, which comprise the statement of financial position as at December 31, 2014 and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Petrolia as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants, Licensed Public Accountants

Ridgetown, Ontario
July 13, 2015

The Corporation of the Town of Petrolia Statement of Financial Position

December 31	2014	2013
Financial assets		
Cash (Note 2)	\$ 1,239,483	\$ 1,440,425
Taxes receivable	511,768	981,580
Accounts receivable	1,281,386	1,248,321
Long-term receivable (Note 3)	300,000	350,000
Investment in Bluewater Power Corporation (Note 4)	4,466,008	4,264,742
	<u>7,798,645</u>	<u>8,285,068</u>
Liabilities		
Accounts payable and accrued liabilities	602,181	764,662
Other current liabilities	523,177	356,114
Interest on municipal debt	20,481	24,036
Municipal debt (Note 5)	3,122,281	4,104,386
Deferred revenue (Note 6)	11,523	16,306
	<u>4,279,643</u>	<u>5,265,504</u>
Net financial assets	<u>3,519,002</u>	<u>3,019,564</u>
Non-financial assets		
Tangible capital assets (Note 11)	57,488,132	57,313,179
Prepaid expenses	67,397	16,867
	<u>57,555,529</u>	<u>57,330,046</u>
Accumulated surplus (Note 8)	<u>\$ 61,074,531</u>	<u>\$ 60,349,610</u>

Contingencies (Note 10)

On behalf of Council:

Mayor

Treasurer

The Corporation of the Town of Petrolia

Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2014	Actual 2014	Actual 2013
	(note 13)		
Revenue			
Taxation	\$ 3,941,285	\$ 3,977,759	\$ 3,783,094
Water and sewer charges	3,925,820	3,687,581	3,139,570
Fees and user charges	2,020,250	2,083,040	1,939,370
Fees and user charges - other municipalities	172,057	179,737	168,943
Grants	1,100,300	1,136,146	1,647,113
Other	527,555	683,608	622,843
Donations of property	-	50,000	-
Bluewater Power Corporation (Note 4)	100,000	303,083	314,407
	<u>11,787,267</u>	<u>12,100,954</u>	<u>11,615,340</u>
Expenses			
General government	1,317,750	1,331,273	1,840,999
Protection services	1,453,946	1,370,180	1,254,206
Transportation services	1,484,981	1,575,118	1,412,699
Environmental services	3,192,775	3,042,230	3,031,759
Health services	148,893	156,412	174,077
Recreation and cultural services	3,347,390	3,363,068	3,226,651
Planning and development	174,692	167,752	122,537
Write down of tangible capital asset (note 14)	-	370,000	-
	<u>11,120,427</u>	<u>11,376,033</u>	<u>11,062,928</u>
Annual surplus	666,840	724,921	552,412
Accumulated surplus, beginning of year	60,349,610	60,349,610	59,797,198
Accumulated surplus, end of year	<u>\$ 61,016,450</u>	<u>\$ 61,074,531</u>	<u>\$ 60,349,610</u>

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

For the year ended December 31	Budget 2014	Actual 2014	Actual 2013
Annual surplus	\$ 666,840	\$ 724,921	\$ 552,412
Acquisition of tangible capital assets	(1,772,457)	(2,564,206)	(3,300,536)
Amortization of tangible capital assets	1,920,000	1,919,992	1,917,096
Loss (gain) on sale of tangible capital assets	-	97,004	8,289
Proceeds on sale of tangible capital assets	-	2,257	65,091
Writedown of tangible capital asset (note 14)	-	370,000	-
	814,383	549,968	(757,648)
Net change prepaid expenses	-	(50,530)	(2,487)
Net change in net financial assets	814,383	499,438	(760,135)
Net financial assets, beginning of year	3,019,564	3,019,564	3,779,699
Net financial assets, end of year	\$ 3,833,947	\$ 3,519,002	\$ 3,019,564

The Corporation of the Town of Petrolia

Statement of Cash Flows

For the year ended December 31

2014

2013

Cash provided by (used in)

Operating activities

Annual surplus	\$ 724,921	\$ 552,412
Items not involving cash		
Writedown of tangible capital asset (note 14)	370,000	-
Amortization of capital assets	1,919,992	1,917,096
Loss on sale of capital assets	97,004	8,289
Share of net income of Blue Water Power	(303,083)	(314,407)
	<u>2,808,834</u>	<u>2,163,390</u>

Net change in non-cash working capital items

Taxes receivable	469,812	(284,480)
Accounts receivables	(33,065)	(70,118)
Other receivable	-	90,063
Accounts payable and accrued liabilities	4,582	48,908
Interest on municipal debt	(3,555)	(3,415)
Deferred revenue	(4,783)	(250,286)
Prepaid expenses	(50,530)	(2,487)
	<u>382,461</u>	<u>(471,815)</u>
	<u>3,191,295</u>	<u>1,691,575</u>

