

The Corporation Of The Town Of Petrolia

Financial Statements

December 31, 2020

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

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

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

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



Rick Charlebois

Chief Administrative Officer / Treasurer

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You'll be surprised!

Town Council

Mayor

Brad Loosley

Councillors

Wade Deighton

Joel Field

Ross O'Hara

Grant Purdy

Marty Souch

Don Welten

Town Administration

CAO/Treasurer

Rick Charlebois

Clerk/Operations Clerk

Mandi Pearson

Director of Facilities/Community Services

Dave Menzies

Director of Marketing, Arts, and Communications

Laurissa Ellsworth

Director of Operations

Mike Thompson

Fire Chief/Director of Protective Services

Jay Arns

Deputy Treasurer/Tax Collector

Annette Strand

Finance Assistant/Payroll Administrator

Julie Bullock

The Corporation of the Town of Petrolia
Financial Statements
For The Year Ended December 31, 2020

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of the Corporation of the Town of Petrolia (the Municipality) which comprise the statement of financial position as at December 31, 2020 and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Petrolia as at December 31, 2020 and the results of its financial activities, cash flows and change in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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



**Sarnia, Ontario
June 28, 2021**

**Chartered Professional Accountants
Licensed Public Accountants**

Corporation of the Town of Petrolia
Statement Of Financial Position
December 31, 2020

	2020	2019
Assets		
Financial Assets		
Cash (note 3)	\$ 7,919,528	\$ 6,006,192
Taxes and interest receivable	(40,134)	(10,422)
Accounts receivable	1,662,905	5,262,847
Land available for sale	229,458	-
Long-term receivable (note 4)	-	50,000
Investment in Bluewater Power Corporation (note 5)	<u>5,487,875</u>	<u>5,373,281</u>
Total financial assets	<u>15,259,632</u>	<u>16,681,898</u>
Liabilities		
Accounts payable and accrued liabilities	1,416,406	5,207,343
Other current liabilities	479,682	605,319
Interest on municipal debt	81,227	86,408
Municipal debt (note 6)	8,462,523	9,072,259
Deferred revenue (note 7)	<u>541,801</u>	<u>412,517</u>
Total liabilities	<u>10,981,639</u>	<u>15,383,846</u>
Net Financial Assets (Debt)	<u>4,277,993</u>	<u>1,298,052</u>
Non-Financial Assets		
Tangible capital assets (note 8)	95,757,781	95,590,864
Prepaid expenses	<u>224,532</u>	<u>1,568,132</u>
Total non-financial assets	<u>95,982,313</u>	<u>97,158,996</u>
Accumulated Surplus (note 9)	<u>\$ 100,260,306</u>	<u>\$ 98,457,048</u>
Contingencies and Commitments (note 10)		

On Behalf Of Council



Mayor



Treasurer

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

Corporation of the Town of Petrolia
Statement Of Operations and Accumulated Surplus
For the Year Ended December 31, 2020

	Budget 2020 (note 11)	Actual 2020	Actual 2019
Revenues			
Taxation	\$ 5,745,921	\$ 5,889,953	\$ 5,564,305
Water and sewage charges	3,139,243	3,009,829	2,890,861
Fees and user charges	1,942,950	309,396	2,001,225
Fees and user charges - other municipalities	1,563,859	1,781,661	1,224,821
Grants (note 15)	1,407,800	2,052,961	8,282,460
Other	1,106,582	453,989	1,117,209
Bluewater Power Corporation	525,000	358,366	593,670
Total revenues	<u>15,431,355</u>	<u>13,856,155</u>	<u>21,674,551</u>
Expenditures			
General government	1,423,503	1,633,608	1,574,679
Protection services	1,842,020	1,958,485	1,696,341
Transportation services	1,269,210	1,319,795	1,504,927
Environmental services	4,137,844	4,678,559	4,390,499
Health services	110,925	103,566	103,166
Recreation and cultural services	2,822,032	1,994,840	3,190,208
Planning and development	314,071	364,044	304,170
Total expenditures	<u>11,919,605</u>	<u>12,052,897</u>	<u>12,763,990</u>
Annual Surplus of Revenues over Expenditures	3,511,750	1,803,258	8,910,561
Accumulated Surplus, Beginning Of Year	<u>98,457,048</u>	<u>98,457,048</u>	<u>89,546,487</u>
Accumulated Surplus, End Of Year	<u>\$ 101,968,798</u>	<u>\$ 100,260,306</u>	<u>\$ 98,457,048</u>

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

Corporation of the Town of Petrolia
Statement of Change in Net Financial Assets
December 31, 2020

