

The Corporation of the  
Village of Oil Springs  
Consolidated Financial Statements  
For the year ended December 31, 2015

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|  | Contents |
|--|----------|
| Independent Auditor's Report                                 | 2        |
| Consolidated Financial Statements                            |          |
| Consolidated Statement of Financial Position                 | 3        |
| Consolidated Statement of Operations and Accumulated Surplus | 4        |
| Consolidated Statement of Changes in Net Financial Assets    | 5        |
| Consolidated Statement of Cash Flows                         | 6        |
| Notes to the Consolidated Financial Statements               | 7        |
| Trust Funds Financial Statements                             | 22       |
| Trust Funds Independent Auditor's Report                     | 23       |
| Trust Funds Balance Sheet                                    | 24       |
| Trust Funds Statement of Continuity                          | 24       |



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## Independent Auditor's Report

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To the Members of Council, Inhabitants and Ratepayers  
of The Corporation of the Village of Oil Springs

We have audited the accompanying consolidated financial statements of The Corporation of the Village of Oil Springs, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets, and consolidated statement of 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 Village of Oil Springs as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

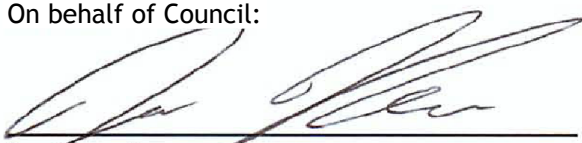
Chartered Professional Accountants, Licensed Public Accountants

Chatham, Ontario  
June 7, 2016

## The Corporation of the Village of Oil Springs Consolidated Statement of Financial Position

| December 31  | 2015                | 2014                |
|--|---------------------|---------------------|
| <b>Financial Assets</b>                            |                     |                     |
| Cash   | \$ 227,835          | \$ 157,022          |
| Temporary investments (Note 3)                     | 95,559              | 89,386              |
| Taxes receivable                                   | 128,502             | 136,360             |
| Accounts receivable                                | 119,525             | 118,464             |
| Long-term receivables (Note 4)                     | 7,953               | 15,139              |
| Investment in Bluewater Power Corporation (Note 5) | 136,289             | 136,084             |
|  | 715,663             | 652,455             |
| <b>Liabilities</b>                                 |                     |                     |
| Accounts payable and accrued liabilities           | 152,426             | 108,086             |
| Deferred revenue (Note 6)                          | 6,231               | 11,250              |
| Deposits   | 12,000              | 11,500              |
| Municipal debt (Note 7)                            | 243,641             | 236,546             |
|  | 414,298             | 367,382             |
| <b>Net Financial Assets</b>                        | <b>301,365</b>      | <b>285,073</b>      |
| <b>Non-Financial Assets</b>                        |                     |                     |
| Tangible capital assets (Note 8)                   | 2,852,056           | 3,007,077           |
| Prepaid expenses                                   | -                   | 9,097               |
|  | 2,852,056           | 3,016,174           |
| <b>Accumulated surplus (Note 9)</b>                | <b>\$ 3,153,421</b> | <b>\$ 3,301,247</b> |

On behalf of Council:

  
\_\_\_\_\_  
Ian Veen, Mayor

  
\_\_\_\_\_  
Jennifer Turk, Clerk-Treasurer

**The Corporation of the Village of Oil Springs  
Consolidated Statement of Operations and Accumulated Surplus**

| For the year ended December 31                | Budget<br>2015 | Actual<br>2015 | Actual<br>2014 |
|---|----------------|----------------|----------------|
|   | (Note 10)      |                |                |
| <b>Revenue</b>                                |                |                |                |
| Taxation                                      | \$ 358,641     | \$ 337,807     | \$ 332,886     |
| Taxation from other governments               | 77,920         | 77,933         | 62,014         |
| Fees and user charges                         | 313,976        | 310,729        | 294,423        |
| Grants  | 338,885        | 329,778        | 263,106        |
| Other   | 31,820         | 38,131         | 36,831         |
| Bluewater Power Corporation (Note 5)          | 7,865          | 9,175          | 13,589         |
|   | 1,129,107      | 1,103,553      | 1,002,849      |
| <b>Expenses</b>                               |                |                |                |
| General government                            | 283,629        | 286,698        | 309,134        |
| Protection services                           | 250,938        | 231,235        | 225,159        |
| Transportation services                       | 204,658        | 201,420        | 197,568        |
| Environmental services                        | 366,229        | 366,167        | 338,441        |
| Health services                               | 1,500          | 13,048         | 13,338         |
| Recreation and cultural services              | 112,217        | 102,685        | 44,443         |
| Planning and development                      | 45,600         | 50,126         | 23,810         |
|   | 1,264,771      | 1,251,379      | 1,151,893      |
| <b>Annual deficit</b>                         | (135,664)      | (147,826)      | (149,044)      |
| <b>Accumulated surplus, beginning of year</b> | 3,301,247      | 3,301,247      | 3,450,291      |
| <b>Accumulated surplus, end of year</b>       | \$ 3,165,583   | \$ 3,153,421   | \$ 3,301,247   |

