

**The Corporation of the
Village of Oil Springs
Consolidated Financial Statements
For the year ended December 31, 2018**

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Independent Auditor's Report

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the 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 control 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.

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

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

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

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



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

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

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Chatham, Ontario
June 11, 2019

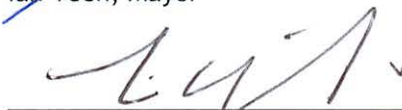
The Corporation of the Village of Oil Springs Consolidated Statement of Financial Position

December 31	2018	2017
Financial Assets		
Cash	\$ 234,343	\$ 187,077
Temporary investments (Note 3)	125,335	106,451
Taxes receivable	110,807	131,988
Accounts receivable	196,642	135,207
Long-term receivables (Note 4)	-	517
Investment in Bluewater Power Corporation (Note 5)	161,046	146,898
	828,173	708,138
Liabilities		
Accounts payable and accrued liabilities	116,334	102,839
Deferred revenue (Note 6)	39,219	1,000
Deposits	10,000	10,000
Municipal debt (Note 7)	685,117	215,035
	850,670	328,874
Net Financial Assets (Deficit)	(22,497)	379,264
Non-Financial Assets		
Tangible capital assets (Note 9)	3,327,597	2,878,447
Prepaid expenses	23,141	519
	3,350,738	2,878,966
Accumulated surplus (Note 10)	\$ 3,328,241	\$ 3,258,230

On behalf of Council:



Ian Veen, Mayor



Erkki Pohjolainen, Clerk-Treasurer

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

For the year ended December 31	Budget 2018	Actual 2018	Actual 2017
	(Note 11)		
Revenue			
Taxation	\$ 412,848	\$ 415,124	\$ 394,890
Taxation from other governments	91,962	91,960	85,226
Fees and user charges	356,745	348,114	335,513
Grants	314,842	316,248	311,018
Other	29,830	47,475	45,861
Bluewater Power Corporation (Note 5)	5,565	20,550	12,096
	1,211,792	1,239,471	1,184,604
Expenses			
General government	325,886	301,218	271,389
Protection services	281,523	254,308	256,032
Transportation services	207,874	223,250	147,723
Environmental services	333,134	333,848	330,636
Health services	4,000	18,136	18,759
Recreation and cultural services	38,860	37,549	61,858
Planning and development	-	1,151	15
	1,191,277	1,169,460	1,086,412
Annual surplus	20,515	70,011	98,192
Accumulated surplus, beginning of year	3,258,230	3,258,230	3,160,038
Accumulated surplus, end of year	\$ 3,278,745	\$ 3,328,241	\$ 3,258,230

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

For the year ended December 31	Budget 2018	Actual 2018	Actual 2017
	(Note 11)		
Annual surplus	\$ 20,515	\$ 70,011	\$ 98,192
Acquisition of tangible capital assets	(921,226)	(598,873)	(262,226)
Amortization of tangible capital assets	149,725	149,723	157,356
Net change in prepaid expenses	-	(22,622)	(519)
Net change in net financial assets	(750,986)	(401,761)	(7,197)
Net financial assets, beginning of year	379,264	379,264	386,461
Net financial assets (deficit), end of year	\$ (371,722)	\$ (22,497)	\$ 379,264

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

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 70,011	\$ 98,192
Items not involving cash		
Amortization of tangible capital assets	149,723	157,356
Share of net income of Bluewater Power Corporation	(20,550)	(12,096)
	<u>199,184</u>	<u>243,452</u>
Net change in non-cash working capital items		
Taxes receivable	21,181	(4,402)
Accounts receivable	(61,435)	14,133
Long-term receivables	517	236
Accounts payable and accrued liabilities	13,495	(79,474)
Deferred revenue	38,219	-
Prepaid expenses	(22,622)	(519)
	<u>(10,645)</u>	<u>(70,026)</u>
	<u>188,539</u>	<u>173,426</u>
Capital transactions		
Acquisition of tangible capital assets	(598,873)	(262,226)
Investing activities		
Dividends from Bluewater Power Corporation	6,402	5,566
Financing activities		
Long-term debt advances	495,000	-
Repayment of municipal debt	(24,918)	(14,488)
	<u>470,082</u>	<u>(14,488)</u>
Net change in cash and cash equivalents	66,150	(97,722)
Cash and cash equivalents, beginning of year	293,528	391,250
Cash and cash equivalents, end of year	\$ 359,678	\$ 293,528
Comprised of:		
Cash	\$ 234,343	\$ 187,077
Temporary investments	125,335	106,451
	<u>\$ 359,678</u>	<u>\$ 293,528</u>