	Budget 2020 <small>(note 11)</small>	Actual 2020	Actual 2019
Annual surplus	\$ 3,511,750	\$ 1,803,258	\$ 8,910,561
Amortization of tangible capital assets	3,063,768	3,063,768	2,762,409
Change in prepaid expenses	-	1,343,600	(1,363,123)
Loss on sale of tangible capital assets	-	(7,422)	103,796
Proceeds from sale of tangible assets	-	15,885	57,160
Acquisition of tangible capital assets	<u>(3,239,148)</u>	<u>(3,239,148)</u>	<u>(10,071,467)</u>
Net change in net financial assets	3,336,370	2,979,941	399,336
Net financial assets, beginning of year	<u>1,298,052</u>	<u>1,298,052</u>	<u>898,716</u>
Net financial assets, end of year	<u>\$ 4,634,422</u>	<u>\$ 4,277,993</u>	<u>\$ 1,298,052</u>

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

Corporation of the Town of Petrolia
Statement Of Cash Flows
For The Year Ended December 31, 2020

	2020	2019
Operating Activities		
Annual surplus	\$ 1,803,258	\$ 8,910,561
Items not requiring cash:		
Amortization and non-cash items	2,979,298	2,656,776
Share of net income of Bluewater Power Distribution	(114,594)	(350,561)
Loss on disposal of tangible capital assets	(7,422)	103,796
	4,660,540	11,320,572
Taxes and interest receivable	(29,712)	173,686
Accounts receivable	3,599,942	(2,629,120)
Land available for sale	(229,458)	-
Accounts payable and accrued liabilities	(3,916,574)	3,566,418
Interest on municipal debt	(5,181)	(5,014)
Deferred revenue	129,284	(4,413,430)
Prepaid expenses	1,343,600	(1,363,123)
	5,552,441	6,649,989
Capital Transactions		
Proceeds from sale of tangible assets	15,885	57,160
Acquisition of tangible capital assets	(3,239,148)	(10,071,467)
	(3,223,263)	(10,014,307)
Investing Transactions		
Repayment of long-term receivable	50,000	50,000
Dividend from Bluewater Power Corporation	143,894	143,531
	193,894	193,531
Financing Transactions		
Repayment of municipal debt	(609,736)	(590,159)
	(609,736)	(590,159)
Net Change in Cash and Cash Equivalents	1,913,336	(3,760,946)
Opening Balance, Cash and Cash Equivalents	6,006,192	9,767,138
Closing Balance, Cash and Cash Equivalents	\$ 7,919,528	\$ 6,006,192

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

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

1. Significant Accounting Policies

The Financial Statements of the Corporation of the Town of Petrolia (the "Town") are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

Significant accounting policies adopted include:

- (a) **Basis of Reporting**
- (i) **Reporting Entity**
These financial statements reflect the financial assets, liabilities, reserves, surpluses/deficits, changes in investment in tangible capital assets and revenues and expenditures of all municipal organizations and committees which are controlled by Council.
- (ii) **Government Business Enterprises**
The investment in Petrolia Electricity Holdings Inc. and the investment in Bluewater Power Corporation is accounted for on the modified equity basis which reflects the Town of Petrolia's investment in the enterprises and its share of net income since acquisition. Under the modified equity basis, the enterprise's accounting principles are not adjusted to conform with those of the municipality and inter-organizational transactions and balances are not eliminated.
- (iii) **Accounting for County and School Board Transactions**
The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Lambton are not reflected in the balances of these financial statements except to the extent that any amounts due to or from are reported on the Statement of Financial Position. Taxation raised by the Town on their behalf is reflected as a deduction from total taxation on the Statement of Operations and Accumulated Surplus.
- (iv) **Trust Funds**
Trust funds and their related operations administered by the Town are not reflected in these financial statements, but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet
- (b) **Basis of Accounting**
- (i) **Accrual Basis of Accounting**
The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Notes continued on page 8...

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

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

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

(ii) **Cash and Cash Equivalents**

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

(iii) **Non-Financial Assets**

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

(iv) **Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at their fair value at the date of contribution. Where fair market value cannot be reasonably determined, contributed tangible capital assets are recorded at a nominal amount. The useful life of the assets is based on estimates determined by management. The cost, less residual value, of the tangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

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

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

(v) **Intangible Assets**

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

(vi) **Deferred Revenue**

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

Notes continued on page 9....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

1. Significant Accounting Policies cont'd...

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

(vii) Revenue Recognition

Property tax billings are prepared by the municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Town Council, incorporating amounts to be raised for local services, the requisition made by the County of Lambton in respect of County services and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Town determines the taxes applicable and sets up supplementary tax billings. Assessments and related property taxes are also subject to appeals, vacancy rebates and write-offs if applicable in the year. Each year management provides a best estimate of the affect of supplementary assessments and tax appeals on taxation revenue.

The Town is entitled to collect interest and penalties on the overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

User fees and other revenues are recognized when related goods or services are provided and collectability is reasonably assured.

Investment income earned on surplus funds (other than obligatory reserve funds) is reported as revenue on the daily accrual basis. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when the monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

(viii) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Due to the inherent uncertainty in making estimates, actual results could differ from management's best estimates as additional information becomes available in the future.