**The Corporation of the Village of Oil Springs  
Consolidated Statement of Changes in Net Financial Assets**

| For the year ended December 31              | Budget<br>2015 | Actual<br>2015 | Actual<br>2014 |
|---|----------------|----------------|----------------|
|   | (Note 10)      |                |                |
| Annual deficit                              | \$ (135,664)   | \$ (147,826)   | \$ (149,044)   |
| Acquisition of tangible capital assets      | -              | (56,280)       | (57,776)       |
| Amortization of tangible capital assets     | -              | 184,534        | 185,879        |
| Loss on sale of tangible capital assets     | -              | 19,643         | -              |
| Proceeds on sale of tangible capital assets | -              | 7,124          | -              |
| Net change prepaid expenses                 | -              | 9,097          | (9,097)        |
| Net change in net financial assets          | (135,664)      | 16,292         | (30,038)       |
| Net financial assets, beginning of year     | 285,073        | 285,073        | 315,111        |
| Net financial assets, end of year           | \$ 149,409     | \$ 301,365     | \$ 285,073     |

## The Corporation of the Village of Oil Springs Consolidated Statement of Cash Flows

| For the year ended December 31                     | 2015              | 2014              |
|--|-------------------|-------------------|
| Cash provided by (used in)                         |                   |                   |
| Operating activities                               |                   |                   |
| Annual deficit                                     | \$ (147,826)      | \$ (149,044)      |
| Items not involving cash                           |                   |                   |
| Amortization of capital assets                     | 184,534           | 185,879           |
| Loss on sale of tangible capital asset             | 19,643            | -                 |
| Share of net income of Bluewater Power Corporation | (9,175)           | (13,589)          |
|  | <u>47,176</u>     | <u>23,246</u>     |
| Net change in non-cash working capital items       |                   |                   |
| Taxes receivable                                   | 7,858             | (55,843)          |
| Accounts receivables                               | (1,061)           | (1,705)           |
| Long-term receivables                              | 7,186             | 14,512            |
| Accounts payable and accrued liabilities           | 44,340            | 1,121             |
| Deferred revenue                                   | (5,019)           | 11,250            |
| Deposits   | 500               | -                 |
| Prepaid expenses                                   | 9,097             | (9,097)           |
|  | <u>62,901</u>     | <u>(39,762)</u>   |
|  | <u>110,077</u>    | <u>(16,516)</u>   |
| Capital transactions                               |                   |                   |
| Acquisition of tangible capital assets             | (56,280)          | (57,776)          |
| Proceeds from sale of tangible capital assets      | 7,124             | -                 |
|  | <u>(49,156)</u>   | <u>(57,776)</u>   |
| Investing activities                               |                   |                   |
| Dividends from Bluewater Power Corporation         | 8,970             | 4,565             |
| Financing activities                               |                   |                   |
| Long-term debt advances                            | 18,964            | -                 |
| Repayment of municipal debt                        | (11,869)          | (9,628)           |
|  | <u>7,095</u>      | <u>(9,628)</u>    |
| Net change in cash and cash equivalents            | 76,986            | (79,355)          |
| Cash and cash equivalents, beginning of year       | 246,408           | 325,763           |
| Cash and cash equivalents, end of year             | <u>\$ 323,394</u> | <u>\$ 246,408</u> |
| Comprised of:                                      |                   |                   |
| Cash   | \$ 227,835        | \$ 157,022        |
| Temporary investments                              | 95,559            | 89,386            |
|  | <u>\$ 323,394</u> | <u>\$ 246,408</u> |

