

The Corporation Of The Town Of Petrolia

**Financial Statements
December 31, 2021**

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

Phone: (519)882-2350 • Fax: (519)882-3373 • Theatre: (800)717-7694

411 Greenfield Street, Petrolia, ON, N0N 1R0

www.town.petrolia.on.ca



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, 2021

Contents

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Changes in Net Financial Assets.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7
Trust Funds Financial Statements	24
Trust Funds Independent Auditor's Report	24
Trust Funds Statement of Financial Position – December 31, 2021.....	26
Trust Funds Statement of Continuity – December 31, 2020	26
Trust Funds Statement of Financial Position – December 31, 2021	27
Trust Funds Statement of Continuity – December 31, 2020	27
Trust Funds Notes to the Financial Statements.....	28

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, 2021 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, 2021 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.

AUDIT – TAX – ADVISORY

Baker Tilly Sarnia LLP trading as Baker Tilly is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

**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 27, 2022**

**Chartered Professional Accountants
Licensed Public Accountants**

Corporation of the Town of Petrolia
Statement Of Financial Position
December 31, 2021

	2021	2020
Assets		
Financial Assets		
Cash (note 3)	\$ 8,058,872	\$ 7,919,528
Taxes and interest receivable (payable)	197,515	(40,134)
Accounts receivable	1,528,442	1,662,905
Land available for sale	229,458	229,458
Investment in Bluewater Power Corporation (note 4)	<u>5,910,841</u>	<u>5,487,875</u>
Total financial assets	<u>15,925,128</u>	<u>15,259,632</u>
Liabilities		
Accounts payable and accrued liabilities	1,249,483	1,416,406
Other current liabilities	739,444	479,682
Interest on municipal debt	75,873	81,227
Municipal debt (note 5)	7,832,546	8,462,523
Deferred revenue (note 6)	<u>1,187,712</u>	<u>541,801</u>
Total liabilities	<u>11,085,058</u>	<u>10,981,639</u>
Net Financial Assets	<u>4,840,070</u>	<u>4,277,993</u>
Non-Financial Assets		
Tangible capital assets (note 7)	96,571,557	95,757,781
Prepaid expenses	<u>198,546</u>	<u>224,532</u>
Total non-financial assets	<u>96,770,103</u>	<u>95,982,313</u>
Accumulated Surplus (note 8)	<u>\$ 101,610,173</u>	<u>\$ 100,260,306</u>

Contingencies and Commitments (note 9)

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, 2021

	Budget 2021 (note 10)	Actual 2021	Actual 2020
Revenues			
Taxation	\$ 5,909,075	\$ 6,259,773	\$ 5,889,953
Water and sewage charges	3,693,828	3,005,217	3,009,829
Fees and user charges	1,784,240	457,921	309,396
Fees and user charges - other municipalities	1,656,425	1,283,526	1,781,661
Grants (note 14)	1,420,949	1,365,414	2,052,961
Other	836,670	954,991	453,989
Bluewater Power Corporation	<u>490,000</u>	<u>422,966</u>	<u>358,366</u>
Total revenues	<u>15,791,187</u>	<u>13,749,808</u>	<u>13,856,155</u>
Expenditures			
General government	1,425,112	1,575,172	1,633,608
Protection services	1,873,785	2,040,466	1,958,485
Transportation services	1,394,724	1,425,762	1,319,795
Environmental services	4,569,474	4,549,371	4,678,559
Health services	116,881	134,040	103,566
Recreation and cultural services	2,912,966	2,310,069	1,994,840
Planning and development	<u>345,614</u>	<u>365,061</u>	<u>364,044</u>
Total expenditures	<u>12,638,556</u>	<u>12,399,941</u>	<u>12,052,897</u>
Annual Surplus of Revenues over Expenditures	3,152,631	1,349,867	1,803,258
Accumulated Surplus, Beginning Of Year	<u>100,260,306</u>	<u>100,260,306</u>	<u>98,457,048</u>
Accumulated Surplus, End Of Year	<u>\$ 103,412,937</u>	<u>\$ 101,610,173</u>	<u>\$ 100,260,306</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, 2021