Capital transactions

Acquisition of tangible capital assets	(2,564,206)	(3,300,536)
Proceeds from sale of tangible capital assets	2,257	65,091
	<u>(2,561,949)</u>	<u>(3,235,445)</u>

Investing activities

Repayment of long term receivable	50,000	50,000
Dividends from Blue Water Power	101,817	90,433
	<u>151,817</u>	<u>140,433</u>

Financing activities

Repayment of municipal debt	(982,105)	(941,876)
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Net change in cash and cash equivalents

(200,942) (2,345,313)

Cash and cash equivalents, beginning of year

1,440,425 3,785,738

Cash and cash equivalents, end of year

\$ 1,239,483 \$ 1,440,425

The Corporation of the Town of Petrolia

Notes to the Financial Statements

December 31, 2014

1. Significant Accounting Policies

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

(a) Basis of Reporting

(i) Reporting Entity

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

(ii) Government Business Enterprises

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

(iii) Accounting for County and School Board Transactions

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

(iv) Trust Funds

Trust funds and their related operations administered by the Town are 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.

The Corporation of the Town of Petrolia

Notes to the Financial Statements

December 31, 2014

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 Statement of Financial Position. The revenue is reported on the Statement of Operations in the year in which it is used for the specified purpose.

The Corporation of the Town of Petrolia

Notes to the Financial Statements

December 31, 2014

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.

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

December 31, 2014

2. Cash

	2014	2013
Unrestricted	\$ 1,227,854	\$ 1,424,013
Restricted	11,629	16,412
	<u>\$ 1,239,483</u>	<u>\$ 1,440,425</u>

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

Interest is earned on bank balances at the bank's monthly average prime rate less 2.00%. The municipality's bank accounts are all held at one financial institution.

3. 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 2014 was \$300,000 (2013 - \$350,000). The outstanding principal balance or any portion thereof may be repaid at any time.

4. Hydro Investments

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

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

The Corporation of the Town of Petrolia

Notes to the Financial Statements

December 31, 2014

4. Hydro Investments (continued)

The investment is composed of the following:

	2014	2013
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	1,707,931	1,506,665
	<u>\$ 4,466,008</u>	<u>\$ 4,264,742</u>

Continuity of Investment

	2014	2013
Balance, beginning of year	\$ 4,264,742	\$ 4,040,768
Share of net income for the year	303,083	314,407
Less: Dividends received during the year	101,817	90,433
Net increase in equity during the year	201,266	223,974
	<u>\$ 4,466,008</u>	<u>\$ 4,264,742</u>

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 \$91,435 (2013 - \$97,222) which is reported in the Statement of Operations.

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

The Corporation of the Town of Petrolia

Notes to the Financial Statements

December 31, 2014

4. Hydro Investments (continued)

Bluewater Power Corporation - Financial Position

	2014	2013
Assets		
Current assets	\$ 35,212,647	\$ 33,846,694
Property, plant and equipment	57,143,857	57,669,135
Other assets	7,210,526	5,544,163
Total assets	\$ 99,567,030	\$ 97,059,992
	2014	2013
Liabilities		
Current liabilities	\$ 22,191,566	\$ 19,824,135
Long-term liabilities	36,137,774	38,732,777
Total liabilities	58,329,340	58,556,912
Equity		
Share capital	18,032,105	18,032,105
Retained earnings	23,205,585	20,470,975
Total equity	41,237,690	38,503,080
Total liabilities and equity	\$ 99,567,030	\$ 97,059,992

Bluewater Power Corporation - Results of Operations

	2014	2013
Revenues	\$ 125,846,935	\$ 118,660,901
Expenditures	120,212,949	114,318,072
Payment in lieu of income taxes	1,516,000	71,000
Net income	\$ 4,117,986	\$ 4,271,829
Town of Petrolia share of net income at 7.36%	\$ 303,083	\$ 314,407
Dividends	\$ 1,383,376	\$ 1,228,714
Town of Petrolia share of dividend at 7.36%	\$ 101,817	\$ 90,433
Net increase in equity during the year	\$ 201,266	\$ 223,974

The Corporation of the Town of Petrolia

Notes to the Financial Statements

December 31, 2014

5. Municipal Debt

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

	2014	2013
Bank loan, bearing interest at 4.19%, repayable in blended monthly payments of \$53,118, maturing December 2015.	\$ 623,186	\$ 1,220,843
Bank loan, bearing interest at 4.60%, repayable in blended monthly payments of \$18,742, maturing October 2015.	183,526	394,688
CMHC loan, bearing interest at 3.99%, repayable in blended annual payments of \$111,269, maturing November 2024.	902,943	975,297
CMHC loan, bearing interest at 3.97%, repayable in blended annual payments of \$78,174, maturing December 2024.	635,013	685,955
Ontario infrastructure debenture, bearing interest at 3.17%, repayable in blended semi-annual payments of \$37,916 maturing February 2027.	777,613	827,603
	<u>\$ 3,122,281</u>	<u>\$ 4,104,386</u>

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

2015	\$ 986,505
2016	186,546
2017	193,555
2018	200,830
2019	208,380
Thereafter	1,346,465
	<u>\$ 3,122,281</u>

- (c) Total interest charges related to the municipal debt are reported in expenses in the Statement of Operations and amounted to \$141,937 (2013 - \$182,304).
- (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.