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

2. Operations Of School Boards And The County Of Lambton

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

		School Boards	County	2020 Total	2019 Total
Taxation	\$	1,621,536	\$ 2,666,308	\$ 4,287,844	\$ 4,136,956
Share of payments in lieu of taxes		<u>18,483</u>	<u>20,348</u>	<u>38,831</u>	<u>37,842</u>
		<u>1,640,019</u>	<u>2,686,656</u>	<u>4,326,675</u>	<u>4,174,798</u>
Share of taxes written off		6,459	9,205	15,664	15,875
Share of tax rebates and capping adjustments		<u>2,588</u>	<u>3,507</u>	<u>6,095</u>	<u>6,090</u>
		<u>9,047</u>	<u>12,712</u>	<u>21,759</u>	<u>21,965</u>
Amounts transferred	\$	<u>1,630,972</u>	\$ <u>2,673,944</u>	\$ <u>4,304,916</u>	\$ <u>4,152,833</u>

3. Cash and Short-Term Investments

		2020	2019
Unrestricted	\$	<u>7,919,528</u>	\$ <u>6,006,192</u>

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

4. Long-Term Receivable

In 2000, the Town reached a settlement with regards to royalties to be paid for waste deposited in the landfill site formerly owned by the Town. Under the terms of the settlement, the Town received a settlement of \$5,000,000, of which \$4,000,000 was paid during the year 2000 and the remaining \$1,000,000 is to be paid without interest over 20 years with an annual payment of \$50,000 per year commencing January 1, 2001. At the end of 2020 - \$Nil (2019 - \$50,000) was still outstanding, and therefore this receivable has been fully repaid as at December 31, 2020.

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

5. Hydro Investments

In recognition of the requirements of Bill 35 (The Energy Competition Act, 1998) the Town, along with the City of Sarnia, Township of Warwick, Village of Point Edward, Village of Oil Springs and Village of Alvinston, effective October 31, 2000, merged all of their hydro-electrical operations and transferred all of their hydro-electrical assets and liabilities to Bluewater Power Corporation and its subsidiary.

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

The investment is composed of the following:

	2020	2019
Promissory note	\$ 1,430,914	\$ 1,430,914
Petrolia Electricity Holdings Inc. common shares	1,327,163	1,327,163
Share of net income since acquisition, net of dividends received	<u>2,729,798</u>	<u>2,615,204</u>
	<u>\$ 5,487,875</u>	<u>\$ 5,373,281</u>

Continuity of Investment

Balance, beginning of year	\$ <u>5,373,281</u>	\$ <u>5,022,720</u>
Share of net income for the year	345,055	494,092
Prior year adjustment	(86,567)	-
Dividends received during the year	<u>143,894</u>	<u>143,531</u>
Net increase in equity during the year	<u>114,594</u>	<u>350,561</u>
Balance, end of year	<u>\$ 5,487,875</u>	<u>\$ 5,373,281</u>

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

5. Hydro Investments cont'd...

The promissory note due from Bluewater Power Distribution Corporation, bears interest at 6.73%, is unsecured, subordinated and due eighteen months following demand for payment. During 2020, the Town of Petrolia received \$99,878 (2019 - \$99,878) of interest income on the promissory note which is reported in the Statement of Operations and Accumulated Surplus.

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

	2020	2019
Bluewater Power Corporation - Financial Position		
Assets		
Current assets	\$ 31,820,186	\$ 30,264,503
Property, plant and equipment	83,109,097	76,407,188
Other assets	<u>8,249,185</u>	<u>6,061,392</u>
Total assets	123,178,468	112,733,083
Regulatory balances	<u>5,731,053</u>	<u>3,710,743</u>
Total assets and regulatory balances	<u>\$ 128,909,521</u>	<u>\$ 116,443,826</u>
Liabilities		
Current liabilities	\$ 23,301,982	\$ 19,603,389
Long-term liabilities	<u>46,351,925</u>	<u>39,653,834</u>
	69,653,907	59,257,223
Equity		
Share capital	18,032,105	18,032,105
Retained earnings	40,720,749	38,161,859
Accumulated other comprehensive loss	<u>(3,631,104)</u>	<u>(2,629,199)</u>
Total equity	<u>55,121,750</u>	<u>53,564,765</u>
Total liabilities and equity	124,775,657	112,821,988
Regulatory balances	<u>4,133,864</u>	<u>3,621,838</u>
Total Liabilities, Equity and Regulatory Balances	<u>\$ 128,909,521</u>	<u>\$ 111,273,221</u>
Bluewater Power Corporation - Results of Operations		
Revenues	\$ 146,388,973	\$ 135,219,174
Expenditures	140,209,769	128,208,435
Income tax expense	<u>2,074,000</u>	<u>2,107,000</u>
Net income for the year	4,105,204	4,903,739
Net loss from discontinued operation, net of tax	(171,329)	(12,904)
Net movement in regulatory balances, net of tax	1,756,284	1,448,564
Other comprehensive income (loss) for the year	<u>(1,001,905)</u>	<u>373,798</u>
Total comprehensive income for the year	<u>\$ 4,688,254</u>	<u>\$ 6,713,197</u>

Notes continued on page 13...