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# The Corporation of the Village of Oil Springs

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 1. Nature of Business

The Corporation of the Village of Oil Springs (the "Village") is a municipality in the Province of Ontario, Canada, and was founded in 1865. The Village conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

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### 2. Significant Accounting Policies

The consolidated financial statements of the Village 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

These consolidated financial statements reflect the financial assets, liabilities, reserves, surpluses/deficits, revenues and expenditures of all municipal organizations and committees which are controlled by Council. These entities included:

- Village of Oil Springs Fire Department
- Village of Oil Springs Waterworks
- Village of Oil Springs Cemetery Board - General Fund
- Oil Springs Electricity Holdings Inc.
- Oil Springs Parks and Recreation Board

All interfund financial assets, liabilities, reserves, surpluses/deficits, revenues and expenditures have been eliminated on consolidation.

##### (ii) Government Business Enterprises

The investment in Bluewater Power Corporation is accounted for on the modified equity basis which reflects the Village'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 consolidated 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 Village on their behalf is reflected as a deduction from total taxation on the Consolidated Statement of Operations and Accumulated Surplus.

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# The Corporation of the Village of Oil Springs

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. Significant Accounting Policies (Continued)

#### (a) Basis of Reporting (Continued)

##### (iv) Trust Funds

Trust funds and their related operations administered by the Village are not reflected in these consolidated 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 consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

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

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

##### (iii) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

##### (iv) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at their fair market 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:

|                                |               |
|--------------------------------|---------------|
| Buildings                      | 50 years      |
| Equipment                      | 5 - 20 years  |
| Fleet                          | 5 - 20 years  |
| Roads                          | 20 - 75 years |
| Underground and other networks | 40 - 80 years |
| Bridges and other structures   | 50 years      |

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



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# The Corporation of the Village of Oil Springs

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. Significant Accounting Policies (Continued)

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

##### (v) Intangible Assets

Intangible assets, art and historic treasures, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recognized in these consolidated 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 Consolidated Statement of Financial Position. The revenue is reported on the Consolidated Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

##### (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 Village 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 Village 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 Village 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 Village 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.

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# The Corporation of the Village of Oil Springs

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. Significant Accounting Policies (Continued)

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

##### (viii) Use of Estimates

The preparation of consolidated 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 consolidated 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.

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### 3. Temporary Investments

The temporary investments consists of guaranteed investment certificates and are stated at cost plus accrued interest, with maturity dates of less than one year and bear interest at an average rate of 0.76%.

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### 4. Long-term Receivables

Long-term receivables consist of the following:

|  | 2015            | 2014             |
|--|-----------------|------------------|
| Sewer loan receivable (i)                      | \$ 6,976        | \$ 13,952        |
| Waterline connection debenture receivable (ii) | 977             | 1,187            |
|  | <u>\$ 7,953</u> | <u>\$ 15,139</u> |

(i) The sewer loan receivable represents the estimated remaining balance owing by benefiting landowners to the Village for sewers that were installed in 1975. The Village purchased the loan receivable from the Ontario Clean Water Agency in 1998. The estimated balance is based on an interest rate of 7.2% and fixed annual payments of \$14,975. The final payment of the loan will be collected from benefiting landowners on their 2017 taxes.

(ii) The waterline connection debenture receivable represents waterline connection charges owing by benefiting landowners to the Village. The balance bears interest at 6% per annum and is repayable in annual blended instalments of \$282. The final payment of the loan will be collected from benefiting landowners on their 2019 taxes.

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# The Corporation of the Village of Oil Springs Notes to the Consolidated Financial Statements

December 31, 2015

## 5. Investment in Bluewater Power Corporation

In recognition of the requirements of Bill 35 (The Energy Competition Act, 1998) the Village, along with the City of Sarnia, Town of Petrolia, Township of Warwick, Village of Point Edward 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 Village's proportionate share of the investment amounted to 0.33% (33 common shares).