	Budget 2021 (note 10)	Actual 2021	Actual 2020
Annual surplus	\$ 3,152,631	\$ 1,349,867	\$ 1,803,258
Amortization of tangible capital assets	3,135,279	3,135,279	3,063,768
Change in prepaid expenses	-	25,986	1,343,600
Gain (Loss) on sale of tangible capital assets	-	79,338	(7,422)
Proceeds from sale of tangible assets	-	36,054	15,885
Acquisition of tangible capital assets	<u>(4,064,447)</u>	<u>(4,064,447)</u>	<u>(3,239,148)</u>
Net change in net financial assets	2,223,463	562,077	2,979,941
Net financial assets, beginning of year	<u>4,277,993</u>	<u>4,277,993</u>	<u>1,298,052</u>
Net financial assets, end of year	<u><u>\$ 6,501,456</u></u>	<u><u>\$ 4,840,070</u></u>	<u><u>\$ 4,277,993</u></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, 2021

	2021	2020
Operating Activities		
Annual surplus	\$ 1,349,867	\$ 1,803,258
Items not requiring cash:		
Amortization and non-cash items	3,079,321	2,979,298
Share of net income of Bluewater Power Distribution	(422,966)	(114,594)
Gain (Loss) on disposal of tangible capital assets	<u>79,338</u>	<u>(7,422)</u>
	4,085,560	4,660,540
Taxes and interest receivable	(237,649)	(29,712)
Accounts receivable	134,463	3,599,942
Land available for sale	-	(229,458)
Accounts payable and accrued liabilities	92,839	(3,916,574)
Interest on municipal debt	(5,354)	(5,181)
Deferred revenue	645,911	129,284
Prepaid expenses	<u>25,986</u>	<u>1,343,600</u>
	<u>4,741,756</u>	<u>5,552,441</u>
Capital Transactions		
Proceeds from sale of tangible assets	36,054	15,885
Acquisition of tangible capital assets	<u>(4,141,947)</u>	<u>(3,239,148)</u>
	<u>(4,105,893)</u>	<u>(3,223,263)</u>
Investing Transactions		
Repayment of long-term receivable	-	50,000
Dividend from Bluewater Power Corporation	<u>133,458</u>	<u>143,894</u>
	<u>133,458</u>	<u>193,894</u>
Financing Transactions		
Repayment of municipal debt	<u>(629,977)</u>	<u>(609,736)</u>
	<u>(629,977)</u>	<u>(609,736)</u>
Net Change in Cash and Cash Equivalents	139,344	1,913,336
Opening Balance, Cash and Cash Equivalents	<u>7,919,528</u>	<u>6,006,192</u>
Closing Balance, Cash and Cash Equivalents	<u>\$ 8,058,872</u>	<u>\$ 7,919,528</u>

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

1. Significant Accounting Policies

The Financial Statements of the Corporation of the Town of Petrolia (the "Municipality") 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 Municipality 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 Municipality 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.

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.

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 the Municipality's 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 Municipality 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 Municipality 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 Municipality 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, 2021

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	2021 Total	2020 Total
Taxation	\$ 1,426,106	\$ 2,829,442	\$ 4,255,548	\$ 4,287,844
Share of payments in lieu of taxes	<u>-</u>	<u>20,691</u>	<u>20,691</u>	<u>38,831</u>
	<u>1,426,106</u>	<u>2,850,133</u>	<u>4,276,239</u>	<u>4,326,675</u>
Share of taxes written off	-	2,356	2,356	15,664
Share of tax rebates and capping adjustments	<u>1,154</u>	<u>1,917</u>	<u>3,071</u>	<u>6,095</u>
	<u>1,154</u>	<u>4,273</u>	<u>5,427</u>	<u>21,759</u>
Amounts transferred	<u>\$ 1,424,952</u>	<u>\$ 2,845,860</u>	<u>\$ 4,270,812</u>	<u>\$ 4,304,916</u>

3. Cash and Short-Term Investments

	2021	2020
Unrestricted	<u>\$ 8,058,872</u>	<u>\$ 7,919,528</u>

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

4. Hydro Investments

In recognition of the requirements of Bill 35 (The Energy Competition Act, 1998) the Municipality, 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.

Notes continued on page 11....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2021

4. Hydro Investments cont'd...

The investment is composed of the following:

	2021	2020
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>3,152,764</u>	<u>2,729,798</u>
	<u>\$ 5,910,841</u>	<u>\$ 5,487,875</u>
Continuity of Investment		
Balance, beginning of year	\$ <u>5,487,875</u>	\$ <u>5,373,281</u>
Share of net income for the year	556,424	345,055
Prior year adjustment	-	(86,567)
Dividends received during the year	<u>133,458</u>	<u>143,894</u>
Net increase in equity during the year	<u>422,966</u>	<u>114,594</u>
Balance, end of year	<u>\$ 5,910,841</u>	<u>\$ 5,487,875</u>

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 2021, the Town of Petrolia received \$99,878 (2020 - \$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.