The Corporation of the Village of Oil Springs

Notes to the Consolidated Financial Statements

December 31, 2018

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.

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.

The Corporation of the Village of Oil Springs

Notes to the Consolidated Financial Statements

December 31, 2018

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.

The Corporation of the Village of Oil Springs

Notes to the Consolidated Financial Statements

December 31, 2018

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.

The Corporation of the Village of Oil Springs

Notes to the Consolidated Financial Statements

December 31, 2018

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.

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 1.82% (2017 - 0.93%)

4. Long-term Receivables

Long-term receivables consist of the following:

	2018	2017
Waterline connection debenture receivable	\$ -	\$ 517

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. During 2018, the water connection was completely paid.

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

December 31, 2018

5. Investment in Bluewater Power Corporation (Continued)

The investment is composed of the following:

	<u>2018</u>	<u>2017</u>
Bluewater Power Corporation - common shares	\$ 59,506	\$ 59,506
Share of net income since acquisition, net of dividends received	<u>101,540</u>	<u>87,392</u>
	<u>\$ 161,046</u>	<u>\$ 146,898</u>

Continuity of Investment

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 146,898	\$ 140,368
Share of net income for the year	20,550	12,096
Less: Share of dividends for the year	<u>6,402</u>	<u>5,566</u>
Net increase in equity during the year	<u>14,148</u>	<u>6,530</u>
	<u>\$ 161,046</u>	<u>\$ 146,898</u>

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

December 31, 2018

5. Investment in Bluewater Power Corporation (Continued)

Bluewater Power Corporation - Financial Position

	2018	2017
Assets		
Current assets	\$ 29,869,264	\$ 39,400,753
Property, plant and equipment	71,862,777	66,349,482
Other assets	6,189,274	5,916,064
Total assets	107,921,315	111,666,299
Regulatory balances	3,305,906	2,314,833
Total assets and regulatory balances	\$ 111,227,221	\$ 113,981,132
Liabilities		
Current liabilities	\$ 18,602,719	\$ 26,623,854
Long-term liabilities	39,051,221	38,974,758
Total liabilities	57,653,940	65,598,612
Equity		
Share capital	18,032,105	18,032,105
Retained earnings	33,772,608	30,684,797
Accumulated other comprehensive loss	(3,002,997)	(4,202,268)
Total equity	48,801,716	44,514,634
Total liabilities and equity	106,455,656	110,113,246
Regulatory balances	4,771,565	3,867,886
Total liabilities, equity and regulatory balances	\$ 111,227,221	\$ 113,981,132

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

December 31, 2018

5. Investment in Bluewater Power Corporation (Continued)

Bluewater Power Corporation - Results of Operations

	<u>2018</u>	<u>2017</u>
Revenues	\$ 131,792,398	\$ 132,110,244
Expenses	124,638,778	125,160,594
Income tax expense	<u>1,731,000</u>	<u>1,628,000</u>
Net income for the year	5,422,620	5,321,650
Net movement in regulatory balances, net of tax	(215,606)	(334,876)
Net loss from discontinued operation, net of tax	(179,105)	(215,281)
Other comprehensive income (loss) for the year	<u>1,199,271</u>	<u>(1,105,949)</u>
Total comprehensive income for the year	<u>\$ 6,227,180</u>	<u>\$ 3,665,544</u>
Village of Oil Springs share of net income at 0.33%	<u>\$ 20,550</u>	<u>\$ 12,096</u>
Dividends	<u>\$ 1,940,098</u>	<u>\$ 1,686,529</u>
Village of Oil Springs share of dividend at 0.33%	<u>\$ 6,402</u>	<u>\$ 5,566</u>
Net increase in equity during the year	<u>\$ 14,148</u>	<u>\$ 6,530</u>