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

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

The investment is composed of the following:

|  | 2015       | 2014       |
|--|------------|------------|
| Bluewater Power Corporation - common shares                      | \$ 59,506  | \$ 59,506  |
| Share of net income since acquisition, net of dividends received | 76,783     | 76,578     |
|  | \$ 136,289 | \$ 136,084 |

### Continuity of Investment

|   | 2015       | 2014       |
|---|------------|------------|
| Balance, beginning of year                              | \$ 136,084 | \$ 127,060 |
| Adjustment to equity due to change in accounting policy | (3,442)    | -          |
|   | 132,642    | 127,060    |
| Share of net income for the year                        | 12,617     | 13,589     |
| Less: Dividends received during the year                | 8,970      | 4,565      |
| Net increase in equity during the year                  | 3,647      | 9,024      |
|   | \$ 136,289 | \$ 136,084 |

# The Corporation of the Village of Oil Springs Notes to the Consolidated Financial Statements

December 31, 2015

## 5. Investment in Bluewater Power Corporation (Continued)

### Bluewater Power Corporation - Financial Position

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

# The Corporation of the Village of Oil Springs Notes to the Consolidated Financial Statements

December 31, 2015

## 5. Investment in Bluewater Power Corporation (Continued)

### Bluewater Power Corporation - Results of Operations

|   | 2015                | 2014<br>(Restated)  |
|---|---------------------|---------------------|
| Revenues  | \$ 136,449,483      | \$ 124,812,957      |
| Expenses  | 133,687,739         | 122,582,519         |
| Income tax expense                                  | 1,351,000           | 1,570,000           |
| Net income for the year                             | 1,410,744           | 660,438             |
| Net movement in regulatory balances, net of tax     | 2,449,358           | 3,538,557           |
| Other comprehensive loss for the year               | (36,741)            | (1,079,108)         |
| Total comprehensive income for the year             | <u>\$ 3,823,361</u> | <u>\$ 3,119,887</u> |
| Village of Oil Springs share of net income at 0.33% | <u>\$ 12,617</u>    | <u>\$ 10,296</u>    |
| Dividends   | <u>\$ 2,718,282</u> | <u>\$ 1,383,376</u> |
| Village of Oil Springs share of dividend at 0.33%   | <u>\$ 8,970</u>     | <u>\$ 4,565</u>     |
| Net increase in equity during the year              | <u>\$ 3,647</u>     | <u>\$ 5,731</u>     |

## 6. Deferred Revenue

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

|                      | 2015            | 2014             |
|----------------------|-----------------|------------------|
| Donations and grants | <u>\$ 6,231</u> | <u>\$ 11,250</u> |

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

|                            | 2015            | 2014             |
|----------------------------|-----------------|------------------|
| Balance, beginning of year | \$ 11,250       | \$ -             |
| Gas tax funding received   | 20,385          | 20,972           |
| Donations and grants       | 65,582          | 11,250           |
|                            | <u>97,217</u>   | <u>32,222</u>    |
| Transfer to operations     | 90,986          | 20,972           |
| Balance, end of year       | <u>\$ 6,231</u> | <u>\$ 11,250</u> |

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## The Corporation of the Village of Oil Springs Notes to the Consolidated Financial Statements

December 31, 2015

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### 7. Municipal Debt

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

|   | 2015       | 2014       |
|---|------------|------------|
| Ontario infrastructure debenture, bearing interest at 3.53%, repayable in blended semi-annual payments of \$9,117, maturing April 2032. | \$ 226,574 | \$ 236,546 |
| John Deere Credit loan, non-interest bearing, repayable in monthly payments of \$316, maturing June 2020.                               | 17,067     | -          |
|   | \$ 243,641 | \$ 236,546 |

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

|            |            |
|------------|------------|
| 2016       | \$ 14,119  |
| 2017       | 14,487     |
| 2018       | 14,868     |
| 2019       | 15,262     |
| 2020       | 13,775     |
| Thereafter | 171,130    |
|            | \$ 243,641 |

- (c) Total interest charges related to the municipal debt are reported in expenses in the Consolidated Statement of Operations and amounted to \$8,121 (2014 - \$8,551).
- (d) The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
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**The Corporation of the Village of Oil Springs  
Notes to the Consolidated Financial Statements**