Bluewater Power Corporation - Financial Position	2021	2020
Assets		
Current assets	\$ 31,147,750	\$ 31,820,186
Property, plant and equipment	89,339,408	83,109,097
Other assets	<u>8,040,772</u>	<u>8,268,927</u>
Total assets	<u>128,527,930</u>	123,198,210
Regulatory balances	<u>6,602,712</u>	<u>5,731,053</u>
Total assets and regulatory balances	<u>\$ 135,130,642</u>	<u>\$ 128,929,263</u>

Notes continued on page 12....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2021

4. Hydro Investments cont'd...

Liabilities		
Current liabilities	\$ 25,548,180	\$ 23,303,815
Long-term liabilities	<u>45,181,373</u>	<u>46,369,834</u>
	<u>70,729,553</u>	<u>69,673,649</u>
Equity		
Share capital	18,032,105	18,032,105
Retained earnings	45,404,161	40,720,749
Accumulated other comprehensive loss	<u>(2,567,698)</u>	<u>(3,631,104)</u>
Total equity	<u>60,868,568</u>	<u>55,121,750</u>
Total liabilities and equity	131,598,121	124,795,399
Regulatory balances	<u>3,532,521</u>	<u>4,133,864</u>
Total Liabilities, Equity and Regulatory Balances	<u>\$ 135,130,642</u>	<u>\$ 128,929,263</u>
Bluewater Power Corporation - Results of Operations		
Revenues	\$ 134,872,866	\$ 146,388,973
Expenditures	128,889,680	140,209,769
Income tax expense	<u>1,777,000</u>	<u>2,074,000</u>
Net income for the year	4,206,186	4,105,204
Net gain (loss) from discontinued operation, net of tax	1,084,508	(171,329)
Net movement in regulatory balances, net of tax	1,206,002	1,756,284
Other comprehensive income (loss) for the year	<u>1,063,406</u>	<u>(1,001,905)</u>
Total comprehensive income for the year	<u>\$ 7,560,102</u>	<u>\$ 4,688,254</u>
Town of Petrolia Share of Net Income @ 7.36%	<u>\$ 556,424</u>	<u>\$ 345,055</u>
Prior year adjustment	<u>\$ -</u>	<u>\$ (86,567)</u>
Dividends	<u>\$ 1,813,284</u>	<u>\$ 1,955,088</u>
Town of Petrolia, dividend @ 7.36%	<u>\$ 133,458</u>	<u>\$ 143,894</u>
Net Increase in Equity During the Year	<u>\$ 422,966</u>	<u>\$ 114,594</u>

Notes continued on page 13....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2021

5. Municipal Debt

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

	2021	2020
CMHC loan, bearing interest at 3.99%, repayable in blended annual payments of \$111,269, due November, 2024.	\$ 308,841	\$ 403,991
CMHC loan, bearing interest at 3.97%, repayable in blended annual payments of \$78,174, due December, 2024.	217,065	283,966
Ontario infrastructure debenture, bearing interest at 2.29%, repayable in blended semi - annual payments of \$53,416, due October, 2025.	406,128	502,010
Ontario infrastructure debenture, bearing interest at 3.17%, repayable in blended semi - annual payments of \$37,916, due February, 2027.	379,989	442,290
Ontario infrastructure debenture, bearing interest at 3.27%, repayable in blended semi - annual payments of \$171,283, due October, 2037.	4,241,382	4,440,361
Ontario infrastructure debenture, bearing interest at 3.33%, repayable in blended semi - annual payments of \$94,717, due February, 2037.	<u>2,279,141</u>	<u>2,389,905</u>
	<u>\$ 7,832,546</u>	<u>\$ 8,462,523</u>

(b) Principal repayments are as follows:

2022	\$ 650,908
2023	672,551
2024	694,931
2025	528,630
2026	364,664
2027 to 2030	1,583,758
Thereafter	<u>3,337,104</u>
	<u>\$ 7,832,546</u>

(c) Total interest charges for the year for municipal debt which is reported on the statement of financial position was \$268,775 (2020 - \$289,191).

(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.