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

December 31, 2018

6. Deferred Revenue

Provincial legislation restricts how certain funds may be used, and as well donors may stipulate specific uses for the donations. Deferred revenue related to these funds is comprised of the following:

	<u>2018</u>	<u>2017</u>
Donations and grants	<u>\$ 39,219</u>	<u>\$ 1,000</u>

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 1,000	\$ 1,000
Gas tax funding received	22,423	21,783
Donations and grants	<u>128,205</u>	<u>58,002</u>
	151,628	80,785
Transfer to operations	<u>112,409</u>	<u>79,785</u>
Balance, end of year	<u>\$ 39,219</u>	<u>\$ 1,000</u>

The Corporation of the Village of Oil Springs

Notes to the Consolidated Financial Statements

December 31, 2018

7. Municipal Debt

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

	<u>2018</u>	<u>2017</u>
Ontario Infrastructure debenture, bearing interest at 3.53%, repayable in blended semi-annual payments of \$9,117, maturing April 2032.	\$ 194,478	\$ 205,553
John Deere Credit loan, non-interest bearing, repayable in monthly payments of \$316, maturing June 2020.	5,689	9,482
Ontario Infrastructure debenture, bearing interest at 2.79%, repayable in blended semi-annual payments of \$13,258, maturing January 2028.	219,950	-
Ontario Infrastructure debenture, bearing interest at 2.79% until fully disbursed in 2019 at which time the terms will be finalized.	265,000	-
	<u>\$ 685,117</u>	<u>\$ 215,035</u>

- (b) The following schedule shows the principal repayments of long-term debt for fully disbursed debt expected over the next five fiscal years:

2019	\$ 35,784
2020	34,873
2021	33,992
2022	35,040
2023	36,120
Thereafter	<u>509,308</u>
	<u>\$ 685,117</u>

- (c) Total interest charges related to the municipal debt are reported in expenses in the Consolidated Statement of Operations and amounted to \$13,132 (2017 - \$7,401).
- (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.

8. Operating Line of Credit

The Village has an operating line of credit with a bank with a limit of \$100,000, none of which was drawn at year end. The line of credit is unsecured.

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

December 31, 2018

9. Tangible Capital Assets

2018

	Land	Buildings	Equipment	Fleet	Roads	Underground and Other Networks	Bridges and Other Structures	Total
Cost								
Balance - December 31, 2017	\$ 223,535	\$ 490,096	\$ 414,243	\$ 697,194	\$ 1,346,017	\$ 3,448,921	\$ 252,246	\$ 6,872,252
Additions	-	-	49,890	-	342,176	206,807	-	598,873
Disposals	-	-	-	(50,097)	-	-	-	(50,097)
Balance - December 31, 2018	\$ 223,535	\$ 490,096	\$ 464,133	\$ 647,097	\$ 1,688,193	\$ 3,655,728	\$ 252,246	\$ 7,421,028
Accumulated Amortization								
Balance - December 31, 2017	\$ -	\$ 272,114	\$ 296,953	\$ 536,784	\$ 777,282	\$ 1,950,944	\$ 159,728	\$ 3,993,805
Amortization expense	-	8,663	19,147	33,542	28,212	55,634	4,525	149,723
Disposals	-	-	-	(50,097)	-	-	-	(50,097)
Balance - December 31, 2018	\$ -	\$ 280,777	\$ 316,100	\$ 520,229	\$ 805,494	\$ 2,006,578	\$ 164,253	\$ 4,093,431
Net Book Value	\$ 223,535	\$ 209,319	\$ 148,033	\$ 126,868	\$ 882,699	\$ 1,649,150	\$ 87,993	\$ 3,327,597