December 31, 2015

**8. Tangible Capital Assets**

**2015**

|                                    | Land              | Buildings         | Equipment         | Fleet             | Roads               | Underground<br>and Other<br>Networks | Bridges<br>and Other<br>Structures | Total               |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|--------------------------------------|------------------------------------|---------------------|
| <b>Cost</b>                        |                   |                   |                   |                   |                     |                                      |                                    |                     |
| Balance - December 31, 2014        | \$ 223,535        | \$ 415,007        | \$ 364,772        | \$ 691,883        | \$ 1,100,672        | \$ 3,448,921                         | \$ 252,246                         | \$ 6,497,036        |
| Additions                          | -                 | -                 | 23,006            | 24,201            | 9,073               | -                                    | -                                  | 56,280              |
| Disposals                          | -                 | -                 | -                 | (34,914)          | -                   | -                                    | -                                  | (34,914)            |
| <b>Balance - December 31, 2015</b> | <b>\$ 223,535</b> | <b>\$ 415,007</b> | <b>\$ 387,778</b> | <b>\$ 681,170</b> | <b>\$ 1,109,745</b> | <b>\$ 3,448,921</b>                  | <b>\$ 252,246</b>                  | <b>\$ 6,518,402</b> |
| <b>Accumulated Amortization</b>    |                   |                   |                   |                   |                     |                                      |                                    |                     |
| Balance - December 31, 2014        | \$ -              | \$ 248,380        | \$ 249,198        | \$ 414,802        | \$ 712,928          | \$ 1,718,495                         | \$ 146,156                         | \$ 3,489,959        |
| Amortization expense               | -                 | 7,161             | 19,264            | 48,118            | 22,141              | 83,326                               | 4,524                              | 184,534             |
| Disposals                          | -                 | -                 | -                 | (8,147)           | -                   | -                                    | -                                  | (8,147)             |
| <b>Balance - December 31, 2015</b> | <b>\$ -</b>       | <b>\$ 255,541</b> | <b>\$ 268,462</b> | <b>\$ 454,773</b> | <b>\$ 735,069</b>   | <b>\$ 1,801,821</b>                  | <b>\$ 150,680</b>                  | <b>\$ 3,666,346</b> |
| <b>Net Book Value</b>              | <b>\$ 223,535</b> | <b>\$ 159,466</b> | <b>\$ 119,316</b> | <b>\$ 226,397</b> | <b>\$ 374,676</b>   | <b>\$ 1,647,100</b>                  | <b>\$ 101,566</b>                  | <b>\$ 2,852,056</b> |

**2014**

|                                    | Land              | Buildings         | Equipment         | Fleet             | Roads               | Underground<br>and Other<br>Networks | Bridges<br>and Other<br>Structures | Total               |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|--------------------------------------|------------------------------------|---------------------|
| <b>Cost</b>                        |                   |                   |                   |                   |                     |                                      |                                    |                     |
| Balance - December 31, 2013        | \$ 223,535        | \$ 415,007        | \$ 359,826        | \$ 691,883        | \$ 1,047,842        | \$ 3,448,921                         | \$ 252,246                         | \$ 6,439,260        |
| Additions                          | -                 | -                 | 4,946             | -                 | 52,830              | -                                    | -                                  | 57,776              |
| <b>Balance - December 31, 2014</b> | <b>\$ 223,535</b> | <b>\$ 415,007</b> | <b>\$ 364,772</b> | <b>\$ 691,883</b> | <b>\$ 1,100,672</b> | <b>\$ 3,448,921</b>                  | <b>\$ 252,246</b>                  | <b>\$ 6,497,036</b> |
| <b>Accumulated Amortization</b>    |                   |                   |                   |                   |                     |                                      |                                    |                     |
| Balance - December 31, 2013        | \$ -              | \$ 242,867        | \$ 229,256        | \$ 364,353        | \$ 690,803          | \$ 1,635,169                         | \$ 141,632                         | \$ 3,304,080        |
| Amortization expense               | -                 | 5,513             | 19,942            | 50,449            | 22,125              | 83,326                               | 4,524                              | 185,879             |
| <b>Balance - December 31, 2014</b> | <b>\$ -</b>       | <b>\$ 248,380</b> | <b>\$ 249,198</b> | <b>\$ 414,802</b> | <b>\$ 712,928</b>   | <b>\$ 1,718,495</b>                  | <b>\$ 146,156</b>                  | <b>\$ 3,489,959</b> |
| <b>Net Book Value</b>              | <b>\$ 223,535</b> | <b>\$ 166,627</b> | <b>\$ 115,574</b> | <b>\$ 277,081</b> | <b>\$ 387,744</b>   | <b>\$ 1,730,426</b>                  | <b>\$ 106,090</b>                  | <b>\$ 3,007,077</b> |