The Corporation of the Town of Petrolia

Notes to the Financial Statements

December 31, 2014

6. Deferred Revenue

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

	2014	2013
Recreational land	\$ 11,523	\$ 16,306

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

	2014	2013
Balance, beginning of year	\$ 16,306	\$ 266,592
Investment Income	155	2,582
Gas tax funding received	164,345	160,185
Donations	3,000	-
	183,806	429,359
Transfer to operations	172,283	413,053
Balance, end of year	\$ 11,523	\$ 16,306

7. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees' Retirement System (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 451,115 active and retired members and approximately 974 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2014. The results of this valuation disclosed total actuarial liabilities of \$76,924 million (2013 - \$73,004 million) in respect of benefits accrued for service with actuarial assets at that date of \$ 69,846 million (2013 - \$64,363 million) indicating an actuarial deficit of \$7,078 million (2013 - \$8,641 million).

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2014 was \$153,135 (2013 - \$145,652) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level for 2014 (2013 - 9.0% to 14.6% depending on income level).

The Corporation of the Town of Petrolia

Notes to the Financial Statements

December 31, 2014

8. Accumulated Surplus

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

	2014	2013
Surplus		
Invested in tangible capital assets	\$ 57,488,132	\$ 57,313,179
Reduce (recover) from future taxation	50,461	90
Equity in Bluewater Power Corporation	4,466,008	4,264,742
Unfunded	(4,584,093)	(5,260,607)
	<u>57,420,508</u>	<u>56,317,404</u>
Reserves set aside for specific purposes by Council for:		
Working capital	468,132	806,797
Fire	16,370	16,370
Recreation facilities	159,285	113,071
Capital projects	314,569	364,340
Waterworks	221,035	301,879
Sewage	2,399,061	2,394,524
Cemetery	8,354	15,504
Library	4,469	4,089
Other cultural	12,748	15,632
Insurance	50,000	-
	<u>3,654,023</u>	<u>4,032,206</u>
Total Reserves		
	<u>3,654,023</u>	<u>4,032,206</u>
Accumulated Surplus	<u>\$ 61,074,531</u>	<u>\$ 60,349,610</u>

9. Classification of Expenditures by Object

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

	2014	2013
Salaries, wages and employee benefits	\$ 3,368,238	\$ 2,851,396
Operating materials and supplies	3,144,010	3,982,148
Contracted services	2,264,182	2,060,827
Interest on long-term debt	141,936	182,304
Amortization	1,919,992	1,917,098
Other	167,675	69,155
Write down of tangible capital asset (note 14)	370,000	-
	<u>\$ 11,376,033</u>	<u>\$ 11,062,928</u>
Total expenditures by object		
	<u>\$ 11,376,033</u>	<u>\$ 11,062,928</u>

The Corporation of the Town of Petrolia

Notes to the Financial Statements

December 31, 2014

10. 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.

The Corporation of the Town of Petrolia

Notes to Financial Statements

December 31, 2014

11. Tangible Capital Assets

2014

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

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

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

December 31, 2014

12. Trust Funds

Trust funds administered by the Town amounting to \$394,586 (2013 - \$395,233) are not included in the Statement of Financial Position nor have their operations been included in the Statement of Financial Activities.

13. Budget Data

The unaudited budget data presented in these financial statements is based upon the 2014 budget approved by Council. Budgets are not prepared on a basis consistent with that used to report actual results under Public Sector Accounting Standards. Budgets anticipate using surpluses (or deficits) accumulated in previous years to reduce current year expenditures in excess of revenues to nil. In addition the budget expensed all tangible capital assets rather than capitalizing them and recording amortization expense. The budget also expenses principal payments on debt and reserve transfers. As a result, the budget figures presented in the Statement of Operations and Accumulated Surplus represent the budget adopted by council with the following adjustments:

	<u>2014</u>
Budgeted surplus (deficit) for the year	\$ -
Adjustments:	
Debt principal repayments	982,105
Capital expenditures	1,156,973
Reserve transfers	447,755
Amortization	<u>(1,919,993)</u>
Annual budgeted surplus	<u>\$ 666,840</u>

14. Subsequent Event

Subsequent to the year end, the Town sold a property that had been previously donated to the Town and recorded as a tangible capital asset at the estimated fair value at the time. At the year end, it was determined that the expected proceeds on this property would be less than the prior estimate, therefore at December 31, 2014, the property was written down to reflect the expected proceeds.