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

5. Hydro Investments cont'd...		
Town of Petrolia Share of Net Income @ 7.36%	\$ <u>345,055</u>	\$ <u>494,092</u>
Prior year adjustment	\$ <u>(86,567)</u>	\$ <u>-</u>
Dividends	\$ <u>1,955,088</u>	\$ <u>1,950,148</u>
Town of Petrolia, dividend @ 7.36%	\$ <u>143,894</u>	\$ <u>143,531</u>
Net Increase in Equity During the Year	\$ <u>114,594</u>	\$ <u>350,561</u>

6. Municipal Debt

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

	2020	2019
CMHC loan, bearing interest at 3.99%, repayable in blended annual payments of \$111,269, due November, 2024.	\$ 403,991	\$ 495,490
CMHC loan, bearing interest at 3.97%, repayable in blended annual payments of \$78,174, due December, 2024.	283,966	348,312
Ontario infrastructure debenture, bearing interest at 2.29%, repayable in blended semi - annual payments of \$53,416, due October, 2025.	502,010	595,734
Ontario infrastructure debenture, bearing interest at 3.17%, repayable in blended semi - annual payments of \$37,916, due February, 2027.	442,290	502,662
Ontario infrastructure debenture, bearing interest at 3.27%, repayable in blended semi - annual payments of \$171,283, due October, 2037.	4,440,361	4,632,990
Ontario infrastructure debenture, bearing interest at 3.33%, repayable in blended semi - annual payments of \$94,717, due February, 2037.	<u>2,389,905</u>	<u>2,497,071</u>
	\$ <u>8,462,523</u>	\$ <u>9,072,259</u>

Notes continued on page 14...

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

6. Municipal Debt contd..

(b) Principal repayments are as follows:

	2021	2022	2023	2024	2025	2026 to 2029	Thereafter
	\$ 629,977	650,908	672,551	694,931	528,630	2,058,657	3,226,869
						<u>2,058,657</u>	<u>3,226,869</u>
							<u>\$ 8,462,523</u>

(c) Total interest charges for the year for municipal debt which is reported on the statement of financial position was \$289,191 (2019 - \$308,934).

(d) The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

7. Deferred Revenue

	2020	2019
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The deferred revenue is comprised of the following:

MMAH efficiency grant	\$ 230,295	\$ 308,434
MMAH COVID Phase II grant	30,000	-
Cannabis legislation grant	15,484	15,276
Canada gas tax funding	<u>266,022</u>	<u>88,807</u>
	<u>\$ 541,801</u>	<u>\$ 412,517</u>

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

Balance, beginning	\$ 412,517	\$ 4,825,947
OCIF funding - application based grant	-	1,763,941
OCIF funding - formula based grant	338,441	291,186
Gas tax funding received	174,191	353,542
MMAH efficiency grant	-	539,163
MMAH COVID Phase II grant	30,000	-
Cannabis legislation grant	-	15,000
Investment income	<u>10,109</u>	<u>83,610</u>
	965,258	7,872,389
Utilization of reserve funds - tangible capital assets	-	7,056,965
Utilization of reserve funds - current operations	423,457	131,619
Deferred revenue recognized - Gas tax	<u>-</u>	<u>271,288</u>
Balance, ending	<u>\$ 541,801</u>	<u>\$ 412,517</u>

Notes continued on page 15....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

8. Tangible Capital Assets

Asset Cost 2020		Land		Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 1,467,544	\$ 1,405,135	\$ 18,681,886	\$ 3,389,226	\$ 1,797,456	\$ 1,111,044,207	\$ 1,176,538	\$ 138,872,012	\$ 4,362,060
Additions	-	-	81,284	134,022	1,328,426	1,723,501	1,094,827	1,094,827	4,362,060
Disposals	-	-	-	4,680	177,500	77,593	1,122,912	1,122,912	1,382,685
Balance, ending	<u>\$ 1,467,544</u>	<u>\$ 1,405,135</u>	<u>\$ 18,763,170</u>	<u>\$ 3,518,568</u>	<u>\$ 2,858,382</u>	<u>\$ 1,112,690,115</u>	<u>\$ 1,148,473</u>	<u>\$ 141,851,387</u>	<u>\$ 141,851,387</u>
Accumulated Amortization									
Balance, beginning	\$ -	\$ 529,063	\$ 6,860,324	\$ 1,914,099	\$ 1,007,424	\$ 32,970,238	\$ -	\$ -	\$ 43,281,148
Amortization	-	53,029	377,419	173,047	145,854	2,314,419	-	-	3,063,768
Disposals	-	-	-	4,680	176,500	70,130	-	-	251,310
Balance, ending	<u>\$ -</u>	<u>\$ 582,092</u>	<u>\$ 7,237,743</u>	<u>\$ 2,082,466</u>	<u>\$ 976,778</u>	<u>\$ 35,214,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,093,606</u>
Net Book Value	<u>\$ 1,467,544</u>	<u>\$ 823,043</u>	<u>\$ 11,525,427</u>	<u>\$ 1,436,102</u>	<u>\$ 1,881,604</u>	<u>\$ 77,475,588</u>	<u>\$ 1,148,473</u>	<u>\$ 148,757,781</u>	<u>\$ 95,757,781</u>