# The Corporation of the Village of Oil Springs Notes to the Consolidated Financial Statements

December 31, 2015

## 9. Accumulated Surplus

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

|   | 2015                | 2014                |
|---|---------------------|---------------------|
| <b>Surplus</b>  |                     |                     |
| Invested in tangible capital assets                             | \$ 2,608,415        | \$ 2,770,531        |
| Reduce (recover from) future taxation                           | (43,955)            | (39,332)            |
| Reduce (recover from) future user fees                          | (82,840)            | (75,467)            |
| Equity in Bluewater Power Corporation                           | 136,289             | 136,086             |
|   | 2,617,909           | 2,791,818           |
| <b>Reserves set aside for specific purposes by Council for:</b> |                     |                     |
| Working capital   | 71,064              | 71,064              |
| Replacement of equipment  | 22,660              | 18,660              |
| Water   | 148,665             | 126,851             |
| Sewer   | 186,882             | 201,515             |
| Replacement of fire equipment                                   | 7,458               | 6,458               |
| Youth centre equipment  | 1,501               | 1,001               |
| EOC generator   | 4,950               | 4,500               |
| Community hall maintenance and repairs                          | 20,697              | 7,745               |
| Policing  | 3,500               | 3,500               |
| Youth centre capital  | 320                 | 320                 |
| Replacement of fire equipment                                   | 62,380              | 62,380              |
| Cemetery memorial   | 5,435               | 5,435               |
|   | 535,512             | 509,429             |
| <b>Total Reserves</b>   | <b>535,512</b>      | <b>509,429</b>      |
| <b>Accumulated Surplus</b>                                      | <b>\$ 3,153,421</b> | <b>\$ 3,301,247</b> |



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# The Corporation of the Village of Oil Springs

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 10. Budget Data

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

|   | <u>2015</u>         |
|---|---------------------|
| Budgeted surplus (deficit) for the year | \$ 3,325            |
| Adjustments for:                        |                     |
| Debt principal repayments               | 9,971               |
| Capital expenditures                    | 9,074               |
| Reserve transfers                       | 26,500              |
| Amortization                            | <u>(184,534)</u>    |
| Annual budgeted deficit                 | <u>\$ (135,664)</u> |

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### 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:

|                                       | <u>2015</u>         | <u>2014</u>         |
|---------------------------------------|---------------------|---------------------|
| Salaries, wages and employee benefits | \$ 252,366          | \$ 239,945          |
| Operating materials and supplies      | 660,808             | 610,318             |
| Contracted services                   | 124,607             | 105,900             |
| Interest on long-term debt            | 8,121               | 8,551               |
| Amortization                          | 184,534             | 185,879             |
| Other                                 | <u>20,943</u>       | <u>1,300</u>        |
| Total expenditures by object          | <u>\$ 1,251,379</u> | <u>\$ 1,151,893</u> |

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### 12. Public Sector Salary Disclosure

During 2015, no Village employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

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# The Corporation of the Village of Oil Springs

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 13. Trust Funds

Trust funds administered by the Village amounting to \$78,837 (2014 - \$75,688) are not included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

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### 14. Comparative Figures

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

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### 15. Segmented Information

The Corporation of the Village of Oil Springs 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 Village itself and cannot be directly attributed to a specific segment.

#### Protection to Persons and Property

Protection is comprised of police services, fire protection, 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 Village's roadways, bridges, parking areas and streetlighting.

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# The Corporation of the Village of Oil Springs

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 15. Segmented Information (Continued)

#### 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 Village's drinking water. They ensure the Village's sewer and water systems meet all Provincial standards.

#### Health

Health services include the operations of the local cemetery.

#### Recreational and Cultural Services

This service area provides services meant to improve the health and development of the Village's citizens. The municipality operates and maintains parks and a community centre.