Notes continued on page 14....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2021

6. Deferred Revenue	2021	2020
----------------------------	-------------	-------------

The deferred revenue is comprised of the following:

OCIF grant	\$ 339,996	\$ -
MMAH efficiency grant	187,329	230,295
MMAH COVID Phase II grant	12,164	30,000
Cannabis legislation grant	20,668	15,484
Canada gas tax funding	<u>627,555</u>	<u>266,022</u>
	<u>\$ 1,187,712</u>	<u>\$ 541,801</u>

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

Balance, beginning	\$ 541,801	\$ 412,517
OCIF funding - formula based grant	338,441	338,441
Canada Community-Building Fund (Federal GasTax)	357,174	174,191
MMAH COVID Phase II grant	96,386	30,000
Investment income	8,877	10,109
Ontario Cannabis Legalization Implementation	<u>5,000</u>	<u>-</u>
	<u>1,347,679</u>	<u>965,258</u>
Utilization of reserve funds - tangible capital assets	26,715	-
Utilization of reserve funds - current operations	<u>133,252</u>	<u>423,457</u>
Balance, ending	<u>\$ 1,187,712</u>	<u>\$ 541,801</u>

Notes continued on page 15....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2021

7. Tangible Capital Assets

Asset Cost 2021

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 1,467,544	\$ 1,405,135	\$ 18,763,170	\$ 3,518,568	\$ 2,858,382	\$ 112,690,115	\$ 1,148,473	\$ 141,851,387
Additions	111,000	50,851	344,755	571,432	31,672	1,127,324	2,749,454	4,986,488
Disposals	<u>39,148</u>	<u>-</u>	<u>-</u>	<u>18,830</u>	<u>88,481</u>	<u>198,868</u>	<u>922,041</u>	<u>1,267,368</u>
Balance, ending	<u>\$ 1,539,396</u>	<u>\$ 1,455,986</u>	<u>\$ 19,107,925</u>	<u>\$ 4,071,170</u>	<u>\$ 2,801,573</u>	<u>\$ 113,618,571</u>	<u>\$ 2,975,886</u>	<u>\$ 145,570,507</u>

Accumulated Amortization

Balance, beginning	\$ -	\$ 582,092	\$ 7,237,743	\$ 2,082,466	\$ 976,778	\$ 35,214,527	\$ -	\$ 46,093,606
Amortization	-	30,210	783,207	324,373	144,871	1,852,618	-	3,135,279
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,182</u>	<u>81,014</u>	<u>136,739</u>	<u>-</u>	<u>229,935</u>
Balance, ending	<u>\$ -</u>	<u>\$ 612,302</u>	<u>\$ 8,020,950</u>	<u>\$ 2,394,657</u>	<u>\$ 1,040,635</u>	<u>\$ 36,930,406</u>	<u>\$ -</u>	<u>\$ 48,998,950</u>

Net Book Value

Value	<u>\$ 1,539,396</u>	<u>\$ 843,684</u>	<u>\$ 11,086,975</u>	<u>\$ 1,676,513</u>	<u>\$ 1,760,938</u>	<u>\$ 76,688,165</u>	<u>\$ 2,975,886</u>	<u>\$ 96,571,557</u>
--------------	----------------------------	--------------------------	-----------------------------	----------------------------	----------------------------	-----------------------------	----------------------------	-----------------------------

Asset Cost 2020

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 1,467,544	\$ 1,405,135	\$ 18,681,886	\$ 3,389,226	\$ 1,707,456	\$ 111,044,207	\$ 1,176,558	\$ 138,872,012
Additions	-	-	81,284	134,022	1,328,426	1,723,501	1,094,827	4,362,060
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,680</u>	<u>177,500</u>	<u>77,593</u>	<u>1,122,912</u>	<u>1,382,685</u>
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>\$ 112,690,115</u>	<u>\$ 1,148,473</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	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,680</u>	<u>176,500</u>	<u>70,130</u>	<u>-</u>	<u>251,310</u>
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>\$ 46,093,606</u>

Net Book Value

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>\$ 95,757,781</u>
--------------	----------------------------	--------------------------	-----------------------------	----------------------------	----------------------------	-----------------------------	----------------------------	-----------------------------

Assets Under Construction

Assets under construction having a value of \$2,975,886 (2020 - \$1,148,473) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Works Of Art And Historical Treasures

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

Writedown Of Tangible Capital Assets

The writedown of tangible capital assets during the year was \$NIL (2020 - \$NIL).