Asset Cost 2019		Land		Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 1,466,783	\$ 1,335,184	\$ 18,541,937	\$ 3,327,874	\$ 1,697,543	\$ 99,382,156	\$ 3,727,883	\$ 129,479,360	\$ 129,479,360
Additions	20,828	69,951	139,949	420,919	144,975	11,826,172	8,494,550	21,117,344	21,117,344
Disposals	20,067	-	-	174,210	135,062	349,478	11,045,875	11,724,692	11,724,692
Class transfers, (to) from	-	-	-	(185,357)	-	185,357	-	-	-
Balance, ending	<u>\$ 1,467,544</u>	<u>\$ 1,405,135</u>	<u>\$ 18,681,886</u>	<u>\$ 3,389,226</u>	<u>\$ 1,707,456</u>	<u>\$ 111,044,207</u>	<u>\$ 1,176,558</u>	<u>\$ 138,872,012</u>	<u>\$ 138,872,012</u>
Accumulated Amortization									
Balance, beginning	\$ -	\$ 474,352	\$ 6,480,763	\$ 2,049,817	\$ 976,650	\$ 31,055,016	\$ -	\$ -	\$ 41,036,598
Amortization	-	54,711	379,561	156,221	90,029	2,081,887	-	-	2,762,409
Disposals	-	-	-	174,210	59,235	284,394	-	-	517,859
Class transfers, (to) from	-	-	-	(117,729)	-	117,729	-	-	-
Balance, ending	<u>\$ -</u>	<u>\$ 529,063</u>	<u>\$ 6,860,324</u>	<u>\$ 1,914,099</u>	<u>\$ 1,007,424</u>	<u>\$ 32,970,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,281,148</u>
Net Book Value	<u>\$ 1,467,544</u>	<u>\$ 876,072</u>	<u>\$ 11,821,562</u>	<u>\$ 1,475,127</u>	<u>\$ 700,032</u>	<u>\$ 78,073,969</u>	<u>\$ 1,176,558</u>	<u>\$ 95,590,864</u>	<u>\$ 95,590,864</u>

Assets Under Construction

Assets under construction having a value of \$1,148,473 (2019 - \$1,176,558) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Works Of Art And Historical Treasures

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

Write-down Of Tangible Capital Assets

The write-down of tangible capital assets during the year was \$NIL (2019 - \$NIL).

Notes continued on page 16....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

	2020	2019
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Accumulated surplus consists of the following individual fund surplus and reserves as follows:

Surplus		
Invested in tangible capital assets	\$ 95,757,781	\$ 95,590,864
Reduce from future taxation	107,801	486,216
Equity in Bluewater Power Corporation	5,487,875	5,373,281
Unfunded	<u>(8,543,751)</u>	<u>(9,191,715)</u>
	<u>\$ 92,809,706</u>	<u>\$ 92,258,646</u>

Reserves set aside for specific purposes by Council for:

Working capital	\$ 3,991,617	\$ 2,727,792
Budget stabilization	130,032	130,032
Cemetery	39,252	41,613
Elections	8,000	-
Insurance	50,000	50,000
Library	6,488	6,488
Landfill sale proceeds	-	50,000
Other unspecified	35,375	43,833
Other cultural	588,807	581,107
Parks	2,635	2,695
Planning	8,356	1,325
Recreation facilities	409,881	331,369
Recreation programs	19,809	4,896
Sewage	1,325,101	1,683,178
Waste Management Environmental	-	15,000
Waterworks	<u>835,247</u>	<u>529,074</u>

Total Reserves	<u>\$ 7,450,600</u>	<u>\$ 6,198,402</u>
Accumulated Surplus	<u>\$ 100,260,306</u>	<u>\$ 98,457,048</u>

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

10. Contingencies and Commitments

Federal Grants

Under the terms of an agreement with the Government of Canada with respect to a \$350,000 grant received for the restoration of Victoria Hall, the Town must operate and maintain Victoria Hall in its restored state for a period of 42 years, commencing from 1992. If Victoria Hall is damaged by fire and not restored to its original condition, then the Town must repay the grant to the Government of Canada. Any repayments, if any, will be recognized as an expense in the year of repayment.