#### Planning and Development

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

The Corporation of the Village of Oil Springs  
Notes to the Consolidated Financial Statements

December 31, 2015

15. Segmented Information (Continued)

| For the year ended<br>December 31, 2015 | General<br>Government | Protection<br>Services | Transportation<br>Services | Environmental<br>Services | Health<br>Services | Recreational<br>and Cultural<br>Services | Planning and<br>Development | Total               |
|---|-----------------------|------------------------|----------------------------|---------------------------|--------------------|--|-----------------------------|---------------------|
| <b>Revenue</b>                          |                       |                        |                            |                           |                    |  |                             |                     |
| Taxation                                | \$ 309,372            | \$ -                   | \$ -                       | \$ 28,435                 | \$ -               | \$ -                                     | \$ -                        | \$ 337,807          |
| Taxation from other<br>governments      | -                     | 77,933                 | -                          | -                         | -                  | -  | -                           | 77,933              |
| Fees and user charges                   | 22,443                | 7,138                  | -                          | 261,758                   | -                  | 19,390                                   | -                           | 310,729             |
| Grants                                  | 273,752               | -                      | -                          | -                         | -                  | 56,026                                   | -                           | 329,778             |
| Other                                   | 19,221                | 1,323                  | -                          | -                         | 12,974             | 4,613                                    | -                           | 38,131              |
| Bluewater Power Corporation             | 9,175                 | -                      | -                          | -                         | -                  | -  | -                           | 9,175               |
|   | <b>\$ 633,963</b>     | <b>\$ 86,394</b>       | <b>\$ -</b>                | <b>\$ 290,193</b>         | <b>\$ 12,974</b>   | <b>\$ 80,029</b>                         | <b>\$ -</b>                 | <b>\$ 1,103,553</b> |
| <b>Expenses</b>                         |                       |                        |                            |                           |                    |  |                             |                     |
| Salaries and benefits                   | \$ 120,116            | \$ -                   | \$ 105,790                 | \$ 26,316                 | \$ 144             | \$ -                                     | \$ -                        | \$ 252,366          |
| Materials and supplies                  | 144,542               | 88,739                 | 60,171                     | 211,046                   | 11,604             | 94,580                                   | 50,126                      | 660,808             |
| Contracted services                     | -                     | 89,456                 | -                          | 35,151                    | -                  | -  | -                           | 124,607             |
| Interest                                | -                     | -                      | -                          | 8,121                     | -                  | -  | -                           | 8,121               |
| Amortization                            | 2,397                 | 53,040                 | 35,459                     | 85,533                    | -                  | 8,105                                    | -                           | 184,534             |
| Other                                   | 19,643                | -                      | -                          | -                         | 1,300              | -  | -                           | 20,943              |
|   | <b>\$ 286,698</b>     | <b>\$ 231,235</b>      | <b>\$ 201,420</b>          | <b>\$ 366,167</b>         | <b>\$ 13,048</b>   | <b>\$ 102,685</b>                        | <b>\$ 50,126</b>            | <b>\$ 1,251,379</b> |
| Annual surplus (deficit)                | <b>\$ 347,265</b>     | <b>\$ (144,841)</b>    | <b>\$ (201,420)</b>        | <b>\$ (75,974)</b>        | <b>\$ (74)</b>     | <b>\$ (22,656)</b>                       | <b>\$ (50,126)</b>          | <b>\$ (147,826)</b> |

The Corporation of the Village of Oil Springs  
Notes to the Consolidated Financial Statements