Notes continued on page 16....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2021

8. Accumulated Surplus	2021	2020
------------------------	------	------

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

Surplus

Invested in tangible capital assets	\$ 96,571,557	\$ 95,757,781
Reduce from future taxation	122,191	107,801
Equity in Bluewater Power Corporation	5,910,841	5,487,875
Unfunded	<u>(8,710,942)</u>	<u>(8,543,751)</u>
	<u>\$ 93,893,647</u>	<u>\$ 92,809,706</u>

Reserves set aside for specific purposes by Council for:

Working capital	\$ 3,558,418	\$ 3,991,617
Budget stabilization	130,032	130,032
Cemetery	16,286	39,252
Elections	13,000	8,000
Insurance	70,000	50,000
Library	6,488	6,488
Other unspecified	865,284	35,375
Other cultural	678,006	588,807
Parks	2,095	2,635
Planning	1,325	8,356
Recreation facilities	419,061	409,881
Recreation programs	25,301	19,809
Sewage	864,915	1,325,101
Waterworks	<u>1,066,315</u>	<u>835,247</u>
Total Reserves	<u>\$ 7,716,526</u>	<u>\$ 7,450,600</u>
Accumulated Surplus	<u>\$ 101,610,173</u>	<u>\$ 100,260,306</u>

Notes continued on page 17....

9. 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 Municipality 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 Municipality 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 Municipality 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 ("OHDCC")

As part of the condition of receiving the Ontario SuperBuild Corporation grant of \$1,686,000 used in financing the construction of the OHDCC, the Municipality may not transfer ownership of the OHDCC until March 31, 2027 unless the Municipality 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 Municipality 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 OHDCC and the Ontario SuperBuild Corporation grant as the Municipality 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.

10. Budget Data

The unaudited budget data presented in these financial statements is based upon the 2021 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 Municipality's council with the following adjustments.

Notes continued on page 18....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2021

10. Budget Data cont'd...

	2021
	Budget Amount
Budgeted surplus for the year	\$ 1,327,559
Adjustments to budgeted deficit:	
Debt principal repayments	629,977
Capital expenditures	4,064,448
Net reserve transfers	265,926
Amortization	<u>(3,135,279)</u>
Annual budgeted surplus	<u>\$ 3,152,631</u>

11. 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 2021 was \$180,729 (2020 - \$173,272) for current service. Employers contributions for current service are included as an expense in the consolidated Statement of Financial Activity.

12. Trust Funds

Trust funds administered by the Municipality amounting to \$445,182 (2020 - \$446,343) are not included in the Statement of Financial Position nor have their operations been included in the Statement of Financial Activities.

13. Comparative Figures

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

Notes continued on page 19....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2021

14. Grants	2021	2020
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 900,400	\$ 897,400
COVID-19 Safe Restart Agreement	133,252	618,600
Celebrate Ontario	198,000	59,813
FCM Asset Management	-	11,958
AMO Grant	-	17,426
Efficiency Reserve	-	27,779
Downtown BPA	-	7,032
Community Events	-	20,000
Stewardship Ontario	<u>51,714</u>	<u>53,016</u>
	<u>1,283,366</u>	<u>1,713,024</u>
Government of Canada		
Heritage Program	8,475	13,475
Program Support	<u>46,858</u>	<u>31,098</u>
	<u>55,333</u>	<u>44,573</u>
Total Operating	\$ <u>1,338,699</u>	\$ <u>1,757,597</u>
Capital		
Province of Ontario		
Ontario Community Infrastructure Fund	-	338,441
Small Community Fund	-	(50,157)
Other Provincial Capital Grants	<u>26,715</u>	<u>57,237</u>
	<u>26,715</u>	345,521
Government of Canada		
Small Community Fund	<u>-</u>	<u>(50,157)</u>
Total Capital	\$ <u>26,715</u>	\$ <u>295,364</u>
Total Grants	\$ <u>1,365,414</u>	\$ <u>2,052,961</u>

Notes continued on page 20....

15. Segmented Information

The Corporation of the Town of Petrolia is a diversified municipal government institution that provides a wide range of services to its 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 Municipality 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 Municipality'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 Municipality'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 Municipality'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 Municipality also provides recreational programs and library facilities.