2017

	Land	Buildings	Equipment	Fleet	Roads	Underground and Other Networks	Bridges and Other Structures	Total
Cost								
Balance - December 31, 2016	\$ 223,535	\$ 490,096	\$ 403,042	\$ 681,170	\$ 1,119,016	\$ 3,448,921	\$ 252,246	\$ 6,618,026
Additions	-	-	19,201	16,024	227,001	-	-	262,226
Disposals	-	-	(8,000)	-	-	-	-	(8,000)
Balance - December 31, 2017	\$ 223,535	\$ 490,096	\$ 414,243	\$ 697,194	\$ 1,346,017	\$ 3,448,921	\$ 252,246	\$ 6,872,252
Accumulated Amortization								
Balance - December 31, 2016	\$ -	\$ 263,452	\$ 286,677	\$ 497,971	\$ 755,998	\$ 1,885,147	\$ 155,204	\$ 3,844,449
Amortization expense	-	8,662	18,276	38,813	21,284	65,797	4,524	157,356
Disposals	-	-	(8,000)	-	-	-	-	(8,000)
Balance - December 31, 2017	\$ -	\$ 272,114	\$ 296,953	\$ 536,784	\$ 777,282	\$ 1,950,944	\$ 159,728	\$ 3,993,805
Net Book Value	\$ 223,535	\$ 217,982	\$ 117,290	\$ 160,410	\$ 568,735	\$ 1,497,977	\$ 92,518	\$ 2,878,447

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

December 31, 2018

10. Accumulated Surplus

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

	2018	2017
Surplus		
Invested in tangible capital assets	\$ 2,642,480	\$ 2,663,412
Reduce (recover from) future taxation	(72,797)	(88,446)
Reduce (recover from) future user fees	39,583	(83,304)
Equity in Bluewater Power Corporation	161,046	146,898
	2,770,312	2,638,560
Reserves set aside for specific purposes by Council for:		
Working capital	78,687	68,022
Replacement of equipment	54,290	48,290
Water	108,478	187,506
Sewer	199,263	207,556
Replacement of fire equipment	23,958	18,458
Youth centre equipment	3,001	2,501
EOC generator	6,300	5,850
Community hall maintenance and repairs	8,273	7,038
Policing	3,500	3,500
Growth committee	823	823
Youth centre capital	320	320
Replacement of fire equipment	62,380	62,380
Fire building addition	3,221	1,991
Cemetery memorial	5,435	5,435
	557,929	619,670
Total Reserves	557,929	619,670
Accumulated Surplus	\$ 3,328,241	\$ 3,258,230

The Corporation of the Village of Oil Springs

Notes to the Consolidated Financial Statements

December 31, 2018

11. Budget Data

The unaudited budget data presented in these consolidated financial statements is based upon the 2018 budget approved by Council. Budgets are not prepared on a basis consistent with that used to report actual results under Public Sector Accounting Standards. 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>2018</u>
Budgeted surplus for the year	\$ 20,714
Adjustments for:	
Debt principal repayments	11,075
Capital expenditures	921,226
Infrastructure loan	(800,000)
Reserve transfers	17,225
Amortization	<u>(149,725)</u>
Annual budgeted surplus	<u>\$ 20,515</u>

12. Public Sector Salary Disclosure

During 2018, no Village employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

13. Trust Funds

Trust funds administered by the Village amounting to \$85,558 (2017 - \$84,047) are not included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

14. 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 Corporation of the Village of Oil Springs

Notes to the Consolidated Financial Statements

December 31, 2018

14. Segmented Information (Continued)

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, sidewalks and streetlighting.