Line of Credit

The Town approves a line of credit for Actors' Equity whereby a line of credit in the form of a bond in the amount of \$70,000 to be issued on behalf of Actors' Equity. This bond is to insure payment to the actors performing at the Victoria Playhouse Theatre. Any payments required under this bond will be recognized as an expense in the year payment is made.

Oil Heritage District Community Centre ("OHDDCC")

As part of the condition of receiving the Ontario SuperBuild Corporation grant of \$1,686,000 used in financing the construction of the OHDDCC, the Town may not transfer ownership of the OHDDCC until March 31, 2027 unless the Town receives the prior written consent of the Ministry of Tourism and Recreation ("Ministry"). As a condition of its consent, the Ministry may specify any conditions including the requirement that the Town repay some or all of the Ontario SuperBuild Corporation grant. The repayment amount, if any, is to be determined by the Ministry and to be repaid within a time period specified by the Ministry.

YMCA Operation Agreement

The agreement between the Corporation of the Town of Petrolia and the YMCA for operation of the Centre does not violate the contingency with the OHDDCC and the Ontario SuperBuild Corporation grant as the Town retains total ownership of the building, land and equipment. The agreement term is for 5 years from the effective date of April 2, 2018, with a renewal option of an additional 5 years based on mutual review and agreement.

11. Budget Data

The unaudited budget data presented in these financial statements is based upon the 2020 budget approved by Council. Budgets are not prepared on a basis consistent with that used to report actual results under Public Sector Accounting Standards which is allowable as per Ontario Regulation 284/09 of the Municipal Act. Budgets anticipate using surpluses (or deficits) accumulated in previous years to reduce current expenditures in excess of revenues to nil. In addition the budget expensed all tangible capital assets rather than capitalizing them and recording amortization expense. The budget also expenses principal payments on debt and reserve transfers. As a result, the budget figures presented in the Statement of Operations and Accumulated Surplus represent the budget adopted by the Town's council with the following adjustments.

Notes continued on page 18....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

11. Budget Data cont'd...

	2020
	Budget Amount
Budgeted surplus for the year	\$ 1,474,436
Adjustments to budgeted deficit:	
Debt principal repayments	609,736
Capital expenditures	3,239,148
Reserve transfers	1,252,198
Amortization	<u>(3,063,768)</u>
Annual budgeted surplus	<u>\$ 3,511,750</u>

12. Pension Agreements

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

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario Municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension plan surplus or deficit. The amount contributed to "OMERS" for 2020 was \$173,272 (2019 - \$167,366) for current service. Employers contributions for current service are included as an expense in the consolidated Statement of Financial Activity.

13. Trust Funds

Trust funds administered by the Town amounting to \$446,343 (2019 - \$435,582) are not included in the Statement of Financial Position nor have their operations been included in the Statement of Financial Activities.

14. Comparative Figures

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

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

	2020	2019
15. Grants		
Operating		
Province of Ontario	\$ 897,400	\$ 878,300
Ontario Municipal Partnership Fund	618,600	-
COVID-19 Safe Restart Agreement	59,813	186,200
Celebrate Ontario	11,958	22,088
FCM Asset Management	17,426	-
AMO Grant	27,779	-
Efficiency Reserve	7,032	-
Downtown BPA	20,000	-
Community Events	53,016	54,104
Stewardship Ontario	<u>1,713,024</u>	<u>1,140,692</u>
Government of Canada		
Heritage Program	13,475	10,500
Program Support	<u>31,098</u>	<u>15,274</u>
	44,573	<u>25,774</u>
Total Operating	\$ 1,757,597	\$ 1,166,466
Capital		
Province of Ontario	\$ -	\$ 271,288
Provincial Gas Tax	338,441	6,652,686
Ontario Community Infrastructure Fund	(50,157)	93,560
Small Community Fund	-	4,900
Arena Energy Performance Analysis	<u>57,237</u>	<u>-</u>
Other Provincial Capital Grants	345,521	<u>7,022,434</u>
Government of Canada		
Small Community Fund	<u>(50,157)</u>	<u>93,560</u>
Total Capital	\$ 295,364	\$ 7,115,994
Total Grants	\$ 2,052,961	\$ 8,282,460

Notes continued on page 20....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

16. Segmented Information

The Corporation of the Town of Petrolia is a diversified municipal government institution that provides a wide range of services to its inhabitants such as policing, fire protection, water distribution, sewage collection and treatment, waste collection and disposal, recycling services, recreational services, library facilities, and planning. Distinguishable functional segments have been separately disclosed in the segmented information.