The Corporation of the Town of Petrolia

Notes to the Financial Statements

December 31, 2014

15. Segmented Information

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

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

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

General Government

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

Protection to Persons and Property

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

Transportation

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

Environmental

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

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

Health

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

The Corporation of the Town of Petrolia

Notes to the Financial Statements

December 31, 2014

15. Segmented Information (continued)

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.

The Corporation of the Town of Petrolia
Notes to Financial Statements

December 31, 2014

15. Segmented Information (continued)

For the year ended December 31, 2014	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	Total
Revenue								
Taxation	\$ 3,977,759							\$ 3,977,759
Water and sewer charges				3,687,581				3,687,581
Fees and user charges	11,083	2,450			48,954	2,008,788	11,765	2,083,040
Fees and user charges - other municipalities		131,433	19,325		7,000	21,979		179,737
Grants	889,503		164,345	77,298		5,000		1,136,146
Other	279,682	4,600		720	51,672	346,645	50,289	733,608
Bluewater Power Corporation	303,083							303,083
	<u>5,461,110</u>	<u>138,483</u>	<u>183,670</u>	<u>3,765,599</u>	<u>107,626</u>	<u>2,382,412</u>	<u>62,054</u>	<u>12,100,954</u>
Expenses								
Salaries and benefits	705,686	162,429	440,862	318,823	54,000	1,655,244	31,194	3,368,238
Materials and supplies	379,334	157,254	512,757	663,266	79,851	1,265,441	86,107	3,144,010
Contracted services	76,661	963,724	20,597	1,103,201		99,999		2,264,182
Interest			55,210	48,549		18,412	19,765	141,936
Amortization	161,713	68,872	500,979	866,454	22,561	269,427	29,986	1,919,992
Other	7,879	17,901	44,713	41,937	370,000	54,545	700	537,675
	<u>1,331,273</u>	<u>1,370,180</u>	<u>1,575,118</u>	<u>3,042,230</u>	<u>526,412</u>	<u>3,363,068</u>	<u>167,752</u>	<u>11,376,033</u>
Annual surplus (deficit)	\$ 4,129,837	\$ (1,231,697)	\$ (1,391,448)	\$ 723,369	\$ (418,786)	\$ (980,656)	\$ (105,698)	\$ 724,921

The Corporation of the Town of Petrolia

Notes to Financial Statements

December 31, 2014

15. 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	25			45,942	1,870,277	16,241	1,939,370
Fees and user charges - other municipalities		132,430	23,391		5,042	8,080		168,943
Grants	906,080		320,556	51,125		369,352		1,647,113
Other	395,457	4,240		720	57,200	132,531	32,695	622,843
Bluewater Power Corporation	314,407							314,407
	<u>5,405,923</u>	<u>136,695</u>	<u>343,947</u>	<u>3,191,415</u>	<u>108,184</u>	<u>2,380,240</u>	<u>48,936</u>	<u>11,615,340</u>
Expenses								
Salaries and benefits	930,924	134,266	317,878	274,200	35,199	1,149,508	9,421	2,851,396
Materials and supplies	626,604	179,344	495,791	882,212	90,074	1,646,863	61,260	3,982,148
Contracted services	96,208	854,306	20,586	943,078	23,713	122,761	175	2,060,827
Interest			59,210	73,839		28,260	20,995	182,304
Amortization	150,286	67,921	519,234	858,430	25,091	266,150	29,986	1,917,098
Other	36,977	18,369				13,109	700	69,155
	<u>1,840,999</u>	<u>1,254,206</u>	<u>1,412,699</u>	<u>3,031,759</u>	<u>174,077</u>	<u>3,226,651</u>	<u>122,537</u>	<u>11,062,928</u>
Annual surplus (deficit)	\$ 3,564,924	\$ (1,117,511)	\$ (1,068,752)	\$ 159,656	\$ (65,893)	\$ (846,411)	\$ (73,601)	\$ 552,412

**The Corporation of the Town
of Petrolia
Trust Funds
Financial Statements
For the year ended December 31, 2014**

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, 2014 and the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the trust fund financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the trust fund financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the trust fund financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes 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 trust funds as at December 31, 2014 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants, Licensed Public Accountants

Ridgetown, Ontario
July 13, 2015

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

December 31, 2014

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

Liabilities

Fund Balance	\$ 394,586	\$ 385,692	\$ 912	\$ 4,750	\$ 3,232
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**The Corporation of the Town of Petrolia
Trust Funds
Statement of Continuity**

December 31, 2014

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

**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
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**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 Notes to the Financial Statements

December 31, 2014

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.