Environmental

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

Sewer services is responsible for collecting and cleaning the sewage. Water services 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, 2018

14. Segmented Information (Continued)

For the year ended December 31, 2018	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreational and Cultural Services	Planning and Development	Total
Revenue								
Taxation	\$ 394,732	\$ -	\$ -	\$ 20,392	\$ -	\$ -	\$ -	\$ 415,124
Taxation from other governments	-	91,960	-	-	-	-	-	91,960
Fees and user charges	7,683	8,552	-	310,020	-	21,859	-	348,114
Grants	316,248	-	-	-	-	-	-	316,248
Other	26,569	3,592	-	-	16,015	1,299	-	47,475
Bluewater Power Corporation	20,550	-	-	-	-	-	-	20,550
	765,782	104,104	-	330,412	16,015	23,158	-	1,239,471
Expenses								
Salaries and benefits	143,600	-	82,081	26,585	1,493	-	-	253,759
Materials and supplies	155,150	101,795	102,389	205,737	15,695	30,777	1,151	612,694
Contracted services	-	102,018	-	37,186	-	-	-	139,204
Interest on long-term debt	-	-	6,021	7,111	-	-	-	13,132
Amortization	2,468	50,495	32,759	57,229	-	6,772	-	149,723
Other	-	-	-	-	948	-	-	948
	301,218	254,308	223,250	333,848	18,136	37,549	1,151	1,169,460
Annual surplus (deficit)	\$ 464,564	\$ (150,204)	\$ (223,250)	\$ (3,436)	\$ (2,121)	\$ (14,391)	\$ (1,151)	\$ 70,011

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

December 31, 2018

14. Segmented Information (Continued)

For the year ended December 31, 2017	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreational and Cultural Services	Planning and Development	Total
Revenue								
Taxation	\$ 374,500	\$ -	\$ -	\$ 20,390	\$ -	\$ -	\$ -	\$ 394,890
Taxation from other governments	-	85,226	-	-	-	-	-	85,226
Fees and user charges	7,890	7,229	-	299,159	-	21,235	-	335,513
Grants	303,018	-	-	-	-	8,000	-	311,018
Other	21,734	2,871	-	-	13,049	8,207	-	45,861
Bluewater Power Corporation	12,096	-	-	-	-	-	-	12,096
	719,238	95,326	-	319,549	13,049	37,442	-	1,184,604
Expenses								
Salaries and benefits	133,926	-	57,721	25,660	-	-	-	217,307
Materials and supplies	134,587	78,054	64,706	194,407	17,755	54,638	15	544,162
Contracted services	-	123,405	-	35,776	-	-	-	159,181
Interest on long-term debt	-	-	-	7,401	-	-	-	7,401
Amortization	2,876	54,573	25,296	67,392	-	7,220	-	157,357
Other	-	-	-	-	1,004	-	-	1,004
	271,389	256,032	147,723	330,636	18,759	61,858	15	1,086,412
Annual surplus (deficit)	\$ 447,849	\$ (160,706)	\$ (147,723)	\$ (11,087)	\$ (5,710)	\$ (24,416)	\$ (15)	\$ 98,192

**The Corporation of the
Village of Oil Springs
Trust Funds
Financial Statements
For the year ended December 31, 2018**

Independent Auditor's Report

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

Opinion

We have audited the trust fund financial statements of The Corporation of the Village of Oil Springs, which comprise the balance sheet as at December 31, 2018, and the statement of continuity of trust funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the Village of Oil Springs as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Chartered Professional Accountants, Licensed Public Accountants

Chatham, Ontario
June 11, 2019

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

December 31	2018	2017
Assets		
Cash	\$ 1,296	\$ 330
Temporary investments	92,874	92,398
	<u>\$ 94,170</u>	<u>\$ 92,728</u>
Liabilities and Accumulated Net Assets		
Due to The Corporation of the Village of Oil Springs	\$ 8,612	\$ 8,681
Accumulated net assets	85,558	84,047
	<u>\$ 94,170</u>	<u>\$ 92,728</u>

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

For the year ended December 31	2018	2017
Balance, beginning of year	<u>\$ 84,047</u>	<u>\$ 82,608</u>
Receipts		
Interest earned	1,511	1,140
Monument fund	-	300
	<u>1,511</u>	<u>1,440</u>
Expenditures		
Cost of perpetual care	-	1
Balance, end of year	<u>\$ 85,558</u>	<u>\$ 84,047</u>

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

December 31, 2018

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.