December 31, 2015

15. Segmented Information (Continued)

| For the year ended<br>December 31, 2014 | General<br>Government | Protection<br>Services | Transportation<br>Services | Environmental<br>Services | Health<br>Services | Recreational<br>and Cultural<br>Services | Planning and<br>Development | Total               |
|---|-----------------------|------------------------|----------------------------|---------------------------|--------------------|--|-----------------------------|---------------------|
| <b>Revenue</b>                          |                       |                        |                            |                           |                    |  |                             |                     |
| Taxation                                | \$ 310,383            | \$ -                   | \$ -                       | \$ 22,503                 | \$ -               | \$ -                                     | \$ -                        | \$ 332,886          |
| Taxation from other<br>governments      | -                     | 62,014                 | -                          | -                         | -                  | -  | -                           | 62,014              |
| Fees and user charges                   | 20,071                | 7,296                  | -                          | 249,304                   | -                  | 17,752                                   | -                           | 294,423             |
| Grants                                  | 242,739               | -                      | -                          | -                         | -                  | 20,367                                   | -                           | 263,106             |
| Other                                   | 16,557                | 1,051                  | -                          | -                         | 11,139             | 8,084                                    | -                           | 36,831              |
| Bluewater Power Corporation             | 13,589                | -                      | -                          | -                         | -                  | -  | -                           | 13,589              |
|   | <b>\$ 603,339</b>     | <b>\$ 70,361</b>       | <b>\$ -</b>                | <b>\$ 271,807</b>         | <b>\$ 11,139</b>   | <b>\$ 46,203</b>                         | <b>\$ -</b>                 | <b>\$ 1,002,849</b> |
| <b>Expenses</b>                         |                       |                        |                            |                           |                    |  |                             |                     |
| Salaries and benefits                   | \$ 123,037            | \$ -                   | \$ 88,914                  | \$ 27,971                 | \$ 23              | \$ -                                     | \$ -                        | \$ 239,945          |
| Materials and supplies                  | 184,689               | 100,855                | 70,880                     | 180,083                   | 12,015             | 37,986                                   | 23,810                      | 610,318             |
| Contracted services                     | -                     | 71,839                 | -                          | 34,061                    | -                  | -  | -                           | 105,900             |
| Interest                                | -                     | -                      | -                          | 8,551                     | -                  | -  | -                           | 8,551               |
| Amortization                            | 1,408                 | 52,465                 | 37,774                     | 87,775                    | -                  | 6,457                                    | -                           | 185,879             |
| Other                                   | -                     | -                      | -                          | -                         | 1,300              | -  | -                           | 1,300               |
|   | <b>\$ 309,134</b>     | <b>\$ 225,159</b>      | <b>\$ 197,568</b>          | <b>\$ 338,441</b>         | <b>\$ 13,338</b>   | <b>\$ 44,443</b>                         | <b>\$ 23,810</b>            | <b>\$ 1,151,893</b> |
| Annual surplus (deficit)                | <b>\$ 294,205</b>     | <b>\$ (154,798)</b>    | <b>\$ (197,568)</b>        | <b>\$ (66,634)</b>        | <b>\$ (2,199)</b>  | <b>\$ 1,760</b>                          | <b>\$ (23,810)</b>          | <b>\$ (149,044)</b> |

**The Corporation of the  
Village of Oil Springs  
Trust Funds  
Financial Statements  
For the year ended December 31, 2015**

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## Independent Auditor's Report

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To the Members of Council, Inhabitants and Ratepayers  
of The Corporation of the Village of Oil Springs

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

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



Chartered Professional Accountants, Licensed Public Accountants

Chatham, Ontario  
June 7, 2016

The Corporation of the Village of Oil Springs  
Trust Funds  
Balance Sheet

| December 31  | 2015      | 2014      |
|--|-----------|-----------|
| <b>Assets</b>  |           |           |
| Cash   | \$ 804    | \$ 2,152  |
| Temporary investments                                | 86,645    | 84,424    |
|  | \$ 87,449 | \$ 86,576 |
| <b>Liabilities and Accumulated Net Assets</b>        |           |           |
| Due to The Corporation of the Village of Oil Springs | \$ 8,612  | \$ 10,888 |
| Accumulated net assets                               | 78,837    | 75,688    |
|  | \$ 87,449 | \$ 86,576 |

The Corporation of the Village of Oil Springs  
Trust Funds  
Statement of Continuity

| For the year ended December 31                              | 2015      | 2014      |
|---|-----------|-----------|
| Balance, beginning of year                                  | \$ 75,688 | \$ 75,088 |
| <b>Receipts</b>   |           |           |
| Interest earned   | 1,259     | 1,274     |
| Monument fund   | 650       | 100       |
| Transfer from The Corporation of the Village of Oil Springs | 2,500     | 500       |
|   | 4,409     | 1,874     |
| <b>Expenditures</b>   |           |           |
| Cost of perpetual care                                      | 1,260     | 1,274     |
| Balance, end of year  | \$ 78,837 | \$ 75,688 |



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**The Corporation of the Village of Oil Springs  
Trust Funds  
Notes to the Consolidated Financial Statements**

December 31, 2015

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**1. Significant Accounting Policies**

**(a) Management Responsibility**

The financial statements of The Corporation of the Village of Oil Springs (the "Village") 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**

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

**(c) Investments**

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

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