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

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

General Government

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

Protection to Persons and Property

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

Transportation Services

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

Environmental Services

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

Health Services

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

Recreational and Cultural Services

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

Planning and Development Services

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

Notes continued on page 21....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

16. Segmented Information cont'd...

For the Year Ended December 31, 2020

	General Government	Protection Services	Transport. Services	Environ. Services	Health Services	Recreation Services	Planning Development	Total
Revenue								
Taxation	\$5,889,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$5,889,953
Water and sewer charges	-	-	-	3,009,829	-	-	-	3,009,829
Fees and User charges	15,414	3,412	-	129	61,580	187,909	40,952	309,396
Fees and User charges Other municipalities	-	710,925	-	1,038,636	7,500	24,600	-	1,781,661
Grants	1,570,361	6,528	358,965	(47,299)	-	157,375	7,031	2,052,961
Other	197,391	18,770	-	2,820	6,934	120,364	107,710	453,989
Bluewater Power	<u>358,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>358,366</u>
	<u>7,673,119</u>	<u>739,635</u>	<u>358,965</u>	<u>4,004,115</u>	<u>76,014</u>	<u>490,248</u>	<u>155,693</u>	<u>13,856,155</u>
Expenditures								
Salaries and benefits	880,814	254,215	376,036	403,827	72,112	594,888	139,426	2,721,318
Materials and supplies	478,631	456,213	289,974	893,532	25,530	709,934	172,696	3,026,510
Contracted services	32,759	1,102,217	780	1,347,893	-	349,723	9,769	2,843,141
Interest on long term debt	1,009	-	32,569	237,414	-	6,032	12,167	289,191
Amortization	206,270	117,959	620,436	1,758,430	5,924	324,763	29,986	3,063,768
Other	<u>34,125</u>	<u>27,881</u>	<u>-</u>	<u>37,463</u>	<u>-</u>	<u>9,500</u>	<u>-</u>	<u>108,969</u>
	<u>1,633,608</u>	<u>1,958,485</u>	<u>1,319,795</u>	<u>4,678,559</u>	<u>103,566</u>	<u>1,994,840</u>	<u>364,044</u>	<u>12,052,897</u>
Annual Surplus (Deficit)	<u>\$6,039,511</u>	<u>\$(1,218,850)</u>	<u>\$(960,830)</u>	<u>\$(674,444)</u>	<u>\$(27,552)</u>	<u>\$(1,504,592)</u>	<u>\$(208,351)</u>	<u>\$1,803,258</u>

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Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

16. Segmented Information contd...

For the Year Ended December 31, 2019

	General Government	Protection Services	Transport. Services	Environ. Services	Health Services	Recreation Services	Planning Development	Total
Revenue								
Taxation	\$5,564,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$5,564,305
Water and sewer charges	-	-	-	2,890,861	-	-	-	2,890,861
Fees and User charges	14,662	14,588	-	4,562	74,055	1,875,092	18,266	2,001,225
Fees and User charges	-	-	-	-	-	-	-	-
Other municipalities	-	216,357	-	973,264	7,500	27,700	-	1,224,821
Grants	915,662	-	271,288	6,893,910	-	201,600	-	8,282,460
Other	569,334	7,649	295,892	15,000	8,188	119,937	101,209	1,117,209
Bluewater Power	<u>593,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>593,670</u>
	<u>7,657,633</u>	<u>238,594</u>	<u>567,180</u>	<u>10,777,597</u>	<u>89,743</u>	<u>2,224,329</u>	<u>119,475</u>	<u>21,674,551</u>
Expenditures								
Salaries and benefits	802,126	285,895	483,753	303,587	65,194	1,240,592	85,756	3,266,903
Materials and supplies	331,800	290,220	366,977	869,705	32,568	1,062,045	165,007	3,118,322
Contracted services	216,973	1,014,441	13,467	1,350,865	-	538,422	8,955	3,143,123
Interest on long term debt	1,180	-	38,457	248,608	-	6,923	13,766	308,934
Amortization	202,108	45,395	602,273	1,552,650	5,404	324,591	29,986	2,762,407
Other	<u>20,492</u>	<u>60,390</u>	<u>-</u>	<u>65,084</u>	<u>-</u>	<u>17,635</u>	<u>700</u>	<u>164,301</u>
	<u>1,574,679</u>	<u>1,696,341</u>	<u>1,504,927</u>	<u>4,390,499</u>	<u>103,166</u>	<u>3,190,208</u>	<u>304,170</u>	<u>12,763,990</u>
Annual Surplus (Deficit)	<u>\$6,082,954</u>	<u>\$(1,457,747)</u>	<u>\$(937,747)</u>	<u>\$6,387,098</u>	<u>\$(13,423)</u>	<u>\$(965,879)</u>	<u>\$(184,695)</u>	<u>\$8,910,561</u>

Notes continued on page 23....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2020