Planning and Development Services

The Municipality 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, 2021

15. Segmented Information cont'd...

For the Year Ended December 31, 2021

	General Government	Protection Services	Transport. Services	Environ. Services	Health Services	Recreation Services	Planning Development	Total
Revenue								
Taxation	\$6,259,773	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$6,259,773
Water and sewer charges	-	-	-	3,005,217	-	-	-	3,005,217
Fees and User charges	13,039	11,124	-	209	75,465	329,544	28,540	457,921
Fees and User charges Other municipalities	-	293,780	-	972,865	7,500	9,381	-	1,283,526
Grants	1,072,859	8,401	-	51,714	-	232,440	-	1,365,414
Other	495,655	-	50,000	15,000	-	265,550	128,786	954,991
Bluewater Power	<u>422,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,966</u>
	<u>8,264,292</u>	<u>313,305</u>	<u>50,000</u>	<u>4,045,005</u>	<u>82,965</u>	<u>836,915</u>	<u>157,326</u>	<u>13,749,808</u>
Expenditures								
Salaries and benefits	808,951	303,125	308,558	394,047	72,459	699,615	131,152	2,717,907
Materials and supplies	507,716	488,680	390,705	800,120	45,682	743,909	177,819	3,154,631
Contracted services	42,336	1,081,402	14,848	1,303,946	9,769	490,146	15,380	2,957,827
Interest on long term debt	835	-	26,462	225,847	-	5,113	10,518	268,775
Amortization	211,909	133,686	628,679	1,804,793	6,130	319,890	30,192	3,135,279
Other	<u>3,425</u>	<u>33,573</u>	<u>56,510</u>	<u>20,618</u>	<u>-</u>	<u>51,396</u>	<u>-</u>	<u>165,522</u>
	<u>1,575,172</u>	<u>2,040,466</u>	<u>1,425,762</u>	<u>4,549,371</u>	<u>134,040</u>	<u>2,310,069</u>	<u>365,061</u>	<u>12,399,941</u>
Annual Surplus (Deficit)	<u>\$6,689,120</u>	<u>\$(1,727,161)</u>	<u>\$(1,375,762)</u>	<u>\$(504,366)</u>	<u>\$(51,075)</u>	<u>\$(1,473,154)</u>	<u>\$(207,735)</u>	<u>\$1,349,867</u>

Notes continued on page 22....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2021

15. 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>8,031,485</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>\$6,397,877</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>

Notes continued on page 23....

16. 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:

- 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.

In 2021 the Municipality had adopted several specific measures, which include the cancellation of festivals, events and public gatherings, as well as the closure 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 the 2021 Budget was conducted, and the results of this work was presented to Council. Management worked to manage all aspects of the budget very closely.

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, 2021, 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, 2021 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.

AUDIT – TAX – ADVISORY

Baker Tilly Sarnia LLP trading as Baker Tilly is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

**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 27, 2022**

**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, 2021

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Assets					
Cash	\$ 395,701	\$ 385,798	\$ 1,023	\$ 5,283	\$ 3,597
Due from the Corporation of the Town of Petrolia	11,697	11,697	-	-	-
Investments	<u>57,784</u>	<u>57,784</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance	<u>\$ 465,182</u>	<u>\$ 455,279</u>	<u>\$ 1,023</u>	<u>\$ 5,283</u>	<u>\$ 3,597</u>

The Corporation of the Town of Petrolia
Statement of Continuity
December 31, 2021

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Balance, Beginning of year	<u>\$ 446,343</u>	<u>\$ 436,538</u>	<u>\$ 1,012</u>	<u>\$ 5,232</u>	<u>\$ 3,561</u>
Receipts					
Care and maintenance	18,741	18,741	-	-	-
Interest earned (net of service charges)	<u>5,579</u>	<u>5,481</u>	<u>11</u>	<u>51</u>	<u>36</u>
	<u>24,320</u>	<u>24,222</u>	<u>11</u>	<u>51</u>	<u>36</u>
Expenditures					
Transfer to the Corporation of the Town of Petrolia	<u>5,481</u>	<u>5,481</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 465,182</u>	<u>\$ 455,279</u>	<u>\$ 1,023</u>	<u>\$ 5,283</u>	<u>\$ 3,597</u>

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

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Assets					
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

	Total	Care and Maintenance Cemetery	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	10,616	10,616	-	-	-
Interest earned (net of service charges)	<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>

Corporation Of The Town of Petrolia
Trust Funds
Notes to Financial Statements
December 31, 2021

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.