17. COVID-19 Impact

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

The Municipality has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Deferred 2020 property tax: water and sewer late payment interest and penalties for 5 months.
- No increase to tax rates for 2020 as the approved budget had a zero percent increase.
- Temporarily started closing Municipal facilities for walk-in access on March 13, 2020. Town Hall closed when required by Public Health regulations, but critical municipal services were maintained throughout the pandemic. Town Hall reopened again to the public June 14, 2021, with appropriate COVID-19 safety protocols in place
- Working from home requirements have been setup for those able to do so, as well as segregated work units.
- Some part-time and seasonal employees as well as contractors have been temporarily or permanently terminated.
- The federal and provincial governments provided the Town with COVID-19 operating financial relief under the COVID-19 Safe Restart Agreement.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. In the face of this pandemic, the Municipality has adopted several specific measures, which include the cancellation of festivals, events and public gatherings, as well as the closure, until further notice, of several cultural and sports facilities. Estimates and assumptions have been made by management to try and quantify the financial effect of these activities. A detailed review of Budget 2020 was conducted and the results of this work was presented to Council in May 2020 in the form of an updated Budget 2020 Forecast. Management worked to manage all aspects of the budget very closely.



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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of the Corporation of the Town of Petrolia - Trust Funds (the Trust Funds) which comprise the statement of financial position as at December 31, 2020, the statement of continuity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Petrolia - Trust Funds as at December 31, 2020 and the results of its operations 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 Trust Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Trust Funds' 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 Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Funds' 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 Trust Funds' 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 Trust Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Sarnia, Ontario
June 28, 2021

Chartered Professional Accountants
Licensed Public Accountants

**The Corporation of the Town of Petrolia
Trust Funds
Statement of Financial Position
For the Year Ended December 31, 2020**

Assets	Care and Maintenance Cemetery				
	Total	Englehart	Burley Fulton	Colvin	
Cash	\$ 299,906	\$ 290,101	\$ 1,012	\$ 5,232	\$ 3,561
Due from the Corporation of the Town of Petrolia	6,605	6,605	-	-	-
Investments	<u>139,832</u>	<u>139,832</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance	\$ <u>446,343</u>	\$ <u>436,538</u>	\$ <u>1,012</u>	\$ <u>5,232</u>	\$ <u>3,561</u>

**The Corporation of the Town of Petrolia
Statement of Continuity
December 31, 2020**

	Care and Maintenance Cemetery				
	Total	Englehart	Burley Fulton	Colvin	
Balance, Beginning of year	\$ <u>435,582</u>	\$ <u>425,922</u>	\$ <u>996</u>	\$ <u>5,156</u>	\$ <u>3,508</u>
Receipts					
Care and maintenance Interest earned (net of service charges)	10,616	10,616	-	-	-
	<u>7,079</u>	<u>6,934</u>	<u>16</u>	<u>76</u>	<u>53</u>
	<u>17,695</u>	<u>17,550</u>	<u>16</u>	<u>76</u>	<u>53</u>
Expenditures					
Transfer to the Corporation of the Town of Petrolia	<u>6,934</u>	<u>6,934</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>446,343</u>	\$ <u>436,538</u>	\$ <u>1,012</u>	\$ <u>5,232</u>	\$ <u>3,561</u>

**The Corporation of the Town of Petrolia
Trust Funds
Statement of Financial Position
For the Year Ended December 31, 2019**

Assets	Total				
	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin	
Cash	\$ 268,472	\$ 258,812	\$ 996	\$ 5,156	\$ 3,508
Due from the Corporation of the Town of Petrolia	6,841	6,841	-	-	-
Investments	<u>160,269</u>	<u>160,269</u>	-	-	-
Fund Balance	\$ <u>435,582</u>	\$ <u>425,922</u>	\$ <u>996</u>	\$ <u>5,156</u>	\$ <u>3,508</u>

**The Corporation of the Town of Petrolia
Statement of Continuity
December 31, 2019**

	Total				
	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin	
Balance, Beginning of year	\$ <u>424,955</u>	\$ <u>415,532</u>	\$ <u>970</u>	\$ <u>5,029</u>	\$ <u>3,422</u>
Receipts					
Care and maintenance Interest earned	10,390	10,390	-	-	-
(net of service charges)	<u>8,427</u>	<u>8,188</u>	<u>26</u>	<u>127</u>	<u>86</u>
	<u>18,817</u>	<u>18,578</u>	<u>26</u>	<u>127</u>	<u>86</u>
Expenditures					
Transfer to the Corporation of the Town of Petrolia	<u>8,188</u>	<u>8,188</u>	-	-	-
Balance, end of year	\$ <u>435,582</u>	\$ <u>425,922</u>	\$ <u>996</u>	\$ <u>5,156</u>	\$ <u>3,508</u>

Corporation Of The Town of Petrolia
Trust Funds
Notes to Financial Statements
December 31, 2020

1. Accounting Policy

Management Responsibility

The financial statement of The Corporation of the Town of Petrolia - Trust Funds are the representations of management. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.

Basis Of Accounting

Investment income is reported on a cash basis

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

2. 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.